

PERFORMANCE AUDIT

South Mountain Restoration Center Pennsylvania Department of Human Services

March 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

Dear Governor Wolf:

This report contains the results of a performance audit of South Mountain Restoration Center of the Department of Human Services (Center) for the period July 1, 2010 through June 30, 2013, unless otherwise noted. We conducted our audit pursuant to Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

Our report details our three audit objectives, scope, methodology, findings, and recommendations. Our objectives were:

- To evaluate whether the Center effectively monitored staff training and whether training was conducted in accordance with policy;
- To determine if the Center effectively monitored contracted medical and pharmacy services provided under contracts; and
- To evaluate the cost effectiveness of the Center's purchasing of supplies.

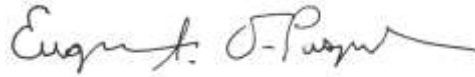
Our audit resulted in the following findings that are detailed in the report:

- South Mountain Restoration Center did not ensure that restoration service aides completed mandatory training requirements and improvements are needed in the Center's oversight of non-mandatory training and recordkeeping.
- South Mountain Restoration Center monitored selected medical service providers but is not in full compliance with Department of General Services' Procurement *Handbook*.

- South Mountain Restoration Center monitored selected pharmaceutical suppliers of medications; however, the Center's method for disposing unused medications does not meet best practices.
- South Mountain Restoration Center adequately monitored laundry service provider's contracts; however, the Center should consider competitively bidding its laundry services contract.
- South Mountain Restoration Center's procurement of medical supplies was cost effective and invoices for medical supplies were adequately monitored.

We discussed the contents of the report with the management of the South Mountain Restoration Center, and all appropriate comments are reflected in the report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eugene A. DePasquale", with a stylized, flowing script.

Eugene A. DePasquale
Auditor General

March 11, 2015

A Performance Audit

South Mountain Restoration Center Department of Human Services

Table of Contents

Background Information	1
Objectives, Scope, and Methodology	6
Audit Results.....	8
Finding 1: South Mountain Restoration Center did not ensure that restoration service aides completed mandatory training requirements and improvements are needed in the Center’s training database.....	13
Finding 2: South Mountain Restoration Center monitored selected medical service providers but is not in full compliance with Department of General Services’ <i>Procurement Handbook</i>	22
Finding 3: South Mountain Restoration Center monitored selected pharmaceutical suppliers of medications; however, the Center’s method for disposing unused medications does not meet best practices.....	26
Finding 4: South Mountain Restoration Center adequately monitored laundry service provider’s contracts; however, the Center should consider competitively bidding its laundry services contract	32
Finding 5: South Mountain Restoration Center’s procurement of medical supplies was cost effective and invoices for medical supplies were adequately monitored	35
Audit Report Distribution List	36

A Performance Audit

South Mountain Restoration Center Department of Human Services

Background Information

Department of Human Services Office of Mental Health and Substance Abuse Services

History, mission, and operating statistics

The Office of Mental Health and Substance Abuse Services was established within the Department of Human Services¹ and 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.²

South Mountain Restoration Center's institutional mission is to:

Restore people to a full and satisfying life while recognizing the need to maintain the fundamental dignity of the individual and their right to care, remedial therapy, training and rehabilitative services as best fit their needs. The ultimate goal of the Center, when possible, is to have residents return to their home community.³

¹ Please note that the name of this commonwealth agency was recently changed from the Department of the Public Welfare (DPW) as a result of the enactment of Act 132 of 2014 (House Bill 993, P.N. 3903) on September 24, 2014. See: <http://www.mediawebsite.net/dentonrc/story/?catSetID=9354&catID=951304&nrid=276965631&page=1>

² <http://www.DHS.state.pa.us/DHSorganization/officeofmentalhealthandsubstanceabuseservices/> Accessed December 8, 2014.

³ <http://www.DHS.state.pa.us/DHSorganization/officeofmentalhealthandsubstanceabuseservices/bureauofcommunityandhospitaloperations/southmountainrestorationcenter/index.htm> Accessed December 8, 2014.

A Performance Audit

South Mountain Restoration Center Department of Human Services

In addition, the Department of Human Services operates six state hospitals. 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.⁴

Bureau of Community and Hospital Operations

The functions of the Bureau of Community and Hospital Operations include the following:⁵

- Oversight of county mental health programs;
- Contract oversight of managed behavioral health programs⁶;
- Operation and oversight for the state hospital system; and
- Operation and oversight of South Mountain Restoration Center.

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.⁷ 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.⁸

South Mountain Restoration Center

South Mountain Restoration Center, referred to in this report as the Center, is a nursing facility that provides long-term care to persons upon their discharge and referral from other state mental health facilities, state correctional facilities, and a variety of other sources throughout the commonwealth.

⁴<http://www.DHS.state.pa.us/DHSorganization/officeofmentalhealthandsubstanceabuseservices/bureauofcommunityandhospitaloperations>. Accessed December 9, 2014.

⁵ Ibid.

⁶ Health Choices is the Commonwealth's mandatory Medicaid managed care program.

⁷ 50 P.S. § 7101 (Act 143 of 1976, as amended).

⁸

<http://www.DHS.state.pa.us/DHSorganization/officeofmentalhealthandsubstanceabuseservices/bureauofcommunityandhospitaloperations>. Accessed December 9, 2014.

A Performance Audit

South Mountain Restoration Center Department of Human Services

The Center is licensed by the Pennsylvania Department of Health as a 159-bed long term care facility and is certified by the Centers for Medicare and Medicaid Services (CMS). The Center is located in the town of South Mountain in Franklin County.⁹ The Center serves individuals from throughout the commonwealth by providing care to persons who have histories of serious psychiatric illness, persons who have lived for many years in state centers and persons who have been incarcerated. Residents of the Center have exhausted other alternatives for placement, are psychiatrically stable and do not exhibit behavior that would put themselves or other residents at risk of harm.¹⁰

Center services are designed to meet the needs of its special populations: persons of size, persons on parole, persons with a history of mental illness, persons with brain injury and persons with dementia. Center services include, but are not limited to, skilled nursing, social services, medicine, activities, pastoral care, dietetics, group therapy, physical therapy, music therapy, occupational therapy, speech therapies, and psychological services. Other services include dental surgery, neurology and psychiatry.¹¹

A chief executive officer (CEO) administers the day-to-day management functions with the assistance of management personnel. Additionally, a nine-member Board of Trustees provides advisory services to the Center.¹² Board members are appointed for time limited terms of six years by the Governor;¹³ they meet on a quarterly basis to advise the CEO regarding concerns and suggestions for program improvements.

⁹<http://www.DHS.state.pa.us/DHSorganization/officeofmentalhealthandsubstanceabuseservices/bureauofcommunityandhospitaloperations/southmountainrestorationcenter>. Accessed December 9, 2014.

¹⁰ Ibid.

¹¹ Ibid.

¹² 71 P.S. § 111.

¹³ Ibid.

A Performance Audit

South Mountain Restoration Center Department of Human Services

South Mountain Restoration Center Operating Statistics For Fiscal Years Ending June 30,

Operating expenditures ¹⁴ (rounded in thousands)	2011	2012	2013
State	\$25,650,389	\$26,947,049	\$26,236,932
Federal	161	0	0
Total	\$25,650,550	\$26,947,049	\$26,236,932
Employee complement at year end ¹⁵	305	295	283
Bed capacity at year end ¹⁶	159	159	159
Available individual days of care ¹⁷	58,035	58,194	58,035
Daily average individual census ¹⁸	133	138	140
Actual individual days of care ¹⁹	48,565	50,593	50,968
Percent utilization (based on individual days of care) ²⁰	83.68%	86.94%	87.82%
Daily average cost per individual ²¹	\$528.17	\$532.62	\$514.77
Yearly average cost per individual ²²	\$192,782	\$194,939	\$187,891

This table shows unaudited Center operating statistics compiled from DHS and commonwealth reports for the fiscal years ending June 30, 2011 through June 30, 2013.

¹⁴ Operating expenditures were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. Commonwealth of Pennsylvania, Systems Application Products, Accounting software.

¹⁵ Department of Human Services, Complement Report for South Mountain Restoration Center.

¹⁶ South Mountain Restoration Center Community Configurations and Capacities of Each Living Area.

¹⁷ Available individual days of care were calculated by multiplying bed capacity by the number of days in the year. (Leap Year 366 days in 2012)

¹⁸ Daily average individual census was calculated by dividing the actual individual days of care for the year by the number of calendar days in the year.

¹⁹ Information provided by Director of Nursing.

²⁰ Percent Utilization was calculated by dividing the actual individual days of care by the available individual days of care.

²¹ Daily average cost per individual was calculated by dividing the total operating expenditures by the actual individual days of care.

²² Yearly average cost per individual was calculated by multiplying the daily average cost per individual by the number of days in the year.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Although operating expenses at the Center increased 2.3 percent from fiscal year 2010-11 to fiscal year 2012-13, the daily average cost per individual at the Center decreased 2.5 percent over the same period, from \$528.17 per day in fiscal year 2010-11 to \$514.77 per day in fiscal year 2012-13. The decrease of 2.5 percent in daily average cost per individual is attributable to an increase in the actual days of care provided and a decrease in the number of Center employees. DHS should continue to increase the utilization of the Center above 87.82 percent.

A Performance Audit

South Mountain Restoration Center Department of Human Services

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our performance audit of the Center had three objectives: staff training, medical service provider contracts and purchasing of services and supplies. The specific audit objectives were:

- One: To evaluate whether the Center effectively monitored staff training and whether training was conducted in accordance with policy. (Finding 1)
- Two: To determine if the Center effectively monitored medical and pharmacy services provided under contracts.²³ (Findings 2, 3 and 4)
- Three: To evaluate the cost effectiveness of the Center's purchasing of supplies.²⁴ (Finding 5)

Unless indicated otherwise, the scope of the audit was from July 1, 2010 through June 30, 2013.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Code of Federal Regulations (CFR), the Commonwealth of Pennsylvania, the Department of Health, the Department of General Services, the Department of Human Services, the Center for Medicare and Medicaid Services (CMS), and South Mountain Restoration Center. In the course of completing our audit work, we interviewed various Center management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analyses conducted for each audit objective.

²³ AmeriCare Services Inc.; Liberty Healthcare; Diamond Drugs; PharMerica Drugs; Pennsylvania Correctional Industries [PCI], a bureau of the PA Department of Corrections.

²⁴ McKesson Medical-Surgical Minnesota Supply, Inc. [medical commodities].

A Performance Audit

South Mountain Restoration Center Department of Human Services

Center management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Center is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we gained an understanding of the Center's internal controls, including any information systems controls, as they relate to requirements that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Audit Results

In the pages that follow we organized our audit results into three sections, one for each objective. Each of the two sections is organized as follows:

- Statement of the objective;
- Relevant laws, policies, and agreements;
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit;
- Methodologies used to gather sufficient and appropriate evidence to meet the objective;
- Finding(s);
- Recommendation(s), where applicable;
- Response by South Mountain Restoration Center management, where applicable; and
- Our evaluation of South Mountain Restoration Center management's response, where applicable.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Audit Results for Objective One

Monitoring of staff training

The Objective

Objective one of our performance audit was to evaluate whether the Center effectively monitored training and whether training was conducted in accordance with policy.

Relevant Laws, Regulations, Policies, and Agreements

According to the Code of Federal Regulations (CFR), a “Nurse aide”²⁵ means any individual providing nursing or nursing-related services to residents in a facility who is not a licensed health professional, a registered dietitian, or someone who volunteers to provide such services without pay.²⁶

Pennsylvania regulations for long term care facilities specify training requirements for the Nurse Aide Training and Competency Evaluation Program.²⁷ The Pennsylvania Department of Health’s Division of Nursing Care Facilities, issues, certifications once every two years or biennially to nurse aides that meet the requirements and enrolls them on a nurse aide registry.

Act 14 of 1997 states:²⁸

...the General Assembly finds and declares that nurse aides in this commonwealth are required to successfully complete a state approved training and evaluation in order to be employed as a nurse aide in a skilled nursing facility or nursing facility in this commonwealth.

The express purpose of Act 14 is to ensure that nurse aides have the education, practical knowledge and skills needed to care for residents of facilities participating in federal Medicare and Medicaid programs.

²⁵ According to Center officials, a “restoration service aide” is the equivalent of a “nurse aide” and will be referred to as such throughout this report.

²⁶ 42 C.F.R. § 483.75(e)(1).

²⁷ 55 Pa. Code § 1181.521. By of further background, the nurse aide training requirements are set by the federal Omnibus Budget Reconciliation Act (OBRA) of 1987 that established new provisions in the Medicare and Medicaid sections related to standards for care in the nursing home setting. A major provision of OBRA pertained to training requirements for nurse aides. The provision includes the following four specified requirements: 1) Nurse aide training (75 hours); 2) Competency evaluation of newly trained nurse aides; 3) Competency evaluation of nurse aides already providing care; and 4) Registry for nurse aides. *See* 42 U.S.C. § 1396r.

²⁸ Act 14 of 1997 known as the “Nurse Aide Resident Abuse Prevention Training Act.” *See* 63 P.S. § 671 *et seq.*

A Performance Audit

South Mountain Restoration Center Department of Human Services

The Center's procedures for monitoring training is described in Commonwealth of Pennsylvania, Department of Human Services, Personnel Manual, section 7121, "Training and Development" which provides the following general guidelines:

The Bureau of Personnel shall design standards and promulgate guidelines for the efficient organization and operation of the Department's staff training and development system and administer the training and development system to include policies, procedures, methods, evaluation, records and reports.

Additionally, maintaining records on training and development activities for use in analysis, planning and reporting by use of the Training Records Information System (TRIS).²⁹ As well as monitoring, auditing and evaluating training and development programs and taking actions to ensure quality, job relevance, and efficient transference of learned skills to the job.

The Center primarily trains its staff by presenting mandatory programs annually or biennially to all Center employees. Course topics include Fire Safety, Right to Know and Workplace Violence. The Center's training coordinator, under the supervision of the Human Resources Director, is responsible for the administration of the training program.

Center Policy No. 1210 "Training" provides the following procedures:

All managers and supervisors are responsible for the training and identification of developmental needs of their staff, and for ensuring that all staff attends mandatory in-service training classes.

All completed training must be input into the Center's internal Human Resources Training Database. The person responsible for providing training will complete a Training Register and forward it to the training coordinator no later than five days after completion of the training. All entries on the training register must be legible and include the name and employee number of each participant.

²⁹ According to Center officials, the TRIS application known as Learning Solution (LSO) is not being used to enter or retrieve localized training.

A Performance Audit

South Mountain Restoration Center Department of Human Services

The training coordinator prepares and distributes all mandatory training announcements to department heads. Any additional training opportunities are distributed to the appropriate department heads. An electronic training calendar will be maintained by the training coordinator for all employees' reviews.

In addition, the Center's training department distributes hard copies of training policies and procedures to the appropriate direct care employee whenever necessary. Each mandatory course has the associated job titles that are responsible for administering the training course.

Scope and Methodologies to Meet Our Objective

Our audit focused on training provided to the Center's direct care staff.³⁰

The Center had 19 classifications of direct care staff. Restoration service aides made up a majority of the direct care staff. As of June 30, 2013, 45 percent or 68 of the 150 direct care staff classifications were restoration service aides or aide trainees. Restoration service aides have daily contact with the residents at the Center. The remaining 55 percent of the direct care staff was comprised of employees in the 18 other classifications.

To accomplish our audit objective related to training, we obtained and reviewed federal and state regulations applicable to Center employee training.

We reviewed the applicable Department and Center policies to gain an understanding of how training is provided for direct care staff and monitored by the Center.

We interviewed the persons who served as the Center's training coordinator(s) and Director of Human Resources during our audit period in order to gain an understanding of the monitoring process for direct care staff training and to ascertain the training requirements.

We obtained job descriptions for the current training coordinator, restoration service aide, and the Director of Human Resources and we reviewed the duties and responsibilities for each position.

³⁰ 55 Pa. Code § 2600.4 relating to Definitions. The definition of "Direct care staff person" is "A staff person who directly assists residents with activities of daily living, and instrumental activities of daily living and provides services or is otherwise responsible for the health, safety and well-being of the residents."

A Performance Audit

South Mountain Restoration Center Department of Human Services

We obtained:

- The total number of direct care staff job classifications at the Center and the total number of direct care staff as of June 30, 2013.
- Facility complement reports for fiscal and calendar years 2012 and 2013.

We reviewed a listing of mandatory training courses (programs) for restoration service aides offered by the Center's training department under Center policy (Center policy No.1210-Training) for calendar years 2012 and 2013. The training included seven mandatory courses offered in calendar year 2012 and eight mandatory courses offered in calendar year 2013.

We reviewed employee training records to determine if the restoration service aides completed the above listed mandatory courses offered during calendar years 2012, and 2013.

We obtained the "Report: All Employees That Did not Attend"³¹ for all employees for mandatory courses as listed on Center Policy No.1210 for calendar years 2012 and 2013.

We selected eight restoration service aides from a total of 68 restoration service aides³² to determine if employees had received the mandatory courses as listed on "Center policy No. 1210-Training" for calendar years 2012 and 2013.

We requested and obtained the certifications of nurse aide training and competency evaluation program issued by the Pennsylvania Department of Health to determine if the eight restoration service aides selected were certified and enrolled in the Nurse Aide Registry during our audit period.

We reviewed a listing of non-mandatory training courses (programs) that were offered by the Center's training department for direct care staff for each of the following two calendar years:

- 34 non-mandatory courses offered in calendar year 2012;
- 31 non-mandatory courses offered in calendar year 2013.

³¹ The "Report: All Employees That Did Not Attend" is a report on the Center's internal training database that can be run for any course and lists all employees who did not attend the specific course.

³² The total number of restoration service aides listed on the complement report for fiscal year ended June 30, 2013: 68 filled 3 vacant for a total of 71 positions.

A Performance Audit

South Mountain Restoration Center Department of Human Services

We conducted interviews and obtained documentation to determine if a standard set of courses existed that all direct care staff under the job classification of “restoration service aides” were required to complete for calendar years 2012 and 2013.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Finding 1

South Mountain Restoration Center did not ensure that restoration service aides completed mandatory training requirements and improvements are needed in the Center's training database.

Our audit of the Center's training records found that the Center did not provide mandatory staff training in compliance with Department and Center policies; however, the Center was in compliance with federal regulations.

We examined the certifications and training records for eight of the Center's 68 restoration service aides (nurse aide).

Our audit disclosed that:

- All eight restoration service aides had a current Department of Health certification and were enrolled in the Nurse Aide Registry in accordance with Act 14 of 1997.
- All eight restoration service aides obtained at least 12 hours of training annually as required by the Centers for Medicare and Medicaid Services (CMS) under the Code of Federal Regulations for the position of nurse aide.
- Five of the eight restoration services aides failed to complete the mandatory course entitled, *Evacuation Training & Hover Jack* during 2013.

According to the Safety Manager:

“The reason that staff did not complete the course entitled *Evacuation Training and Hover Jack* is due to a number of reasons. One is that the training is hands-on. The dates and times when I scheduled the training, staff were not available to attend, were on leave of some type, or simply did not show up. Multiple sessions over several weeks were scheduled to make it possible for staff to attend. Make-up sessions were conducted at the end of the year in November and these staff still missed the training.”

During our audit period, training records were maintained in a database by the Center's internal Human Resources office. The Center's training coordinator uses this database to track and electronically monitor training for each employee at the Center.

A Performance Audit

South Mountain Restoration Center Department of Human Services

From the database, the Center can produce a report known as the “Report: All Employees That Did Not Attend” (Report). However, the Report was not accurate. For example, if a nurse aide began employment in 2013, the Report listed the nurse aide as not attending mandatory training provided during 2012 and other years prior to his/her employment. The Report should list only staff who were required to, but did not, attend training. As a result of deficiencies such as this, the Report was not a reliable or useful tool to be used to monitor staff training.

In addition, the Department of Human Services’ Office of Development provided the Center with “the Learning Solution” (LSO), an application to consolidate training records. The LSO is an internet-based training management system. It is used to schedule instructor-led and online courses, student self-enrollment, enrollment approvals and tracking course completions.³³

However, Center officials stated that the LSO application failed to provide the Center with the capacity to centralize employees’ training records.

Without consolidated training records, the Center did not have the ability to fully and properly monitor, review, and analyze direct care staff training. The Center did not maintain adequate records on training and development activities for use in analysis, planning, and reporting by use of the Department of Human Services’ Training Records Information System (TRIS). The training coordinator was unable to monitor and evaluate training requirements as a whole to take action to ensure that each employee learned the skills required to perform their job.

Recommendations for Finding 1

1. Management should ensure that all employees complete mandatory training.
2. The Center should ensure alternate instructors are available to provide training.
3. The Center’s internal database used to track and monitor training should be updated by the Information Technology (IT) Department to run the “Report: All Employees That Did Not Attend” with information that the Center can use to ensure staff are scheduled to attend mandatory training.

³³ Office of Administration- <http://www.portal.state.pa.us/portal/server.pt/community/training/19700/Iso/788702>
Accessed on May 8, 2014.

A Performance Audit

South Mountain Restoration Center Department of Human Services

4. The Department of Human Services should provide the Center with a centralized, functional web-based system that will track and monitor direct care staff training.

Management Response

Response to Recommendation 1:

Effective immediately, the Human Resources Director will work closely with each department head manager to ensure all employees within their respective department(s) have taken all required mandatory training. The tracking process will include the Human Resources Department Clerk 3 working closely with the IT staff to ensure the SMRC database software is set to receive input of those in attendance, and having the proper data downloaded in order to retrieve and print correct reports of those employees "who have not attended". Department heads will be notified in writing of established timelines for completion of required training and will be held accountable for ensuring their staff is trained, including those employees returning to work from extended medical leave of absence or those on extended vacation.

Response to Recommendation 2:

Every effort will be made by the Human Resources Director to ensure that alternate instructors are available to provide training, in order to complete training sessions by established due dates. The HR Director will continue to communicate with the Facility's executive staff of training needs and available resources for this purpose.

Response to Recommendation 3:

Effective immediately, the Human Resources Department Clerk 3 will work closely with the IT staff to ensure the Facility's training database is updated and/or reconfigured in order to retrieve and print accurate reports of those employees who did not attend a particular training.

Response to Recommendation 4:

The Department of Human Resources uses the Commonwealth's centralized SAP/LSO web-based training system. As this Facility identifies deficiencies or problems in the "reports" section of this program, we will contact the Department's Training Liaison Unit to report concerns. The Facility, will, however, continue to use its own internal training database to track and monitor direct care staff training.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Auditor's Conclusion

We are pleased that South Mountain Restoration Center's management agreed with our recommendations one through three and that management has already taken action to implement the recommendations. With respect to recommendation four, we are pleased that management will take necessary steps to address the issues reported in the finding. During our next audit, we will evaluate whether our recommendations have been implemented.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Audit Results for Objective Two

Contract Monitoring

The Objective

Objective two for our performance audit was to determine if the Center effectively monitored medical and pharmacy services provided under contracts.

Relevant Laws, Policies, and Agreements

Through DHS and/or the Department of General Services (DGS), or on its own, the Center participated in or executed contracts with two medical services providers (hereinafter “providers”) during the audit period. Under terms of the medical services contracts, the providers were to provide the Center with the medical services of two psychologists, a dietician, a neurologist, a dentist, and a physical therapist.

The Center entered into two (2) pharmacy supply and management contracts during the audit period. Both contracts were executed by DGS. Under terms of the contracts the pharmaceutical companies were to provide medications (controlled and uncontrolled) to Center residents and provide pharmacy management.

Through the Department of Human Services (DHS) and the Department of General Services (DGS), the Center participated in a contract with correctional industries’ inmate employment service (hereinafter “laundry service provider”) during the audit period. Under terms of the contract, the laundry service provider picked up, weighed, cleaned, and returned the Center’s linens and residents’ personal items.

Under the authority of the Commonwealth Procurement Code,³⁴ the Department of General Services (DGS) issued its *Procurement Handbook*, which provides the policies, procedures, and guidelines for state agencies to use when procuring supplies, services, and construction. Included in the DGS’ *Procurement Handbook* are the requirements an agency must follow with regard to statewide contracts.³⁵ The handbook states the following:

A statewide requirements contract is a contract which is entered into by DGS and includes the annual, semi-annual, or quarterly contract requirements for the specified items to meet the requirement of all Commonwealth agencies.

³⁴ 62 Pa.C.S. § 101 *et seq.* Hereafter we refer to this law as the Procurement Code or DGS’ *Procurement Handbook*.

³⁵ See the DGS’ *Procurement Handbook*, Part 1, Chapter 9, Statewide Requirements Contracts.” We refer to a “statewide requirements contract” as a “statewide contract” through this report.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Agencies order needed materials or services directly from the contractor. When a statewide requirements contract is established by DGS, agencies are required to order their requirements for the specified items from the contractor(s) who holds the contract.

The contract monitor continuously tracks the progress and performance of a contract from announcement of the successful bidder to awarding of the contract through to acknowledgment that contracted medical services were performed and/or that medications were delivered in quantities and quality consistent with contract specifications.³⁶

Center management stated that the Center had to comply with Part I, Chapter 6 of the DGS' *Procurement Handbook*, titled "Methods of Awarding Contracts." Part I, Chapter 6 is a policy requirement that state agencies procure supplies manufactured by, or services performed by, inmates in correctional institutions. The Center complied with this requirement by using the laundry service provider to launder Center linens and residents' personal items.

Another policy guide relevant to Center contracts was issued by the Governor's Office of Administration through Management Directive 205.4.³⁷ Management Directive 205.4 is titled "Delegation of Authority to Sign and Delegation to Authorize SAP Payments." Management Directive 205.4 establishes policy, responsibilities, and procedures for signing documents by agency heads, and other officials under the Governor's jurisdiction.

Scope and Methodologies to Meet Our Objective

To accomplish our contract monitoring objective, we reviewed the above listed contracts, the DGS' *Procurement Handbook*, Executive Order 2004-4, and Management Directive 205.4. We also reviewed the Center's internal policies and procedures pertaining to contract monitoring, and the Center's internal (and external) policies pertaining to the receipt, inventorying, quality control, safe and secure storage, return, disposal and destruction of medications, controlled and non-controlled.

³⁶ DGS' *Procurement Handbook*, Part I, Chapter 54 relating to Contract Person Responsibilities.

³⁷ http://www.portal.state.pa.us/portal/server.pt?open=512&objID=711&PageID=228891&mode=2&contentid=http://pubcontent.state.pa.us/publishedcontent/publish/cop_general_government_operations/oa/oa_portal/omd/p_and_p/m_anagement_directives/management_administrative_support/items/205_4_delegation_of_authority_to_sign.html
Accessed 09/18/14.

A Performance Audit

South Mountain Restoration Center Department of Human Services

The requirements set forth in the DGS' *Procurement Handbook* relate to the contact person's responsibilities in contract management. The DGS' *Procurement Handbook* standardized the monitoring of state agencies' contracts statewide, providing a definitive guide for DHS and the Center regarding contract monitoring procedures.

We obtained and reviewed contract documentation for two medical services providers, two pharmaceutical companies, and a medical commodities company.

The Chief Operations Officer served as the audit liaison. All persons interviewed were responsible for some aspect of Center contract monitoring or management.

We interviewed the Center's Chief Executive Officer, the Facility Financial Manager, and the contract monitors for the medical service providers. During the audit period, the Center's Medical Director served as the contract monitor for the two medical services providers, as well as for the two pharmaceutical companies. However, the Medical Director retired prior to commencement of the audit. As a result, the Director of Nursing volunteered to act in her place and to provide requested information and documentation to the auditors. Auditors also interviewed and observed a nurse as she served as the medication room nurse.

We observed the delivery and inventorying of controlled and uncontrolled medications.

We obtained and reviewed six months of invoices submitted by two medical service providers during the 2010-11, 2011-12, and 2012-13 fiscal years. We compared the service hours charged on the invoices with hours recorded on related electronic and/or signed time sheets.

We obtained and reviewed six invoices and related manifests for two months during both the 2011-12 and 2012-13 fiscal years, submitted and prepared by the pharmacy providers.

We reviewed documentation supporting the providers' scheduled appointments and gained insight into their interaction with contract monitors, and other Center personnel and residents.

We requested redacted copies of reports prepared by the providers. However, the contract monitors would not provide the requested information and cited the Health Insurance Portability and Accountability

A Performance Audit

South Mountain Restoration Center Department of Human Services

Act (HIPAA) as the basis for their refusal. Additionally, in regard to the Center properly disposing of its unused medications/substances, we reviewed federal Drug Enforcement Administration (DEA) and Food and Drug Administration (FDA) regulations. The regulations pertain to the purchase, use, storage, and disposal of controlled substances.

To accomplish our contract monitoring objective for the laundry service provider, we reviewed the statewide contract, relevant Parts and Chapters of the DGS' *Procurement Handbook*, Management Directive 205.4, and Executive Order 2004-4. We also reviewed the Center's internal policies and procedures. None of the Center's internal policies and procedures directly related to the pick-up, weighing, laundering, and return delivery of the Center's linens and residents' personal items.

We obtained and reviewed 16 laundry service vendor invoices from July 1, 2010, through June 30, 2013, SAP actual expense totals for the audit period, laundry confirmation lists, titration reports, and quarterly quality assurance reports, letters, emails, bar charts, poundage logs, projection spreadsheets, and periodic reports.

We also obtained and reviewed, for comparative purposes, internet information on the laundry service contractual relationship between a private industry laundry service provider and a state-owned and operated long term care facility.³⁸

In addition, we interviewed the Center's Facility Financial Manager, and the contract monitor for the laundry service provider. During the audit period, the Center's Director of Environmental Services served as contract monitor for the laundry service provider.

We reviewed two private industry laundry service providers for the purpose of comparing private industry poundage pricing and scope of services to those offered to the Center by the laundry service provider.

We contacted the Department of Human Services to determine whether facilities under its jurisdiction were compelled to utilize the statewide laundry service provider or if utilization was optional.

³⁸ <http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400005865\ContractFile.pdf> Accessed 9/18/14.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Finding 2

South Mountain Restoration Center monitored selected medical service providers but is not in full compliance with Department of General Services' *Procurement Handbook*.

We determined that the Center was in compliance with some, but not all applicable sections of the Department of General Services' Procurement Handbook. Our audit found that medical services were provided to residents in accordance with contract requirements. The Center complied with the DGS' *Procurement Handbook* requirement in Part I, Chapter 54 by assigning contract monitors to medical service providers' contracts.

We found that the Center's contract monitors reviewed the signed or electronically-generated time sheets, recalculated hours charged to ensure accuracy, made mathematical corrections, prepared and posted goods receipts into the Commonwealth's SRM system and/or forwarded the goods receipts to the Facility Financial Manager. The providers, in turn, prepared and submitted invoices to the Office of Comptroller Operations for payment.

The Facility Financial Manager does not formally review contract monitors' goods receipts' submissions and does not review their calculations. The Facility Financial Manager becomes involved in the payment of invoices for medical or pharmaceutical expense payments only if the Office of Comptroller Operations discovers a discrepancy and contacts the Facility Financial Manager for input in resolving the discrepancy. To strengthen internal controls, the Facility Financial Manager should regularly review at a minimum a portion of the submissions to ensure accuracy and to take appropriate action if discrepancies are detected.

Our review of the six months of service provider invoices found that the rates charged matched the rates contained in the contract. We also found that the charges for services were also supported by provider time records maintained by the Center. All invoice payments were approved by the contract monitor.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Based on the results of our testing, interviews, and review of documents, we determined that the Center complied with the section of Management Directive 205.4 that restricts commitment or expenditure of Center funds to authorized individuals who were assigned that duty under the commonwealth's accounting system and requires contract monitors to authorize and approve payment of contractor invoices.

Although the Center indicated it monitored the contracts, improvement might be needed to bring the Center into compliance with the Procurement handbook and Management Directive 205.4. The Center indicated it complied with Management Directive 205.4 by requiring all providers to prepare and submit weekly written detailed statements of work performed. Receipt of the weekly written detailed statement of work performed is a prerequisite to the contract monitor preparing a goods receipt. However, we could not verify compliance with this portion of the Directive. Auditors requested redacted copies of weekly written detailed statements of work. However, contract monitors refused to provide the requested statements of work and cited HIPAA as the basis for their refusal.

Additionally, the Center was not in compliance with sections of the DGS' *Procurement Handbook*, Part I, Chapter 54 that require the Center to:

- Immediately alert and obtain guidance from the contracting officer and purchasing agency counsel if contractor is not performing satisfactorily or if terms of the contract are being violated.

We found that providers are not rated or reviewed to determine whether they are performing satisfactorily or if the terms of their contracts are being violated.

- Conduct on-site visits to observe work in progress.

We found that no regular on-site visits took place to observe the providers' work in progress with the Center's individual residents.

- Before final payment, measure the work performed against the work statement. If performance does not meet contract requirements, it is incumbent upon the contact person to identify deficiencies and to advise the contracting officer so remedial action can be taken before final payment is made.

We found that there was no formal measure of the providers' work against the work statement before final payment was made.

A Performance Audit

South Mountain Restoration Center Department of Human Services

- Prepare a final evaluation of the contractor's performance and forward it for inclusion with the agency's record copy of the contract.

We found that no final evaluation of the contracted providers' performance was made. As a result, there was no evaluation to include in the Center's record copy of the contracts.

Improvements are needed in the monitoring process to address the deficiencies listed above and to ensure that each duty and responsibility enumerated in the DGS' *Procurement Handbook* is fulfilled. Medical service providers receive public funds to perform contractually obligated professional duties. However, unless the providers are adequately monitored, and their work evaluated and the results of the evaluation maintained there is no assurance that the services were fully performed in accordance with contractual terms and conditions.

Recommendation for Finding 2

1. South Mountain Restoration Center should develop a comprehensive orientation and training program for medical service contract monitors. The training should use DGS' *Procurement Handbook*, Part I, Chapter 54 – Contact Person Responsibilities as the primary source for training material. The training should emphasize the following:
 - Rating or reviewing providers to determine whether they are performing satisfactorily;
 - Conducting on-site visits to observe work in progress;
 - Measuring the work performed against the work statement and documenting the results; and
 - Preparing a final evaluation of the contractor's performance to include with Center's record copy of the contracts.

Management Response

According to the auditor's report, under the heading of Finding 2, the Facility Financial Manager does not formally review contract monitor's goods receipts' submissions and does not review their calculations. The review is usually done through the one-to-one match between the goods receipts and the invoices in SRM. If it will increase internal controls, the Finance Office will randomly review the goods receipts.

The audit report indicates that "although the Center monitored contracts, improvements are needed to bring the Center into compliance with 'other portions' of the Procurement Handbook and Management Directive 205.4." Furthermore, "the contract monitors can improve compliance with Management Directive 205.4 by requiring all providers to prepare

A Performance Audit

South Mountain Restoration Center Department of Human Services

and submit weekly detailed statements of work performed.” It is not clear what relevance Management Directive 205.4 has as its objective is to “ensure only authorized individuals can sign documents to commit or expend funds on behalf of an agency and to ensure payments from SAP are approved by authorized users in the SAP system. As to requiring detailed statements of work performed, providers do submit a report which is scrutinized by multiple disciplines at the Center. The medical providers enter progress notes into residents’ files as documentation of services rendered. It was also reported in the audit finding that “we found that no regular on-site visits took place to observe the providers’ work in progress with the Center’s individual residents. Contracted medical services are provided on-site at the Center. As to observing work in progress, resident rights and confidentiality must be preserved. During dental procedures, Center staff is present.

In response to the recommendation under Finding 2, South Mountain Restoration Center will implement training for its contract monitors as well as a standardized monitoring form to evaluate contractor performance.

Auditor’s Conclusion

We agree with management’s clarification regarding the Commonwealth’s computer system and invoices going to the Office of Comptroller Operations. Management Directive 205.4 establishes policy, responsibilities, and procedures for granting authorization to commit funds and payment authorization on behalf of the agency for payments originating in SAP. The contract monitor approves statements of work to input the goods receipt. The vendor cannot be paid without the goods receipt. However, the contract monitors did not provide statements of work to the auditors due to HIPAA concerns, therefore we could not determine if proper authorization was provided to commit funds. Therefore, we believe that it is relevant to this finding.

We are pleased that South Mountain Restoration Center’s management agreed with the majority of our recommendations and that management has already taken action to implement the recommendations. We encourage management to implement all of our recommendations. During our next audit, we will evaluate whether our recommendations have been implemented.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Finding 3

South Mountain Restoration Center monitored selected pharmaceutical suppliers of medications; however, the Center's method for disposing unused medications does not meet best practices.

Our audit found that deliveries of controlled and uncontrolled medications (medications) to the Center were monitored in accordance with contract requirements.

We found that the Center complied with the section of the DGS' *Procurement Handbook* (Part I, Chapter 54) that requires the assignment of contract monitors to pharmaceutical suppliers' contracts.

Our review of the six provider invoices and related manifests found that medication prices listed on the invoices matched contract prices and quantities ordered also matched manifests. We also found that the invoices were approved for payment by the contract monitor.

We reviewed medications delivery, acceptance, inventorying, safe and security storage and found that medications suppliers made twice a day, weekday deliveries, one delivery on Saturday and no deliveries on Sunday to the Center in accordance with contract requirements. Medication deliveries are accepted, timely inventoried, safely and securely stored in a medication room, reserved and designated specifically for that purpose. Medications at the Center are distributed to residents, using photographic images and resident-specific instructions that ensure each resident receives only the medication (controlled and non-controlled) and the medication dosage prescribed for him or her.

Based on the results of our audit procedures, the Center properly monitored pharmaceutical supplies providers' performance of their contractual duties and obligations by (1) assigning contract monitors to appropriate contracts and (2) the contract monitors substantially complying with the duties and responsibilities imposed upon them by Part I, Chapter 54 of the DGS' *Procurement Handbook*, as well as the duties and responsibilities imposed by the Center's internal policies and procedures and external policies and procedures.

Disposal and Destruction of unused medications

Our review also showed that the Center may not be in full compliance with the following policies and procedures as they relate to the disposal

A Performance Audit

South Mountain Restoration Center Department of Human Services

and destruction of controlled medications. Improvements in the monitoring process may be necessary in this area.

The Center's policy requires that the destruction and disposal of controlled medications be recorded on a special form and must be counted and destroyed in the presence of two licensed nursing staff.

Our audit found that the Center flushes controlled medications down the commode in the presence of another licensed nurse as witness, subject to a physician's order to discontinue a resident's use of the controlled medication or a resident's death, release, or transfer.

The medication room nurse did not mention any other form of destruction and disposal of controlled medications (such as take-back programs, or sealing the controlled medications in a plastic bag mixed with unpalatable substances such as sawdust, cat litter, and/or used coffee grounds).

After the medication room nurse stated in her interview that she disposed of and destroyed controlled medications by flushing them down the commode, the auditors conducted further research on approved methods of disposing of and destroying controlled medications.

As a long term care facility, the Center's disposal and destruction of controlled medications are within the regulatory jurisdiction of the Drug Enforcement Administration (DEA). However, a visit to the DEA website for information on the disposal and destruction of controlled medications redirects the visitor to the Food and Drug Administration (FDA) website. The FDA website devotes a section to the disposal and destruction of controlled medications by flushing. The FDA website provides a list of which expired, unwanted, or unused medications should be flushed down the sink or commode. Controlled medications should be flushed down the sink or commode in the following instances:

- the controlled medication is on the FDA prepared list approved for flushing;
- the controlled medication's manufacturer recommends flushing; or
- a physician instructs/authorizes personnel to dispose of or destroy the controlled medication by flushing.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Otherwise, the FDA recommends two primary methods of disposing of or destroying controlled medications:

- utilizing controlled medications take-back programs which are available in many drug stores in communities throughout the United States; or
- mixing the controlled medications in a strong plastic bag with unpalatable substances such as sawdust, cat litter, or used coffee grounds.³⁹

The auditors conducted additional research into the disposal and destruction of controlled medications by contacting 17 state-owned residential care facilities.⁴⁰ Auditors surveyed those facilities' pharmacists (or, in some instances, their CEOs) by asking the question: "Does your facility dispose of or destroy controlled medications by flushing them down the toilet or commode?" All 17 of those state-owned residential care facilities have a DO NOT flush policy. The exception to that policy is that several of the facilities flush Fentanyl patches. Fentanyl patches are on the FDA-approved list of controlled medications that can be safely flushed

According to the DEA's revised guidelines for the proper and safe disposal and destruction of controlled medication (effective October 2014):

Disposers/destroyers should be clean air and clean water-conscious in order to protect and preserve those valuable natural resources. The DEA's rules changes for disposing of and destroying controlled medications tend to comment disapprovingly on the practice of flushing, as not being beneficial to the environment.

The DEA rules changes specifically refer to long term care facilities and their disposal/destruction of controlled medications. Those rules advocate the placement of special receptacles in long term care facilities where

³⁹ <http://www.fda.gov/Drugs/ResourcesForYou/Consumers/BuyingUsingMedicineSafely/EnsuringSafeUseofMedicine/SafeDisposalofMedicines/ucm186188.htm> accessed on September 24, 2014.
<http://www.fda.gov/ForConsumers/ConsumerUpdates/ucm101653.htm> accessed on September 24, 2014.
<http://www.drugs.com/fda-consumer/how-to-dispose-of-unused-medicines-180.html> accessed on September 24, 2014.

⁴⁰ Warren State Hospital; Clarks Summit State Hospital; Wernersville State Hospital; Hamburg State Center; Polk Center; White Haven Center; Torrance State Hospital; Danville State Hospital; Norristown State Hospital; Selinsgrove Center; Ebensburg Center; Gino J. Merli Center; Hollidaysburg Veterans Center; Southwestern Veterans Center; Southeastern Veterans Center; and the Soldiers and Sailors Home.

A Performance Audit

South Mountain Restoration Center Department of Human Services

controlled medications are secured out-of-reach of residents and potential abusers. A take-back pharmacy would be responsible for the removal and safe transport of the receptacles from qualifying long term care facilities to a designated disposal/destruction area. A recommended form of destruction would be by incineration. Likewise, the EPA favors forms of disposal/destruction other than flushing. The EPA wants to prevent drug disposal and destruction residue from contaminating the nation's rivers, lakes, and streams. The EPA basically opposes flushing and promotes take-back programs.⁴¹

South Mountain Restoration Center provided auditors with several sheets showing the controlled medications it disposed of/destroyed by flushing. None are on the FDA approved list of controlled medications recommended for disposal/destruction by flushing. Therefore, we concluded that the Center's method for disposing of unused medications does not meet best practices.

Recommendations for Finding 3

1. South Mountain Restoration Center should develop a method of disposal and destruction of controlled medications that complies with current FDA and/or EPA guidelines.
2. South Mountain Restoration Center should immediately refrain from flushing controlled medications that are not on the FDA approved list of controlled medications recommended for disposal/destruction by flushing.
3. South Mountain Restoration Center should ensure that staff is properly trained in the disposal and destruction of controlled medications in a manner that is approved by governing regulatory authorities.

Management Response

Response to recommendation 1:

South Mountain Restoration Center's method of disposal during the time interval of the audit was in full compliance with the FDA guidelines in effect for that time period. The other methods of disposal mentioned in the audit were not recognized until this past year. Long Term Care (LTC) facilities were excluded from take-back programs until a specific change in the regulations that specifically gave LTC facilities the permission; (To act as agent of the person for whom the medications were prescribed) was

⁴¹ <http://water.epa.gov/scitech/wastetech/guide/upload/unuseddraft.pdf> accessed September 24, 2014.
http://www.deadiversion.usdoj.gov/drug_disposal/non_registrant/rdellinger.pdf accessed September 24, 2014.

A Performance Audit

South Mountain Restoration Center Department of Human Services

enacted this past October, 2014. Currently there are no take-back programs available in Franklin County. While the DEA has recently authorized take-back programs, it does not mandate them.

Response to recommendation 2:

South Mountain Restoration Center refers to the FDA list of medications that should be disposed of by flushing, and not a list of exclusion, i.e. if not on the list should not be flushed. The vast majority of medications that South Mountain Restoration Center has occasion to dispose of are in fact, included on this list of medications that must be disposed of by flushing. The list we found on the FDA website is mostly by Brand name and we suspect the auditors may not have recognized their generic equivalents, which are mostly used at our facility. The few medications on our controlled list of drugs that were disposed of and not specifically listed in the FDA website certainly fall into the category of medications recommended for flushing as per the website, "There is a small number of medicines that may be especially harmful and, in some cases, fatal with just one dose if they are used by someone other than the person for whom the medicine was prescribed." Non-controlled medications are returned to our contract pharmacy for disposition in accordance with current pharmacy regulations. Pharmacies, unless specifically licensed, cannot take back controlled medications.

Response to recommendation 3:

Staff is educated in the safe disposal of medications on an ongoing basis. Procedures will be revised as circumstances regarding the ability to dispose of medications change. While the auditors correctly surmised that the preferred environmental method is to store in a sealed box that prevents tampering until an authorized take-back disposal contractor picks up the medications for incineration, there is currently no such service available to South Mountain Restoration Center.

Management Response

We are pleased that South Mountain Restoration Center's management is aware of recently enacted DEA rules change and that management has already taken action to implement the recommendations. However, we continue to recommend that the Center consider best practices used at other similar state-owned facilities. Regarding the potential for the auditors not considering generic equivalents, the Center did not raise this issue during the conduct of the audit. Further review after receiving management's response disclosed that neither the brand name nor the generic equivalents were included on the FDA list for three of four

A Performance Audit

South Mountain Restoration Center Department of Human Services

medications we reviewed. During our next audit, we will evaluate whether our recommendations have been implemented.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Finding 4

South Mountain Restoration Center adequately monitored laundry service provider's contracts; however, the Center should consider competitively bidding its laundry services contract.

The Center's laundry service is provided under a statewide contract with Pennsylvania Correctional Industries (PCI). Our audit found that the Center monitored the laundry services provided under contract. The contract monitor for the laundry service provider complied with the responsibilities enumerated in the DGS' *Procurement Handbook*. The sixteen invoices we reviewed were properly paid and reconciled to SAP expenditures data and the invoices' poundage count and price per pound charged reconciled with the applicable annual per pound pricing letter with no deviation.

During the three-year audit period, the Center paid PCI nearly \$900,000 for laundry services. The DGS' *Procurement Handbook* encourages state agencies to utilize PCI, but usage by commonwealth departments or facilities is not mandatory.⁴² DGS' *Procurement Handbook* requires all contracts over \$10,000 to be competitively bid⁴³ however, these services were not required to be competitively bid because they were procured from a statewide contract. The Center's contract monitor stated that there has been no discussion or consideration of opening the laundry service contract for competitive bidding.

We found that other state agencies have competitively bid for laundry services and they have found a private sector laundry provider to provide the service.⁴⁴ Purchasing personnel at those facilities stated that the private sector service was equal to, if not better than, PCI. Therefore, we believe that the Center should consider competitively bidding for laundry services to determine if the services can be procured at a lower cost.

Recommendation for Finding 4

1. South Mountain Restoration Center should consider competitively bidding out its laundry services contract.

Management Response

According to the report, "the DGS Procurement Handbook encourages state agencies to utilize PCI, but usage by commonwealth departments or facilities is not mandatory." According to Chapter 09 of the Procurement Handbook, "when a statewide requirements contract is established by

⁴² DGS' *Procurement Handbook*, Part I, Chapter 6-Methods of Awarding Contracts.

⁴³ DGS' *Procurement Handbook*, Part I, Chapter 7-Thresholds and Delegations.

⁴⁴ Southwestern Veterans Center, Delaware Valley Veterans Center, Gino J. Merli Veteran's Center, and Soldiers' and Sailors' Veterans Home.

A Performance Audit

South Mountain Restoration Center Department of Human Services

DGS, Agencies are required to order their requirements for the specified items from the contractor(s) who holds the contract.” Further, when an item is covered by a statewide requirements contract, Agencies can only procure the item from another source by obtaining a waiver when a series of conditions are met. The first of those conditions being that “the statewide requirements contract gives the Commonwealth the right to procure items that are covered by the contract through a separate competitive procedure, whenever DGS deems it to be in the best interest of the Commonwealth.” The statewide Corrections Industries contract in effect during the scope of the audit specified no such right. Before issuing a waiver; DGS, Bureau of Procurement (BOP) determines that the non-contracted supplier’s material or service is comparable. DGS, BOP also determines that significant savings can be realized through separate competitive procurement. Additionally; DGS, BOP approves the separate competitive procurement in writing. In response to the recommendation, South Mountain Restoration Center will determine if another vendor is available to service our area. If so, we will request, through formal channels, that DGS make a determination of significant savings.

Auditor’s Conclusion

We are pleased that South Mountain Restoration Center’s management agreed with our recommendation and that management has already taken action to implement the recommendation. During our next audit, we will evaluate whether our recommendation has been implemented.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Audit Results for Objective Three

*Cost effectiveness
of purchasing of
supplies*

The Objective

Objective three of our performance audit was to evaluate the cost effectiveness of the Center's purchasing of supplies.

Relevant Laws, Policies, and Agreements

Under authority of the Commonwealth Procurement Code, DGS issued its *Procurement Handbook* which contains policies and procedures that guide state agencies when procuring supplies, services, and construction.

Scope and Methodologies to Meet Our Objective

We obtained and reviewed the Center's contract for medical supplies.

To accomplish our objective we traced selected monthly invoices (August and May) during the audit period to the commonwealth's accounting records. We also traced the vendor payments through the commonwealth's accounting system.

We also determined the reasonableness of prices the Center paid by comparing the price data from the invoices selected for the audit period to the price list for McKesson medical supplies from fiscal year July 1, 2010 to June 30, 2011.

A Performance Audit

South Mountain Restoration Center Department of Human Services

Finding 5

South Mountain Restoration Center's procurement of medical supplies was cost effective and invoices for medical supplies were adequately monitored.

The Center's medical supplies contracts⁴⁵ were competitively bid as required by procurement policy. The goal of competitive bidding is to promote competition and obtain supplies at the best (lowest) cost.

Our review of 38 vendor invoices submitted by the medical supplies vendor during the period July 1, 2010, through June 30, 2013 disclosed that prices charged for items listed on the invoices matched the price listing.⁴⁶ We also found that the invoices were properly approved for payment by the Facilities Financial Manager and correctly inputted into the commonwealth's accounting record system.

The Center obtained medical supplies in compliance with policy and monitored invoices to ensure accurate billing and payments.

⁴⁵ McKesson Medical contract # 4600019429, effective July 7, 2010 to February 6, 2012 and contract #4600010245, effective August 14, 2012 to June 30, 2017.

⁴⁶ McKesson Medical had a core price list of items for medical supplies effective from July 1, 2010 to June 30, 2011.

A Performance Audit

South Mountain Restoration Center Department of Human Services

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