

**Commonwealth of Pennsylvania**  
**Department of Public Welfare**  
**Clarks Summit State Hospital**  
**July 1, 2005, to November 16, 2007**  
**Performance Audit**





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August 6, 2008

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

Dear Governor Rendell:

This report contains the results of a performance audit of Clarks Summit State Hospital of the Department of Public Welfare from July 1, 2005, to November 16, 2007. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that Clarks Summit did not properly value its stores inventory, and did not monitor direct care staff completion of mandatory training courses. The contents of the report were discussed with the management of Clarks Summit State Hospital, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of Clarks Summit State Hospital and by others who provided assistance during the audit.

Sincerely,

**JACK WAGNER**  
Auditor General



# Table of Contents

Page

<b>Background Information .....</b>	<b>1</b>
Department of Public Welfare - Office of Mental Health and Substance Abuse Services.....	1
Bureau of Community and Hospital Operations.....	1
County Mental Health System .....	2
Clarks Summit State Hospital .....	2
<b>Objectives, Scope, and Methodology .....</b>	<b>4</b>
<b>Audit Results .....</b>	<b>7</b>
Inventory .....	7
Finding 1 – Clarks Summit valued inventory improperly. ....	7
Guardian Office.....	8
Finding 2 – The Guardian Office complied with guardianship program policies and procedures. ....	8
Contracts.....	9
Finding 3 – Contracts were handled according to Department of General Services policy.....	9
Patients Complaints of Abuse .....	10
Finding 4 – Clarks Summit tracked and monitored incidents of abuse. ....	10
Staff Training .....	11
Finding 5 – Clarks Summit did not monitor direct care staff completion of mandatory training courses.....	11
Vocational Adjustment Services Program .....	13
Finding 6 – The VAS workshop complied with policies and procedures.....	13
Finding 7 – The VAS workshop petty cash fund controls could be strengthened.....	13
<b>Status of Prior Audit Findings and Recommendations.....</b>	<b>15</b>
Prior Audit Results .....	15
Prior Finding I-1 – Purchasing agents were improperly role-mapped. ....	15
Prior Finding I-4 – Visa purchasing cards were not safeguarded. ....	15
Prior Finding I-5 – Clarks Summit should improve inventory controls.....	16
Prior Finding II-1 – Overtime and shift differential pay were not approved by management.....	17
<b>Audit Report Distribution List .....</b>	<b>18</b>





## **Background Information**

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

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

*Every person with serious mental illness and/or addictive disease, and every child and adolescent who abuses substances and/or has a serious emotional disturbance will have the opportunity for growth, recovery and inclusion in their community, have access to services and supports of their choice, and enjoy a quality of life that includes family and friends.<sup>1</sup>*

Over the past 30 years, the Commonwealth's public mental health program has changed from a main emphasis on state mental health hospitals to an emphasis on community mental health services. 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 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.

In addition, DPW operates eight state psychiatric hospitals for persons with serious mental illness, which provide special intensive treatment services for patients needing extended psychiatric inpatient services. Admission of persons committed under the Mental Health Procedures Act is made through the County Mental Health/Mental Retardation program after short-term treatment has been provided in the community. DPW 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>2</sup>

### **Bureau of Community and Hospital Operations**

The Bureau of Community 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

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<sup>1</sup> <http://www.dpw.state.pa.us/About/OMHSAS>. View Date: February 26, 2008.

<sup>2</sup> <http://www.dpw.state.pa.us/About/OMHSAS/003670531.htm>. View Date: July 17, 2008.

## **Background Information**

overseeing and directing the effective and efficient operations of the Commonwealth-operated psychiatric hospitals (state mental hospitals) and South Mountain Restoration Center.<sup>3</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 by local provider agencies under contract with the county MH/MR office. The county 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>4</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 eight state mental hospitals operated by DPW's Office of Mental Health and Substance Abuse Services. It is located in the town of Clarks Summit, Lackawanna County, approximately five miles north of Scranton, and was originally established in 1862 as a poorhouse. The Commonwealth acquired the complex on October 1, 1943. Today, Clarks Summit provides active inpatient psychiatric care to

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<sup>3</sup> <http://www.dpw.state.pa.us/About/OMHSAS/003670536.htm>. View Date: July 17, 2008.

<sup>4</sup> <http://www.dpw.state.pa.us/PartnersProviders/MentalHealthSubstanceAbuse/003670144.htm>. View Date: July 17, 2008.

## *Background Information*

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 approximately 37 buildings located on 154 acres of land. A superintendent administers day-to-day management functions of Clarks Summit. 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 245 psychiatric bed capacity at June 30, 2007. 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 years ended June 30, 2005, 2006 and 2007:

	2005	2006	2007
Operating expenditures (rounded in thousands) <sup>5</sup>			
State	\$36,886	\$39,914	\$42,464
Federal	896	695	1,438
Total	<u>\$37,782</u>	<u>\$40,609</u>	<u>\$43,902</u>
Employee complement at year end	471	498	509
Bed capacity at year end	245	245	245
Available patient days of care	89,425	89,425	89,425
Actual patient days of care	78,826	77,535	78,355
Average daily patient population <sup>6</sup>	216	213	221
Percent utilization (based on days of care)	88.2%	86.7%	87.6%
Average daily cost per patient <sup>7</sup>	\$479	\$524	\$538
Annual average cost per patient <sup>8</sup>	\$174,947	\$191,167	\$196,370

<sup>5</sup> Operating expenses were recorded net of fixed asset costs, an amount that would normally be charged as part of depreciation. In addition, region and department level direct and indirect charges were not allocated to the totals reported here.

<sup>6</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>7</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>8</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*

The objectives for the current audit were selected from the following general areas: Inventory, Guardian Office, Contracts, Patient Complaints of Abuse, Staff Training, and the Vocational Adjustment Services Program. The audit also included an update on the status of prior findings and recommendations regarding the segregation of duties over procurement, the safeguarding of Visa purchasing cards, improvement over inventory controls, and the approval by management of overtime and shift differential pay. The specific audit objectives were:

- To determine if the facility has complied with DPW administrative policies for inventory. (Finding 1)
- To determine if the Guardian Office funds are adequately safeguarded and invested in interest bearing accounts. (Finding 2)
- To determine if the institution is purchasing in a manner consistent with Department of General Services policies. (Finding 3)
- To determine whether Clarks Summit reported and investigated incidents of abuse timely and assessed the adequacy of incident prevention according to DPW guidelines. (Finding 4)
- To determine if Clarks Summit provided direct care staff with training that complies with DPW and Clarks Summit guidelines and also addresses the specific needs of the patients. (Finding 5)
- To determine if the Vocational Adjustment Services Program operated in compliance with DPW and Clarks Summit policies and procedures. (Findings 6 and 7)

The scope of the audit was from July 1, 2005, through November 16, 2007, unless indicated otherwise in the individual findings. Auditors conducted fieldwork from July 2, 2007 to November 16, 2007. An exit conference was held on December 20, 2007, to discuss the results of the audit with Clarks Summit management, and management's comments are included with each recommendation in the report.

## *Objectives, Scope, and Methodology*

To accomplish these objectives, auditors reviewed DPW Administrative Policies for inventory control,<sup>9</sup> Guardian Office policies and procedures, the Department of General Services Field Procurement Handbook,<sup>10</sup> DPW and Clarks Summit guidelines, policies and procedures related to Patient/Individual Abuse, staff training, and the Vocational Adjustment Services Program. To update their understanding of the prior audit's findings, they also reviewed DPW's written response, dated July 11, 2006, replying to the Auditor General report.

Auditors interviewed appropriate management and staff including Clarks Summit's Facility Financial Manager, guardian officer, purchasing agent, Investigative Coordinator for patient complaints, Staff & Training Development Director, and the Vocational Adjustment Services Program manager. They also interviewed Clarks Summit personnel to obtain an updated understanding of the progress in implementing the prior audit's recommendations and other corrective action to resolve the prior findings.

To accomplish the inventory objective and determine if the facility has complied with DPW Administrative Policies, auditors reviewed inventory records for accuracy, values, and activity and physically counted and compared 93 inventory items to inventory records.

To accomplish the Guardian Office objective to determine if the funds are adequately safeguarded and invested in interest bearing accounts, auditors verified that 90 of 1,524 client receipts processed from, July 1, 2005, thru June 30, 2007, were properly authorized, and deposited into the correct resident account. They also verified that 57 of 1,351 disbursement checks processed from July 1, 2005, thru June 30, 2007, were approved and deducted from the proper resident account. Auditors confirmed that the Guardian Office conducts an audit of client valuables every January and conducts needs assessments interviews with clients every six months. Finally, they also verified that bank statements were reconciled monthly, that all funds were maintained in an interest bearing account, and all checks were signed by authorized personnel.

To accomplish the contract objective to determine if the institution is purchasing in a manner consistent with Department of General Services policies, auditors reviewed 8 of 14 selected purchase contracts and noted compliance with policies, and made the determination that purchase contracts were necessary, bid and approved. Auditors also determined that contract services were received, posted, and paid. Finally, auditors examined 29 expenditure transactions from the selected contracts and noted compliance with policies.

To accomplish the patient complaints of abuse objective to determine whether Clarks Summit reported and investigated incidents of abuse timely and assessed the adequacy of incident prevention according to DPW guidelines, auditors reviewed Clarks Summit compliance with DPW incidents of abuse procedures for 16 of 46 complaints filed between January 1, 2005, and December 31, 2006.

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<sup>9</sup> Department of Public Welfare, Administrative Policies (formerly 7024), Inventory Control/Materials Management for DPW Operated Facilities Section C.1.

<sup>10</sup> Department of General Services Field Procurement Handbook Section M215.3.

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

To accomplish the staff training objective to determine if Clarks Summit provided direct care staff with training that complies with DPW and Clarks Summit guidelines and also addresses the specific needs of the patients, auditors reviewed applicable staff orientation and continuing education schedules, reviewed annual training plans for fiscal years 2006 and 2007, and examined the training records for 51 of the 235 direct care staff for the fiscal year ended June 30, 2006, and 2007.

To accomplish the Vocational Adjustment Services Program objective to determine if the Program operated in compliance with DPW and Clarks Summit policies and procedures, auditors examined the bank statements and reconciliations for the fiscal year ended June 30, 2006 and 2007, and verified petty cash totals. They also reviewed the Workshop's payroll records for the pay dates of August 12, 2005, February 24, 2006, October 20, 2006, and April 6, 2007, and reviewed certificates authorizing special minimum wage rates under Section 14c of the Fair Labor Standards Act. Auditors then reviewed 60 out of a population of 292 invoices, reviewed 38 out of a population of 190 disbursements, and examined signature cards to verify cancelled checks had authorized signatures. Finally, the auditors reviewed the Special Funds Annual Status Reports for the fiscal year ended June 30, 2006, and June 30, 2007.

Auditors also performed tests, as necessary, in prior audit areas to substantiate their understanding of Clarks Summit management's progress in resolving the prior audit findings.

## **Audit Results**

### **Inventory**

Clarks Summit maintained a mechanical and stores inventory consisting of drill bits, paintbrushes, saw blades and other parts and supplies. The inventory serves as a convenient method of storing items needed for everyday use. During the fiscal year ended June 30, 2007, Clarks Summit maintained the inventory valued at approximately \$132,000. There were approximately 1,900 separate item descriptions with over 97,224 pieces in inventory. DPW has established policies and procedures for controlling and monitoring this inventory.<sup>11</sup>

#### **Finding 1 – Clarks Summit valued inventory improperly.**

A review of 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. According to the DPW inventory control policies, the business or financial manager is responsible for establishing adequate inventory controls, which include the safeguarding of physical inventories, and the establishment of accurate inventory values.

In addition, DPW inventory policy also requires “inventory costs to be charged properly for compliance with budgetary reporting and applicable federal Medicare and Medicaid cost settlement report requirements. Clarks Summit management could not meet these requirements because of the inaccurate inventory records.

#### **Recommendations:**

Clarks Summit should comply with DPW policy regarding the accurate reporting of inventory costs. They should work with the Office of Administration to correct the inventory valuation discrepancies.

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<sup>11</sup> Department of Public Welfare, Administrative Policies (formerly 7024), Inventory Control/Materials Management for DPW Operated Facilities Section C.1.

## **Audit Results**

### Management Comments:

Management stated that during implementation of the new inventory computer system in 2002, all inventory items with an unknown value listed were given a \$.01 cost. After implementation, all inventory costs were supposed to be assigned a value based on a moving average price, according to Information Enterprise System personnel at the Office of Administration.<sup>12</sup> Clarks Summit management stated that the new computer system did not automatically update prices, therefore all subsequent purchases were still being recording at the \$.01 value. Clarks Summit will continue to work with the Office of Administration in an effort to correct this problem.

## **Guardian Office**

In the spring of 1978, a federal court decision mandated DPW to establish an independent Guardian Officer in each state hospital and mental retardation center.<sup>13</sup> The Guardian Officer serves as representative payee and/or court appointed financial guardian for incompetent patients when no family or outside agency is available. With written consent, competent patients can open accounts and receive assistance with money management. DPW has established policies and procedures to ensure each Guardian Office operates consistently.<sup>14</sup>

The Guardian Office receives monies from various sources on behalf of the client. These sources include social security or railroad retirement payments, payroll from the workshop, and gifts from family members or friends. These monies are deposited into the Guardian Office checking account with a local bank. Monies not immediately needed are transferred into an interest bearing money market account and certificates of deposit. Interest is prorated to each client's account at the end of every month.

Payments are made from the checking account or petty cash for client's personal expenses, trips, and incidental shopping.

### **Finding 2 – The Guardian Office complied with guardianship program policies and procedures.**

All transactions reviewed were processed in accordance with guardianship program policies and procedures. The 90 verified client receipts selected for testing were traced to bank

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<sup>12</sup> Total cost of current inventory item + cost of purchased inventory item / total inventory item = moving average price.

<sup>13</sup> U.S. District Court, Eastern District of Pennsylvania, Veccione vs. Wohlgemuth, Civil Action No. 73-162; Stipulation of Council.

<sup>14</sup> Department of Public Welfare, Bureau of Administrative Services, Division of Guardianship Programs, Policy and Procedure Manual – revised September 2005.



deposits and to the bank statements. The client receipts were also posted accurately and timely to the client's account. The 57 reviewed Client Account Withdrawal Orders were filled out completely and accompanied with store receipts and a copy of the Guardian Office's official receipt if cash was returned to the office and deposited into the client's account. The disbursement checks were also signed by authorized personnel.

We also verified that the Guardian Office conducted an audit of client's valuables every January and performed needs assessment interviews with clients every six months. At the time of the audit, the Guardian Office did not have any clients or past clients whose accounts were dormant or were needed to be escheated to the Treasury Department. Lastly, we verified that all accounts were reconciled monthly and maintained in interest-bearing accounts.

### **Contracts**

Clarks Summit has a centralized office for making all purchases needed for its operation. To help ensure the efficient operations of the hospital, Clarks Summit entered into 14 purchase contracts for items and equipment and for services when Clarks Summit personnel were unable to perform those services. As part of our testing, we selected eight of those contracts, which included such things as building maintenance, bio-medical equipment, electric motor and elevator repair, ambulance, cable communications, and outpatient services.

#### **Finding 3 – Contracts were handled according to Department of General Services policy.**

We conducted a detailed review of the eight purchase contracts. The review included an examination of advertising for bids, bidding procedures, bid tab sheets, sole source justifications when applicable, and purchase orders. Our review also included an examination of the actual contract, a determination of the necessity for the contract, authorizations, signatures, and any additional supporting documentation deemed necessary. We also reviewed 29 purchase contract transactions to verify that they were processed in accordance with Commonwealth policies and procedures.

Based on our review and examination, we determined that all selected contracts contained proper documentation and the selected purchase transactions were properly processed in compliance with the terms of the contract.

## **Audit Results**

### **Patients Complaints of Abuse**

The Commonwealth has a policy that prohibits patient abuse and as part of that policy, it establishes employee obligations. The obligations state:

*An employee has a primary duty to respect the rights of a patient/resident, to treat them with dignity and to prevent others from violating their rights. An employee witnessing or having knowledge of an act of abuse to a patient/resident is obliged to report it to an appropriate individual designated by the Superintendent/Director. Failure to do so will be considered a serious violation of an employee's responsibility concerning the care of patients' residents and may subject the employee to disciplinary action.<sup>15</sup>*

As defined in the Pennsylvania Code,<sup>16</sup> an abusive act is, “an act or omission which may cause or causes actual physical or emotional harm or injury to a patient/resident, or an act which willfully deprives a patient/resident of his rights as defined by the Department.” Abuse may be physical, non-physical, neglect or exploitation. DPW requires Clarks Summit to maintain procedures to ensure that all patient complaints are addressed, investigated, and resolved.<sup>17</sup> Handling and managing of the abuse investigation process is the responsibility of the Clarks Summit Administrative Investigative Coordinator.

#### **Finding 4 – Clarks Summit tracked and monitored incidents of abuse.**

Clarks Summit maintained a tracking system to monitor alleged incidents of abuse during the investigative process. The Clarks Summit Investigative Coordinator had assigned 22 employees that covered all three shifts to investigate incidents of abuse. From January 1, 2005, through December 31, 2006, 46 complaints of abuse were recorded at Clarks Summit. We selected a sample of 16 of those complaints, or approximately 35 percent, for detailed review. All complaint files examined included sufficient evidence, such as patients name, investigator name, and description of the complaint, fact sheet, investigative summary, evidence summary, and official action. In addition, an appropriate approval by the superintendent and other responsible officials was evident for each complaint follow up.

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<sup>15</sup> 55 Pa. Code §14.3 “Employee’s obligations.”

<sup>16</sup> 55 Pa. Code §14.5, “Definition of Abuse.”

<sup>17</sup> DPW Personnel Manual §7178 “Patient/Individual Abuse.”

## **Staff Training**

Clarks Summit is responsible for providing daily direct care for the health, safety, and well-being of its patients. To meet this responsibility, Clarks Summit must train the direct care staff to ensure patients receive adequate care.

DPW regulations require Clarks Summit to provide each direct care worker with initial and continuing education that focuses on the skills and safety of both the direct care staff and patients.<sup>18</sup> Various Governor's Management Directives and DPW policies have established both content and frequency requirements for mandatory and voluntary training courses.<sup>19</sup> The Staff & Training Development Department has incorporated these, as well as its own, requirements into its Annual Training Plan.

### **Finding 5 – Clarks Summit did not monitor direct care staff completion of mandatory training courses.**

Our review of the training records for 51 of the 235 direct care staff selected for testing disclosed that not all staff completed the training courses designated as mandatory by the Staff and Training Development Director during the fiscal years ended June 30, 2006, and June 30, 2007.

For the fiscal year ended June 30, 2006, seven of the 51 direct care staff, selected for testing, did not receive one or more mandated training courses. The lowest attendance was in the course entitled CPI Non-Violent Crisis Intervention where six direct care personnel, or 11.8 percent, were absent.

For the fiscal year ended June 30, 2007, 11 of the 51 selected staff did not receive one or more of the mandated training courses. The lowest attendance was in the course entitled Human Rights where nine direct care personnel, or 17.6 percent, were absent.

The following is a chart summarizing the mandated courses identified by the Staff & Training Development Department and the number of courses not attended by the sampled direct care staff.

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<sup>18</sup> DPW Personnel Manual § 7121 entitled "Training and Development" reissued January 27, 1995 and § 7124 entitled "In-Service Training" reissued February 19, 1999.

<sup>19</sup> Governor's Office Management Directive 535.1 issued February 9, 2000, entitled, "Employee Training and Development." Governor's Office Management Directive 535.7 Amended issued July 8, 1999, entitled "Annual Agency Training Plan and Report." DPW Personnel Manual § 7121 entitled "Training and Development" reissued January 27, 1995 and § 7124 entitled "In-Service Training" reissued February 19, 1999.

## **Audit Results**

<b>Course Name</b>	<b>2006</b>	<b>Percentage not completed</b>	<b>2007</b>	<b>Percentage not completed</b>
Infection Control	2	3.9%	2	3.9%
Fire Safety	1	2.0%	1	2.0%
Safety & Security	0	0.0%	0	0.0%
Hazard Communication	0	0.0%	1	2.0%
Human Rights	2	3.9%	9	17.6%
Falls Prevention*	n/a	n/a	3	5.9%
CPR/AED	1	2.0%	0	0.0%
CPI Non-Violent Crisis Intervention	6	11.8%	0	0.0%
Nursing Safety	0	0.0%	0	0.0%

\*Falls Prevention was not mandated until the 2007 fiscal year.

According to Clarks Summit personnel, the Staff & Training Development Department sends out several notices to supervisors informing them about the staff members who did not complete the training requirements. Along with staff member notification, a list of dates and times of upcoming courses was included with the notification. Due to the lack of monitoring of the direct care staff training by supervisors, the staff did not complete the necessary training to ensure that patients would receive adequate care.

### Recommendations:

Clarks Summit management, supervisors, and Staff & Training Development Department need to monitor and review at least quarterly the mandated training for its direct care staff to ensure compliance with all DPW and Clarks Summit training requirements.

### Management Comments:

At the closing conference, Clarks Summit management agreed with the finding and recommendation and indicated that it planned to start monitoring the training of its staff through the Staff & Training Development Department and staff supervisors.

## **Vocational Adjustment Services Program**

Clarks Summit maintains and operates a federally certified work program, which provides a realistic work experience simulating jobs in private industry. Work is subcontracted from private industry and the workers are remunerated in accordance with regulations from DPW<sup>20</sup> and Clarks Summit.<sup>21</sup> The program, known as the Vocational Adjustment Services Program (VAS), offers a wide range of programs and services that are designed to offer therapeutic and educational assistance to clients that complement Clarks Summit treatment. The focus of VAS is to help the clients re-integrate into society.

### **Finding 6 – The VAS workshop complied with policies and procedures.**

The examination of 60 invoices revealed that the invoices were approved properly and the amounts agreed with the bank statements. The examination of the 38 disbursements disclosed that all examined purchases were approved properly and authorized personnel signed cancelled checks. Auditors established approval authority by examining signature cards to verify authorized signatures on invoices and checks.

The testing of staff time sheets and the certificates authorizing special minimum wage rates under Section 14c of the Fair Labor Standards Act disclosed that the records and rates were accurate and complete.

Auditors also examined the bank statements and reconciliations for the fiscal year ended June 30, 2006, and 2007, verified petty cash totals at October 31, 2007, and noted no exceptions. Finally, the monthly revenue and expenses matched the Special Funds Annual Status Report submitted by the Clarks Summit business office to DPW.

### **Finding 7 – The VAS workshop petty cash fund controls could be strengthened.**

During our audit of disbursements made from the VAS checking account, auditors discovered 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. The lack of these controls could increase the possibility of errors or misuse of the petty cash fund for personal gain.

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<sup>20</sup> Department of Public Welfare Administrative Manual, Section 7076.4. "Facility Operated Vending Facilities/Machines" Reissued March 20, 1992, Department of Public Welfare Administrative Manual, Section 7021.7. "Accounting for Non-Appropriated Funds" Issued March 20, 1992.

<sup>21</sup> Clarks Summit State Hospital Vocational Adjustment Services Manual, Section 600 "Accounting Procedures," issued March 1979, and revised in 2007.

## **Audit Results**

### **Recommendation:**

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.

### **Management Comments:**

Clarks Summit management stated that due to the shuffling of office space in the VAS department, the VAS Manager's office moved to another building and since then, the supervisor started to sign the receipts in both places instead of going to management for approval.

### **Subsequent Events:**

This problem was addressed by Clarks Summit management and corrected during the current audit and was verified by the auditors before the exit conference. The VAS manager and the workshop supervisor are both signing off on all petty cash slips.

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

The following is a summary of the findings and recommendation presented in our audit report for the period July 1, 2002 to May 6, 2005, along with a description of Clarks Summit State Hospital's disposition of the recommendations.

### **Prior Audit Results**

#### **Prior Finding I-1 – Purchasing agents were improperly role-mapped.**

Our prior audit noted that two Clarks Summit employees were role-mapped with the ability to complete the entire purchase process. These employees had authorization to requisition, approve, and receive goods or services. We recommended that Clarks Summit management amend the roles mapped for its purchasing agents so that these positions were no longer capable of performing all phases of a purchasing transaction. Also, management should reevaluate the roles mapped for all staff to determine if other individuals were authorized to perform incompatible functions.

#### **Status:**

Our current audit revealed that Clarks Summit personnel amended the duties on July 27, 2007, for the two individuals cited in our prior audit to exclude the receiver role function. We spoke with the purchasing agent and verified that the 'SRM Receiver' function had been removed from the employee workplace 'screens', therefore our recommendation had been implemented.

#### **Prior Finding I-4 – Visa purchasing cards were not safeguarded.**

At the start of the prior audit, Clarks Summit did not remove or cross out the account numbers and expiration dates on the supporting documents for purchase card transactions as required.

#### **Status:**

Before completion of the prior audit, Clarks Summit management corrected this issue.

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

### **Prior Finding I-5 – Clarks Summit should improve inventory controls.**

Our prior audit indicated that Clarks Summit inventory records were not accurate. A test count of 40 inventoried items at Clarks Summit disclosed 8 discrepancies, or an error rate of 20 percent. We recommended that Clarks Summit management establish a dollar and quantity threshold for reporting inventory discrepancies. Also, an appropriate level of Clarks Summit management should evaluate inventory controls and eliminate the potential for inventory discrepancies to occur and remain unresolved.

#### Status:

Our current audit testing indicated that the prior year problem still exists. To accomplish the prior year objective, we performed the following:

- Obtained DPW Administrative Policies for inventory control.<sup>22</sup>
- Interviewed the Facility Financial Manager.
- Reviewed inventory records for accuracy and activity.
- Physically counted and compared 93 inventory items to inventory records.

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.

#### Recommendations:

We again recommend compliance with DPW policy regarding accurate inventory reporting, adequate inventory controls and surplus of unused inventory.

#### Management Comments

At the exit conference, Clarks Summit Management stated that they would review and discuss discrepancies with the warehouse manager.

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<sup>22</sup> Department of Public Welfare, Administrative Policies (formerly 7024), Inventory Control/Materials Management for DPW Operated Facilities Section C.1.



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

### **Prior Finding II-1 – Overtime and shift differential pay were not approved by management.**

Our prior audit indicated that Clarks Summit did not have a mechanism for detecting timekeeper posting errors or unauthorized changes to employee time records. Management did not require the reconciliation of the overtime occurrence reports with employee time records to ensure the accuracy of imputed timekeeping data nor did management require prior approval for changes to employee time. We recommended that Clarks Summit management reconcile overtime occurrence reports to employee time sheets. In addition, management should require all changes to employee time records to be documented and approved by management prior to making the change.

#### Status:

Our current audit disclosed that Clarks Summit management implemented new policies<sup>23</sup> and procedures<sup>24</sup> to detect timekeeper posting errors and required management approval to any changes made to employee time records. The new procedure now requires that when the payroll department receives the approved overtime occurrence reports, the payroll department compares those reports to the time records entered by the timekeepers in nursing.<sup>25</sup> In addition, timekeepers are now required to only make changes to an employee's time record with approval from the RN Supervisory staff. Therefore, we concluded that Clarks Summit has complied with our recommendations.

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<sup>23</sup> Nursing Personnel Policies effective Nov. 2, 2006.

<sup>24</sup> 7143 Overtime Approval and Management, Procedures for processing overtime.

<sup>25</sup> The Clarks Summit Nursing Department was the only one incurring overtime at the time of our follow up.

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