

Commonwealth of Pennsylvania
Department of Public Welfare
White Haven Center
July 1, 2003, to March 31, 2006
Performance Audit



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January 17, 2007

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 White Haven Center of the Department of Public Welfare for the period July 1, 2003, to March 31, 2006. 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 details our audit objectives, scope, methodology, findings, and recommendations. The report notes that White Haven's Guardian Office is not conducting ward visits and the vending machine service contract was not monitored. The contents of the report were discussed with the officials of the Center and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of White Haven Center and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Public Welfare – Office of Mental Retardation

The Office of Mental Retardation (OMR) was established within the Department of Public Welfare (DPW) by an Executive Board order on December 8, 1972. The OMR is responsible for the operation and supervision of mental retardation programs administered by state, county and private providers. Services provided in these programs are classified in four categories:

- Nonresidential community-based service.
- Residential community-based service.
- Intermediate care facilities.
- Institutional care.

To provide care in the institutional setting, the OMR is directly responsible for the operations of six mental retardation centers: Altoona, Ebensburg, Hamburg, Polk, Selinsgrove, and White Haven. The centers are physically separate institutions that provide residential care to individuals with severe and profound mental retardation.

White Haven Center

White Haven Center is one of seven mental retardation centers operated by the OMR. The facility is located in the town of White Haven, Luzerne County, approximately 15 miles northeast of Hazleton. The Center conducts operations in 18 buildings located on 184 acres of land. Its overall mission:

Is to strive to be a viable, progressive and innovative service delivery system providing a maximum opportunity for personal growth to its men and women living at the Center.

The Center is certified by the Pennsylvania Department of Health to provide intermediate-type care, and receives cost of care reimbursements from the federal government through the Medicaid/Medicare Program for services rendered to eligible individuals.

A facility director manages day-to-day operations of the Center with the assistance from management personnel assigned to various divisions within the Center. Additionally, a nine-member board of trustees has been established to act in an advisory capacity to the Center's management.

Background Information

The following schedule presents selected unaudited Center operating data compiled for the years ended June 30, 2004, and 2005:

	2004	2005
Operating Expenditures (rounded in thousands) ¹		
State	\$15,066	\$17,349
Federal	<u>19,484</u>	<u>19,522</u>
Total	<u>\$34,550</u>	<u>\$36,871</u>
Employee complement positions at year-end	481	492
Average daily resident population ²	211	203
Actual resident days of care	77,096	74,247
Bed capacity at year-end	275	275
Available resident days of care ³	100,650	100,375
Percent of utilization (based on resident days of care) ⁴	76.6%	74.0%
Daily average cost per resident ⁵	\$448	\$497
Annual average cost per resident ⁶	\$164,020	\$181,261

¹ Operating expenses are 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 are not allocated to the totals reported here.

² Average daily resident population was calculated by dividing the actual resident days of care for the year by the number of calendar days in the year.

³ Available resident days of care were calculated by multiplying bed capacity by the number of calendar days in the year.

⁴ Percent of utilization was calculated by dividing actual resident days of care by available resident days of care.

⁵ Daily average cost per resident was calculated by dividing the total operating expenses by the actual resident days of care.

⁶ Annual average cost per resident was calculated by multiplying the daily average cost per resident by the number of calendar days in the year. Total differs from detail due to rounding.

Objectives, Scope and Methodology

We selected audit objectives for the current audit from the following areas: Guardian Office, Client Funds, Licensed Nursing Staff Training, and Contracts. The specific objectives for this audit were:

- To determine if the Guardian Office is following all required administrative responsibilities as stated in the Guardian Office Procedures Manual. (Findings 1 and 2)
- To determine White Haven Center's compliance with policies and procedures for client funds. (Finding 3)
- To determine that the Center provided initial orientation and continuing education courses that enabled the nursing staff to care for the Center's residents. (Finding 4)
- To determine if the Center has adequate internal controls for obtaining, monitoring and approving service contracts in a manner consistent with applicable guidelines and sound business practices. (Findings 5 and 6)
- To determine the status of management's corrective actions in the areas of automotive reporting and employee travel.

The scope of the audit was from July 1, 2003, through March 31, 2006, unless indicated otherwise in the individual testing methodologies that follow.

To accomplish these audit objectives, auditors reviewed DPW and White Haven policies and procedures, including the Guardian Office Procedures Manual,⁷ the White Haven policy and procedure manual for Accounting for Clients' Activity Funds,⁸ the Vocational Services Area of Operations,⁹ the DPW Personnel Manual,¹⁰ and the White Haven Policy/Procedure Manual.¹¹ Auditors also reviewed the Commonwealth's Field Procurement Handbook.¹²

⁷ July of 1998 Bureau of Guardianship Programs, Guardian Office Procedures Manual; Section II. Administrative Responsibilities.

⁸ White Haven Center Policy/Procedure Manual Issued 02/01/1996 Number 710-030 Accounting for Clients' Activities Funds.

⁹ White Haven Center Policy/Procedure Manual Issued 11/01/1992 Number 370-005 Vocational Services Area of Operations, Number 372-005 Payroll Distribution for Individuals Who Work, Number 373-105 Pre-Vocational Training, Number 373-110 Work Activities Center, Number 373-110 Work Activities Center, Number 373-115 Worker Program on Campus, Number 373-205 Supported Employment, Number 373-705 Monthly Documentation, Number 380-005 Barber & Beautician Services, and Number 373-005 Issued 07/25/1994 Vocational Evaluations.

Objectives, Scope and Methodology

Auditors interviewed White Haven management and staff, including Guardian Office personnel, the fiscal assistant in charge of the Clients' Activity Funds, the Director of Vocational Services, the Human Resource analyst, the Staff Development Director, purchasing staff and the Business Manager. In discussions with White Haven management and staff, the auditors obtained an updated understanding of the progress in implementing the prior audit's recommendations and other corrective action to resolve the prior findings.

For the testing of the Guardian Office, auditors obtained and reviewed 29 randomly chosen disbursements for valid receipts, proper authorization and posting to the correct client account, reviewed 29 randomly chosen receipts to determine that they were posted to the correct client account, reviewed client accounts to determine if they were maintained in interest-bearing accounts and were reconciled monthly. Auditors also examined the petty cash fund, and verified that the Guardian Officer is conducting ward visits, interviewing residents, and determining client needs.

The client funds were tested by a review of bank statements, reconciliations and cancelled checks for April 2005 and June 2005, and the review of all receipts and disbursements for the months of April 2005 and June 2005. Auditors also performed a payroll test by selecting 12 of 61 resident workers for the pay periods ending June 10, 2005, and June 24, 2005, and examined monthly financial statements for the months of April 2005, May 2005 and June 2005.

Auditors reviewed the training records of nine direct care nurses to determine whether they received the required mandatory training. They also reviewed one newly hired direct care nurse's training record to determine that the employee received initial orientation.

The auditors obtained a list of contracts/purchase orders for fiscal years ended June 30, 2004, and June 30, 2005, selected 12 of 61 contracts/purchase orders for detailed review, and assessed relevant internal controls over services provided, invoice accuracy, proper monitoring and approval.

Finally, auditors performed tests, as necessary, in prior audit areas to substantiate their understanding of White Haven's progress in resolving the prior audit findings.

¹⁰ DPW Personnel Manual 7124.1. New employee Orientation, February 19, 1999.

¹¹ White Haven Center Policy/Procedure Manual, Licensure of Professional Registered and Practical Nurses, Number 330-020, July 30, 1996.

¹² The Commonwealth of Pennsylvania; Governor's Office; Field Procurement Manual; Number M215.3; Part I – Policies and Guidelines; Part II – Procurement of Supplies Procedures; and Part III – Procurement of Services Procedures, April 17, 2003.

Current Audit Findings

Guardian Office

In the spring of 1978, DPW was mandated by a federal court decision to establish an independent Guardian Office in each state hospital and mental retardation center.

The Guardian Office serves as representative payee and/or court appointed financial guardian for incompetent patients when no family or outside agency is available. With written consent, competent patients can open accounts and receive assistance with money management. The Guardian Office also maintains accounts and accepts deposits for patients who have representative payees and guardians other than the Guardian Office.

Finding 1 – The Guardian Office safeguarded client accounts.

Review of 29 client accounts maintained by the Guardian Office contained proper receipts and signatures for all disbursements. Client account withdrawals and deposits were posted and maintained accurately in an interest bearing account. Bank account reconciliations were accurately prepared and reconciled to individual client bank accounts. In addition, the Guardian Office maintains a \$600 petty cash account for minor client purchases. Auditors conducted a surprise petty cash count on February 1, 2004, and all moneys were accounted for and the account was balanced.

Finding 2 – Guardian Office personnel were not conducting ward visits.

The Guardian Office did not have any record of ward visits during our test month of July 2004. Further inquiries revealed that there were no records of any visits between January 2004 and August 2005. DPW's Bureau of Guardianship Programs, Guardian Office Procedures Manual effective July 1998 states:

*The Guardian Officer will conduct at least five ward visits per month and will interview at least three clients per each ward. None of these ward visits may be delegated to support staff.*¹³

¹³ July of 1998 Bureau of Guardianship programs, Guardian Office Procedures Manual; Section II. Administrative Responsibilities; Paragraph K. Personal Visits; Number 1. Ward Visits; a.

Current Audit Findings

Ward visits are personal visits to clients' living areas by the Guardian Officer to enhance communications with the client and staff and assess future personal needs.

According to the Guardian Officer, she did conduct ward visitations but did not maintain any record of the visit due to the lack of time after her appointment to the position of Area Manager in January of 2004.

Recommendation:

The Guardian Officer should record all ward visits in the client files to document the progress of each client as well as any future needs of the client.

Management Comment:

As of September 2005, the Guardian Officer has begun keeping a record of all ward visits. A new Policy and Procedures Manual for ward visits beginning in September 2005 requires only two client visits per month to complete client needs assessments.¹⁴

Subsequent Event:

Auditors reviewed all Quality of Life Assessment forms completed each month from September 2005 through January 2006, and found that the Guardian Office was now in compliance with the new Policy and Procedures Manual. Auditors also determined that the Guardian Office also visited each client twice monthly and properly recorded the visits in the client files.

Client Funds

The Center maintains several special funds for the benefit of its clients. The Clients' Activities Fund derives income from donations received from outside groups such as organizations, churches, colleges, individuals, families, and employees. This fund is used to pay for various expenditures incurred from purchases and/or events such as monthly birthday parties, camping, horseback riding, etc. as outlined in White Haven's policy and procedure manual.¹⁵

The White Deer Industries Workshop Fund provides funding for vocational job training and employment services as outlined in the Center's policy and procedure manual.¹⁶ The goal of the workshop is to provide the individual with an opportunity to perform real work for real

¹⁴ DPW Bureau of Administrative Services, Division of Guardianship Programs, Policy and Procedure Manual, Revised September 2005; Section III. Other Standard Work Processes; Paragraph I, Number 12.

¹⁵ See footnote 8.

¹⁶ See footnote 9.

Current Audit Findings

pay to facilitate their eventual placement into the community. The workshop utilizes a variety of industrial subcontracts providing the resident worker with diverse tasks and technical skills to obtain optimum vocational competency. Individuals are paid bi-weekly on a piece-rate basis established through time studies using prevailing industrial wage rates regulated by the Federal Department of Labor.

Finding 3 – White Haven personnel complied with the policies and procedures governing the Clients’ Activities Fund and the White Deer Industries Workshop Fund.

The audit of the Clients’ Activities Fund and the White Deer Industries Workshop Fund did not reveal any deficiencies. Receipt records were signed, properly recorded, and agreed to the financial statements and deposited in interest bearing accounts. Checks were signed properly, and traced to underlying invoices and other supporting documentation. Disbursement totals agreed with financial report totals and the disbursements were for allowable items. Workshop payroll payments were correct, properly approved by the workshop manager, and cash payments sheets were signed or initialed by the client worker denoting receipt.

Licensed Nursing Staff Training

White Haven is responsible for providing direct care nursing staff with an initial orientation and continuing education that will enable the staff to care for the Center’s residents, based on the Department of Public Welfare Personnel Manual and the Center’s Policy/Procedure Manual.

Finding 4 – Nursing staff received the required training.

The review of ten direct care licensed nursing staff found that nine of the ten had received all appropriate training and or initial orientation courses. The remaining nurse was on extended sick leave at the time of the training seminar, and according to White Haven personnel, will be scheduled for training upon return to work.

Current Audit Findings

Contracts

The Center contracts with various vendors to provide a variety of goods and services. The Center's Purchasing Department is the centralized office responsible to ensure that adequate services are provided and expenditures are incurred according to contract stipulations.

The Center entered into a vending service agreement with General Vending Company to furnish vending machines for dispensing food items in locations throughout the institution. Proceeds from the vending machines benefit the Center's Canteen Fund and are used for various functions and purchases to benefit all residents throughout the year.

Finding 5 – Contract selection complied with policies and procedures.

Our audit of contracted services revealed that the Center complied with the policies and procedures obtaining, and approving contracts. All contracts reviewed contained vendor quotes, bid contracts, and bid tabulation sheets.

Finding 6 – Contract monitoring could be improved.

The Center established internal controls over contracts and assigned a contract monitor to 11 of the 12 contracts selected for testing. The contract monitors verified that services billed were actually provided, invoices were accurate, and the terms and conditions of the contracts were met. In addition, 11 of the 12 contracts sampled contained proper invoices, descriptions of services, and approval signatures of the contract monitors in accordance with the Field Procurement Handbook.

The remaining contract for vending machines did not have a contract monitor. Our audit of the vending contract commission statements for July 2005 through December 2005, found that reported commissions obtained and provided by the vendor complied with contractual percentage amounts. However, the Center did not assign a contract monitor to accompany the vendor to verify monthly meter readings, nor did the vendor's representative report to the purchasing department before servicing machines or restocking merchandise. The contract specifically states:

At the close of business each month, the vendor's representative accompanied by the Center's representative shall read the counters of each machine.

Vendor's representative must report to the purchasing department upon coming on grounds for either servicing machines or restocking merchandise.

Current Audit Findings

To ensure the receipt of all commissions according to the terms of the agreement, the Center's representative should know when the vendor services or restocks machines, so that they may accompany the vendor to read the machine counters, and confirm total receipts.

Recommendation:

The Center should assign a management designee the duties of monitoring the vending service agreement to ensure the vendor complies with the terms and conditions set forth in the agreement.

Management Comment:

Management agreed with finding and stated they will assign personnel to monitor the contract and accompany the vendor.

Status of Prior Audit Findings and Recommendations

The following is a summary of the findings and recommendations presented in our audit report for the period July 1, 2001 to February 6, 2004 along with a description of The Center's disposition of each recommendation.

Automotive Reporting and Employee Travel

Prior Finding I-1 – Monthly automotive activity reports are not in compliance with Department policies and procedures.

Our prior audit identified several areas of inadequate record keeping by Center employees, including missing gasoline receipts, missing entries on the Center's on-site gasoline disbursement logs and on the monthly automotive activity reports.

We recommended that the Center should review and verify all information recorded by employees on the Activity Reports before final approval.

Status:

Follow-up audit testing disclosed that the Center has addressed the recommendations made in our prior year finding. Interviews with institution personnel indicated that the information on the Monthly Automotive Activity Reports is verified as to supporting documentation and accuracy. We also selected 9 of the 47 operational vehicles for testing and verified the information on their associated Monthly Automotive Activity Reports for the months of May and June 2005. We found only one discrepancy, which was due to a clerical error in posting a gasoline slip to the wrong car. As a result, we concluded that the finding has been resolved.

Prior Finding I-2 – The Center is not utilizing the on-site fueling station.

Our prior audit indicated that the Center could have realized a total cost savings of \$3,874 over a 13-month period from September 2002 through September 2003 by fueling its Commonwealth vehicles at the Center's on site pumps instead of purchasing fuel from off-site vendors.

Status of Prior Audit Findings and Recommendations

Status:

Our follow-up audit testing disclosed that the institution has taken steps to reduce gasoline purchases from off-site vendors drastically. We reviewed a revised vehicle usage procedure memorandum, effective January 1, 2004 that was issued to all applicable employees addressing the use of credit cards for the purchase of gas. In addition, we selected all Voyager account summaries and associated gasoline receipts for the months of May and June 2005 for testing. Only seven incidences of off-site vendor purchases were noted. All were made either outside of the White Haven area, or when the on-site pumping station was not in operation. As a result of these efforts, we concluded that the prior finding has been resolved.

Prior Finding I-3 – Travel expense vouchers are not in compliance with Department policies and procedures.

Our prior audit noted that 7 of 15 travel expense vouchers submitted by the Center employees only contained the destination being traveled to and not the starting point.

We recommended that Center management should conduct a more thorough review of the information placed on the travel expense vouchers before granting final approval.

Status:

The process by which travel expense vouchers are completed has been changed since our prior audit. Interviews with and demonstrations by Center management revealed that travel expense vouchers are now prepared online using the SAP R/3 financial system. The system is set up so that the travel information must be entered in all fields and electronic supervisory approval must be made prior to the travel expense voucher being processed and the employee reimbursed for expenses. As a result of this change, we concluded that the prior finding is resolved.

Audit Report Distribution List

This report was initially distributed to the following:

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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.