



Performance Audit

Hamburg Center

**Commonwealth of Pennsylvania
Department of Public Welfare**

January 2013

January 11, 2013

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

Dear Governor Corbett:

This report contains the results of a performance audit of Hamburg Center of the Department of Public Welfare for the period July 1, 2007, to September 15, 2011. The audit was conducted under the authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The report contains three 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 Hamburg Center lost \$9,881 in Medicare Part B reimbursements due to 155 of its claims being rejected by Medicare for an unregistered physician. The report also notes one occasion where the Center failed to file a claim for reimbursement with Medicare for eligible services.

We discussed the contents of the report with management of Hamburg Center and all appropriate comments are reflected in the report.

Sincerely,

JACK WAGNER
Auditor General

**Hamburg Center
Department of Public Welfare**

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**Hamburg Center
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**Background
Information**

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**Background
Information**

*History, mission,
and operating
statistics*

Department of Public Welfare – Office of Developmental Programs

The Office of Mental Retardation was established within the Department of Public Welfare by an Executive Board order on December 8, 1972.¹ In 2008, as a result of reorganization, the Office of Mental Retardation became the Office of Developmental Programs and within that, the Bureau of Supports for People with Intellectual Disabilities,² which directs the fiscal and program planning, management and oversight of all mental retardation program operations including state operated facilities and community mental retardation programs.³

To provide care in the institutional setting, the Bureau is directly responsible for the operation of five intermediate care facilities: Ebensburg, Hamburg, Polk, Selinsgrove, and White Haven. The state centers are physically separate institutions that provide residential care to individuals with intellectual disabilities.⁴

The mission of the state centers is as follows:

Our mission is to provide a healthy and safe home that supports people to have a full, rich, and self-determined life.⁵

Hamburg Center

Hamburg Center, or the Center as we refer to it throughout this report, is operated under the Department of Public Welfare's Bureau of Supports for People with Intellectual Disabilities.⁶ Hamburg Center was originally founded in 1914 as a hospital to care for people with tuberculosis and was known as the State Sanatoria #3. In 1930, the facility was renamed Charles H. Miner State Hospital, and operated until 1959 under the

¹ Pennsylvania Bulletin, Volume 2, Number 54, dated December 16, 1972.

² Executive Board Resolution #OR-08-107 dated May 2, 2008.

³ <http://www.dpw.state.pa.us/dpworganization/officeofdevelopmentalprograms/bureauofsupportsforpeoplewithintellectualdisabilities/index.htm> accessed September 17, 2012.

⁴ <http://www.dpw.state.pa.us/foradults/statecenters/index.htm> accessed December 13, 2012.

⁵ Ibid.

⁶ <http://www.dpw.state.pa.us/dpworganization/officeofdevelopmentalprograms/bureauofsupportsforpeoplewithintellectualdisabilities/index.htm> accessed September 17, 2012.

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Department of Health. In December 1960, the facility was transferred to the Department of Public Welfare and reopened as The Hamburg State School and Hospital, a center for individuals with mental retardation. In 1977, the facility was renamed again as The Hamburg Center⁷

Hamburg Center is located in Berks County and its physical plant consists of 278 acres with 39 buildings. The Center⁸ is licensed by the Pennsylvania Department of Health as a 237-bed intermediate care facility. During our audit period, the Center was eligible to receive cost of care reimbursements from the federal government through the Medical Assistance Program for services rendered to eligible individuals.⁹

A facility director¹⁰ administers the Center's day-to-day management functions. Additionally, a nine-member Board of Trustees provides advisory services to Hamburg Center.¹¹

The following table presents selected unaudited Hamburg Center operating statistics compiled from the Department of Public Welfare and commonwealth reports for the years ended June 30, 2008, through 2011:

⁷ The Hamburg Center Biennial Survey 2008.

⁸ http://www.dpw.state.pa.us/foradults/statecenters/hamburgstatecenter/P_003067 accessed September 17, 2012.

⁹ PA Dept of Public Welfare Cooperative Agreement #918461200 July, 1996 between Department of Public Welfare and Department of Health. Section I A.

¹⁰ http://www.dpw.state.pa.us/foradults/statecenters/hamburgstatecenter/P_003067 accessed September 17, 2012.

¹¹ <http://www.legis.state.pa.us/cfdocs/legis/ExNom/?Nav=Position> Accessed September 17, 2012.

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Hamburg Center Operating Statistics For Fiscal Years Ending June 30,				
	2008	2009	2010	2011
Operating expenditures ¹² (rounded in thousands)				
State	\$13,780	\$11,695	\$9,586	\$10,762
Federal	<u>16,482</u>	<u>18,750</u>	<u>18,079</u>	<u>21,264</u>
Total	\$30,262	\$30,445	\$27,665	\$32,026
Employee complement at year end ¹³	402	407	392	392
Bed capacity at year end ¹⁴	237	237	237	237
Available individual days of care ¹⁵	86,742	86,505	86,505	86,505
Daily average individual census ¹⁶	127	123	120	121
Actual individual days of care ¹⁷	46,586	44,881	43,665	44,199
Percent utilization (based on individual days of care)	54.0%	52.0%	50.0%	51.0%
Daily average cost per individual ¹⁸	\$650	\$678	\$634	\$725
Yearly average cost per individual	\$237,900	\$246,740	\$231,254	\$264,625

¹² Operating expenditures were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. Commonwealth of Pennsylvania, Systems Application Products, Accounting software.

¹³ Department of Public Welfare, Compliment Report for Hamburg Center.

¹⁴ Department of Health Bed License.

¹⁵ Available individual days of care was calculated by multiplying bed capacity by the number of days in the year.

¹⁶ Daily average individual census was calculated by dividing the actual individual days of care for the year by the number of calendar days in the year.

¹⁷ Monthly Facility Census Report.

¹⁸ Daily average cost per individual was calculated by dividing the total operating expenditures by the actual individual days of care.

**Objectives, Scope,
and Methodology**

**Hamburg Center
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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 Hamburg Center had three objectives. We selected those objectives from the following areas: Fixed assets, contracts, and Medicare Part B. Our specific audit objectives were as follows:

- One To determine if Hamburg Center complied with applicable commonwealth policies and procedures and established controls over fixed assets, computers, and printers. (Finding 1)
- Two To determine if Hamburg Center procured contracts in accordance with commonwealth policies, and also if the Center monitored the goods and services received under these contracts. (Finding 2)
- Three To determine if Hamburg Center was maximizing Medicare Part B revenues. (Finding 3)

Unless indicated otherwise, the scope of the audit was from July 1, 2007, through September 15, 2011.

The Center's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Center is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented. Additionally, we gained a high-level understanding of the Hamburg Center's information technology (IT) environment and evaluated whether internal controls specific to IT were present. Any significant deficiencies found during the audit are included in this report.

**Hamburg Center
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**Objectives, Scope,
and Methodology**

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To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Commonwealth of Pennsylvania, Department of Public Welfare, and Hamburg Center. In the course of completing our audit work, we interviewed various Hamburg Center management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analyses 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 related to Hamburg Center dietary employee's receiving biennial physicals.

Audit Results **Hamburg Center
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Audit Results

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

- Statement of the objective
- Relevant policies, procedures, and directives
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit and methodologies used to gather sufficient evidence to meet the objective
- Finding(s) and conclusion(s)
- Recommendation(s), where applicable
- Response by Hamburg Center management, if applicable
- Our evaluation of Hamburg Center management's response, if applicable

**Hamburg Center
Department of Public Welfare**

**Audit Results
Fixed Assets**

*Pennsylvania Department of the Auditor General
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**Audit Results
for
Objective
One**

The objective

Objective one for our performance audit was to determine if Hamburg Center complied with applicable commonwealth policies and procedures and established controls over fixed assets, computers, and printers.

Fixed Assets

Relevant policies and directives

The commonwealth¹⁹ and the Department of Public Welfare²⁰ have established policies and procedures regarding fixed asset management and property control. These policies require agencies to appoint a fixed assets coordinator in meeting its responsibilities for providing controls over the facilities' fixed assets. According to commonwealth policy:

The fixed assets coordinator is responsible for the overall maintenance of the agency's fixed asset data located in the System Application Products. [accounting system] This includes report generation, tag control, inventory reconciliation, and updating of fixed asset records.²¹

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.²²

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 of Public Welfare policy states the following:

¹⁹ Governor's Office Management Directive 310.14 "General Capital Asset and Other Fixed Asset Accounting and Reporting in SAP" dated February 3, 2003.

²⁰ Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities (formerly 7021.6)" dated September 1, 2004, reissued March 11, 2011.

²¹ Governor's Office Management Directive 310.14 "General Capital Assets and other Fixed Accounting and Reporting in SAP" Section i.(1) dated February 3, 2003.

²² Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities (formerly 7021.6)" Section F.10, dated September 1, 2004, reissued March 11, 2011.

**Audit Results
Fixed Assets**

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All personal computers and peripherals (e.g., external modems and document scanners/reader, but not keyboard or mouse), regardless of cost, are considered an item for property control on FAIS [Fixed Asset Inventory System].²³

Scope and methodologies to meet our objective

To accomplish our objective, we performed the following:

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

We interviewed the Center's fixed asset coordinator.

We reviewed records supporting periodic fixed asset inventory counts and reconciliations completed by the Center's fixed asset coordinator from July 1, 2010, through April 26, 2011.

Using our professional judgment, we selected 72 of 204 fixed assets, 80 of 235 computers, and 10 of 28 printers for existence testing from a list of the Center's fixed assets dated April 26, 2011, and a list of computer/printer assets dated July 14, 2011.

We obtained and reviewed Hamburg Center's fixed asset expenditure reports (excluding computers and printers) from July 1, 2007, through April 26, 2011, to verify that all fixed assets purchased (seven assets totaling \$196,801) were listed on the April 26, 2011 asset list.

²³ Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities (formerly 7021.6)" Section G.5.b., dated September 1, 2004, reissued March 11, 2011.

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**Audit Results
Fixed Assets**

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Finding 1

Hamburg Center maintained adequate control over the fixed assets, computers, and printers selected for review.

Our audit found that the Center maintained adequate control over the fixed assets selected for our review. We found that the Center complied with both commonwealth and Department of Public Welfare policies and procedures applicable to the accountability, availability, and maintenance of the 79 fixed assets selected for examination. The 79 assets included the 72 selected from the fixed asset listing and all seven newly purchased assets from July 1, 2007, through April 26, 2011.

We also confirmed the existence of 80 computers and 10 printers. We verified that all assets were properly tagged with an inventory identification number, and that both that number and the asset's serial number matched the asset's identification numbers recorded in the inventory records that were maintained by the Center's fixed asset coordinator. We also confirmed that the fixed asset coordinator conducted fixed asset inventory counts annually, this included reconciling and updating inventory records when necessary.

**Audit Results
Contracts**

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**Audit Results
for
Objective
Two**

The objective

Objective two for our performance audit was to determine if Hamburg Center procured contracts in accordance with commonwealth policies, and also if the Center monitored the goods and services received under contract.

Contracts

Relevant policies and procedures

The commonwealth's Procurement Handbook provides a standard approach and establishes policy and procedures, for the procurement of supplies, services, and construction, under the authority of Act 57 of 1998. These policies establish that contracts for goods and services procured under \$5,000 do not need to be bid, contracts exceeding \$5,000 but less than \$10,000 should be procured through obtaining three informal bid quotes, and contracts exceeding \$10,000 should be procured using a formal bidding method.²⁴

Commonwealth institutions often contract with vendors instead of providing services in-house, because the services may not warrant full-time positions or institutional personnel may not possess the necessary expertise. Contracted services include, but are not limited, to medical services, sanitation services, and fire alarm maintenance and repair services

Scope and methodologies to meet our objective

To accomplish our objective, we performed the following:

We reviewed the applicable sections of the Commonwealth of Pennsylvania's Procurement Handbook.

We interviewed appropriate Hamburg Center personnel who were involved in the process of procuring and monitoring service purchase contracts.

²⁴ Commonwealth of Pennsylvania, Department of General Services, On-line Procurement Handbook, http://www.dgs.state.pa.us/portal/server.pt/community/procurement_handbook/14304, viewed June 15, 2010, verified September 17, 2012.

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Contracts**

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Using professional judgment, we selected 12 of 106 contracts executed between July 1, 2007, through June 30, 2010, and reviewed procurement documentation to determine if Hamburg Center complied with commonwealth procurement policies.

We also examined 34 invoices, from the selected contracts, to ensure that goods and services were provided to the Center in accordance with the terms of the contracts.

Finding 2**Hamburg Center complied with the commonwealth's Procurement Handbook for procuring and monitoring contracts for goods and services.**

Our audit of the contracts selected for review found that the Center was in compliance with all commonwealth procedures related to procurement methods based on the dollar value of the contracts.

The 12 contracts selected for review consisted of four state-wide contracts procured by the Department of General Services, five contracts greater than \$10,000 that were directly procured by the Center, and three contracts between \$5,000 and \$10,000 that were also procured by the Center. The procurement of the four state-wide contracts by the Department of General Services occurred outside the purview of Hamburg Center management. Therefore, the methodology used by the Department of General Services to procure these contracts was not included in our review. The eight contracts procured by the Center that we reviewed were for services such as infectious waste removal, sanitation, and refrigeration, air conditioning, maintenance and repair.

Our review of the eight contracts and related documents found that Hamburg Center procured the contracts in accordance with the applicable sections of the commonwealth's Procurement Handbook.

In addition, we also reviewed 34 invoices that were submitted by contractors for goods and services rendered under the 12 contracts selected for review. Our review found that Hamburg Center assigned four different contract monitors to the 12 contracts in order to review and approve contract invoices for payment. We also found that these monitors verified

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Contracts**

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that goods and services listed on the invoices were actually received by the Center. Finally, our review found that monitors verified that the charges recorded on the invoices agreed with the charges specified in the contracts.

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**Audit Results
Medicare Part B**

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**Audit Results
for
Objective
Three**

Medicare Part B

The objective

Objective three for our performance audit was to determine if Hamburg Center was maximizing Medicare Part B revenue.

Relevant policies

Hamburg Center individuals who receive Social Security, Railroad Retirement or similar retirement benefits, and/or disability payments may be eligible to participate in the Medicare Part B insurance program administered by the Centers for Medicare and Medicaid Services (Medicare).²⁵

Hamburg Center management can seek reimbursement for each eligible Medicare Part B individual who receives services performed by its professional medical staff. The services must qualify for reimbursement under the Medicare Part B insurance program. After delivering services to an eligible individual, the Center's medical staff records the visit on the individual's medical chart and documents each billable procedure on a physician service record form (encounter form). The Center's medical staff then collects and forwards the encounter forms to the Center's revenue office. Finally, the revenue office electronically submits reimbursement claims for the eligible procedures to the Centers for Medicare and Medicaid Services.²⁶

Scope and methodologies to meet our objective

To accomplish this objective, we performed the following:

We interviewed appropriate Hamburg Center personnel involved in the Medicare Part B billing process.

We reviewed the Medicare Part B policies and procedures of the Centers for Medicare and Medicaid Services.

²⁵ <http://www.socialsecurity.gov/pubs/10043.html#a0=2>. The Official Website of the U. S. Social Security Administration, accessed December 13, 2012.

²⁶ Hamburg Center/White Haven Center Policy/Procedure Manual, "Encounter Forms" Issued 8/4/09.

**Audit Results
Medicare Part B**

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From a listing of 125 Medicare Part B eligible and active individuals who were at the Center for the months of November 2009, and May 2010, we randomly selected 22 individuals to perform the following detailed testing:

- We obtained and reviewed 44 medical charts and 44 Medicare encounter forms relating to the Medicare Part B billable procedures recorded on the charts for the 22 individuals. (One chart and one encounter form per month for each of the 22 individuals in our review)
- We verified that Medicare Part B billable procedures recorded on each of the 44 medical charts were also recorded on the 44 encounter forms. We also verified whether the 44 forms were submitted to the Centers for Medicare and Medicaid Services for reimbursement.
- We reviewed the Centers for Medicare and Medicaid Services remittance notices to determine if the Center received reimbursement for the 44 encounter forms. Through our review of the notices provided, we were able to confirm the individuals' names, encounter dates, and amount of reimbursement received by the Center for each individual and for the eligible Medicare Part B procedures.

Finally, we obtained and reviewed 152 additional encounter forms listing the services provided by a Center psychiatrist that was not registered with Medicare during our review period.

Finding 3

Hamburg Center failed to monitor Medicare Part B reimbursement requests resulting in \$9,881 in lost revenue.

Our audit found that the Center failed to monitor Medicare Part B reimbursements which impacted the Center's ability to maximize Medicare Part B revenues. Specifically, we found that the Center only received reimbursements from Medicare on 40 of the 44 encounter forms we reviewed.

**Hamburg Center
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Medicare Part B**

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Three encounter forms were rejected by Medicare. Three encounter forms submitted by the Center to Medicare were rejected because the psychiatrist who provided the services failed to register his National Provider Identification Number (NPI) with Medicare. As a result, the Centers for Medicare and Medicaid Services rejected the three eligible encounter forms, which totaled \$333.

We expanded our review to include all the Medicare Part B eligible encounter forms filed by the Center for services provided by this psychiatrist from the date of his hiring in October 2008 through February 2010, the time when his NPI was eventually registered with Medicare. We found 155 encounter forms totaling \$9,810²⁷ and noted that all 155 forms were rejected by Medicare.

According to the Center's director of medical records, the Center was not aware of the 155 Medicare reimbursement rejections. The director claimed that this monitoring deficiency was due to the Center's lack of staff available to review or reconcile the *Service Month Summary Report*. This report, which lists all of the Center's encounter forms billed, approved and rejected by Medicare, is generated by the Department of Public Welfare, Central Office Billing Unit and sent electronically to the Center monthly.

When we brought this deficiency to the attention of Center officials in August 2011, Center officials contacted Medicare about the possibility of resubmitting the 155 rejected Part B claims, and were informed by Medicare that all 155 rejections were beyond the period allowed for re-submission of rejected claims²⁸

One encounter form was not processed. The medical records director failed to forward one encounter form to the Central Office Billing Unit. As a result, the Billing Unit did not include the services recorded on the encounter form on the billing report which was then submitted to the Centers for Medicare and Medicaid Services for reimbursement. This omission resulted in lost revenue of \$71. Again, at the time we brought

²⁷ This total included the \$333 previously mentioned in the finding

²⁸ Medicare Physician Guide: A Resource for Residents, Practicing Physicians, and Other Health Care Professionals, Eleventh Edition – October 2009, Chapter Three, Medicare Reimbursement, Medicare Claims page 30 (hard copy).

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Medicare Part B**

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this omission to the Center's attention in August 2011, too much time had passed and the Center could not re-bill Medicare for the services.

Recommendations
for Finding 3

1. Hamburg Center should implement a system to ensure all Center doctors providing Medicare reimbursable services have a National Provider Identification Number and are registered with Medicare.
- 2.. Hamburg Center should implement procedures to utilize the *Service Month Summary Report* for identifying rejected Medicare claims so rejected claims can be reviewed for error(s), amended and then resubmitted for payment in a timely manner.

Response of Hamburg Center Management:

Hamburg Center has now insured that all of the physician's employed have a current National Provider Identification Number.

Hamburg Center's Medical Records Director will obtain a copy of the "Service Month Summary Report" each month from the Department of Public Welfare's Bureau of Financial Operations for the purpose of identifying and reviewing rejected Medicare claims. Immediately upon discovery, each rejected claim will be investigated, reviewed for error(s), amended and resubmitted for payment, as appropriate.

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**Status of
Prior Audits**

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**Status of
Prior Audits**

The following is a summary of the finding(s) and recommendation(s) presented in our audit report that covered the period July 1, 2005, to October 26, 2007, along with a description of Hamburg Center's disposition of the recommendations(s). Six of the findings were positive and thus had no recommendations. The status of the unresolved finding (No.6) and its accompanying recommendation is presented below.

Methodologies to meet our objective

In order to determine the status of our prior recommendation, we held discussions with the appropriate institution personnel, and we performed detailed testing as part of, or in conjunction with, the current audit.

**Prior Finding
No. 6**

Hamburg Center did not comply with Department of Public Welfare food service policy for biennial physicals for dietary employees. (Resolved)

Our previous audit reported Hamburg Center management did not comply with Department of Public Welfare's Personnel Manual or the Hamburg Center Policy/Procedure Manual related to biennial physical examinations. Both manuals state:

"Food Service employees shall receive a physical examination every two years using the report of medical and physical examination, Form PW-663."

Hamburg Center required new employees to have a physical exam completed prior to employment but the Center did not enforce the requirement for biennial physical exams. We recommended that Hamburg Center immediately commence with biennial physical examinations for all food service employees.

In response to our audit, Hamburg management stated that they would immediately begin physical examinations in accordance with both the Department of Public Welfare Personnel Manual and the Hamburg Center Policy/Procedure Manual.

A Performance Audit

**Status of
Prior Audits**

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Status:

Our current audit revealed that the Director of Dietary Services has complied with the Hamburg Center's Policy/Procedure Manual related to biennial physical examinations as evidenced by maintaining physical examination records. These records included a listing of dietary staff, the date of their last physical examination, and a copy of their completed physical examination reports. Having these records on file enabled the director to determine when a dietary employee was due to have his/her next physical examination.

Our review of the physical examination records for 33 dietary service employees on staff in August 2011 found that all 33 received their biennial physical examinations. As a result of these actions taken by the Center, we conclude that our recommendation was implemented and this finding has been resolved.

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Distribution List**

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