

Performance Audit

South Mountain Restoration Center

**Commonwealth of Pennsylvania
Department of Public Welfare**

July 1, 2005, to August 1, 2008



Performance Audit

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January 29, 2010

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, 2005, to August 1, 2008. The audit was conducted pursuant to Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

Our report includes three findings and one recommendation, as well as our audit objectives, scope, and methodology. We have discussed the entire report with the officials of South Mountain Restoration Center and have included management's comments herein.

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

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Table of Contents

Background Information	3
Department of Public Welfare – Office of Mental Health and Substance Abuse Services.....	3
Bureau of Community and Hospital Operations.....	4
County Mental Health System	4
South Mountain Restoration Center.....	5
 Objectives, Scope, and Methodology	 7
 Audit Results	 9
Contract Management – Finding 1	9
Finding 1 – South Mountain Restoration Center prepared, managed and monitored purchase contracts in accordance with applicable guidelines.	9
Revenue Management – Finding 2.....	10
Finding 2 – South Mountain Restoration Center maximized Medicare Part B revenue.....	10
Expense Management – Finding 3	11
Finding 3 – South Mountain Restoration Center complied with policies and procedures for travel expense reimbursement.	12
 Status of Prior Audit Findings and Recommendations.....	 13
Prior Finding II-1 – Non-abuse complaints investigation and resolution documentation weaknesses still exist.	13
 Audit Report Distribution List	 15

Background Information

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, operates under the following mission and vision statement:

Every individual served by the Mental Health and Substance Abuse Service system will have the opportunity for growth, recovery and inclusion in their community, have access to culturally competent services and supports of their choice, and enjoy a quality of life that includes family members and friends.¹

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

In addition, the Department of Public Welfare operates seven state hospitals for persons with serious mental illnesses. These hospitals 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.

¹ <http://www.dpw.state.pa.us/About/OMHSAS>, accessed July 17, 2008.

Background Information

Bureau of Community and Hospital Operations

The functions of the Bureau of Community and Hospital Operations include the following:

- Oversight of county mental health programs.
- Contract oversight of HealthChoices managed behavioral health program.
- Operation and oversight for the state hospital system.

The primary purpose of the state hospital system is to provide inpatient treatment to persons committed to the state mental hospitals under the Mental Health Procedures Act. The Bureau of Community and Hospital Operations also is responsible for ensuring 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 of Community and Hospital Operations oversees and manages seven state-owned and operated mental hospitals and one restoration center, including three maximum-security forensic units for persons with serious mental illnesses who are charged with or convicted of criminal offenses. Since all patients are admitted through the County Mental Health system, the bureau collaborates with local and county hospitals, community provider staff, constituents, and other stakeholders to establish 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 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 program offices, which are part of county government and are overseen by a county Mental

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Background Information

Health/Mental Retardation 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 varies depending upon the type of service. The Commonwealth's Medical Assistance Program pays for many of these services through a managed care organization or a traditional fee-for-service system. The offices assess the ability to pay for individuals who do not receive Medical Assistance and are without access to other insurance.

South Mountain Restoration Center

South Mountain Restoration Center is a 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.

The center is located in the town of South Mountain, Franklin County, approximately 60 miles southwest of Harrisburg. South Mountain Restoration Center is a fully licensed nursing facility, certified for participation in both Medicare and Medicaid, and is accredited by the Joint Commission on Accreditation of Health Care Organizations. It provides a full range of nursing care, occupational therapy, physical therapy, speech therapy, and social work services.

The physical plant consists of approximately 30 buildings situated on approximately 327 acres of land. A chief executive officer administers the day-to-day management functions with the assistance of management personnel. Additionally, a nine-member board of trustees is available to provide advisory services.

January 2010
 Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
 Audit Period: July 1, 2005, to August 1, 2008

Background Information

The following schedule presents selected unaudited statistics compiled for the years ended June 30, 2005, 2006, 2007, and 2008:

	2005	2006	2007	2008
Operating expenses (rounded in thousands) ²				
Personnel services	\$17,958	\$18,850	\$19,551	\$20,180
Operational expenses	<u>4,643</u>	<u>4,438</u>	<u>4,079</u>	<u>3,720</u>
Total	<u>\$22,601</u>	<u>\$23,288</u>	<u>\$23,630</u>	<u>\$23,900</u>
Employee Complement at year end				
Filled positions	323	330	335	330
Vacant positions	<u>21</u>	<u>18</u>	<u>28</u>	<u>22</u>
Total	<u>344</u>	<u>348</u>	<u>363</u>	<u>352</u>
Resident capacity at year end ³	260	260	159	159
Available bed days of care	94,900	94,900	58,035	58,194
Average daily census ⁴	134	130	130	132
Actual days of care	48,971	47,505	47,533	48,198
Percentage of days utilized	51.6%	50.1%	81.9%	82.8%
Average resident cost per day ⁵	\$461.52	\$490.22	\$497.13	\$495.87
Average resident cost per year ⁶	\$168,454	\$178,931	\$181,452	\$181,489

² Operating expenses were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation. In addition, regional and department level direct and indirect charges were not allocated to the totals reported here.

³ During the year ending June 30, 2007, South Mountain Restoration Center decertified 101 beds for lack of use.

⁴ Average daily census was calculated by dividing the actual bed days of care for the year by the number of calendar days in the year.

⁵ Average daily cost per resident was calculated by dividing the total operating expenses by the combined actual bed days of care for nursing, personal, and domiciliary care. Note: this rate is not the same as certified per diem rate, since the total operating expenses exclude depreciation and allocated direct and indirect costs from regional and department-level offices.

⁶ Yearly average cost per resident was calculated by multiplying the daily average cost per resident by the number of calendar days in the year.

Objectives, Scope, and Methodology

Objectives, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We selected the audit objectives detailed in the body of the report from the following general areas: contract management, revenue management, expense management, and client management. The specific audit objectives were:

- To determine if South Mountain Restoration Center prepared, managed and monitored purchase contracts in accordance with Department of Public Welfare guidelines. (Finding 1)
- To determine maximization of Medicare Part B revenue. (Finding 2)
- To determine compliance with policies and procedures for travel expense reimbursement. (Finding 3)

In addition, we determined the status of our recommendation made during the prior audit. That recommendation addressed the tracking and resolution of non-abuse complaints.

The scope of the audit covered the period of July 1, 2005, to August 1, 2008, unless indicated otherwise in the individual report topic areas.

To accomplish our objectives, we reviewed the Field Procurement Handbook,⁷ the Management Directives regarding travel policies, and the South Mountain Restoration Center Policies and Procedures for Medicare Part B billing⁸ and travel and subsistence

⁷ Commonwealth of Pennsylvania, Department of General Services, Field Procurement Handbook, M215.3, Revision No. 4, April 17, 2003.

⁸ South Mountain Restoration Center Policies and Procedures, No. 4650 "Policy and Procedure for Medicare Guidelines," revised October 10, 2007.

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Objectives, Scope, and Methodology

allowance.⁹ We also reviewed South Mountain Restoration Center policies and procedures regarding the handling of complaints and reports of abuse.¹⁰

We interviewed South Mountain Restoration Center purchasing and accounting personnel and six contract monitors to determine what procedures were involved in contract oversight and invoice approval. We also interviewed the medical director, reimbursement officer, medical records director for the revenue management phase of the audit, clerk stenographer, and the chief operating officer for the expense management phase. In addition, we interviewed the client representative advocate regarding the implementation of the prior audit recommendation.

To audit contract management, we obtained a list of current contracts in effect for the audit period, July 1, 2005, through June 30, 2008, and randomly selected 13 of 44, or 30 percent, of the contracts for detailed testing by reconciling to contract specifications to determine if the contracted goods and services were received and invoices properly paid.

To determine maximization of Medicare Part B revenue, we selected a random sample of 44 records of eligible residents consisting of 22 from January 2008 and 22 from March 2008, for detailed testing to ensure compliance with Part B billing and reimbursement guidelines and to ensure physicians completed Encounter Forms for all Part B eligible procedures. We verified that the center submitted claims and received the maximum amount of Medicare Part B reimbursement, for the two months of January 2008 and March 2008. We also analyzed a list of all physicians working at South Mountain Restoration Center to verify that all were medically qualified to bill Medicare Part B.

To assess the controls over employee travel expenses, we obtained a complete listing of travel expense transactions for the fiscal years 2005, 2006, and 2007, randomly selected 35 of 177 travel expense transactions, and analyzed the travel expense statements to determine if travel was approved for legitimate business purposes.

To determine the status of the implementation of the recommendation made during the prior audit regarding client management, we reviewed 81, or 10 percent, of all client complaints that were filed on the monthly complaint logs from September 2007 through June 2008.

⁹ South Mountain Restoration Center Policies and Procedures, No. 4610, "Travel and Subsistence allowance," revised January 4, 2007.

¹⁰ South Mountain Restoration Center Policies and Procedures, No. 1050, "Resident Abuse," revised January 15, 2007.

Audit Results

Audit Results

Contract Management – Finding 1

Commonwealth institutions often contract with vendors instead of providing services in-house. Full-time positions may not be warranted, or institutional personnel may not have the expertise to provide the services in-house.

South Mountain Restoration Center has a centralized office staff responsible for issuing a wide range of purchase orders and contracts needed for daily operations. Contracting for a product or service involves a variety of procedures including compiling specification requirements, preparing bid advertisements, reviewing submitted bids, awarding bids, authorizing, monitoring, and reviewing invoices. All transactions must be processed in accordance with procurement policies and procedures of the Department of General Services.¹¹

Finding 1 – South Mountain Restoration Center prepared, managed, and monitored purchase contracts in accordance with applicable guidelines.

Our audit revealed that all contract files we sampled contained bid invitations, contract checklists, work statements, liability insurance documents, professional certifications, criminal background checks, and Health Insurance Portability and Accountability Act compliance forms. Furthermore, South Mountain Restoration Center maintained the records in an orderly fashion.

We also verified that South Mountain Restoration Center monitored contracts and ensured that invoiced services were provided prior to approving the invoices for payment. The invoices were checked for accuracy and compliance with conditions and agreements as defined in the contracts. The monitors initialed all invoices. Finally, without exception, we were able to reconcile invoices to the contract documents.

¹¹ Commonwealth of Pennsylvania, Department of General Services, Field Procurement Handbook, M215.3, Revision No. 5, July 20, 2005.

Audit Results

Revenue Management – Finding 2

Residents who receive Social Security, Railroad Retirement, or similar retirement benefits, may be eligible to participate in the Medicare Part B insurance program.¹² For each eligible resident at the center, the Department of Public Welfare can seek reimbursement for certain medical/psychiatric procedures. Medical personnel must document all procedures in the resident's medical chart and document billable procedures on an encounter form. Medical records staff then code the procedures accordingly. Subsequently, the encounter forms are forwarded to the Central Office Billing Unit to be billed accordingly.

In order for South Mountain Restoration Center to maintain ongoing accuracy and completeness of physician documentation, the medical records staff audited a percentage of the resident population each quarter, followed by an audit of the total Medicare Part B population prior to claim submission to Medicare.

Finding 2 – South Mountain Restoration Center maximized Medicare Part B revenue.

Our audit of the records in the sample tested revealed that South Mountain complied with the reimbursement requirements of Medicare Part B for all eligible procedures provided. We found that all medical record files contained the following:

- Resident Income Source Report.
- Medicare Part B Encounter form.
- Medicare Part B service codes.
- Medicare Part B Dates of Service.
- Claim Detail Reports.
- Medicare Remittance Payment Notices.
- Monthly reconciliations of individual residents' Claim Detail Report to the Medicare Remittance Notice.
- Progress Notes.

¹² <http://www.cms.hhs.gov/MLNProducts/Downloads/physicianguide.pdf>, Medicare Physicians Guide: A resource for residents, practicing physicians, and other health care professionals, accessed June 23, 2008.

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Audit Results

We were also able to trace all claims submitted for reimbursement for January 2008 and March 2008 to the Medicare remittance notices. Additionally, we found that all physicians billing for Medicare Part B reimbursements had professional licenses.¹³

Expense Management – Finding 3

South Mountain Restoration Center employees are entitled to receive reimbursement for out-of-pocket expenses incurred during the performance of their duties. The Commonwealth and South Mountain Restoration Center have developed policies and procedures that specify the types of allowable out-of-pocket expenses relating to employee travel. Specifically, the Commonwealth has policies regarding acquisition and payment of travel services,¹⁴ travel and subsistence allowances,¹⁵ and corporate card program.¹⁶ In addition, the center has its own policy regarding travel and subsistence allowance.¹⁷ These guidelines address eligibility, rates, and documentation required for reimbursement of expenses for personal mileage, meals, and hotel accommodations.

Employees in travel status are responsible for ensuring that all employee travel expenses entered into the Employee Self Service Travel Manager system are proper, accurate, and incurred in accordance with management travel directives. Careless, fraudulent, or negligent preparation of a travel expense report requires financial restitution and may result in disciplinary action. Any false, fictitious, or fraudulent claims may be subject to penalties under criminal statutes.

Supervisors are responsible for reviewing and approving travel expense reports submitted via the self-service system by employees to ensure the necessity, propriety, correctness, and accuracy of travel expenses incurred.

¹³ <http://www.licensepa.state.pa.us/>, accessed June 19, 2008.

¹⁴ Commonwealth of Pennsylvania, Governor's Office, Management Directive 230.9, "Acquisition and Payment of Travel Services," dated December 18, 2006.

¹⁵ Commonwealth of Pennsylvania, Governor's Office, Management Directive 230.10, "Travel and Subsistence Allowances," dated February 15, 2007.

¹⁶ Commonwealth of Pennsylvania, Governor's Office, Management Directive 230.13, "Commonwealth Corporate Card Program," dated November 2, 2000.

¹⁷ South Mountain Restoration Center Policies and Procedures, No. 4610, "Travel and Subsistence Allowance," revised January 4, 2007.

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Audit Results

Finding 3 – South Mountain Restoration Center complied with policies and procedures for travel expense reimbursement.

Our audit of 35 travel expense reports found that all were input into the Employee Self Service Travel Manager system timely, accurately and completely and were justified appropriately. All employees forwarded the reports to their supervisor for approval and authorization before the reports were submitted to the Bureau of Commonwealth Payroll Operations.

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Status of Prior Audit Findings and Recommendations

Status of Prior Audit Findings and Recommendations

The following is a summary of the finding and recommendation presented in our audit report for the period July 1, 2002, to March 25, 2005, along with a description of the disposition of the recommendation made by South Mountain Restoration Center.

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

Our prior audit noted weaknesses in the non-abuse complaint investigation and resolution documentation process. Specifically, we noted the following:

- Eleven of twenty cases reviewed lacked adequate information in the log to explain how the complaint issue was resolved.
- There was no further documentation to support any follow-up activity on the complaints.
- Five of those twenty cases were not done timely.

In addition, we noted that South Mountain Restoration Center management did not establish a formal definition that specified what warranted the classification or how the classifications were assigned for individual non-abuse cases.

We recommended that management ensure that non-abuse complaints are properly monitored and documented to affirm that resident concerns are addressed adequately, and that management develops specific written policies and procedures for classifying non-abuse complaints.

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

Status of Prior Audit Findings and Recommendations

Status:

Our current audit noted that South Mountain Restoration Center Management complied with our recommendations and implemented policies and procedures to address non-abuse complaint classifications. Our audit of 81 non-abuse complaints on the complaint logs during the period September 2007 through June 2008 showed each complaint had documentation where applicable to support:

- How the complaint was resolved.
- Follow-up activity on the complaint.
- That the complaint was handled timely.

January 2010
Pennsylvania Department of the Auditor General
Performance Audit of South Mountain Restoration Center
Audit Period: July 1, 2005, to August 1, 2008

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