



**Performance Audit**

**Clarks Summit State Hospital**

**Commonwealth of Pennsylvania  
Department of Public Welfare**

**January 2012**

January 23, 2012

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of the Department of Public Welfare's Clarks Summit State Hospital from July 1, 2007, through March 10, 2010. Our audit was conducted under the authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report contains six audit objectives along with an audit scope and methodology for each objective. Where appropriate, the audit report contains findings, conclusions and recommendations. The report noted that Clarks Summit could not document that absent without leave incident reports were prepared and forwarded to the Office of Mental Health and Substance Abuse Services. Also, the hospital does not have adequate policies and procedures in place to monitor its maintenance work order system effectively. Fixed asset records were inaccurate, and controls and other safeguards over fixed assets need improvement. Incorrect pay incentive calculations were made to Clarks Summit's medical staff. Finally, an improper segregation of duties existed while calculating employee pay incentives.

We discussed the contents of the report with management of the Clarks Summit State Hospital and all comments are reflected in the report.

Sincerely,

**JACK WAGNER**  
Auditor General

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Department of Public Welfare

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**Background  
Information**

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

*History, mission,  
and operating  
statistics*

The Office of Mental Health and Substance Abuse Services, under the Pennsylvania Department of Public Welfare, operates under the following 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.<sup>1</sup>*

The Office oversees behavioral health services, services provided to adults and a wide range of services provided to children and adolescents. The current goals of the Office of Mental Health and Substance Abuse Services are to:

- Transform the children's behavioral health system to a system that is family driven and youth guided.
- Implement services and policies to support recovery and resiliency in the adult behavioral health system.
- Assure that behavioral health services and supports recognize and accommodate the unique needs of older adults.<sup>2</sup>

The Office of Mental Health and Substance Abuse Services has developed guiding principles that facilitate recovery for adults and resiliency for children, and that are responsive to individuals' unique strengths and needs throughout their lives among other principles.<sup>3</sup>

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<sup>1</sup> <http://www.dpw.state.pa.us/About/OMHSAS> (VIEWED 1-20-11). Website changed to <http://www.dpw.state.pa.us/dpworganization/officeofmentalhealthandsubstanceabuseservices/index.htm>, viewed on August 1, 2011.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

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In addition, the Department of Public Welfare operates six state psychiatric hospitals<sup>4</sup> for persons with serious mental illness, which provide special intensive treatment services for patients needing extended psychiatric inpatient services. Admission of persons committed under the Mental Health Procedures Act is made through the County Mental Health/Mental Retardation program after short-term treatment has been provided in the community. The Department of Public Welfare also operates a nursing home to provide long-term care for older people who no longer require psychiatric services but who need nursing care.<sup>5</sup>

**Bureau of Community and Hospital Operations**

The Bureau of Community and Hospital Operations is responsible for implementing and monitoring the community-based services and the unified service system initiative through collaboration with the county administrative offices. The Bureau is also responsible for overseeing and directing the effective and efficient management of the six state-owned and operated mental health hospitals and the South Mountain Restoration Center. Two of the hospitals, Torrance and Norristown, also operate maximum-security forensic units for persons with serious mental illness who are charged with or convicted of criminal offenses and Torrance also operates the Sexual Responsibility and Treatment Program.<sup>6</sup>

**County Mental Health System**

Community mental health services are administered through county Mental Health/Mental Retardation (MH/MR) program offices. These offices are part of county government and are overseen by a county MH/MR administrator. The county MH/MR offices serve as a referral source. Most actual mental health services are delivered to local provider agencies under contract with the county MH/MR office. The county

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<sup>4</sup> <http://www.dpw.state.pa.us/partnersproviders/mentalhealthsubstanceabuse/statehospitals> (VIEWED 1-20-11). Website changed to <http://www.dpw.state.pa.us/foradults/statehospitals/index.htm>, viewed on August 1, 2011, verified December 29, 2011.

<sup>5</sup> <http://www.dpw.state.pa.us/About/OMHSAS/003670531.HTM> (VIEWED 1-20-11) Website changed to <http://www.dpw.state.pa.us/dpworganization/officeofmentalhealthandsubstanceabuseservices/deputysecretaryformentalhealthsubstanceabuseservices/index.htm> viewed on August 1, 2011, verified December 29, 2011.

<sup>6</sup> <http://www.dpw.state.pa.us/About/OMHSAS/003670536.HTM> (VIEWED 1-20-11) Website changed to <http://www.dpw.state.pa.us/dpworganization/officeofmentalhealthandsubstanceabuseservices/index.htm> viewed on August 1, 2011, verified December 29, 2011.

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MH/MR office determines a person's eligibility for service funding, assesses the need for treatment or other services, and makes referrals to appropriate programs to fit treatment and/or other service needs.

The Mental Health and Mental Retardation Act of 1966, as amended, requires the county MH/MR office to provide community mental health services, including short-term inpatient treatment, partial hospitalization, outpatient care, emergency services, specialized rehabilitation training, vocational rehabilitation, and residential arrangements. MH/MR offices can also provide information about any additional mental health services the county offers.

There is a wide variety of mental health services available to children and adults. The cost of these services will vary depending upon the type of service. Pennsylvania's Medical Assistance Program, either through a managed care organization or the traditional fee-for-service system, pays for many of these services, when rendered to eligible individuals. People who use services, but are not on Medical Assistance and are without access to other insurance, will be assessed for their ability to pay for services by the county MH/MR office.<sup>7</sup>

The Commonwealth's 67 counties are divided into 45 single or multi-county service units. A single entry point for services has been established by regulations in each service area. Community mental health services are administered through county Mental Health/Mental Retardation program offices.

**Clarks Summit State Hospital**

Clarks Summit State Hospital is one of the six state mental hospitals operated by the Department of Public Welfare's Office of Mental Health and Substance Abuse Services. It is located in the town of Clarks Summit, Lackawanna County, approximately seven miles north of Scranton, and was originally established in 1862 as a poor farm. The Commonwealth acquired the complex on October 1, 1943. Today, Clarks Summit State Hospital, in this report known as Clarks Summit or the hospital, provides

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<sup>7</sup> <http://www.dpw.state.pa.us/partnersproviders/mentalhealthsubstanceabuse/003670144.htm> (viewed 1-20-11)  
Website changed to <http://www.dpw.state.pa.us/provider/mentalhealth/countymentalhealthsystem/index.htm> viewed on September 16, 2011, verified December 29, 2011.

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active inpatient psychiatric care to mentally disabled persons who require a hospital program. Clarks Summit admissions are facilitated on a county level through county-operated mental health and mental retardation programs. The geographical service area of Clarks Summit consists of Bradford, Carbon, Lackawanna, Luzerne, Monroe, Pike, Sullivan, Susquehanna, Tioga, Wayne, and Wyoming counties.

Clarks Summit's physical plant consists of 34 buildings located on 152 acres of land. A superintendent administers day-to-day management functions of the hospital. A Board of Trustees consisting of nine members appointed by the Governor, with the advice and consent of the Senate, serves in an advisory capacity.

Clarks Summit operated with a 242 psychiatric bed capacity at June 30, 2009. These beds were certified for participation in the Medicare and Medical Assistance programs. Participation in these programs is determined by federally regulated inspections conducted by surveyors from the Commonwealth of Pennsylvania's Department of Health. The Joint Commission on Accreditation of Hospitals also certified Clarks Summit.

The following schedule presents selected unaudited Clarks Summit operating data compiled for the fiscal year ended June 30, 2008 and 2009:

	Using Rounding	
	2008	2009
<b>Operating expenditures<sup>8</sup></b>		
State	\$36,725,129	\$36,224,138
Federal	<u>7,097,912</u>	<u>8,015,822</u>
<b>Total operating expenditures</b>	<u>\$43,823,041</u>	<u>\$44,239,960</u>

<sup>8</sup> Operating expenses were obtained from the Clarks Summit State Hospital cost allocation reports for the fiscal years ended June 30, 2008, and June 30, 2009.



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	<b>Using Rounding</b>	
	<b>2008</b>	<b>2009</b>
Employee complement at year end		
Salary		
Filled	502	492
Vacant	15	16
Wage		
Filled	46	45
Vacant	12	13
Bed capacity at year end	245	242
Available patient days of care	89,670	88,330
Average daily patient population <sup>9</sup>	226	222
Actual patient days of care	82,788	81,068
Percent utilization (based on days of care)	92.3%	91.8%
Average daily cost per patient <sup>10</sup>	\$529	\$546
Annual average cost per patient <sup>11</sup>	\$193,614	\$199,290

<sup>9</sup> Average daily patient population was calculated by dividing the actual patient days of care for the year by the number of calendar days in the year.

<sup>10</sup> Average daily cost per patient was calculated by dividing the total operating expenses by the actual patient days of care. Note, this rate is not the same as a certified per diem rate since the total operating expenses excluded depreciation and allocated direct and indirect costs from region and department level offices.

<sup>11</sup> Annual average cost per patient was calculated by multiplying the average daily cost per patient by the number of calendar days in the year.

**Objectives,  
Scope, and  
Methodology**

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**Objectives,  
Scope, and  
Methodology**

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

Our performance audit of Clarks Summit State Hospital had six objectives. We selected the objectives from the following areas: emergency/evacuation plans, elopements, purchase contracts, work orders, fixed assets including computers, and bonuses and other pay incentives for employees. The specific audit objectives were as follows:

- One To determine if Clarks Summit's emergency/evacuation plans were adequate and complete. (Finding 1)
- Two To determine whether Clarks Summit complied with policies and procedures covering patient elopements. (Findings 2, 3, and 4)
- Three To determine if Clarks Summit's purchase contracts were cost effective and properly monitored. (Finding 5)
- Four To determine if Clarks Summit processed work orders and related purchases efficiently. (Finding 6)
- Five To determine if Clarks Summit complied with applicable policies and procedures, and established adequate internal controls over fixed assets and computers. (Findings 7, 8)
- Six To determine the propriety of use of employee pay incentives. (Findings 9, 10, 11, 12)

Unless otherwise indicated, the scope of our audit was from July 1, 2007, to March 10, 2010.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Clarks Summit State Hospital, the Department of Public Welfare, and the

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**Objectives,  
Scope, and  
Methodology**

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Commonwealth of Pennsylvania. In the course of our audit work, we interviewed various facility management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analysis conducted for each audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed warehouse inventory valuation and physical counts, staff training, and the VAS petty cash fund.

**Audit  
Results**

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**Audit Results**

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

- Statement of the objective
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit
- Relevant laws, policies, and agreements
- Methodologies used to gather sufficient evidence to meet the objective
- Finding(s) and conclusion(s) where applicable
- Recommendations, where applicable
- Response by the Clarks Summit State Hospital management, where applicable
- Our evaluation of Clarks Summit State Hospital management's response, where applicable

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**Audit Results:  
Emergency/  
Evacuation  
Plans**

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**Audit Results  
for  
Objective  
One**

**The objective**

Objective one for our performance audit was to determine if Clarks Summit’s emergency/evacuation plans were adequate and complete.

**Scope of our audit work**

*Emergency/  
Evacuation Plans*

The scope of our audit was to examine documentation of fire drills, safety committee minutes, emergency evacuation drills, and other evidence of compliance with an emergency operations plan at Clarks Summit for the calendar year 2009.

**Relevant laws or policies**

The Pennsylvania Code<sup>12</sup> and Executive order 2006-1<sup>13</sup> require that all agencies under the Governor’s jurisdiction have in place a continuity of essential operations plan to ensure that essential operations continue in the event of a short or long term emergency.<sup>14</sup>

The Department of Public Welfare, which is charged with providing financial and human services to Pennsylvania’s most vulnerable citizens, has established an emergency operation plan that ensures the delivery of critical services and continued operations in the event of a man-made or natural disaster or other emergency.<sup>15</sup> In conjunction with the Department’s emergency operation plan, Clarks Summit has created an internal emergency preparedness plan specific to their facility.<sup>16</sup>

<sup>12</sup> 4 Pa. Code § 6.51. Mission.

<sup>13</sup> Commonwealth of Pennsylvania, Governor’s Office, Executive Order 2006-01, “Commonwealth Continuity of Government Steering Committee,” January 10, 2006.

<sup>14</sup> <http://www.dpw.state.pa.us/Resources/Documents/Pdf/Annual Reports/OCYFPSR/Annual Review/AttachmentD-DisasterPlan.pdf> Viewed February 2, 2010. No longer available on the website.

<sup>15</sup> Department of Public Welfare, Administrative Policies, “Emergency Operations Planning”, issued by Bureau of Administrative Services. Issue Date June 2, 2005.

<sup>16</sup> Clarks Summit State Hospital, Hospital Emergency Preparedness Plan, issued May 1998, revised April 2009.

**Audit Results:**  
**Emergency/  
Evacuation Plans**

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**Methodologies to meet our objective**

We obtained and reviewed the policies and procedures for continuity of operations and for preparing an emergency operation plan.

We interviewed the Clark Summit institutional safety manager and fire marshal to learn about the hospital's efforts to comply with Department of Public Welfare's policy.

We reviewed the Clarks Summit's emergency operation plan as part of our test of compliance with Commonwealth and Department of Public Welfare policies. We also reviewed fire drill reports to ascertain whether fire drills were conducted as required in each building for the calendar year 2009. In addition, we reviewed safety committee minutes for the calendar year 2009 to identify any existing safety problems at the hospital.

We reviewed emergency evacuation drill reports for the Pennsylvania Emergency Management Agency's "2009 Spring Hazardous Weather Preparedness Exercise Weather Emergency Preparedness Week," conducted on March 5, 2009, at Clarks Summit. Finally, we reviewed the report for the pandemic isolation drill, conducted October 6, 2009, at Ward 7 West Hall, of the hospital.

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**Finding 1**

**Clarks Summit's emergency preparedness plan is in compliance with Commonwealth of Pennsylvania and Department of Public Welfare policies and procedures.**

The Clarks Summit emergency operation plan was prepared in accordance with the management directive,<sup>17</sup> and addressed the actions to be taken by the hospital to protect the patients, staff and property in the event of emergency and/or disaster. Hospital management has implemented the following actions:

- Appointed a facility safety director who is responsible to confer with emergency personnel regarding an appropriate

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<sup>17</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive 720.3 Emergency Operations Plans at Commonwealth Facilities, dated December 3, 2004.

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**Audit Results:  
Emergency/  
Evacuation  
Plans**

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emergency evacuation response as well as the need for evacuation.

- Prepared a written emergency evacuation plan which describes emergency responses and building evacuations as well as returning plans, which are reviewed annually.
- Identified local emergency personnel and established agreements with local and county emergency centers.
- Assigned personnel for emergency situations including fires, bombs, bomb threats, terrorist incidents, multiple casualty incidents and threats.
- Established emergency shelters.
- Provided emergency training to all employees annually.
- Conducted severe weather evacuation drills annually and fire evacuation drills quarterly.

The plan also included the following additional requirements in accordance with the Department of Public Welfare's administrative policy:<sup>18</sup>

- An up-to-date listing of home and cell phone numbers of key personnel.
- An up-to-date listing of business and cell phone numbers of emergency management officials, police, and utility company liaisons.
- Alternative methods of communication using short wave radios and cell phones;
- Accessibility of basic emergency supplies.
- Additional supply of prescription medication.
- Availability of transportation services;
- Methods and types of food preparation.

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<sup>18</sup> Department of Public Welfare, Administrative Policies, "Emergency Operations Planning", issued by the Bureau of Administrative Services. Issue date June 2, 2005.

**Audit Results:**  
**Emergency/  
Evacuation Plans**

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In addition, Clarks Summit State Hospital has a signed mutual aid agreement with other state hospitals, care centers and local community hospitals in the area. This agreement provided for temporary lodging, equipment and transportation, both outgoing and incoming, for relocation of patients and exchange of services in the event of an emergency.



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**Audit Results:  
Elopement**

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**Audit Results  
for  
Objective  
Two**

**The objective**

Objective two for our performance audit was to determine whether Clarks Summit complied with policies and procedures covering patient elopements.

*Elopement*

**Scope of our audit work**

The scope of our audit was to examine a sample of 20 Absent Without Leave (AWOL), Unexcused Absences (UA), and AWOL alerts, which occurred from July 1, 2007, through June 30, 2009.

**Relevant policies**

The Department of Public Welfare requires state mental hospitals to strive to minimize incidents that result in harm to patients by promoting the health, safety, and welfare of patients through the development of comprehensive risk management programs.<sup>19</sup> Each risk management program must establish a system for the prevention, investigation, analysis, and monitoring of incidents of suspected abuse, elopements, deaths, and other events that jeopardize the health, safety or rights of patients.

Clarks Summit bears the responsibility of providing treatment to all patients in a safe and nurturing environment and therefore has also established an escort and transportation policy which lists the responsibility and procedures to be followed to assure the dignity, safety and needs of the patient during transportation from one area of the hospital to another or from the hospital to the community.<sup>20</sup>

Clarks Summit has also established a patient absence without leave policy which states:

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<sup>19</sup> Commonwealth of PA Department of Public Welfare, Mental Health and Substance Abuse Bulletin Number SMH-03-03-Management of Incidents: SI-815 Incident Reporting and Risk Management Policy and Procedural Changes, section 7084.1-Policy.

<sup>20</sup> Clarks Summit State Hospital Policy Memorandum Number A-049, "Consumer Escort and Transportation Policy," October 17, 2008.

**Audit Results:  
Elopement**

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*Clarks Summit State Hospital will take all necessary steps to prevent patient elopement and to facilitate the prompt return of patients, who are absent without leave who may pose a danger to self and/or others, for continued inpatient psychiatric care and treatment.<sup>21</sup>*

The policy also identifies four types of patient absences without leave which are as follows:

- **Absent without leave (AWOL):**  
When a patient is observed outside hospital boundary without authorization or fails to return from an authorized therapeutic leave at the designated time (within 30 minutes).
- **Unauthorized absence (UA):**  
Any patient who does not return to his/her living unit from grounds privileges within 5 minutes of the time specified or fails to report for a scheduled program or activity within 5 minutes of the specified time is considered to have an unauthorized absence.
- **AWOL in progress:**  
When a patient under direct staff supervision breaks away from supervision.
- **AWOL Alert:**  
An AWOL Alert is a brief, time limited, hospital wide search which allows a 5-minute period for staff to try and locate a patient prior to declaring the patient AWOL.<sup>22</sup>

**Methodologies to meet our objective**

We reviewed the Department of Public Welfare's policies and Clark Summit's AWOL policies to establish our understanding of the requirements for handling unauthorized absences.

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<sup>21</sup>Clarks Summit State Hospital Policy Memorandum Number A-045, "Patient Absence Without Leave," August 24, 2009.

<sup>22</sup> Clarks Summit State Hospital Policy Memorandum Number A-050, "Levels of Patient Independence/Supervision," April 1, 2009.

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We interviewed the Clarks Summit superintendent, institutional safety manager, performance improvement/risk management director, patient care co-coordinator, nurse manager, director of nursing, and director of social services.

We obtained a list of all Absent Without Leave (AWOL), Unexcused Absences (UA), and AWOL alerts, which occurred from July 1, 2007, through June 30, 2009. From that list, we selected 20 incidents from a population of 47 incidents that occurred between July 1, 2007, and June 30, 2009, for a detailed review. As part of that review, we examined the following documents:

- ✓ Incident reports
- ✓ Safety incident reports
- ✓ AWOL risk reduction critique
- ✓ AWOL team review
- ✓ Unauthorized absence report
- ✓ Status response critiques
- ✓ Office of Mental Health and Substance Abuse Services root cause analysis and action plans for selected incidents.

**Finding 2                      Clarks Summit managed absent without leave incidents effectively.**

Our review of 20 AWOL incidents revealed that Clarks Summit complied with policies for addressing unauthorized absences. The types of incidents included in our population of 20 were as follows:

<b>Incident Type</b>	<b># of Incidents</b>	<b>Results</b>
Absent without leave	6	Security and staff responded, superintendent was notified, outside police notification occurred, and physicians were informed. All patients were found and returned in a timely manner.
AWOL in progress	1	Staff observed the attempted breaking away from supervision and had the issue solved within the allotted 10 minute period.
AWOL alert	13	Staff used the allotted 5 minute period to locate the patients prior to declaring the patient AWOL. All thirteen patients were located and returned safely.

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Elopement**

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Our audit of the 20 incidents revealed that the staff initiated searches immediately upon a patient being identified as absent, and all necessary incident reports were completed.

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**Finding 3**

**Clarks Summit's Critical Incident Team completed corrective action plans for all reportable events within the allotted time frames established through the risk management program.**

Clarks Summit's risk management program established a planned systematic, hospital wide approach to process design and performance measurement, analysis, and improvement<sup>23</sup> for all Department of Public Welfare reportable events. All reportable events are forwarded to the critical incident team, which is responsible for the completion of a thorough and credible root cause analysis including recommendations for corrective actions within 45 days of the date of the incident<sup>24</sup>.

Although only one tested event required an analysis to be conducted, Clarks Summit completed statistical summaries for each event and a report was prepared. The report listed the total number of AWOL events during the calendar year by month and time, the activity the patient was involved in at the time of the AWOL, location patient was found, and the patient's explanation. Clarks Summit submits a copy of the report annually to the Department of Public Welfare.

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**Finding 4**

**Clarks Summit could not provide documentation verifying that completed absent without leave incident reports were forwarded to the Office of Mental Health and Substance Abuse Services.**

Clarks Summit prepared the required safety incident reports and root cause and analysis plans for the six absent without leave incidents that we

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<sup>23</sup> Clarks Summit State Hospital Performance Improvement/Risk Management Program Plan Overview.

<sup>24</sup> Commonwealth of PA Department of Public Welfare, Mental Health and Substance Abuse Bulletin Number SMH-03-03-Management of Incidents: SI-815 Incident Reporting and Risk Management Policy and Procedural Changes, section 7084.1-Policy.

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reviewed. Clarks Summit policy includes a requirement to notify the Office of Mental Health and Substance Abuse Services of AWOL incidents. The Clarks Summit policy states as follows:

*All communication with the Office of Mental Health and Substance Abuse Services will be authorized and directed by the Superintendent or his designee. The Nursing Department in conjunction with the Safety Department the Superintendant or his designee will promptly initiate and complete written documentation of the AWOL by e-mail within one hour, and fax material to the Office of Mental Health and Substance Abuse Services at the direction of the Superintendent or his designee.<sup>25</sup>*

Of the six absent without leave incidents reviewed, five of those incidents required notification to the Office of Mental Health and Substance Abuse Services, but only one of those five incidents had documentation of notification to the Office. Although Clarks Summit's management claimed the reports could have been filed either verbally or electronically, without written documentation supporting these claims we were unable to confirm that the notifications occurred.

We also found that Clarks Summit did not use one complete, comprehensive checklist to verify that all steps listed in the Clarks Summit absent without leave policy were completed or were necessary. For example, the policy lists procedures for the safety department, safety manager, social worker, superintendent, communication center and nursing department. When an incident occurs, time is of the essence and having a checklist would assist the staff of each hospital department in performance of their incident response responsibilities.

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<sup>25</sup> Clarks Summit State Hospital Policy Memorandum Number A-045, "Patient Absence Without Leave," effective April 2009, revised August 24, 2009.

**Audit Results:**  
**Elopement**

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**Recommendations  
for Finding 4**

1. Clarks Summit management should ensure that all reports are filed and maintained.
2. Clarks Summit management should develop one comprehensive checklist to ensure that the required staff completes all AWOL procedures. Each step should list the date and time it was completed and include all details of what occurred. If a step was not necessary, it should be so indicated on the checklist.

*Response of the Clarks Summit State Hospital Management:*

*Concur*

*Clark Summit State Hospital revised its Patient Absence Without Leave Policy A-045 on May 23, 2011, to reflect that the hospital will consider all events that meet the definition of an absence without leave (AWOL) as outlined in the policy, reportable to the Office of Mental Health and substance Abuse Service (OMHSAS). The hospital's Nursing Department, in conjunction with the Safety Department, will promptly initiate and complete the OMHSAS notification of UA/AWOL event form and e-mail the form within one hour to OMHSAS. In addition, an AWOL Response Checklist Form has been developed and added as an attachment to hospital policy A-045 in order to serve as a prompt to aid staff in determining that all procedures required by the policy have been followed.*

*The hospital's Performance Improvement/Risk Management Department has developed and implemented a comprehensive checklist as an audit tool to ensure that staff completes the following AWOL documentation for every AWOL: Incident Report (SI-815); OMHSAS Notification of UA/AWOL Event Form; AWOL Risk Reduction Critique Form; and AWOL Team Review Form.*

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Contracts**

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**Audit Results  
for  
Objective  
Three**

**The objective**

Objective three for our performance audit was to determine if Clarks Summit's purchase contracts were cost effective and properly monitored.

**Scope of our audit work**

*Contracts*

The scope of our audit was to examine all 13 service purchase contracts in effect during the period of July 1, 2008, through June 30, 2009.

**Relevant policies**

Commonwealth of Pennsylvania institutions often contract with vendors instead of providing services in-house, because the services may not warrant full-time positions or institutions personnel may not possess the necessary expertise to complete the work.

The Commonwealth of Pennsylvania has established policies and procedures for the procurement of services.<sup>26</sup> These policies and procedures address the monetary thresholds, procedures for formal bidding, as well as contract payment methods and requirements. Clarks Summit State Hospital management is responsible for ensuring the delivery of services specified in a contract, and that the contractor is properly compensated. Finally, according to Commonwealth policy, a contract monitor is to be assigned to ensure that the contractor is performing work as required by the contract.

**Methodologies to meet our objective**

We obtained and reviewed Commonwealth policy for contracts.

We interviewed the purchasing agent and facility financial manager to obtain an understanding of contracting methods and monitoring at Clarks Summit State Hospital.

We selected 13 service purchase contracts using auditor's professional judgment from the list of contracts in effect during the period of July 1,

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<sup>26</sup> Commonwealth of Pennsylvania, Governor's Office, Policy Number M215.3 Revision No. 4, Field Procurement handbook, dated April 17, 2003.

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Contracts**

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2008, through June 30, 2009. We reviewed the selected contracts for determination of need and for the use of contract monitoring procedures. We also reviewed related invoices for services rendered and verification of the receipt of services.

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**Finding 5**

**Clarks Summit's monitoring of service purchase contracts complied with Commonwealth policies and procedures.**

All contracted services at Clarks Summit State Hospital were provided in accordance with contract specifications. Invoices agreed with pricing terms within the contract and were approved by the assigned contract monitor. Contract monitors are provided with either hard or electronic copies to verify and compare the contracted rates to the invoiced amount before approving the invoices for payment. Once approved, the contract monitor either forwarded the invoice to the accounting office for the input of the goods receipt or entered in the goods receipt date and confirmation number on the invoice before forwarding the invoice to the accounting office.

In addition, Clarks Summit's maintenance department managers and foremen were required to review each service or project request to determine if the service or project can be completed using hospital resources. When possible, the maintenance department provides assistance to the contractors to keep costs low. For example, we found that the ongoing renovation and newly created wards in Newton Hall were mainly being completed by the plumbing, electric and carpentry shops. The cooperative effort between hospital personnel and the awarded contractor was designed to guarantee that the work was completed at a cost savings as well as in a timely manner.



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**Audit Results:  
Work Orders**

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**Audit Results  
for  
Objective  
Four**

**The objective**

Objective four for our performance audit was to determine if Clarks Summit processed work orders and related purchases efficiently.

**Scope of our audit work**

*Work Orders*

The scope of our audit was to examine routine maintenance work orders and preventative maintenance work orders selected from the period of July 1, 2008, through June 30, 2009.

**Relevant policies**

Clarks Summit State Hospital's facility services department is responsible for overseeing the preservation of the Hospital's buildings and grounds, which encompasses 34 buildings and 152 acres of land, by providing both routine and preventive maintenance.

To provide routine and preventive maintenance services all maintenance work orders must be entered by a hospital employee, into the Department of Public Welfare's electronic maintenance work order system. The Department of Public Welfare issued a "Computerized Controlled Maintenance Program User's Manual" in March 2009 for the electronic maintenance work order system. The system enables the maintenance manager to electronically receive the work order requests which must include location, description, and name of requestor. Once received by the maintenance manager, a priority code is assigned and the work order is forwarded to Clarks Summit's service department responsible for the active work order. The policy requires that upon completion of the work, the tradesman is to fill in the amount of time and materials used to complete the work order and forward the work order to a supervisor for signature verifying that the work was completed.

Clark Summit issued a policy for maintenance work orders.<sup>27</sup> In addition, the hospital developed a strategic plan, phase II 2009-2010, as of January 2010 that established target dates for maintenance efforts.

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<sup>27</sup> Clarks Summit State Hospital, Facility Services Department, Policy and Procedure # FS-035, "Maintenance Work Order Procedure," effective March 2006, and revised in October 2007.

**Audit Results:  
Work Orders**

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**Methodologies to meet our objective**

We reviewed the Department of Public Welfare and Clarks Summit State Hospital policies for maintenance work orders.

We interviewed Clarks Summit's facility services director to obtain an understanding of maintenance work order usage and approval.

We examined 79 routine work orders from a total of 3,892 opened during the period of July 1, 2008, through June 30, 2009, for documentation of start dates, completion dates, cost of materials used, labor hours, and supervisor approval.

Using our professional judgment, we also selected 37 preventative maintenance work orders for a total of 3,039 for the period of July 1, 2008, through June 30, 2009, for examination of documentation supporting the completion of scheduled preventative maintenance.

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**Finding 6**

**Clarks Summit did not have adequate policies and procedures in place to monitor its maintenance work order system effectively.**

Our audit of the maintenance work orders identified two issues that impacted on the efficiency of its operations.

**Management did not require supervisors to sign off on all completed work.** Although work order requests are approved at initiation, Clarks Summit management did not require supervisors to review and sign off the work order on all completed work. Our review of 79 routine work orders found that maintenance supervisors did not document approval of work order completion for 75 of the 79 sampled work orders, or 95 percent. When we examined a second sample of 37 preventative maintenance work orders, we discovered that 18 of the 37 sampled preventative maintenance work orders or 49 percent were not approved for completion by maintenance supervisors.

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We believe that supervisor inspection and approval of each individual job helps ensure jobs are completed timely and that work quality is appropriate.

**Management did not require laborers to include materials or material costs on completed work orders.** Although the electronic maintenance work order system has the capability to track and account for labor, materials and parts, Clarks Summit management did not use the cost tracking feature; only labor hours were listed. In regard to the 79 routine work orders, 57 orders, or 72 percent, did not list materials, or if materials were not needed did not state that materials were not needed. We also found that of the 22 work orders that did list materials, 21 work orders did not include either estimated or actual material costs.

We believe that by not tracking materials and costs, management loses the potential for a good indicator of what the job had cost and to help evaluate future job or project costs.

We attribute the above deficiencies to the lack of specific policies and procedures at Clarks Summit. Clarks Summit management has not established guidelines for use of the work order system other than to post maintenance needs.

Detailed procedures that require maintenance employees to list the use and cost of parts and supplies would enable management to evaluate the propriety of materials used, and to take necessary corrective action when necessary to control future costs. In addition, procedures requiring supervisors to document approval for each job, will improve oversight thus helping management ensure that quality work is being performed and that the jobs are completed timely.

**Recommendation  
for Finding 3**

3. Clarks Summit State Hospital management should develop policies and procedures for supervisory review and approval of completed work orders and for the inclusion of materials and cost of material on the completed work order.

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Work Orders**

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*Response of the Clarks Summit State Hospital Management:*

*Concur*

*Internal work order policy implemented requesting supervisory review, approval of completed work orders, and inclusion of material cost over \$100.00 in value.*

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**Audit Results:  
Fixed Assets  
and Computer  
Inventories**

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**Audit Results  
for  
Objective  
Five**

**The objective**

Objective five for our performance audit was to determine if Clarks Summit complied with applicable policies and procedures, and established adequate internal controls over fixed assets and computers.

**Scope of our audit work**

*Fixed Assets and  
Computer  
Inventories*

The scope of our audit was to test controls over fixed assets and computers as recorded at June 30, 2009, and to examine new additions of fixed assets and computers during the fiscal years ended June 30, 2007, and June 30, 2008.

**Relevant policies**

Clarks Summit management is responsible for ensuring that all fixed assets and computers are safeguarded, utilized, and maintained throughout their useful life. Both the Commonwealth and the Department of Public Welfare have established policies and procedures to assist facility management in meeting these responsibilities.<sup>28</sup>

The Department of Public Welfare defines fixed assets as tangible items that are:

*Relatively fixed or permanent in nature, with a cumulative cost of more than \$5,000 and have an expected useful life of more than one year.<sup>29</sup>*

In addition to fixed assets, the Department of Public Welfare considers all computers and related equipment, regardless of value, as items for property control. Department policy states as follows:

*All personal computers and peripherals (e.g., external modems and document scanners/reader, but not keyboard*

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<sup>28</sup> Governor's Office Management Directive 310.14 "General Capital Asset and Other Fixed Asset Accounting and Reporting in SAP" dated February 3, 2003;

Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities" dated September 1, 2004.

<sup>29</sup> Ibid.

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Fixed Assets  
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Inventories**

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*or mouse), regardless of cost, are considered an item for property control on FAIS [Fixed asset Inventory System].<sup>30</sup>*

**Methodologies to meet our objective**

We reviewed the Commonwealth of Pennsylvania and Department of Public Welfare policies for fixed assets and computers.

We interviewed the facility financial manager, information technologist, a custodial worker supervisor and custodial services manager to learn about Clarks Summit's implementation of Commonwealth and Department of Public Welfare policies.

We reviewed the "Commitments and Actual Expenditure Reports" from the accounting system for fixed assets and computer and related technological equipment purchases for the fiscal years ended June 30, 2007, and June 30, 2008. We also reviewed a listing of 125 fixed assets provided by Clarks Summit management as of June 30, 2009. Using our professional judgment, we selected 25 of the 125 fixed assets, or 20 percent, for more detailed testing of inventory accuracy and existence.

In addition, we reviewed Clarks Summit's computer and computer peripherals listing as of June 30, 2009, and using our professional judgment, we selected 54 of 319 items on the listing for more detailed testing of inventory accuracy and existence.

Finally, using our professional judgment, we selected \$185,487.83 of fixed asset purchases and \$54,326.50 of computer and related technological equipment purchases for our detailed testing of controls over asset and computer equipment additions.

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<sup>30</sup> Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities" Section G.5.b., dated September 1, 2004.

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Inventories**

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**Finding 7****Clarks Summit's fixed asset records were inaccurate, and controls and other safeguards over fixed assets need improvement.**

Our testing revealed that Clarks Summit's fixed asset listing was inaccurate in terms of completeness, location and the use of tag numbers.

**Inaccurate fixed asset records.** – We selected 25 items from the fixed asset listing for detailed testing. Our testing revealed that the hospital's dietary department cutter/mixer was transferred to the Department of Corrections in May of 2008, but the item was never removed from Clark Summit's fixed asset listing as required by the following policy:

*When assets are scrapped, sold, traded, or transferred, the asset should be deleted from . . . the facility's fixed asset ledger.<sup>31</sup>*

Our examination of the fixed assets ledger revealed that Clark Summit's fixed asset listing did not include all items valued over \$5,000. Assets such as a John Deere Gator utility vehicle and two housekeeping scrubbers were found at the facility but they were not recorded on the fixed asset listing. Conversely, two housekeeping scrubbers acquired in 1997 and a buffer obtained in 1993 had been scrapped but these items remained on the fixed assets listing.

**Incorrect locations.** – The locations of assets were not always recorded correctly. Twelve of the 25 fixed assets tested were not found in the location listed on the fixed assets listing such as the milk and ice cream dispenser, which was moved from the hospital's dietary department to the recreation center. We also discovered that Clarks Summit no longer used a fixed asset transfer form. This form is used to document any location change within the facility and its use would allow Clarks Summit to update its inventory records.

**Tag numbers not used.** – The Department of Public Welfare policy includes the following requirement:

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<sup>31</sup> Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities," dated September 1, 2004.

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*All items identified as a fixed asset . . . must be tagged with a fixed assets tag.<sup>32</sup>*

Of the 25 fixed assets tested, 20 did not have a correct asset tag number attached. The remaining five fixed assets did not have any tag number attached. A tag displays ownership, helps track fixed assets inventory, and serves as a deterrent to theft.

**Physical inventory.** – Clarks Summit management did not complete annual physical inventories on some fixed assets as required by the following Department of Public Welfare policy statement:

*All fixed assets and property control items . . . must be physically inventoried on an annual basis.<sup>33</sup>*

Clarks Summit management did conduct a yearly inventory on fixed assets considered “movable” such as vehicles and emergency generators. However, without inventorying all assets, especially those susceptible to disappearance, the possibility of theft or misuse increases.

Tagging, maintaining accurate and complete fixed asset records and conducting annual inventories are imperative components of fixed asset control to ensure all items are accounted for and safeguarded.

**Computer inventory records were more accurate.** – Clarks Summit’s information technologist generalist maintained listings of both computers and computer printers detailing the location, make, model, serial number and acquisition date of each piece of equipment. Also, the information technologist generalist created a laptop reservation schedule for Clarks Summit staff’s use in order to maintain control over the use of portable technology items.

Our testing of 35 computers found that all the computers were located in the place recorded on the inventory listing. Our testing of 19 printers found that 15 printers were located in the building and room as reported

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<sup>32</sup> Department of Public Welfare, Administrative Policy, “Fixed Assets for State Facilities,” dated September 1, 2004.

<sup>33</sup> Ibid.



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on the inventory listing. The remaining four items were identified at a location other than that specified on the listing. All 54 computers and printers were accounted for by Clarks Summit management.

**Recommendations  
for Finding 7**

4. Clarks Summit management should ensure that all assets valued greater than \$5,000 are tagged and recorded in the fixed asset listing.
5. Clarks Summit management should ensure that fixed assets that have been scrapped and/or transferred away from the hospital are removed from the fixed asset listing.
6. Clarks Summit management should reinstitute the use of fixed asset transfer documentation to assist in keeping track of internal movement of fixed assets and property control items.
7. Clarks Summit management should ensure that a physical inventory is conducted on the entire inventory of fixed assets and property control items annually.

*Response of the Clarks Summit State Hospital Management:*

*Concur*

*Clarks Summit State Hospital will consolidate the existing fixed asset files into one fixed asset database. The database will be reviewed for completeness and updated with any appropriate missing information. When an annual physical inventory is conducted, missing fixed asset property tags will be replaced and documented in addition to changes in asset locations during the audit.*

**Finding 8**

**Clarks Summit's fixed asset and computer purchases were properly documented and recorded to inventory.**

Our examination of the SAP R/3 accounting records for additions of fixed assets and computer items yielded the following information. Fixed asset additions for the fiscal year ended June 30, 2007, amounted to \$101,757.02. For the fiscal year ended June 30, 2008, fixed assets

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additions amounted to \$182,481.13, for a total addition of \$284,238.15 for the two-year period.

Computer and related technological equipment additions for the fiscal year ended June 30, 2007, amounted to \$80,814.66. For the fiscal year ended June 30, 2008, computer and related technological equipment additions amounted to \$29,345.80 for total additions of \$110,160.46 for the two-year period.

We selected \$185,487.83 of fixed asset purchases for our detailed testing of controls over asset additions. We also selected \$54,326.50 of computer and related technological equipment purchases for our detailed testing of controls over the procurement of computer and related technological equipment.

Our audit found that all vendor invoices traced to appropriate purchase orders and all equipment serial numbers were properly documented and recorded in the proper asset inventory listings.

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**Audit Results:  
Employee  
Pay Incentives**

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**Audit Results  
for  
Objective  
Six**

**The objective**

Objective six for our performance audit was to determine the propriety of use of employee pay incentives.

**Scope of our audit work**

*Employee Pay  
Incentives*

The scope of our audit was to examine payments for employee pay incentives for the fiscal years ended June 30, 2007, and June 30, 2008.

**Relevant Commonwealth policies and agreements**

Clarks Summit's medical and nursing staff provides patients with treatment and services related to both mental and physical health as well as substance abuse disorders in order to promote personal growth and achievement. In order to attract and retain medical professionals, the Commonwealth established criteria for implementing pay incentives, which are as follows:

- The Physicians and Related Occupations Quality Assurance Program entitles medical staff to a pay bonus/incentive based on their number of full credited years of service.<sup>34</sup>
- The Physicians and Related Occupations Specialty Board Certification payments entitle medical staff to a pay bonus/incentive based on their certification by an approved specialty board.<sup>35</sup>
- Nursing Certification payments entitle nursing staff to a pay incentive based on the attainment of one or more certifications in an appropriate specialization in each contract year.<sup>36</sup>

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<sup>34</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive 525.16, "Physicians and Related Occupations Quality Assurance Program," dated February 14, 2006;

Agreement between the Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance for July 1, 2005, through June 30, 2009.

<sup>35</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive 535.2 "Physicians and Related Occupations Specialty Board Certification Payments," dated February 21, 2006.

<sup>36</sup> Agreement between Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, CTW, CLC for July 1, 2007, to June 30, 2011;

Memorandum of Understanding between Commonwealth of Pennsylvania and OPEIU Healthcare Pennsylvania, Local 112, July 1, 2007, to June 30, 2011.

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**Methodologies to meet our objective**

We obtained and reviewed the Commonwealth policies and agreements for the use of employee pay incentives.

We interviewed Clarks Summit's chief operating officer, chief of clinical services, facility financial manager, human resources director, nursing manager, and a payroll accountant from the Commonwealth of Pennsylvania, Office of the Budget, Bureau of Commonwealth Payroll Operations.

We reviewed accounting system reports entitled, "Commitments and Actual Expenditure Reports" for Clarks Summit for the fiscal years ended June 30, 2007, and June 30, 2008, to determine the amount of pay incentives.

We verified that appropriate criteria were followed when determining Quality Assurance Program, Specialty Board Certifications and Nursing Certification payments for the employee pay incentives. As part of that verification, we performed the following tasks:

- Obtained 35 employee self service system incentive payment reports listing both "Quality Assurance Program" and "Specialty Board Certification" payments for the fiscal years ended June 30, 2007, and June 30, 2008. Included were 22 doctors and 13 nurses who received employee pay incentive payments.
- Obtained 53 of 61 hospital incentive memorandums (33 of the 38 "Quality Assurance Program" and 20 of the 23 "Specialty Board Certification") used to process incentive payments. Eight memorandums could not be located.
- Re-calculated for accuracy the 20 "Quality Assurance Program" payments made to doctors for the fiscal year ended June 30, 2007, and the 18 "Quality Assurance Program" payments made to doctors for the fiscal year ended June 30, 2008.
- Obtained specialty board certificates for the 12 doctors receiving "Specialty Board Certification" payments for the fiscal year ended June 30, 2007, and the 11 doctors receiving "Specialty Board Certification" payments for the fiscal year ended June 30, 2008.

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**Audit Results:  
Employee  
Pay Incentives**

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- Re-calculated the 23 “Specialty Board Certification” payments for accuracy.
  - Determined that the 13 nurses who received certification payments for the fiscal year ended June 30, 2007, and the 12 nurses who received certification payments for the fiscal year ended June 30, 2008, met the criteria necessary to qualify for the payments.

We also obtained the hospital incentive memorandum that supported the one management performance cash award paid for the fiscal year ended June 30, 2007.

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**Finding 9**

**Clarks Summit approved incorrect pay incentive calculations for medical staff.**

Our audit of 61 “Quality Assurance Program and Specialty Board Certification” payments made to doctors for the fiscal years ended June 30, 2007, and June 30, 2008, disclosed two incorrect incentive payments, (a 3 percent error rate), totaling \$3,083 in overpayments to the hospital’s medical staff. The overpayments occurred because the hospital did not have a system in place to review and approve incentive payment data calculations.

Inaccurate data calculations were used by Clark Summit’s staff training director and chief of clinical services in the preparation of pay incentive memorandums. We found that 17 memos contained errors, an error rate of 28.8 percent of the 53 memos examined during our audit. Clark Summit’s accounting department should verify all the calculations before sending them to the Office of the Budget’s Bureau of Commonwealth Payroll Operations. Although personnel in the Bureau of Commonwealth Payroll Operations corrected some of the errors, two of the incentive payments still contained errors.

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Employee  
Pay Incentives**

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**Recommendations  
for Finding 9**

8. Clarks Summit management should ensure that the \$3,083 in overpayments made to medical staff is recovered.
9. Clarks Summit management should ensure that every employee pay incentive memo is reviewed by the hospital’s accounting department for accuracy, and approved by management before being sent to the Office of the Budget’s Bureau of Commonwealth Payroll Operations.
10. Clarks Summit management should ensure that employee pay incentive memorandums are copied and filed at the facility.

*Response of the Clarks Summit State Hospital Management:*

*Concur*

*Clarks Summit will pursue recovery of \$3,083 of overpayments made to medical staff.*

*Every employee pay memo will be reviewed by the hospital’s accounting department and approved by the CEO prior to being sent to the Office of the Budget’s Bureau of Commonwealth Payroll Operations.*

*Employee pay incentive memorandums will be copied and kept in the accounting department.*

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**Finding 10**

**Clarks Summit lacks effective segregation of duties for implementing employee pay incentives.**

In 2008, the chief of clinical services assumed the duty of calculating bonus payments for the medical staff, which included bonuses he was paid during the year, including a \$16,000 Physician “Quality Assurance Program” retention payment, and a \$5,600 “Specialty Board Certification” payment. Calculating and approving one’s own awards created an improper segregation of duties.

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Pay Incentives**

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Since one of the responsibilities of the human resources function is to compensate employees, Clark Summit's human resources department is responsible for the calculation of bonus payments, and for the confirmation of eligibility requirements and not the chief of clinical services.

We also examined the one hospital incentive memorandum that supported a \$5,000 management performance cash award paid to the chief medical officer for the fiscal year ended June 30, 2007. We did not determine the merits of this award but we did note that the incentive memorandum was cosigned by the award recipient.

Without an adequate system for reviewing and approving employee pay incentive calculations and for segregating duties, errors and or irregularities could occur and go undetected, and as pointed out in the preceding finding, errors did occur and were not detected by Clarks Summit management.

**Recommendations  
for Finding 10**

11. Clarks Summit management should ensure that the hospital's human resources personnel, not the training director or the chief of clinical services, is responsible for calculating bonus payments, verifying the eligibility of each employee entitled to bonuses, and preparing the appropriate memoranda.

*Response of the Clarks Summit State Hospital Management:*

*Concur*

*Hospital Human Resources staff will determine eligibility of medical staff for bonus and will prepare the appropriate memorandum. Submissions will be reviewed for accuracy and appropriateness by the accounting staff and the CMO [Chief Medical Officer]. The designated Human Resources staff member, CMO, and CEO [Chief Executive Officer] will sign the memorandum for submission to the Bureau of Payroll Operations.*

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**Finding 11**

**Specialty board certificates were maintained in doctors personnel files.**

All 12 doctors who received “Specialty Board Certification” payments for the fiscal year ended June 30, 2007, and the 11 doctors who received “Specialty Board Certification” payments for the fiscal year ended June 30, 2008, had valid certificates on file. As a result, the doctors met the qualifications for the “Specialty Board Certification” incentive payments.

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**Finding 12**

**Nursing certification payments were made to qualified nursing staff.**

Thirteen nurses qualified for annual certification payments for the fiscal year ended June 30, 2007, and 12 nurses qualified for annual certification payments for the fiscal year ended June 30, 2008. The nurses’ annual certification payments were paid properly. All of the nurses possessed the appropriate certifications and worked on a permanent, full time basis.



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**Status of  
Prior Audits**

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**Status of  
Prior Audits**

The prior audit report of the Clarks Summit State Hospital covered the period of July 1, 2005, to November 16, 2007, and contained seven findings. Four of the findings (Findings 2, 3, 4, and 6) were positive and thus had no recommendations. The status of the remaining findings (1, 5, and 7) and their accompanying recommendations is presented below. The prior audit report also contained one unresolved finding (Findings I-5) from the audit report of the hospital that covered the period of July 1, 2002, to May 6, 2005. The status of the unresolved finding and its accompanying recommendations is also presented below.

**Prior Finding 1 Clarks Summit valued inventory improperly. (Resolved)**

**(from the audit report dated July 1, 2005, to November 16, 2007)**

Our prior audit found that the Clarks Summit inventory report for June 2007 revealed that 1,034 item descriptions, or 54 percent, of inventory items were valued at \$.01 so management could not accurately report its actual cost of inventory.

We recommended that management comply with Department of Public Welfare policy regarding the accurate reporting of inventory costs and work with the Commonwealth of Pennsylvania's Office of Administration to correct the inventory valuation discrepancies.

**Status as of this audit.** Clarks Summit management determined that the mechanical stores inventory was no longer required to be stocked in the warehouse and established a "just-in-time" inventory for these items. The just-in-time principle emphasizes the receipt of supplies in small and more frequent batches in a reasonable manner and as close as possible to their issuance to the respective using areas, to avoid costly inventory build-ups and reduce waste, pilferage and to adhere to cash management principles.<sup>37</sup>

The business office eliminated the mechanical stores section of the inventory, which was where the \$.01 value inventory items were located. The inventory items were transferred to Danville State Hospital, SCI-Waymart, or designated as surplus and given to the Department of General

<sup>37</sup> Department of Public Welfare, Administrative Policies, "Inventory Control/Materials Management for DPW Operated Facilities, dated September 1, 2004.

Status of  
Prior Audits

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Services for disposition. Clarks Summit now orders items only as needed. As a result of these actions, this finding has been resolved.

**Prior Finding 5 Clarks Summit did not monitor direct care staff completion of mandatory training courses. (Resolved)**

(from the audit report dated July 1, 2005, to November 16, 2007)

Our prior audit found that not all direct care staff completed training courses designated as mandatory by the staff and training development director.

We recommended that Clarks Summit management, supervisors, and the staff and training development department monitor and review, at least quarterly, the mandated training for its direct care staff to ensure compliance with all training requirements.

Clarks Summit management agreed with our finding and indicated that they would monitor the training of its staff through the hospital's staff and training development department and staff supervisors.

**Status as of this audit.** Clarks Summit management stated that they implemented our recommendations from the prior audit and now monitor staff training to ensure compliance with annual training requirements. The staff and training development director informed management of the annual training completion rates for the entire staff monthly via e-mail as well as during Clark Summit's department director meetings. In addition, at least monthly, the staff and training development director generated a report entitled "Negative Training Reports by Departments" that lists the employees who have not completed annual required training. That report was also sent to hospital department supervisors as a reminder to ensure that their staff complete all mandated training.

To ensure that Clarks Summit complied with our recommendations, we audited the training records of 49 of 242 randomly chosen direct care staff. To verify attendance, we compared the staff and training development department's course sign-in sheets to the training records.

Our current audit found that 48 of 49 employees completed the training courses designated as mandatory, by the staff and training development

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director, during the calendar years 2008 and 2009. The one employee who did not complete all mandatory training was out on a work related injury. As a result of the actions taken by management, this finding has been resolved.

**Prior Finding 7    The VAS workshop petty cash fund controls could be strengthened. (Resolved)**

**(from the audit report dated July 1, 2005, to November 16, 2007)**

Our prior audit found that the petty cash receipts, used for paying out worker-of-the-week and worker-of-the-month monies, were approved and received by the same person in the VAS department. We concluded that there was a lack of segregation of duties over petty cash and internal controls for safeguarding Commonwealth funds.

We recommended that management needs to ensure that all petty cash fund receipts have two signatures for approval of the disbursement and that the same person approving the disbursement of cash is not the same person who receives the cash.

**Status as of this audit.** Our current audit found that management did implement our recommendations. The petty cash fund was replenished four times between July 1, 2008, and June 30, 2009. We selected all four requests for petty cash replenishment for review. Each voucher had petty cash slips attached to verify the expense. Additionally, all slips were approved and received by separate individuals, which results in stronger internal controls and segregation of duties over petty cash. As a result of these actions, this finding has been resolved.

**Prior Finding I-5    Clarks Summit should improve inventory controls. (Resolved)**

**(from the audit report dated July 1, 2002, to May 6, 2005)**

Our prior audit found that the Clarks Summit management took an annual physical inventory in June 2007. Twelve of 93 items did not match the inventory report in August 2007, only two months later. Also, 107 items were included in inventory that had no purchase or issue activity since June 2005.

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We recommended that management comply with Department of Public Welfare policy regarding the accurate reporting, adequate inventory controls and surplus of unused inventory.

**Status as of this audit.** Our current audit found that management implemented our recommendation. Our testing of 30 general stores inventory items found that quantities on hand in the warehouse were correctly reported on the inventory reports in the accounting system. Business office personnel conduct monthly spot checks and the warehouse manager also completes weekly spot checks of the inventory. Clarks Summit management reviewed the current inventory with the maintenance department and referred to SAP inventory reports to determine which items of the mechanical store inventory were of use to the facility. After this review was completed, Clarks Summit transferred the excess mechanical store inventory items to other state facilities and depleted their mechanical stores inventory. (See Prior Finding 1 - Clarks Summit valued inventory improperly.) As a result of these actions, this finding has been resolved.

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**Clarks Summit State Hospital**

Monica Bradbury, RN, MS  
Chief Executive Officer

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