

Commonwealth of Pennsylvania
Department of Military and Veterans Affairs
Gino J. Merli Veterans Center
July 1, 2004, to November 30, 2007
Performance Audit



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June 12, 2008

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

Dear Governor Rendell:

This report contains the results of a performance audit of the Gino J. Merli Veterans Center of Pennsylvania of the Department of Military and Veterans Affairs from July 1, 2004, to November 30, 2007, except where we expanded the scope to assess all relevant information objectively. The audit was conducted pursuant to Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The report details the audit objectives, scope, methodology, findings, and recommendations. The audit noted that the Center did not maximize Medicare Part B revenues and Center personnel did not review overtime calculations for accuracy. In addition, the Center took the required steps to investigate alleged incidents of abuse, but the required steps could be improved by adding more specific techniques, methods, and procedures for the investigation and requiring investigators to be certified. The contents of the report were discussed with the officials of the Gino J. Merli Veterans Center and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the Gino J. Merli Veterans Center and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Military and Veterans Affairs – Bureau of Veterans Affairs

The Department of Military and Veterans Affairs (DMVA) administers a wide variety of services and benefit programs for veterans, their departments, and spouses throughout the Commonwealth of Pennsylvania. The Bureau of Veterans Affairs (Veterans Affairs) is one of the bureaus within the DMVA and has been designated as the overseeing agency responsible for coordinating all matters relating to veterans affairs with other state and federal agencies. Veterans Affairs is headquartered at Fort Indiantown Gap, Annville, Pennsylvania, and operates field offices in Philadelphia, Pittsburgh, and Wilkes-Barre.

As of June 30, 2004, the Veterans Affairs administered six state-operated veterans facilities: the Pennsylvania Soldiers' and Sailors' Home in Erie, the Hollidaysburg Veterans Home in Hollidaysburg, the Gino J. Merli Veterans Center in Scranton, the Southeastern Veterans Center in Spring City, the Southwestern Veterans Center in Pittsburgh, and the Delaware Valley Veterans Home in Northeast Philadelphia. These facilities provide domiciliary, nursing, and/or personal care to veterans who have served in the Armed Forces of the United States or in the Pennsylvania Military Forces, and who were released from service under honorable conditions.

A combination of sources, including a state appropriation, federal reimbursements from the Veterans Administration, and collections of maintenance fee assessments from residents provides funding for facility operations.

The Pennsylvania Military Code delegates management responsibility of the homes to the Adjutant General of the DMVA. In addition, separately appointed 15-member advisory councils assist the homes' operations. Commandants within the Veterans Home Division of the DMVA manage the day-to-day operations of the homes.

Gino J. Merli Veterans Center

The Gino J. Merli Veterans Center (Merli) is located in the city of Scranton, Lackawanna County. Merli was originally called the Northeast Veterans Center and officially opened on January 19, 1994, at the site of the former Scranton State General Hospital. Merli provides nursing and personal care services to approximately 200 residents.

In addition to conducting its general operations, Merli is responsible for the maintenance and accountability of residents' personal income and welfare. Merli administers a member's fund as a service to members who voluntarily use the facility as a depository for

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their personal funds. In addition, a welfare fund provides entertainment and craft activities from donations and interest earnings. The following schedule presents selected unaudited Merli operating data for the years ended June 30, 2005, 2006, and 2007.

	2005	2006	2007
Operating Expenditures			
State	\$12,897	\$13,942	\$14,328
Federal	<u>3,957</u>	<u>3,907</u>	<u>3,813</u>
Total	<u>\$16,854</u>	<u>\$17,849</u>	<u>\$18,141</u>
Employee complement positions at year-end	261	261	257
Resident capacity at year end			
Dementia/Skilled Nursing Care Unit	184	184	184
Personal Care	<u>16</u>	<u>16</u>	<u>16</u>
Total	<u>200</u>	<u>200</u>	<u>200</u>
Available days of care			
Dementia/Skilled Nursing Care Unit	67,160	67,160	67,160
Personal Care	<u>5,840</u>	<u>5,840</u>	<u>5,840</u>
Total	<u>73,000</u>	<u>73,000</u>	<u>73,000</u>
Actual days of care			
Dementia/Skilled Nursing Care Unit	64,890	64,886	64,595
Personal Care	<u>5,561</u>	<u>5,766</u>	<u>5,754</u>
Total	<u>70,451</u>	<u>70,652</u>	<u>70,349</u>
Average Daily Census			
Dementia/Skilled Nursing Care Unit	178	178	177
Personal Care	<u>16</u>	<u>16</u>	<u>16</u>
Total	<u>194</u>	<u>194</u>	<u>193</u>
Percentage of days utilized			
Dementia/Skilled Nursing Care Unit	96.6%	96.6%	96.2%
Personal Care	95.2%	98.7%	98.5%
Average resident cost per day	\$239	\$253	\$258
Average resident cost per year	\$87,235	\$92,345	\$94,170

Objectives, Scope, and Methodology

We selected the objectives from the following general areas: Medicare Part B revenue management, personnel management, including accurate payroll and personnel record keeping, and client management, including procedures for monitoring and preventing abuse, and safeguarding resident funds. The specific audit objectives were:

- To determine if Merli maximized Medicare Part B revenue. (Finding 1)
- To determine if overtime and leave were approved and accurate and if Merli complied with policy by ensuring all relevant information was kept in an employees' personnel files while all prohibited information was excluded from an employees' personnel file. (Finding 2, 3 and 4)
- To determine whether Merli complied with procedures for documenting, reporting and resolving incidents of abuse, including the use of background checks and employee training techniques. (Finding 5, 6 and 7)
- To determine if Merli complied with Department guidelines for maintaining the Welfare Fund. (Finding 8)
- To determine if Merli complied with Department guidelines for maintaining Member Fund. (Finding 9)
- To determine the status of management's corrective actions for prior audit findings that addressed training for the new accounting system and contract monitoring.

The scope of the audit covered the period from July 1, 2004, to November 30, 2007, unless indicated otherwise in the individual findings.

To accomplish these objectives, auditors reviewed policies and procedures available on Medicare Part B claims processing,¹ and Merli policy for Medicare billing,² reviewed DMVA payroll, timekeeping, and overtime policies and procedures³ and the Governor's

¹ Medicare Part B Reference Manual, Chapter 5 – Patient Eligibility. Accessed: <http://www.highmarkmedicare.com/partb/refman/index.html>, view date: September 17, 2007.

² Gino J. Merli Veterans Center Medical Records Policies and Procedures, "Medicare Part B," March 2001.

³ Commonwealth of Pennsylvania Governor's Office Management Directive 315.10 Recording and Reporting of Wages, Overtime, Shift Differential and Short Term Leave Without Pay, April 1, 1980 and Commonwealth of Pennsylvania Department of Military and Veterans Affairs, Gino Merli Veterans Center, Overtime and Compensatory Leave Policy, March 14, 2003.

Objectives, Scope, and Methodology

Office personnel records retention policies and procedures.⁴ Auditors also reviewed Merli's Resident Care Policies and Procedures,⁵ the Older Adults Protective Services Act,⁶ the Department of Health, Division of Nursing Care Facilities Long Term Provider Bulletin No. 22, and the Pennsylvania Department of Aging Mandatory Abuse Report. For the Members Fund and Welfare Fund, auditors reviewed the Department of Military and Veterans Affairs' "Handbook of Procedures for Accounting."⁷ To update their understanding of the prior audit's findings, they also reviewed the Department's written response, dated October 6, 2006, replying to the Auditor General report.

Auditors interviewed appropriate personnel including the Business Manager, Facility Reimbursement Officer, Medical Records Director, Director of Nursing, Nurse Instructor, Time Advisors, Accountant, Human Resource personnel, Accounting Director, Activities Director, and the Volunteer Coordinator. They also interviewed Merli 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 objective and verify that the collection of Medicare Part B claims was maximized, the auditors selected 15 of 181 Merli residents for April 2007 and obtained all encounter forms verifying that billable procedures on each medical chart were included on the encounter forms and submitted as claims to Medicare, and verified that reimbursement was received for the procedures. The auditors then verified that all checks received from Medicare were deposited in the Gino Merli bank depository account or secured in the facility's safe. Finally, the auditors verified that all doctors at Merli were eligible to perform Medicare Part B procedures for the fiscal year ended June 30, 2007.

To accomplish the objective to evaluate controls over the accuracy of the payroll and personnel records, auditors reviewed overtime records and determined the accuracy and approval for 25 of 284 employees during the pay periods ending December 29, 2006, and May 18, 2007. The auditors also verified that leave records were approved and accurate for 40 of 284 employees during the pay period ending May 18, 2007. Finally, the auditors reviewed personnel folders for the previously selected 40 employees to determine if necessary documents were included and prohibited documents were excluded from those folders.

To accomplish the objective to determine if Merli complied with procedures for documenting, reporting, investigating, and resolving incidents of abuse, auditors reviewed all 38 potential abuse event details to determine if proper procedures were followed. The auditors also reviewed the Department of Health Report Form PB22 (used for investigating alleged abuse, neglect, misappropriation of property by nurse aide or other facility

⁴ Commonwealth of Pennsylvania Governor's Office Management Directive 505.18, "Maintenance, Access, and Release of Employee Information," February 14, 2003.

⁵ Gino J Merli Veterans Center Resident Care Policies and Procedures Date of Issue: December 2000- Revised Date January 2005; and Resident Abuse, revised December 2005.

⁶ Elder Abuse: Identification and Intervention (6 PA Code Chapter 15).

⁷ Department of Military and Veterans Affairs, "Handbook of Procedures for Accounting" Chapter V – Welfare Fund.

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employee) reports from all cases of abuse involving staff/resident. Finally, they inspected the October 2005 licensing survey report prepared by DMVA.

To verify compliance with training and other requirements to detect and prevent abuse, the auditors reviewed the training records of 39 of the 164 direct care staff employees to ensure that proper elderly abuse training was received. In addition, auditors reviewed employee records to determine whether background checks were performed as required by Commonwealth law.

To accomplish the objective to evaluate the controls over Welfare Fund activity and test compliance with applicable procedures, auditors reviewed the Bank Reconciliations for June 30, 2005, 2006, and 2007. They also determined that 57 of 739 Welfare Fund disbursement transactions from July 1, 2004, through June 30, 2007, were authorized properly and complied with Welfare Fund guidelines. Auditors also determined that 30 of 645 monetary donations received by Merli from July 1, 2004, through June 30, 2007, had a completed Donation Form and were deposited in the correct account. The auditors also reconciled the amount of monetary donations listed on letters to the receipt book and deposit slip, and traced 5 of the 30 monetary donations into the Welfare Fund checking account. They also performed an unannounced count of the Welfare Fund petty cash account. Finally, they reviewed Welfare Fund Advisory Council meeting minutes from July 2004 through June 2007 for evidence of management oversight and guidance.

To accomplish the objective to evaluate the controls over the Members Fund activity and to test compliance with applicable procedures, auditors reviewed the Financial Statements, which included the Balance Sheet, Statement of Income and Expenditures. Auditors reviewed the Bank Reconciliations, and supporting documents for the fiscal year ended June 30, 2007. Auditors also verified the accuracy of the Resident Fund Summaries, which included total balances for all residents for the months of January 2007 and June 2007. They reviewed supporting documentation for 40 of 520 disbursement transactions and 20 of 325 receipt transactions recorded on the Resident Fund Ledgers processed during the period from January 1, 2007, through June 30, 2007. They also examined Members Fund deposits to ensure that monies were deposited into the bank and properly posted to 10 of 31 resident accounts. To verify the accuracy of petty cash, the auditors conducted a surprise petty cash count. They also verified the accuracy of interest prorated to member accounts and ensured that the monthly maintenance fee was calculated correctly for two residents by reviewing the most recent re-assessment and supporting documents.

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

Audit Results

Medicare Part B

Merli residents who receive Social Security, Railroad Retirement or similar retirement benefits, or disability payments may be eligible to participate in the Medicare Part B insurance program.⁸ Merli can seek reimbursement for each eligible resident that qualifies for certain services performed by Merli's professional medical staff.⁹ After delivering services to an eligible resident, Merli's medical personnel document each billable procedure on a physician service record form (encounter form), and then medical records staff code each of the procedures listed. Finally, the encounter forms are forwarded to the Revenue Office for billing the Medicare Services.¹⁰

Finding 1 – Merli did not maximize Medicare Part B revenues.

Merli management did not have an organized and adequate system to process and track Medicare billings, rejections, and reimbursements. The following deficiencies were noted during the audit.

As of September 2007, the Medicare Part B Insurance Pending Report disclosed a balance of over \$107,000.

The Medicare Part B Insurance Pending (billing) Report represents outstanding claims or bills for services provided to residents. Management believed this report was not accurate and said payments were received but remittance notices listing residents' name and amounts of reimbursement were not posted to resident balances because the previous Facility Reimbursement Officer was on sick leave for most of her final year of employment. We were unable to substantiate that payments were received and not posted. However, we did note that some claims were submitted to Medicare twice thereby creating a double billing and increasing the balance of the Medicare Part B Insurance Pending Report.

⁸ Medicare Part B Reference Manual, Chapter 5 – Patient Eligibility. Accessed: <http://www.highmarkmedicare.services.com/partb/refman/index.html>, view date: September 17, 2007.

⁹ Medicare Physician Guide: A Resource for Residents, Practicing Physicians, and Other Health Care Professionals. Accessed: <http://www.cms.hhs.gov/MLNProducts/downloads/physicianguide.pdf>, view date: August 27, 2007.

¹⁰ Gino J. Merli Veterans Center Medical Records Policies and Procedures, "Medicare Part B," March 2001.

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A doctor did not have a valid individual national provider identifier necessary to process and bill Medicare Part B claims.

Merli employs two part-time doctors that each renders services for 20 hours per week and an additional 84 hours of on call overtime every other week. Although one of the doctors began employment in October of 2006, Merli was unable to receive reimbursements for eligible procedures performed by that doctor for the period encompassing his hire in October 2006 through the time he left in September 2007. Merli did not collect Medicare Part B reimbursements of approximately \$20,825 because this physician did not have an individual National Provider Identifier number. This number is assigned when the doctor is approved by Medicare to provide services. The number is also necessary to process claims.

Management did not have an adequate system to ensure billings were complete.

Our audit revealed that one of the 15 residents selected for detailed testing did not have a history of treatments recorded in a Resident Ledger Summary. As a result, since the resident's admission to Merli in May of 2006, the resident did not have any claims for billable procedures entered into the Medicare billing system or submitted to Medicare for reimbursement. After we brought this error to management's attention, all claims were submitted for reimbursement since the resident's admission, and approximately \$390 was collected.

Merli lost \$328.53 In Medicare Part B revenue due to late billing reductions.

From March 2006 through December 2006 (during the Facility Reimbursement Officer's leave) billings were never submitted to Medicare. Subsequently, in January 2007, billings were submitted late, which resulted in penalties of \$328.53. According to Medicare regulations, if a claim is filed one year after the date of service initially occurred, a late filing reduction of 10 percent results¹¹.

Management did not have an adequate system for following up on unpaid billings or rejections.

An adequate record-keeping system is one that tracks billings, collections, and balances accurately and timely. At Merli, the Facility Reimbursement Officer resubmitted claims based on rejection letters from Medicare. Under this method, if a rejection notice gets lost, Merli would not receive all reimbursements associated with that rejection letter. We also noted that the Facility Reimbursement Officer did not transfer claims to Medicare in one file; instead, the Officer used multiple files for monthly billings. Under this method, the difficulty of tracking reimbursements and rejections is increased and accuracy of record keeping could be hindered. Because of the above-identified weaknesses in the records, we

¹¹ Medicare Claims Processing Manual: Section 70.8.6 – Time Limitation for Filing Part B Reasonable Charge and Fee Schedule Claims and Section 70.8.8 – Penalty for Filing Claims after One Year Accessed: <http://www.cms.hhs.gov/manuals/downloads/clm104c12.pdf>, viewed: September 17, 2007.

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concluded that Merli management did not have an effective system for tracking collections.

We contacted Medicare directly and received a list of all checks sent to Merli for the last six months from March 2007 to August 2007 (note Medicare did not keep records beyond six months) in an attempt to establish the accuracy of the outstanding balance of claims. Of the 39 checks sent to Merli during this period, all but 2 were properly deposited. The two checks were not cashed or placed in the safe; instead, they were lost. One check was issued on June 7, 2007, for \$1,008.80 and the other issued on August 17, 2007, for \$269.50. Subsequently, Medicare put a stop payment on those checks and agreed to reissue them. In addition, starting in September of 2007, Medicare started wire transferring Medicare checks to Merli.

Recommendations:

Merli management should establish procedures and implement a system for processing and tracking Medicare Part B billings, reimbursements, and rejections. The tracking system should ensure that all billable encounters are recorded. Management should submit the claims based on the encounter forms to Medicare timely and claims should not be duplicated. In addition, rejections should be closely monitored by the Merli Revenue Office and reviewed and resubmitted, if necessary.

Merli management should establish procedures to ensure that upon hire, all doctors on staff are qualified to submit claims for Medicare Part B services and are enrolled in the Medicare program immediately.

Finally, Merli management should reconcile balances in the Medicare Part B insurance pending report and determine that all past reimbursements were received and deposited so that all remaining unbilled claims are submitted for reimbursement even if they are late.

Management Comments:

Merli management stated that they had developed and implemented a system for ensuring that all potential Medicare eligible procedures are included on encounter forms. In addition, a month end "ancillary analysis" report, which provides a listing of all residents for whom a Medicare claim was filed for the month is reconciled to the "resident insurance report" for each month. Finally, remittance advices are now reviewed and any rejections are followed up. Management also reconciles the amount of money remitted to the amount due to Merli. The Revenue Department and Medical Records Department work concurrently with the Business Manager's supervision to ensure that the program that has been developed is adhered to and Medicare Part B revenues are maximized.

Payroll and Personnel Record Maintenance

Merli's payroll system generates payroll payments automatically for employees who work regular shifts with no overtime. However, for employees who work different shifts or overtime, information must be inputted by each department and processed by the timekeeper consistent with Commonwealth,¹² and DMVA policy and procedures. Additionally, employees use either an on-line leave system or manual one to process leave.

The Commonwealth has established policies and procedures¹³ in order to maintain, retrieve, and submit personnel information for Commonwealth employees. The purpose of the policy is to create a uniform system of accountability for Commonwealth employees' personnel information and to protect the privacy of all current and past employees while providing for the public's right to know.

Finding 2 – Merli did not review overtime calculations for accuracy.

Merli's department supervisors did not accurately review overtime, and as a result, errors occurred and went undetected by management.

After overtime is input by the timekeeper, and prior to payroll being processed, a payroll report is given to each supervisor listing an employee's name and overtime hours worked. The supervisor is responsible for reviewing this report, comparing it to overtime approval request forms, and reporting any discrepancies to the time-keeper for adjustments to be made prior to processing the payroll.

A comparison of 25 employee overtime approval requests and the actual amount of overtime worked reported by payroll reports disclosed that three employees were not paid the correct amount of overtime. Each of these errors was attributed to the timekeeper inputting the overtime incorrectly. However, supervisors responsible for reviewing the overtime after it was input did not detect these errors, indicating the reviewing supervisors were not consistently completing their responsibility.

Recommendation:

Merli management should ensure that department supervisors properly review payroll reports for accuracy.

¹² Commonwealth of Pennsylvania Governor's Office Management Directive 315.10 Recording and Reporting of Wages, Overtime, Shift Differential and Short Term Leave Without Pay , April 1, 1980 and Commonwealth of Pennsylvania Department of Military and Veterans Affairs, Gino Merli Veterans Center, Overtime and Compensatory Leave Policy, March 14, 2003.

¹³ Commonwealth of Pennsylvania Governor's Office Management Directive 505.18, "Maintenance, Access, and Release of Employee Information," February 14, 2003.

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Management Comments:

Management agreed to reiterate to all supervisors the importance of reviewing the payroll reports for accuracy.

Finding 3 – Merli posted leave to employee leave records correctly.

Employee leave was properly approved, and correctly posted to their leave records. All requested leave was approved by management either with the use of leave slips or electronically before it was transferred to the timekeeper. In addition, prior to the issuance of payroll checks, a summary payroll report was prepared and distributed to the department heads to review for accuracy.

Finding 4 – Merli maintained employee personnel data accurately.

Employees' personnel folders were accurately maintained by the Human Resource Department. All tested personnel folders contained only mandated information and excluded any prohibited documents. Each folder was purged every two years and all medical information was maintained in a separate folder.

Client Abuse Management

Merli resident abuse policy¹⁴ ensures that each resident has the right to be free from abuse, mistreatment, neglect, and misappropriation of property. Residents at risk should be identified and intervention strategies should be developed to prevent the occurrence of abuse. Any alleged violation of any type of abuse performed by any resident, staff, or family member must be thoroughly investigated and reported to the proper agencies. In addition, Merli resident abuse policy requires the proper screening of employees and employee training to help guarantee the safety of all residents.

Finding 5 – Abuse investigators were not certified.

DMVA and the various oversight agencies require that all incidents of resident abuse be investigated. At Merli, specifically designated employees who have received general abuse training as developed by the DMVA conducted the initial investigations. However, this training did not extend to specific investigative techniques.

¹⁴ Gino J Merli Veterans Center Resident Care Policies and Procedures Date of Issue: December 2000
Revised Date January 2005.

Merli's internal resident abuse policy states:

Serious physical injury or bodily harm, sexual abuse, misappropriation of funds/property and unexplained deaths are to be reported to the Department of Health, the Area Agency on Aging and Law Enforcement Agencies.¹⁵

Section 5.C. of this policy delegates responsibility for initiating investigations to the registered nurse supervisor. The investigation guidelines consist of seven steps:

- Initiate investigation, Notify Commandant, Director of Nursing/Assistant Director of Nursing, Medical Director, and family/Responsible Party.
- If employee is involved, remove from resident care area.
- Examine and interview resident – if physical injuries arrange for prompt medical care of injuries.
- Secure the area – collect physical evidence, if any.
- Interview alleged abuser and take appropriate action.
- Interview witnesses – obtain statements.
- If directed, contact Department of Health, Area Agency on Aging, local police if necessary.
- Complete DMVA-Investigatory report of Alleged Resident Abuse.

While these steps provide an overview, they do not specifically address techniques, methods, or procedures for completing each of those steps.

In contrast, the certification course offered through the Department of Public Welfare's Office of Developmental Programs, Bureau of Mental Retardation Program Operations specifically addresses investigator procedures, which are listed in the Pennsylvania Certified Investigator Manual. An example of the detail is demonstrated in Chapter 5 "Physical and Demonstrative Evidence," Section II "Locations at which Injuries Occur," Subsection G, which states:

*Before actually entering the location, the investigator should first observe the layout, thinking primarily about how to enter and walk around the room **without** disturbing any of the contents. This is particularly a*

¹⁵ Gino J. Merli Veterans Center, Resident Care Policies and Procedures, Subject: Resident Abuse, revised December 2005.

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problem with objects or substances, which might be on the floor. The investigator should proceed cautiously to ensure that wherever s/he intends to step is not wet or covered with any substances that might be smeared or tracked around the room.

Subsection H further states:

The investigator should next take pictures of the location, first from the entrance and then, walking to the opposite side of the room, back toward the entrance. Also, using the initial reports as a guide, s/he should take pictures of any location and/or object in the room, which apparently is related. For example, if the report indicated that someone fell over a table and there is a table at the location, the investigator should take a picture of the table. [The investigator should take the picture regardless of whether the table is neatly set for a dinner party or a shambles!] As the investigator takes pictures, s/he should keep notes identifying the subject of each shot.

The Department of Public Welfare's Bureau of Mental Retardation Program Operations requires both community and institution based investigators to be certified. This certification process requires an initial four-day training course and the successful completion of a certification examination and then annual update training. The bureau contracts to obtain the necessary training at a cost of \$7,000 for the initial four day training for up-to 32 individuals and E-mail based annual training for \$600 per month.

The manual used by Public Welfare's certified investigators states:

One component of the system that strives to ensure a safe environment is a trained group of investigators who not only understand the technical elements of the investigative process but also appreciate and promote the values, which drive decision making at every level of the care giving system.

DMVA is already committed to providing a safe and caring environment for its resident veterans and spouses. In addition to providing instruction in investigative techniques, methods, and procedures, having incident investigators certified would also ensure that investigations are conducted uniformly throughout the department and any applicable evidence is properly secured.

Recommendation:

The DMVA should evaluate the costs and benefits of establishing a certified training program for its incident investigators. If certification is deemed unnecessary for their institutions, at minimum formal incident investigation specific training should be developed and implemented.

Management Comments:

Merli management deferred comment to the DMVA. The DMVA will formally respond as part of its requirement to provide written response within 60 days of release of the audit report.

Finding 6 – Merli documented, reported, investigated, and resolved incidents of abuse as required.

Merli required all incidents of abuse to be documented through an Event Detail Report. From July 2004 through June 30, 2007, employees filed 38 event detail reports, documenting 20 cases of resident-to-resident abuse, 15 cases of staff-to-resident abuse, 1 case of family-to-resident abuse and 2 cases of abuse reported by a delusional resident. All case investigations were found to comply with Merli policy and procedures. Each case was reported to the proper investigative authorities as well as to family. The 15 cases involving staff to resident alleged abuse disclosed that the investigations were conducted timely, proper authorities were notified, PB22 reports were filed within five working days, which included signed witness statements and summaries of investigative procedures, evidence was gathered, and any corrective disciplinary or procedural actions were taken.

Finding 7 – Merli's direct care staff received required abuse training and background checks were performed.

Merli conducted orientation training for all employees. The direct care staff was then required to attend annual training seminars on topics related to Resident Abuse as well as other pertinent topics addressing areas of weakness. For fiscal years ending June 30, 2006, and June 30, 2007, all 39 employees selected for testing received training at least once per year. Two employees were hired recently and received orientation training and 24 of the 39 employees attended additional training sessions.

The Pennsylvania General Assembly¹⁶ enacted a policy requiring all facility employment applicants and all facility employees hired since July 1, 1997, to obtain required background checks.

Those employees continuously employed prior to July 1, 1997, are not subjected to this requirement. The Merli has complied with this policy by requiring all applicants to have background checks performed prior to beginning employment at Merli. Auditors determined that 35 of 39 direct care staff had background checks included in their personnel folders. The four employees who did not have background checks performed were hired prior to 1995.

¹⁶ Elder Abuse: Identification and Intervention (6 PA Code Chapter 15).

Audit Results

Welfare Fund

Merli established a Welfare Fund for the health, recreation, and welfare, of its residents. The Welfare Fund consists of non-appropriated funds generated from vending machines, donations, and interest earnings.

DMVA¹⁷ as well as Merli¹⁸ have established operating procedures to ensure that the Welfare Fund is sufficiently controlled and used exclusively for the benefit of Merli residents.

Finding 8 – Merli complied with department and institution policies and procedures in administering the Welfare Fund.

Bank reconciliations were prepared accurately and timely. All disbursement transactions were validated by supporting documentation. Donation Forms were properly completed for monetary donations and monies were receipted and recorded on deposit slips. The deposits were accurately traced to the bank statements.

A review of Welfare Fund Advisory Council meeting minutes from July 2004 through June 2007 showed that the group met every month to help govern the activities of the Welfare Fund. Finally, the Welfare Fund surprise petty cash count was accurate.

Members Fund

Merli maintains and administers the Members Fund as a service to its residents. The Members Fund provides Merli residents with a convenient method of safeguarding cash and providing prompt access. Participation in the Members Fund is voluntary.

DMVA has established operating guidelines¹⁹ for maintaining and administering the Members Fund. These guidelines require Merli to maintain an account balance for each member, allocate monthly interest earnings to each eligible resident, and complete other fiduciary duties.

¹⁷ Department of Military and Veterans Affairs, “Handbook of Procedures for Accounting” Chapter V – Welfare Fund.

¹⁸ Gino J. Merli Veterans Center Volunteer Services Policies and Procedures, “Accepting Monetary Donations.”

¹⁹ Department of Military and Veterans Affairs, “Handbook of Procedures for Accounting” Chapter IV – Members Fund.

Finding 9 – Merli complied with DMVA policies and procedures in administering the Members Fund.

Financial statements for year ended June 30, 2007, were substantiated by supporting documents, which included fixed asset records and certificates of deposit. In addition, bank reconciliations were performed accurately and timely for both the personal care unit and nursing unit residents' checking accounts.

Resident Fund Summary totals for the month of January 2007 and June 2007 as well as the balances of all 20 residents' accounts for the period from January through June of 2007 were calculated correctly.

Disbursement transactions were supported by the appropriate withdrawal forms. A deposit was traced to the bank statement and receipts were properly posted to the residents' accounts. Also, receipts posted to the residents' accounts were properly recorded on a Members Fund Deposit Receipt Form and deposited into the bank.

All monies included in the Members Fund were maintained in an interest-bearing account. The account balance did not exceed a two-month average of the monthly expenditures. All funds in excess of this two-month balance were transferred to a higher interest depository account as required. Any interest accumulated was prorated based on the average daily balance in each individual resident's account. The surprise petty cash count was accurate. Finally, Merli charged the proper amount for the monthly maintenance fees based on a review of re-assessments done by the Revenue Office.

Status of Prior Audit Findings and Recommendations

Objectives and Methodology

The following is a summary of the findings and recommendations presented in our audit report for the period July 1, 2002, to February 1, 2005, along with a description of the hospital's disposition of the recommendations.

Prior Finding II-1-SAP R/3 training needs were not met.

Our prior audit disclosed that 17 of 21 employees role mapped for purchasing, requisitioning, and/or receiving did not meet the training specification developed for each role assignment within the SAP R/3 Materials Management module. We recommended management ensure that all employees receive the required SAP R/3 training for the roles assigned.

Status:

Since the time of our prior audit, the SAP R/3 system only provides training on new developments of the system. Any assistance needed is given through the website: www.ies.state.pa.us on the home page help tab or through Department of General Services. Additionally, all new employees are now trained on the system in house by their supervisors. Employees are all trained to submit requisitions electronically. As a result of these developments, the prior finding has been resolved.

Prior Finding II-2-Incorrect role-mapping circumvented the segregation of duties control.

Our prior audit disclosed that five employees were authorized to purchase and receive goods and services. As a result, the potential existed for unneeded or unwanted goods to be purchased and/or diverted for unauthorized use and would not be detected.

We recommended that management amend the roles mapped for its purchasing agents and accountants to prevent incompatible functions. We also recommended that management reevaluate the roles mapped for all staff to determine if other individuals are authorized to perform incompatible functions.

Status of Prior Audit Findings and Recommendations

Status:

DMVA has remapped Merli and employees role-mapped to purchase goods and services are no longer role-mapped to receive goods and services. Those employees role mapped to receive goods and services are not given the role-mapping function of purchaser. As a result of management's efforts, the issue is considered resolved.

Prior Finding VI-1-Contract monitoring procedures were not documented.

Our previous audit disclosed that Merli did not maintain a listing of Contact personnel familiar with specific contracts. Four of the 11 contracts that were tested revealed that invoices were paid without being reviewed and verified by an individual familiar with the contract to ensure payments were accurate. We recommended and management agreed that contract monitoring procedures would be implemented.

Status:

Merli now maintains a listing of all contracts, which includes the expiration date of the contract, the accounting personnel in charge of handling the contract and the internal department responsible for monitoring the contract. Seven contracts were tested for compliance and all were found to have a contract monitor who is responsible for verifying that invoices were in accordance to contract terms. As a result of these developments, the prior finding has been resolved.

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