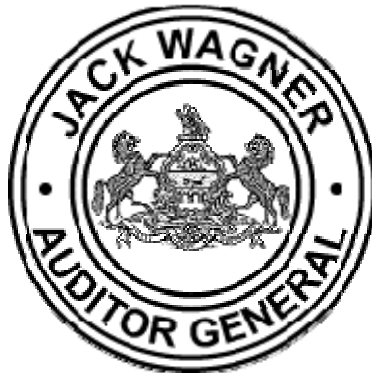


**Commonwealth of Pennsylvania**  
**Department of Public Welfare**  
**South Mountain Restoration Center**  
**July 1, 2002, to March 25, 2005**  
**Performance Audit**





**Commonwealth of Pennsylvania**  
**Department of Public Welfare**  
**South Mountain Restoration Center**  
**July 1, 2002, to March 25, 2005**  
**Performance Audit**



June 26, 2006

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

This report contains the results of a performance audit of the South Mountain Restoration Center for the period July 1, 2002, to March 25, 2005. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes continued weaknesses in the documentation of non-abuse complaints investigation and resolution. The contents of the report were discussed with the officials of the South Mountain Restoration Center, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of South Mountain Restoration Center, and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER  
Auditor General



# Table of Contents

	Page
<b>Background Information .....</b>	<b>1</b>
Department of Public Welfare – Office of Mental Health and Substance Abuse Services .....	1
Bureau of State Hospital Operations .....	1
County Mental Health System.....	2
South Mountain Restoration Center .....	2
<b>Objectives, Scope, and Methodology .....</b>	<b>4</b>
<b>Chapter I – Health Insurance Portability and Accountability Act .....</b>	<b>5</b>
Objective and Methodology.....	5
Audit Results.....	6
Finding I-1 – South Mountain complied with HIPAA privacy regulations. ....	6
<b>Chapter II – Non-abuse Complaints.....</b>	<b>8</b>
Objectives and Methodology .....	8
Audit Results.....	9
Finding II-1 – Non-abuse complaints investigation and resolution documentation weaknesses still exist.....	9
<b>Status of Prior Audit Findings and Recommendations .....</b>	<b>11</b>
Objectives and Methodology .....	11
Prior Audit Findings .....	11
Finding I-1 – The Center did not adequately track and monitor abuse complaints. ....	11
Finding I-2 – Non-abuse complaints were not documented, tracked, or resolved. ....	12
Finding I-3 – Complaint referral information was not readily available or was unreliable.....	12
Finding II-2 – Direct care personnel may not have received adequate training.....	13
Finding III-2 – Center staff did not effectively monitor contracted vendor performance.....	13
<b>Audit Report Distribution List.....</b>	<b>14</b>





## **Background Information**

### **Department of Public Welfare – Office of Mental Health and Substance Abuse Services**

The Office of Mental Health and Substance Abuse Services, under the Department of Public Welfare (DPW), operates under the following vision statement:

*Every person with a serious mental illness and/or addictive disease, and every child and adolescent who abuses substances and/or has a serious emotional disturbance will have the opportunity for growth, recovery, and inclusion in their community, have access to services and supports of their choice, and enjoy a quality of life that includes family and friends.*

Over the past 30 years, the Commonwealth's public mental health program has changed from a main emphasis on state mental health hospitals to an emphasis on community mental health services. Behavioral health services range from community to hospital programs with emphasis on helping children, adolescents, and adults to remain in their communities. Community-based services are emphasized, with the goal to help people who have serious mental illness or serious emotional disturbance break the cycle of repeated hospital or residential admissions. The range of services includes outpatient, short-term inpatient hospital care, emergency crisis intervention services, counseling, information, referral, and case management services.

In addition, DPW operates nine state hospitals for persons with serious mental illness, which provide special intensive treatment services for patients needing extended psychiatric inpatient services. Admission of persons committed under the Mental Health Procedures Act is made through the County Mental Health/Mental Retardation program after the community has provided short-term treatment.

### **Bureau of State Hospital Operations**

The primary purpose of the Bureau of Hospital Operations (Bureau) is to ensure state-of-the-art inpatient treatment to persons committed under the Mental Health Procedures Act to the nine state mental hospitals. The Bureau also ensures that individuals who come for service develop the skills, resources, and supports needed for recovery and are able to return to the community.

The Bureau oversees and manages nine state-owned and operated mental hospitals and one restoration center, including three maximum-security forensic units for persons with serious mental illness who are charged with, or convicted of, criminal offenses.

## **Background Information**

Since all patients are admitted through the County Mental Health system, the Bureau collaborates with county, local hospital and community provider staff, constituents, and other stakeholders to establish effective community/hospital linkages and continuity of care for patients discharged back into the community. The Bureau collaborates with other Office of Mental Health and Substance Abuse Services bureaus and divisions in planning, developing, and implementing community integration initiatives as a resource for expanding community-based services to enhance the Commonwealth's development of a recovery-supporting approach to service.

### **County Mental Health System**

The Pennsylvania Mental Health/Mental Retardation Act of 1966 and its implementing regulations require county governments to provide community mental health services including short-term inpatient treatment, partial hospitalization, outpatient care, emergency services, specialized rehabilitation training, vocational rehabilitation, and residential arrangements.

The 67 Commonwealth counties are divided into 45 single or multi-county service units. A single entry point for services has been established by regulations in each service area. Community mental health services are administered through county Mental Health/Mental Retardation (MH/MR) program offices. These offices are part of county government and are overseen by a county MH/MR administrator. The offices determine a person's eligibility for service funding, assess the need for treatment or other services, and make referrals to appropriate programs to fit treatment and/or other service needs.

The cost of these services will vary depending upon the type of service. The Commonwealth's Medical Assistance Program, either through a managed care organization or the traditional fee-for-service system, pays for many of these services, when rendered to eligible individuals. The offices assess the ability to pay for those users who are not on Medical Assistance and are without access to other insurance.

### **South Mountain Restoration Center**

South Mountain Restoration Center (South Mountain) is a licensed nursing facility that provides long-term care to persons 40 years of age or older, upon discharge and referral from the other state mental health facilities, state correctional facilities, and a variety of other sources from throughout the Commonwealth. South Mountain is located in the town of South Mountain, Franklin County, approximately 70 miles southwest of Harrisburg. South Mountain's established mission is to:

*“provide the highest quality of care and services to our residents in order to assist them to achieve their full potential.”*

South Mountain is a fully licensed nursing facility, certified for participation in both Medicare and Medicaid, and is accredited by the Joint Commission on Accreditation of

## **Background Information**

Health Care Organizations. South Mountain provides a full range of nursing care, occupational therapy, physical therapy, speech therapy, and social work services. South Mountain's physical plant consists of approximately 30 buildings situated on approximately 327 acres of land. South Mountain's chief executive officer administers the day-to-day management functions with the assistance of management personnel. Additionally, a nine-member board of trustees has been established to provide advisory services.

The following schedule presents selected unaudited operating data for South Mountain for the fiscal years ended June 30, 2003, and 2004:

	<u>2003</u>	<u>2004</u>
Operating expenditures (rounded in thousands) <sup>1</sup>		
Personnel services	\$ 18,570	\$ 18,431
Operational expenses	<u>4,563</u>	<u>4,355</u>
Totals	\$ 23,133	\$ 22,786
Employee complement positions		
Filled positions	323	324
Vacant positions	<u>21</u>	<u>20</u>
Totals	344	344
Total bed capacity	260	143
Total available days of care	94,900	52,338
Average daily client population <sup>2</sup>	152	142
Total client days of care	55,615	51,892
Percent utilization (based on client days of care)	58.6%	99.15%
Average daily cost per client <sup>3</sup>	\$415.95	\$434.98
Average annual cost per client <sup>4</sup>	\$151,822	\$159,203

---

<sup>1</sup> Operating expenses were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation. In addition, region and department level direct and indirect charges were not allocated to the totals reported here.

<sup>2</sup> Average daily client population was calculated by dividing the actual client days of care for the year by the number of calendar days in the year.

<sup>3</sup> Average daily cost per client was calculated by dividing the total operating expenses by the actual client days of care. Note, this rate is not the same as a certified per diem rate since the total operating expenses exclude depreciation and allocated direct and indirect costs from region and department level offices.

<sup>4</sup> Annual average cost per client was calculated by multiplying the average daily cost per client by the number of calendar days in the year.

## **Objectives, Scope, and Methodology**

The audit objectives are detailed in the body of the report. We selected the objectives from the general area of compliance with the Health Insurance Portability and Accountability Act and based on the findings of our prior South Mountain audit released in 2003. The prior deficiencies included the areas of abuse and non-abuse complaints, complaint referrals, staff training, and monitoring of vendor contracts.

To accomplish these objectives, we interviewed various members of South Mountain's management and staff, reviewed available records, and analyzed pertinent regulations, policies, and guidelines.

The scope of the audit covered the period of July 1, 2002, to March 25, 2005, unless indicated otherwise in the individual report chapters. We discussed the results of the audit with the management of South Mountain, and management's comments are included where appropriate.

## **Chapter I – Health Insurance Portability and Accountability Act**

### **Objective and Methodology**

The Federal Health Insurance Portability and Accountability Act (HIPAA) became law in 1996. HIPAA implemented national standards regarding the disclosure of certain information-related activities of the health care industry. Recognizing the industry trend toward computerizing health information, HIPAA required the development of national standards to protect the security and privacy of patient health care records. Regulations implementing the statutory requirement for the adoption of privacy standards became effective on April 14, 2001, with an initial compliance date of April 14, 2003.

The regulations established by HIPAA mandated privacy provisions for the handling of patients' confidential medical information. These guidelines are applicable to any agency identified as a “covered entity.” A covered entity is defined as a health plan, a health care clearinghouse, or a health care provider who maintains patient health information. HIPAA regulations define health information as any information, whether oral or recorded in any form or medium that relates to an individual’s health, health care, or payment for health care. South Mountain meets HIPAA “covered entity” requirements as a health care provider.

An additional aspect of the HIPAA privacy regulations is the establishment of rules outlining the way in which covered entities interact with various third parties with whom they associate. These entities are defined as business associates and include such entities as answering services, billing services, collection entities, and may include attorneys, accountants, and other types of consultants.

The HIPAA regulations recognize that in order to provide health care services, covered entities must interact with other business vendors. HIPAA also recognizes that through this interaction, the other business vendors gain access to protected health information. HIPAA imposes a requirement that the covered entities obtain business associate agreements with these outside vendors, imposing upon the business associate the requirement to maintain the confidentiality of the protected health information.

The objective of this portion of the audit was to determine if South Mountain implemented policies and procedures to ensure compliance with HIPAA privacy regulations specific to covered entities. To accomplish this objective, we performed the following procedures:

## **Chapter I – Health Insurance Portability and Accountability Act**

- Obtained and reviewed the HIPAA law and regulations as well as South Mountain policies and procedures<sup>5</sup> and various handouts<sup>6</sup> prepared as a guide to implementing the regulations.
- Interviewed personnel responsible to oversee the medical treatment of South Mountain residents, to determine the status of procedures implemented to ensure compliance with HIPAA requirements pertaining to the privacy and confidentiality of medical records.
- Reviewed various vendor file information including cover letters signed by outside medical service providers regarding their agreement to amend their current contracts or implement new contracts to include the business associate requirements of HIPAA.
- Verified that appropriate training procedures were established to ensure compliance with HIPAA training requirements.
- Reviewed record keeping procedures and the maintenance and storage of medical records at South Mountain.

### **Audit Results**

#### **Finding I-1 – South Mountain complied with HIPAA privacy regulations.**

We determined that South Mountain implemented procedures to ensure the privacy and confidentiality of health information.

Our interviews, observations, and testing disclosed the following:

- Individual resident medical records were maintained in locked cabinets in locked rooms when not in use. Only authorized medical and facility personnel had keys to the rooms and only medical personnel had keys to the file cabinets.
- South Mountain implemented business associate agreements with all medical service providers under contract.
- South Mountain implemented standard Resident Consent and Authorization Consent forms pertaining to the use and disclosure of an individual's protected health information. The forms were included in an information packet the

---

<sup>5</sup> South Mountain Restoration Center Health Insurance Portability and Accountability Act Regulations and Privacy Practices, Policy No.0171.

<sup>6</sup> New Employee Orientation Packet; 2003 Residents Rights, Abuse and Confidentiality (HIPAA) Primary Training; 2004 Confidentiality, Resident Abuse and Rights Training.

## **Chapter I – Health Insurance Portability and Accountability Act**

facility provided to new residents and their guardians upon admission to the facility. Upon admission, residents or guardians are requested to read and sign a copy of the HIPAA use and disclosure statement.

- South Mountain implemented a complaint process for individuals who had grievances with the facility's HIPAA policies and procedures. South Mountain also established appropriate training procedures to ensure compliance with HIPAA policies and procedures.

## **Chapter II – Non-abuse Complaints**

### **Objectives and Methodology**

DPW requires South Mountain to maintain procedures to ensure that all patient complaints are addressed, investigated, and resolved. Handling and managing the abuse investigation process is a responsibility of South Mountain's Social and Rehabilitative Services director, acting as the resident abuse investigation coordinator. Categories of abuse include, but are not limited to, physical, non-physical, neglect, or exploitation.

In addition, DPW policy requires South Mountain to provide a process for its residents to voice concerns about their environment, health, and well-being. DPW's Office of Clients Rights provides state mental institutions with the services of a full-time client advocate satisfying this requirement.

Our prior audit identified several weaknesses in South Mountain's process for handling abuse and non-abuse complaints, and for making complaint referral information accessible to residents. The objectives of this audit section were to determine if South Mountain corrected those deficiencies by ensuring that complaints were adequately tracked and expeditiously and thoroughly addressed, and made complaint referral information accessible and readily available to its residents.

To accomplish our objectives, we performed the following procedures:

- Interviewed appropriate South Mountain personnel.
- Reviewed Commonwealth regulations, specifically the Pennsylvania Code addressing patient abuse.
- Reviewed South Mountain policies and procedures for the prevention, reporting, investigation, management, and resolution of abuse and non-abuse complaints.
- Toured the facility to determine if complaint contact information, including telephone numbers, was correct and properly posted.
- Determined the total number of abuse complaints and non-abuse complaints lodged during the audit period.
- Reviewed abuse complaint files for appropriate action, sufficient documentation, and timeliness requirements.



## Chapter II – Non-abuse Complaints

### Audit Results

#### **Finding II-1 – Non-abuse complaints investigation and resolution documentation weaknesses still exist.**

The current audit revealed weaknesses in the non-abuse complaints investigation and resolution documentation procedures. South Mountain has implemented an electronic tracking system for non-abuse complaints; however, a lack of documentation to support the investigation and resolution activity for non-abuse complaints continued.

South Mountain maintained a non-abuse complaint tracking system/log, which included columns titled, *Date Opened*, *Date Closed*, *Complaint*, *Consult*, *Other*, *Brief Description of the Activity*, and *Brief Description of Outcome*. While the log identified all reported non-abuse complaints, we found that on numerous occasions the description of the outcome of the investigation did not adequately explain follow-up actions that occurred or the outcome of the complaint.

From a sample of 20 non-abuse complaints, we found that 11 of the 20 cases lacked adequate information on the log to explain how the complaint issue was resolved. In addition, other than the complaint log itself, there was no further documentation to support any follow-up activity on the complaint. Results of test work completed for the sample of 20 complaints also indicated untimely investigation and resolution on 5 of the 20 complaints.

A review of the complaint logs covering the period September 2001 through December 2004 disclosed there were 1,479 total non-abuse incident filings. We found that only 7 of those filings were actually classified as complaints, 379 were classified as a consult, and the more than 1,000 remaining incidents were classified as other. Although we found these classification categories on the log, South Mountain did not establish a formal definition that specified what warranted the classification or how these classifications were assigned for individual non-abuse cases.

These deficiencies occurred due to a lack of monitoring to ensure appropriate follow-through was completed on non-abuse investigations. In addition, insufficient written policies and procedures regarding investigation documentation and guidelines for non-abuse complaint classification categories, i.e. complaint, consult, or other all contributed to the identified weaknesses.

Improper documenting of non-abuse complaints could jeopardize South Mountain's ability to ensure that all such complaints are given the attention necessary to affirm that residents' rights are fully protected.

## Chapter II – Non-abuse Complaints

### Recommendation:

- South Mountain management should ensure that non-abuse complaints are properly monitored and documented to affirm that resident concerns are addressed adequately. Furthermore, management should develop specific policies and procedures for classifying non-abuse complaints.

### Management Comments:

When the results of the audit were brought to the attention of management at the end of audit fieldwork, South Mountain management provided the following comments.

*South Mountain management stated that better complaint investigation documentation would be maintained in the future.*

## **Status of Prior Audit Findings and Recommendations**

### **Objectives and Methodology**

The following is a summary of the findings and recommendations presented in our prior audit report for the period July 1, 1999, to September 20, 2002, along with a description of actions taken by South Mountain's management to resolve the findings. One or more of the following procedures determined the status of the recommendations:

- A review of the DPW's written response, dated March 12, 2004, addressing the Auditor General's report.
- Tests performed as part of, or in conjunction with, the current audit and designed, in part, to determine the nature and extent of any corrective action taken by South Mountain.
- Discussions with appropriate South Mountain management and other personnel regarding the prior audit findings and recommendations.

### **Prior Audit Findings**

#### **Finding I-1 – The Center did not adequately track and monitor abuse complaints.**

Our previous audit disclosed South Mountain's documentation for identification, investigation, and management of abuse complaints did not include a tracking system to monitor the investigation process and therefore did not adequately document the resolution of complaint investigations.

We previously recommended that South Mountain become more diligent in its efforts to develop tracking procedures to monitor the progress of abuse complaint investigations. Additionally, we recommended the tracking information include dates pertinent to the investigation timeline, as well as proactive steps taken to resolve allegations.

#### **Status:**

The current audit noted that South Mountain substantially complied with our prior recommendations. South Mountain implemented a log, which details important investigation information such as identification of the complaint investigator, date of the incident, a description of the incident, and the disposition of the complaint. However, we

## **Status of Prior Audit Findings and Recommendations**

noted a few instances of missing documentation, but South Mountain management agreed to correct this deficiency.

### **Finding I-2 – Non-abuse complaints were not documented, tracked, or resolved.**

The prior audit determined that South Mountain did not adequately document, track, or resolve non-abuse complaints. The only report processed, during the audit was a one-page monthly statistical summary of consultations and complaints, categorized by areas of concern. In order to compile the report, the client advocate maintained an informal monthly ledger, which included a significant lack of detail for the more than 1,800 entries.

We recommended that South Mountain document all actions taken to resolve resident concerns and complaints. We recommended the Office of Client Rights develop a computerized reporting system for non-abuse complaints and develop and enforce formal policy and procedures that require client advocates becoming more diligent in providing effective services that protect the rights of South Mountain's residents.

#### **Status:**

The current audit disclosed that South Mountain has implemented a computerized system to track non-abuse complaints. However, the audit found that South Mountain did not adequately maintain documentation to evidence investigation and resolution activity for non-abuse complaints. This issue is addressed in detail in Finding II-1.

### **Finding I-3 – Complaint referral information was not readily available or was unreliable.**

Our prior audit determined that residents and their families had limited access to the resources needed to lodge complaints outside of the Center. South Mountain failed to maintain an up-to-date list of complaint referral telephone numbers, and did not post complainant information in locations easily accessible to many residents.

We recommended that South Mountain post correct and relevant telephone numbers for residents to voice complaints, and that all contact numbers be updated, and all complainant information be posted in readily accessible locations.

#### **Status:**

South Mountain substantially complied with our recommendations. The current audit determined South Mountain ensured that help-line information was up-to-date and posted throughout the facility. Still, the audit disclosed that the postings were not placed at a level accessible for wheelchair-bound residents. South Mountain management agreed to correct this issue.

## **Status of Prior Audit Findings and Recommendations**

### **Finding II-2 – Direct care personnel may not have received adequate training.**

The prior audit revealed that South Mountain did not adequately train its direct care workers in courses identified as mandatory by its training policy and procedures. Audit tests disclosed that 26 direct care personnel failed to attend 29 mandated training courses, which included CPR, crisis prevention, infection control, fire safety, resident rights, and the Right-to-Know law.

We recommended that management develop a system to track attendance and ensure that all direct care staff receive all mandated annual training.

#### **Status:**

The current audit revealed that South Mountain has complied with our recommendation. All direct care personnel received the mandatory training courses and the required cumulative number of hours of general annual training.

### **Finding III-2 – Center staff did not effectively monitor contracted vendor performance.**

Results of the prior audit indicated that contracted service provider invoices submitted to, and paid by, South Mountain contained billing discrepancies and improprieties. We noted undocumented invoice changes, inconsistent documentation verifying that services were actually provided, errors in billing calculations, and a lack of compliance with contract terms and conditions.

We recommended that South Mountain ensure that contract monitors fulfill their monitoring responsibilities. At a minimum, the contract monitors should verify that invoiced services were provided prior to approving the invoices for payment, required reports were obtained, and invoices were checked for accuracy and compliance with conditions and agreements defined in the contract.

#### **Status:**

The current audit determined that South Mountain has complied with our recommendations. In January 2004, South Mountain implemented a computerized system for monitoring contractor services, which corrected the prior audit issues.

## *Audit Report Distribution List*

This report was initially distributed to the following:

### Commonwealth of Pennsylvania

The Honorable Edward G. Rendell  
Governor

The Honorable Robert P. Casey, Jr.  
State Treasurer

The Honorable Estelle B. Richman  
Secretary  
Department of Public Welfare

The Honorable Jake Corman  
Majority Chair  
Public Health and Welfare Committee  
Senate of Pennsylvania

The Honorable Vincent J. Hughes  
Minority Chair  
Public Health and Welfare Committee  
Senate of Pennsylvania

The Honorable George T. Kenney, Jr.  
Majority Chair  
Health and Human Services Committee  
Pennsylvania House of Representatives

The Honorable Frank L. Oliver  
Minority Chair  
Health and Human Services Committee  
Pennsylvania House of Representatives

Joan Erney  
Deputy Secretary  
Mental Health & Substance Abuse Services  
Department of Public Welfare

Richard Polek, Chief  
Audit Resolution Section  
Bureau of Financial Operations  
Department of Public Welfare

Lynn F. Sheffer  
Comptroller  
Public Health and Human Services  
Office of the Budget

South Mountain Restoration Center  
Thomas J. White  
Chief Executive Officer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).