



**Performance Audit**

**Hollidaysburg Veterans Home**

**Commonwealth of Pennsylvania  
Department of Military and Veterans Affairs**

**November 2011**

November 29, 2011

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

Dear Governor Corbett:

This report contains the results of a performance audit of the Hollidaysburg Veterans Home of the Department of Military and Veterans Affairs from July 1, 2005, to December 31, 2008, unless otherwise noted. We conducted our audit under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report contains eight 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 Hollidaysburg Veterans Home did not provide fire safety training to direct care staff during the 2008 calendar year and that the training of direct care staff did not appear to be effective in ensuring the continuing competency of the staff. Our audit also found that the facility did not take the necessary steps to maximize estate collections. Finally, the facility did not adequately segregate the procurement duties assigned to its purchasing agent as we recommended in the preceding audit report. We discussed the contents of the report with management of the Hollidaysburg Veterans Home and all comments are reflected in the report.

We appreciate the cooperation extended to us during this audit by the management and staff of the Hollidaysburg Veterans Home.

Sincerely,

**JACK WAGNER**  
Auditor General

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Table of  
Contents**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

**Table of  
Contents**

**Background Information ..... 1**

**Audit Objectives.....5**

**Audit Results .....7**

    Finding 1 – Hollidaysburg complied with Commonwealth and Department of Military and Veterans Affairs’ admission requirements.....10

    Finding 2 – Hollidaysburg effectively controlled its maintenance expenditures and work order system.....13

    Finding 3 – Hollidaysburg operating expenditures were reasonable and consistent with the facility’s mission. ....16

    Finding 4 – Hollidaysburg managed its automotive fleet effectively.....19

    Finding 5 – Hollidaysburg conducted timely and effective criminal background screenings of its employees.....23

    Finding 6 – Professional staff were properly licensed, certified, or registered as required by federal and state regulations. ....23

    Finding 7 – Direct care workers received orientation and continuing education, and nurse aides received regular in-service education. However, the training did not appear to be effective in addressing reported deficiencies related to providing quality care to the residents. ....24

    Finding 8 – Hollidaysburg properly awarded and processed employee incentive payments. ....35

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Table of  
Contents**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

Finding 9 – Hollidaysburg did not comply with the Department of Military and Veterans Affairs’ policy and procedures to maximize estate collections. ....	<b>38</b>
Finding 10 – Hollidaysburg maximized its Medicare Part B revenue. ....	<b>42</b>
<b>Status of Prior Audits</b> .....	<b>43</b>
<b>Audit Report Distribution List</b> .....	<b>51</b>

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Background  
Information**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

**Background  
Information**

This section contains information about the Department of Military and Veterans Affairs, its Bureau of Veterans Affairs and the Hollidaysburg Veterans Home.

**Department of Military and Veterans Affairs***History, mission,  
and operating  
statistics*

The Department of Military and Veterans Affairs, also referred to in this report as the Department, administers a wide variety of services and benefit programs for veterans, their dependents, and their spouses throughout the Commonwealth of Pennsylvania. The Pennsylvania Military Code delegates management responsibility of veterans' facilities to the Adjutant General of the Department of Military and Veterans Affairs.<sup>1</sup> Created by the Pennsylvania General Assembly on April 11, 1973, the Department is one of Pennsylvania's largest employers, with more than 21,000 military and civilian personnel in more than 80 communities statewide.

The Department of Military and Veterans Affairs is headquartered at Fort Indiantown Gap in Annville, Lebanon County. Fort Indiantown Gap features more than 17,000 acres and 140 training areas and facilities for year-round training for military forces, law enforcement agents, and civilians from across the nation and is one of the busiest National Guard Training Centers in the country.

The Department of Military and Veterans Affairs has a dual mission:

*To provide quality service to the Commonwealth's  
veterans and their families, and to oversee and support  
the members of the Pennsylvania National Guard.<sup>2</sup>*

With respect to Pennsylvania's veterans, the Department fulfills its mission by providing resources and assistance to Pennsylvania's one million veterans and their families and by providing quality care for aging and disabled veterans.

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<sup>1</sup> Military Affairs, 51 Pa. C.S.A. § 902 (10).

<sup>2</sup> [http://www.dmva.state.pa.us/portal/server.pt/community/dmva\\_home/5902](http://www.dmva.state.pa.us/portal/server.pt/community/dmva_home/5902), accessed April 7, 2011; verified November 21, 2011.

**Background  
Information**

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

**State Veterans Home System**

Pennsylvania offers its veterans six extended care facilities throughout the Commonwealth. The level of care provided includes personal care, skilled nursing care, domiciliary care, and dementia care to veterans who served in the Armed Forces of the United States or in the Pennsylvania Military Forces and who were released from service under honorable conditions. As of March 31, 2011, the Department operated six state veterans' facilities:

- Delaware Valley Veterans Home in Philadelphia.
- Hollidaysburg Veterans Home in Hollidaysburg.
- Gino J. Merli Veterans Center in Scranton.
- Pennsylvania Soldiers' and Sailors' Home in Erie.
- Southeastern Veterans Center in Spring City.
- Southwestern Veterans Center in Pittsburgh.

**Hollidaysburg Veterans Home**

Hollidaysburg Veterans Home, hereinafter referred to as Hollidaysburg, is located in Hollidaysburg, Blair County, approximately five miles south of Altoona. Hollidaysburg was created through Act 211 of 1976. Previously operated as a Department of Public Welfare state mental hospital, it was officially transferred to the Department of Military and Veterans Affairs in September 1977.

Hollidaysburg, accredited by the federal Veterans Administration, provides domiciliary, nursing, and personal care. It is fully licensed by the Commonwealth's Departments of Health (nursing care) and Public Welfare (personal care). As of June 30, 2008, Hollidaysburg operated 514 beds, including 66 for domiciliary, 101 for personal care, 270 for nursing care, and 77 for dementia care.

A commandant manages the day-to-day operations of Hollidaysburg. In addition, a separately appointed 15-member advisory council assists with home operations. A combination of sources provides funding for

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Background  
Information**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

Hollidaysburg's operations, including state appropriations, federal reimbursements from the federal Veterans Administration, and the collection of maintenance fee assessments from residents.

The following schedule presents select unaudited Hollidaysburg operating data compiled for the fiscal years ending June 30, 2006, 2007, and 2008:

	Using rounding		
	2006	2007	2008
<b>Operating expenses<sup>3</sup></b>			
State	\$32,460,733	\$35,107,020	\$37,445,944
Federal	<u>7,461,709</u>	<u>7,904,935</u>	<u>8,044,000</u>
<b>Total operating expenses</b>	<b><u>\$39,922,442</u></b>	<b><u>\$43,011,955</u></b>	<b><u>\$45,489,944</u></b>
Employee complement positions at year-end	596	585	581
Bed capacity at year-end			
Nursing unit	347	347	347
Domiciliary unit	66	66	66
Personal unit	<u>101</u>	<u>101</u>	<u>101</u>
<b>Total</b>	<b><u>514</u></b>	<b><u>514</u></b>	<b><u>514</u></b>
Average daily resident population			
Nursing unit	314	314	325
Domiciliary unit	61	62	60
Personal unit	<u>78</u>	<u>76</u>	<u>75</u>
<b>Total</b>	<b><u>453</u></b>	<b><u>452</u></b>	<b><u>460</u></b>
Available resident days of care for the year <sup>4</sup>			
Nursing unit	126,655	126,655	127,002
Domiciliary unit	24,090	24,090	24,156
Personal unit	<u>36,865</u>	<u>36,865</u>	<u>36,966</u>
<b>Total</b>	<b><u>187,610</u></b>	<b><u>187,610</u></b>	<b><u>188,124</u></b>

<sup>3</sup> Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level and indirect charges were not allocated to the totals reported here.

<sup>4</sup> The available resident days of care for the year figure was calculated by multiplying the bed capacity at year-end by the number of days in the year.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Background  
Information**

*Pennsylvania Department of the Auditor General*

*Jack Wagner, Auditor General*

*November 2011*

	<b>Using rounding</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Actual resident days of care for the year			
Nursing unit	114,664	114,552	118,800
Domiciliary unit	22,444	22,691	21,859
Personal unit	<u>28,633</u>	<u>27,694</u>	<u>27,538</u>
<b>Total</b>	<b><u>165,741</u></b>	<b><u>164,937</u></b>	<b><u>168,197</u></b>
Percentage of days utilized <sup>5</sup>			
Nursing unit	90.5%	90.4%	93.5%
Domiciliary unit	93.2%	94.2%	90.5%
Personal unit	77.7%	75.1%	74.5%
Average resident cost per resident per day <sup>6</sup>	\$241	\$261	\$270
Average resident cost per resident per year <sup>7</sup>	\$87,965	\$95,265	\$98,820

<sup>5</sup> Percentage of days utilized was calculated by dividing the actual resident days of care by the available resident days of care.

<sup>6</sup> Average resident cost per resident per day was calculated by dividing the total operating expenses by the combined actual beds days of care.

<sup>7</sup> Average resident cost per resident per year was calculated by multiplying the daily average cost per resident by the number of calendar days in the year.



**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit  
Objectives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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**Audit  
Objectives**

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 Hollidaysburg had eight objectives. We selected the audit objectives from the following areas: admissions, maintenance, operating expenses, automotive fleet management, direct care staff qualifications, employee pay incentives, estate recovery, and Medicare Part B. The specific audit objectives were as follows:

- To determine whether Hollidaysburg complied with the Department of Military and Veterans Affairs' admission guidelines. (Finding 1)
- To assess the adequacy of controls over maintenance expenditures. This included an assessment of the economy and efficiency of operations, as well as work order administration. (Finding 2)
- To determine whether operating expenses were reasonable and appropriate for the facility's mission. (Finding 3)
- To assess the adequacy of the management of the automotive fleet and to evaluate compliance with policies and procedures. (Finding 4)
- To assess whether Hollidaysburg employed qualified personnel to care for its residents. (Findings 5, 6, and 7)
- To determine the propriety of Hollidaysburg's use of employee pay incentives. (Finding 8)
- To determine whether Hollidaysburg complied with the Department of Military and Veterans Affairs' policy and procedures for estate recovery. (Finding 9)
- To determine whether Hollidaysburg maximized its Medicare Part B revenue for eligible procedures. (Finding 10)

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit  
Objectives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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**Scope and  
Methodology**

Unless otherwise indicated, the scope of the audit was from July 1, 2005, to December 31, 2008. We completed most of our fieldwork by April 30, 2009, but continued with an examination of Pennsylvania Department of Health facility inspection reports through the spring of 2010.

Under each objective in the following pages we have listed the relevant laws, policies, and other agreements, and the audit scope in terms of period, type of transaction, or other parameters that define the boundaries of our audit.

We have included the specific audit methodologies for gathering sufficient evidence to complete our audit objective. We have also included our findings and conclusions and, when necessary, our recommendations related to our audit findings. Finally, we have included Hollidaysburg management's responses to our audit findings and recommendations.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results**

*Pennsylvania Department of the Auditor General*

*Jack Wagner, Auditor General*

*November 2011*

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**Audit Results**

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

- Statement of the objective.
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the boundaries of our audit.
- Relevant laws, policies, or agreements.
- Methodologies used to gather sufficient evidence to meet the objective.
- Findings and conclusions, if applicable.
- Recommendations, if applicable.
- Response by Hollidaysburg management, if applicable.
- Our evaluation of Hollidaysburg management's response, if applicable.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Admissions**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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**Audit Results  
for  
Objective  
One**

**The objective**

The objective for our audit of admissions was to determine whether Hollidaysburg complied with the Department of Military and Veterans Affairs' admission guidelines.

**Scope of our audit work**

*Admissions*

We examined a sample of records supporting admissions and all denials of admissions between July 1, 2006, and October 3, 2008.

**Relevant laws, policies, or agreements**

The Department of Military and Veterans Affairs maintains six homes throughout the Commonwealth to serve eligible veterans and spouses. The Commonwealth has established the following eligibility requirements for admittance into these facilities:<sup>8</sup>

- 1) An applicant must be an eligible veteran, spouse, or surviving spouse of an eligible veteran. An eligible veteran is defined as an individual who has served in the Armed Forces of the United States or the Pennsylvania Military Forces and was discharged under honorable conditions.
- 2) An applicant must be a bona fide resident of the Commonwealth. However, an eligible veteran who resides in another state may apply for admission if the applicant listed the Commonwealth as the home of record upon entry into active duty. An applicant who is not a bona fide resident of the Commonwealth at the time of admission may not be admitted if a bona fide resident of the Commonwealth is awaiting admission.
- 3) An applicant must be incapable of self-support and demonstrate a financial need for admission. The maximum income level is based on the service-connected disability compensation established by the United States Department of Veterans Affairs. An applicant whose income exceeds this level may still qualify for admission if

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<sup>8</sup> 43 Pa. Code § 7.3.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Admissions**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

he/she can demonstrate exceptional circumstances creating a financial need for admission to the facility.

- 4) An applicant must be approved for admission by the admissions committee at the facility.
- 5) The following applicants are ineligible for admission:
  - a. An applicant whose condition requires mental health care or custody.
  - b. An applicant whose behavior creates a reasonable threat to the health, safety, or welfare of himself or others.
  - c. An applicant whose condition requires treatment or levels of treatment not available at the facility except under circumstances where alternative sources of treatment are reasonably available in the immediate vicinity of the facility.
  - d. An applicant who has a history of alcoholism or drug abuse and whose history indicates that the applicant may not be responsive to treatment or that the applicant may not accept or participate in available treatment programs.
  - e. An applicant suffering from a contagious disease.
  - f. An applicant who was convicted of a felony, unless the applicant has demonstrated good character and behavior and has no convictions for crimes or offenses for at least 5 years.

The facility must offer qualified applicants admission in the order in which the Department of Military and Veterans Affairs receives the completed applications, subject to the available services at the desired facility and limitations on the percentage of non-veterans in any facility.<sup>9</sup> The Department has established policy statements for implementation of the admission requirements.<sup>10</sup>

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<sup>9</sup> 43 Pa. Code § 7.6.

<sup>10</sup> [http://www.portal.state.pa.us/portal/server.pt/community/state\\_veterans\\_home\\_system/11925/hidden\\_eligibility\\_requirements/576754](http://www.portal.state.pa.us/portal/server.pt/community/state_veterans_home_system/11925/hidden_eligibility_requirements/576754), verified November 21, 2011.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Admissions**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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**Methodologies to meet our objective**

To establish our understanding of the admission process, we reviewed legislation regarding admission requirements as well as the Department policy statements for implementation of the admission requirements.

We interviewed Hollidaysburg's social services director to establish our understanding of the facility's implementation of the Department's admission requirements.

We randomly selected and examined the admission records of 29 of 443 residents admitted to Hollidaysburg between July 1, 2006, and October 3, 2008, and reviewed all 27 admission applications closed by Hollidaysburg between June 1, 2008, and October 3, 2008.<sup>11</sup>

We also examined the records of all 30 applicants who were denied admission by Hollidaysburg between July 1, 2006, and October 3, 2008.

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**Finding 1**

**Hollidaysburg complied with Commonwealth and the Department of Military and Veterans Affairs' admission requirements.**

Our review of the 29 records of the 443 residents admitted to Hollidaysburg between July 1, 2006, and October 3, 2008, disclosed that all 29 admitted residents met the eligibility criteria. Furthermore, Hollidaysburg offered the 29 qualified applicants admission in the order in which the Department received the applications.

Our review of the 27 closed applications revealed that Hollidaysburg removed applications only upon the request of the applicant or the applicant's family, or upon appropriate denial of admission.

Finally, our examination of records for all 30 applicants who were denied admission between July 1, 2006, and October 3, 2008, disclosed that

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<sup>11</sup> According to a Hollidaysburg official, applications are designated as "closed" for the following reasons: The applicant died; the applicant was placed in another home; the applicant was not ready for discharge from a hospital; the applicant decided against placement with Hollidaysburg.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Admissions**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

Hollidaysburg denied admission only to those applicants whose conditions or histories rendered them ineligible according to the dictates of state legislation or Department of Military and Veterans Affairs' regulations.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Maintenance**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results  
for  
Objective  
Two**

**The objective**

The objective for our audit of maintenance was to assess the adequacy of controls over maintenance expenditures. Our work included an assessment of the economy and efficiency of operations, as well as work order administration.

**Maintenance**

**Scope of our audit work**

We examined samples of maintenance work orders completed between July 1, 2007, and September 30, 2008; work orders open greater than 30 days on September 30, 2008; and maintenance purchases recorded for the period from July 1, 2007, to June 30, 2008.

**Relevant laws, policies, or agreements**

Hollidaysburg has established policy and procedures for its maintenance program, which encompasses work projects, repairs, and preventative maintenance. These policy and procedures address requirements for the request, approval, priority assignment, and completion of the facility's electronic work orders. The policy and procedures require work orders to be initiated by facility staff, approved by the appropriate department head, and forwarded to the maintenance department for review, evaluation, disposition, approval, priority assignment, and scheduling.<sup>12</sup>

Hollidaysburg's maintenance department is responsible for the care and maintenance of the facility's 12 buildings and 326-acre grounds, as well as the facility's motor vehicles and equipment. The 12 buildings include three residential units with a cumulative capacity of 514 beds, as well as several complexes for food service, maintenance, and laundry. At the time of our audit, the facility's maintenance department employed 54 workers, including 23 for general maintenance, 16 for transportation, 8 for the power plant, 5 for roads and grounds, and 2 for vector control.

During the fiscal year ended June 30, 2008, Hollidaysburg expended approximately \$10.1 million for the maintenance of its buildings, grounds, garage, laundry, and power plant. These expenditures included

<sup>12</sup> Hollidaysburg Veterans Home, Maintenance Work Order Policy and Procedure, revised June 6, 2005.



**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Maintenance**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

approximately \$800,000 for the replacement of elevators in one residential hall and approximately \$600,000 for the roof replacement in another residential hall.

**Methodologies to meet our objective**

We reviewed the facility's policies for maintenance and work order administration to establish our understanding of the controls.<sup>13</sup>

We interviewed the facility maintenance manager to gain an understanding of the maintenance department.

We randomly selected and analyzed the documentation associated with 45 of 4,883 maintenance work orders completed between July 1, 2007, and September 30, 2008.

We also examined the documentation associated with 40 of 193 work orders that were open greater than 30 days on September 30, 2008.

Finally, we examined the supporting documentation for 32 of the 704 maintenance purchases recorded in the Commonwealth's accounting system for July 1, 2007, to June 30, 2008.

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**Finding 2****Hollidaysburg effectively controlled its maintenance expenditures and work order system.**

Our review of documentation supporting 32 expense transactions for maintenance supplies did not reveal any unnecessary or excessive expenditures. Additionally, the appropriate approvals, justifications, and receipt documentation accompanied the 32 sampled purchases.

Our examination of the 45 processed work orders showed that the maintenance department timely completed maintenance work an average of three days after request. In fact, maintenance personnel performed the

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<sup>13</sup> Hollidaysburg Veterans Home, Maintenance Work Order Policy and Procedure, revised June 6, 2005.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Maintenance**

*Pennsylvania Department of the Auditor General*

*Jack Wagner, Auditor General*

*November 2011*

---

necessary maintenance work on either the same day or the day immediately after the issuance date for 39 of the 45 sampled work orders.

Regarding our sample of 40 open work orders, 31 had actually been completed at the time of our review, but Hollidaysburg's work order system had not been updated with the completion data. None of the 40 open work orders involved emergency, safety or security issues.

Finally, the maintenance department followed Hollidaysburg policy and procedures and documented the required approvals and the labor and material costs for the 45 completed work orders we examined.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Operating  
Expenditures**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results  
for  
Objective  
Three**

**The objective**

The objective for our audit of the expenditures was to determine whether operating expenditures were reasonable and appropriate for the facility's mission.

***Operating  
Expenditures***

**Scope of our audit work**

We examined samples of expenditures for the fiscal years ended June 30, 2007, and June 30, 2008.

**Relevant laws, policies, or agreements**

The Department of Military and Veterans Affairs' mission is to provide quality service to the Commonwealth's veterans and their families. Hollidaysburg was established to care for Pennsylvania veterans and their spouses with personal, skilled nursing, and dementia care services in a safe, secure, and caring environment.<sup>14</sup>

To carry out the Department's mission, Hollidaysburg provides its residents with various medical, dietary, social, spiritual, and recreational goods or services. In addition, Hollidaysburg provides support services such as maintenance, housekeeping, and administration.

During the fiscal year ended June 30, 2007, Hollidaysburg expended approximately \$43 million for its operations, including about \$35.2 million in payroll expenditures. During the fiscal year ended June 30, 2008, Hollidaysburg expended approximately \$45.5 million for its operations, including about \$36 million in payroll expenditures.

<sup>14</sup> [http://www.milvet.state.pa.us/DMVA/Docs\\_BVA/Publications/PA%20VA%20Homes%20Brochure.pdf](http://www.milvet.state.pa.us/DMVA/Docs_BVA/Publications/PA%20VA%20Homes%20Brochure.pdf), accessed October 5, 2008, verified August 2, 2011.

**Audit Results:  
Operating  
Expenditures****Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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**Methodologies to meet our objective**

To establish our understanding of the Commonwealth of Pennsylvania's policies for purchasing goods and services, we reviewed the Commonwealth's Field Procurement Handbook.<sup>15</sup>

We interviewed accounting and purchasing personnel to gain an understanding of the purchasing process and to gain an understanding of the internal controls over that process.

We examined the facility's expenditure ledger for the fiscal years ended June 30, 2007, and 2008, to establish the population of purchasing transactions.

We randomly selected and examined the supporting documentation (including purchase requests, purchase orders, invoices, and proofs of receipt) for 5 inter-agency transactions and 26 non-payroll transactions from 29 different vendors during the fiscal year ended June 30, 2007.

We also examined the supporting documentation (including purchase requests, purchase orders, invoices, and proofs of receipt) for 3 inter-agency transactions, 1 adjusting entry, and 28 non-payroll transactions from 30 different vendors during the fiscal year ended June 30, 2008.

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**Finding 3****Hollidaysburg operating expenditures were reasonable and consistent with the facility's mission.**

Our review of the supporting documentation for 5 inter-agency transactions and 26 non-payroll transactions for the fiscal year ended June 30, 2007, did not reveal any unnecessary expenditures. Similarly, the examination of the supporting documentation for 3 inter-agency transactions, 1 adjusting entry, and 28 non-payroll transactions for the fiscal year ended June 30, 2008, did not reveal any unnecessary expenditures. The sampled transactions included expenditures for utilities,

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<sup>15</sup> Commonwealth of Pennsylvania, Governor's Office, Manual M215.3, "Field Procurement Handbook," Revision No. 4, effective April 17, 2003.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Operating  
Expenditures**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

medical supplies, drugs, laundry services, food, maintenance supplies, and building and equipment repairs.

The expenditures we examined, which totaled approximately \$1,135,000 for the fiscal year ended June 30, 2007, and \$581,000 for the fiscal year ended June 30, 2008, were properly approved by Hollidaysburg management both prior to and after the expenditure was incurred.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Automotive Fleet  
Management**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results  
for  
Objective  
Four**

**The objective**

The objective for our audit of the automotive fleet was to assess the adequacy of the management of the automotive fleet and to evaluate compliance with policies and procedures.

**Scope of our audit work**

*Automotive Fleet  
Management*

We examined automotive reports from September 1, 2007, through August 31, 2008, and travel activity and expenditures for automotive equipment and supplies from July 1, 2007, to June 30, 2008.

**Relevant laws, policies, or agreements**

The Commonwealth has established policies and procedures for the operation of state automobiles.<sup>16</sup> Additionally, the Department of General Services has developed a guide to assist agency automotive officers in automotive fleet management.<sup>17</sup> In May 2007, the Governor's Office issued an executive order that requires all state agencies to monitor vehicle assignments, utilization patterns, and reimbursements to employees for the use of personal vehicles in order to ensure that Commonwealth resources are deployed in the most cost-effective manner.<sup>18</sup>

During our audit work, Hollidaysburg owned and/or leased a fleet of 40 vehicles, including those for maintenance, security, resident transportation, and business travel. The facility's automotive fleet consisted of 2 central pool vehicles and 38 vehicles assigned to various departments. Hollidaysburg's maintenance department was responsible for the maintenance and repair of the 40 vehicles in the facility's fleet, while the automotive equipment foreman was responsible for the schedule and disbursement of the facility's vehicles.

<sup>16</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 615.8, "Use of State Automobiles," March 26, 1980.

<sup>17</sup> Department of General Services Bureau of Vehicle Management, "A Helpful Guide for Automotive Officers," Revised December 14, 2006.

<sup>18</sup> Commonwealth of Pennsylvania Governor's Office, Executive Order Number 2007-03, "Commonwealth Automotive Fleet Efficiency Initiative," May 9, 2007.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Automotive Fleet  
Management**

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**Methodologies to meet our objective**

To establish our understanding of the Commonwealth's policies for the automotive fleet, we reviewed the Governor's management directive, Department of General Services' manual, and Governor's Executive Order.

We interviewed personnel from Hollidaysburg's business office and maintenance department, as well as a motor officer from the Department of Military and Veterans Affairs to gain an understanding of the requirements for operating and maintaining an automotive fleet.

To establish the size of the automotive fleet, we examined the facility's list of vehicle assignments as of October 6, 2008.

We analyzed the odometer readings, fuel and oil data, and maintenance costs recorded on the September 2007 and September 2008 monthly activity reports for the facility's 40 vehicles.

We reviewed mileage recorded on monthly automotive activity reports from September 1, 2007, through August 31, 2008, for the facility's 40 vehicles.

We reviewed the travel request forms, travel expense statements, and expenditure ledger entries associated with all 21 personal mileage reimbursements for 13 employees during the fiscal year ended June 30, 2008.

Finally, we reviewed Hollidaysburg's expenditures for motorized equipment and supplies during the fiscal year ended June 30, 2008.

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**Finding 4****Hollidaysburg managed its automotive fleet effectively.**

Our review of monthly activity reports revealed that the facility's 40 vehicles were driven approximately 200,000 miles from September 1, 2007, to August 31, 2008. Thirteen of the 40 vehicles consisted of vans and buses that were used for employee and/or resident trips. The 13 vans

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Automotive Fleet  
Management**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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and buses were each driven on average 10,790 miles. The remaining 27 vehicles were used for maintenance and grounds, laundry, security, and food services.

Hollidaysburg also properly completed the mileage, as well as maintenance and credit card costs, on the standard monthly activity reports for the 40 vehicles. Additionally, the facility's summary of purchases for motorized equipment and supplies, which totaled about \$57,500 for the fiscal year ended June 30, 2008, did not show any excessive expenditures.

Finally, the documentation associated with personal mileage reimbursements revealed that Hollidaysburg enforced Commonwealth initiatives designed to minimize such reimbursements. Hollidaysburg management approved requests for personal vehicle travel/reimbursement only when facility vehicles were not available. During the fiscal year ended June 30, 2008, Hollidaysburg paid approximately \$2,700 to 13 employees for 21 individual requests for personal mileage reimbursement.



**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Direct Care Staff  
Qualifications**

**Audit Results  
for  
Objective  
Five**

***Direct Care Staff  
Qualifications***

**The objective**

The objective for our audit of direct care staff qualifications was to assess whether Hollidaysburg employed qualified personnel to care for its residents. We conducted the audit work to determine whether Hollidaysburg provided timely and effective criminal background screenings of prospective employees, furnished initial and continuing education that complied with applicable guidelines, and staffed the facility with properly licensed, certified, or registered professionals.

**Scope of our audit work**

We examined samples of employee files for new employees who were hired or transferred to Hollidaysburg between January 1, 2007, and August 30, 2008. We also reviewed orientation training records and direct care workers' training records for courses provided from January 2007 through October 2008. Finally, we analyzed the Department of Health reports of all inspections it conducted at Hollidaysburg from July 21, 2005, through December 22, 2009.

**Relevant laws, policies, or agreements**

Hollidaysburg must hire and train qualified personnel to ensure that residents receive competent and sufficient care. Hollidaysburg employs nurse aides, licensed practical nurses, and registered nurses to provide daily direct care for the health, safety, and well-being of its residents.

State law, federal regulations, and Department of Public Welfare regulations establish requirements for the verification of criminal histories, for the initial and ongoing training of a facility's direct care staff, and for the certification, licensing, or registration of professional staff. These requirements are summarized in the Older Adults Protective Services Act,<sup>19</sup> Medicare and Medicaid regulations for long term care facilities,<sup>20</sup>

<sup>19</sup> 35 P. S. § 10225.501 *et seq.*

<sup>20</sup> 42 C. F. R. § 483.75(e) and §483.75(g).

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Direct Care Staff  
Qualifications**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

and the regulations regarding personal care homes<sup>21</sup> and long term care nursing facilities.<sup>22</sup>

**Methodologies to meet our objective**

To establish our understanding of the Commonwealth of Pennsylvania's policies for verification of criminal histories, for the initial and ongoing training of a facility's direct care staff, and for certification, licensing, or registration of professional staff, we reviewed applicable federal and state laws and regulations.

We interviewed the assistant director of nursing, the safety director, and a nurse instructor to obtain an understanding of procedures for criminal background checks, employee certifications, in-service training, and continuing education training.

We obtained and analyzed the criminal history record information for 32 of the 64 employees who were hired or transferred to Hollidaysburg between January 1, 2007, and August 30, 2008.

We reviewed the provisions of Hollidaysburg's orientation program, as well as the facility's list of in-service courses provided from January 2007 through October 2008.

We also examined the training records for 29 of the facility's 308 direct care workers for the period from January 2007 through October 2008. Included in our examination was a determination as to whether up-to-date licenses, certifications, or registrations were maintained.

Finally, we analyzed inspection reports from the Department of Health for inspections it conducted at Hollidaysburg from July 21, 2005, through December 22, 2009. We performed our analysis to determine the effectiveness of training that Hollidaysburg provided to address deficiencies cited in the inspection reports.

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<sup>21</sup> 55 Pa. Code § 2600.51 and §2600.65.

<sup>22</sup> 28 Pa. Code § 201.20.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Direct Care Staff  
Qualifications**

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**Finding 5****Hollidaysburg conducted timely and effective criminal background screenings of its employees.**

Section 502 of the Older Adults Protective Services Act mandates Hollidaysburg to require all job applicants to submit with their applications a report of criminal history record information or a statement from the state police that the central repository contains no such information relating to that person.<sup>23</sup> Section 503 of the Older Adults Protective Services Act precludes the hire or retention of an employee who has been convicted of any of the offenses listed within the act.<sup>24</sup>

The examination of the criminal history record information for 32 of the 64 employees who were hired or transferred to Hollidaysburg between January 1, 2007, and August 30, 2008, showed that the 32 sampled applicants submitted criminal history background checks prior to their hire dates. We found that 1 of these 32 employees had been convicted of a crime, but the conviction did not involve any of the offenses listed in Section 503 of the Older Adults Protective Services Act. Moreover, Hollidaysburg forwarded the background information to the Commonwealth's deputy secretary for Human Resources and Management for review. The deputy secretary approved the hire based on the reasoning that the offense would not impair the ability of the employee to perform satisfactorily as a nurse aide.

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**Finding 6****Professional staff were properly licensed, certified, or registered as required by federal and state regulations.**

The Centers for Medicare and Medicaid Services regulations for long-term care facilities require the professional staff (such as licensed practical nurses, certified nursing assistants/aides, and registered professional nurses) to be licensed, certified, or registered in accordance with applicable state laws.<sup>25</sup>

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<sup>23</sup> 35 P. S. § 10225.502.

<sup>24</sup> 35 P. S. § 10225.503.

<sup>25</sup> 42 C. F. R. § 483.75(g).

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Direct Care Staff  
Qualifications**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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Our review of training records and credentials for the 29 direct care workers selected at random from the list of 308 direct care workers disclosed that all 29 employees possessed the required licensing, certification, or registrations.

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**Finding 7**

**Direct care workers received orientation and continuing education, and nurse aides received regular in-service education. However, the training did not appear to be effective in addressing reported deficiencies related to providing quality care to the residents.**

*Training for new hires.* The Centers for Medicare and Medicaid Services regulations for long-term care facilities require each facility to provide its nurse aides regular in-service education that is sufficient to ensure their continuing competence but is no less than 12 hours per year.<sup>26</sup>

Department of Public Welfare regulations for personal care homes require each facility to provide its direct care workers with orientation and continuing education that focus on the skills and safety of both the direct care staff and residents. Section 2600.65 of Title 55 of the Pennsylvania Code specifies the required content of the orientation training. The regulations also require direct care staff to complete at least 12 hours of annual training related to their job duties, including specific courses on fire safety and resident rights.<sup>27</sup>

We determined that 19 of the 29 employees selected for detailed testing were hired between January 1, 2007, and October 24, 2008. Our testing determined that Hollidaysburg was timely in providing the required orientation and continuing education to the 19 newly hired employees.

*Training for other employees.* From our test group of 29 direct care employees, we determined that 10 of the 29 employees were hired before January 1, 2007, and were therefore required to have continuing education. Hollidaysburg provided the required number of hours of

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<sup>26</sup> 42 C. F. R. § 483.75(e).

<sup>27</sup> 55 Pa. Code § 2600.65.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Direct Care Staff  
Qualifications**

---

continuing education to the 10 direct care workers who were hired prior to January 1, 2007, but the facility did not provide all the required specific courses. Four of the 10 direct care workers did not receive fire safety education during the training year applicable to 2007 and 2008.<sup>28</sup>

When we followed up on the reasons why training did not occur, we learned from the facility's safety manager that, while Hollidaysburg offered a fire safety course to employees in November and December 2007, the facility did not offer fire safety training during the 2008 calendar year.

Direct care workers must receive fire safety training to ensure the effective discharge of their duties. Specifically, a workforce trained in fire safety is essential to ensure the safety of Hollidaysburg residents, employees, and visitors, as well as to safeguard the facility's assets. Facility management did not ensure that all direct care workers received the mandated fire safety training.

***Training effectiveness.*** The effectiveness of training is just as important as providing it. Effective training establishes a level of competency so that Hollidaysburg personnel can provide quality care. According to the Department of Military and Veterans Affairs' web site for Hollidaysburg, Hollidaysburg has adopted the following philosophy:

*"We care for our veterans" is not only the philosophy of the Hollidaysburg Veterans Home, it is our commitment to serving the current health care requirements of those veterans and their spouses.<sup>29</sup>  
(Emphasis added)*

To fulfill its mission statement with respect to veteran care, the Department of Military and Veterans Affairs states as follows:

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<sup>28</sup>The Centers for Medicare and Medicaid Services define the training year for a direct care worker in a long term care facility in terms of the employee's individual hire/anniversary date.

<sup>29</sup>[http://www.portal.state.pa.us/portal/server.pt/community/hollidaysburg\\_veterans\\_home/11382](http://www.portal.state.pa.us/portal/server.pt/community/hollidaysburg_veterans_home/11382), accessed April 7, 2011; verified November 21, 2011.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Direct Care Staff  
Qualifications**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

*We fulfill our dual mission by: Providing resources and assistance to Pennsylvania's 1 million veterans and their families, and **providing quality care for aging and disabled veterans.**<sup>30</sup> (Emphasis added)*

We examined the Department of Health inspection reports from July 21, 2005, through December 22, 2009, to make a determination about the effectiveness of the training. During that time period, the Department of Health inspected Hollidaysburg 39 times and identified 106 deficiencies.

Of the 106 deficiencies, 63 were repeat deficiencies, or 59.4 percent. When we analyzed more closely the 63 repeat deficiencies, we found that 22 impacted the "quality of care" at the facility and that 6 others impacted the "quality of life."<sup>31</sup> The Department of Health groups "quality of care" and "quality of life" deficiencies together in its overall evaluation of quality of care. As a result, 28 of the 63 repeat deficiencies, or 44.4 percent, impacted the quality of care.

The Department of Health assigned severity designations to its deficiencies. The severity designations included the following: "minimal/no harm," "minimal," "actual," and "serious harm." Hollidaysburg had 1 repeat deficiency designated "serious harm" and 8 repeat deficiencies designated "actual harm" for a total of 9 repeat deficiencies, or 14.3 percent of the 63 repeats. Three of the "actual harm" deficiencies impacted the "quality of care" of residents.

The Department of Health also assigned scope designations to its deficiencies to help readers of inspection reports to decide how often or how many residents were impacted by the identified deficiencies. The Department of Health assigned designations as follows: "isolated/few," "pattern," and "widespread." The Department of Health assigned the designation "widespread" to 7 of the facility's 63 repeat deficiencies. Another 23 of the 63 deficiencies were designated as representing a pattern. Two of the 23 "pattern" deficiencies also impacted the quality of

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<sup>30</sup> [http://www.dmva.state.pa.us/portal/server.pt/community/dmva\\_home/5902](http://www.dmva.state.pa.us/portal/server.pt/community/dmva_home/5902), accessed April 7, 2011; verified November 21, 2011.

<sup>31</sup> See 42 C.F.R. § 483.15 Quality of life and § 483.25 Quality of care. "Quality of Care" and "Quality of Life" are specific sections of the code of federal regulations for states and long term care facilities.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Direct Care Staff  
Qualifications**

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care of residents. All six “quality of life” deficiencies represented a pattern. In summary, Hollidaysburg deficiencies occurred as either a “pattern” or “widespread” in 30 of the 63 repeat deficiencies, or 47.6 percent.

Next, we analyzed the corrective actions taken by Hollidaysburg to resolve the deficiencies identified by the Department of Health. We found that Hollidaysburg planned to provide staff training to resolve the deficiencies in 30 of the 63 repeat deficiencies, or 47.6 percent.

In order to conduct further analysis with regard to whether or not training was provided and, if so, whether or not it appeared to be effective based on our review of a series of related inspection reports, we selected two examples of the repeat deficiencies for our study: (1) pressure sores and (2) failing to notify the physician.

***Repeat deficiency example – pressure sores.*** Pressure sores were a continuing problem at Hollidaysburg:

- The June 12, 2006, Department of Health inspection identified pressure sores and cited nursing and physician services for failing to ensure two residents received the necessary treatment and services to promote healing and prevent new pressure sores. This finding was a repeat from the June 28, 2005, inspection report. For corrective action, registered nurse supervisors planned to audit the use of pressure relief devices by the direct care workers weekly for six months and monthly thereafter.
- The January 19, 2007, inspection again identified pressure sore deficiencies. The facility instituted more in-house audits.
- The March 15, 2007, inspection identified that sterile techniques were not used during care of a pressure sore. For corrective action, the facility instituted facility-wide in-service training for all licensed staff to be completed by April 27, 2007. The training covered dressing change and proper wound care techniques.
- The June 7, 2007, inspection identified “actual harm” related to pressure sores. The facility’s plan of correction included in-service

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Direct Care Staff  
Qualifications**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

training to be completed by June 21, 2007. This training covered the topic of significant change of medical condition related to pressure sores. RN staff also planned to review and update the care plans by July 31, 2007, for every resident with open sores, pressure sores, or at risk for pressure sores.

- The June 30, 2009, inspection again identified that the facility failed to provide pressure relief to prevent pressure sores even though the resident's care plan noted that the resident was at risk for developing pressure ulcers.

Overall, based on the preceding chronology and examples, we concluded that even though Hollidaysburg instituted additional training for direct care workers, that training was not enough to prevent the facility from being cited for additional deficiencies related to pressure sores during subsequent inspections by the Department of Health.

***Repeat deficiency example – failing to notify the physician.*** In ten recurring deficiencies identified by the Department of Health inspection reports, Hollidaysburg was cited for failing to notify physicians, appropriate authorities, and/or responsible parties of a change in a resident's medical condition:

- The May 15, 2006, Department of Health inspection report cited the hospital administration for a "pattern" of not reporting to the Department of Health the incidents involving two residents who had tracheostomy tubes. One resident received "serious harm."
- The June 12, 2006, inspection reported on three separate events where Hollidaysburg did not notify the appropriate authorities:
  - ✓ First, an "actual harm" and "quality of care" issue when the attending physician was not notified that a resident lost 38 pounds in about five weeks.
  - ✓ Second, a "quality of care" issue for not notifying a physician for several months that a resident needed a hearing evaluation.
  - ✓ Third, a "widespread" notification issue for not reporting a gastro-intestinal flu outbreak affecting 42 residents to the Department of Health.



**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Direct Care Staff  
Qualifications**

- 
- The October 2, 2006, inspection contained an “actual harm” deficiency that there was resident-to-resident sexual abuse between two residents, but the incident was not reported to the Department of Health until three months later, and it was never reported to the police.
  - The January 19, 2007, inspection contained a “quality of care” deficiency because the physician was not notified of a pressure sore until after the Department of Health interview on January 19, 2007.
  - The March 15, 2007, inspection contained another “quality of care” deficiency where the facility failed to notify the physician about one resident's change in heart rate.
  - The June 7, 2007, inspection reported on two separate events where Hollidaysburg did not notify the appropriate authorities:
    - ✓ First, an “actual harm” deficiency for failing to notify the social service worker and the resident’s responsible party of significant changes in a resident’s condition related to pressure sores.
    - ✓ Second, an “actual harm” deficiency when two other residents had pressure sores that were treated without physician's orders.
  - The June 6, 2008, inspection cited Hollidaysburg for a “quality of care” deficiency for failing to notify the physician of a significant change in condition or of an abnormal laboratory report for two residents.

With regard to the preceding inspections and the related deficiencies, Hollidaysburg responded that in-service training would be part of its corrective action plan following these inspections:

- ✓ Inspection of May 15, 2006: Hollidaysburg would provide training on incidents reportable to the Department of Health.
- ✓ Inspection of June 12, 2006: Hollidaysburg would provide training to its nursing staff on making notifications regarding emergency/significant changes in conditions of residents.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Direct Care Staff  
Qualifications**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

- ✓ Inspection of June 12, 2006: Hollidaysburg would provide training to its licensed staff on the types of incidents to be reported to registered nurse supervisors.
- ✓ Inspection of October 2, 2006: Hollidaysburg would provide training to employees responsible for investigating and reporting incidents.
- ✓ Inspection of March 15, 2007: Hollidaysburg would provide training to its licensed staff on notifying physicians of changes in residents' conditions.
- ✓ Inspection of June 7, 2007: Hollidaysburg would provide training to its licensed staff on significant changes in residents' conditions and on notifying the families and physicians.
- ✓ Inspection of June 6, 2008: Hollidaysburg would provide training to its nursing staff to define and address significant changes in residents' conditions and on notifying physicians.

Based on the preceding examples, we saw that Hollidaysburg was cited for additional notification-related deficiencies even after it provided the applicable training. Thus, we concluded that the training was ineffective in ensuring that Hollidaysburg personnel made the required notifications to physicians, appropriate authorities, and/or responsible parties about changes in residents' medical conditions.

**Recommendations  
for Finding 7**

1. Hollidaysburg management should ensure that all direct care workers receive the mandated fire safety training annually. The facility should conduct fire safety classes at a frequency that accommodates this annual mandate.
2. Hollidaysburg management should provide training that effectively addresses the deficiencies identified by the Department of Health inspections to prevent recurring findings that impact the quality of care.
3. Hollidaysburg administrative personnel should take responsibility for the proper reporting of incidents to the Department of Health and encourage all personnel to adopt and follow reporting procedures.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results:  
Direct Care Staff  
Qualifications**

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*Response of Hollidaysburg Veterans Home Management:*

***Fire Safety Training.*** *Hollidaysburg Veterans Home's Institutional Fire and Safety Specialist was involved in a serious accident and was on sick leave for an extended period. He recovered, returned to work, and conducted the in-service program beginning on February 3, 2009. In the future, the Security Officer 3 will be trained and conduct these in-services in the absence of the Institutional Fire and Safety Specialist.*

***Training Effectiveness.*** *Systemic changes have been implemented at the Hollidaysburg Veterans Home to provide effective training and to deter the occurrence of repeat deficiencies from the Department of Health and other regulatory agencies as follows:*

- *The Nurse Instructors are required to monitor training closely and provide reports with evidence that training has occurred for all nursing personnel. These reports are reviewed by both Assistant Directors of Nursing and the Clinical Services Manager after each training and staff is scheduled for specific classes by the Registered Nurse Supervisors. Each Assistant Director of Nursing completes a review and audit of training records for their assigned building to ensure that training has been completed.*
- *Systemic changes have been made at the Hollidaysburg Veterans Home to provide for regulatory compliance and deter repeat deficiencies. Daily reports of resident care are reviewed by the Commandant, Clinical Services Manager, and clinical supervisors each business day. Problem solving to address care issues is implemented per case and facility wide as indicated for regulatory compliance and good service. In addition, quality assurance monitoring is continuous for all clinical departments, and the Quality Assurance Committee meets every month to review this data, identify trends, and evaluate the effectiveness of corrective action. Two registered nurses have been assigned to monitor wounds and infections for the facility and also complete quality assurance monitoring that is reviewed by the Quality*

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Direct Care Staff  
Qualifications**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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*Assurance Committee. Finally, the Commandant and  
Clinical Services Manager monitor Department of Health  
notification for timeliness and accuracy.*

*From these quality assurance interventions, the Hollidaysburg  
Veterans Home has achieved its best survey results during the  
2011 Department of Health and Department of Public Welfare  
reviews. These surveys reflected only isolated events and no  
facility-wide occurrences and speak to the effectiveness of this  
organization's overall monitoring of services.*

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Employee Pay  
Incentives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results  
for  
Objective  
Six**

**The objective**

The objective for our audit of the employees pay incentives was to determine the propriety of Hollidaysburg's use of employee pay incentives.

**Scope of our audit work**

***Employee Pay  
Incentives***

We examined employee pay incentives made during the fiscal year ended June 30, 2007, and June 30, 2008.

**Relevant laws, policies, or agreements**

The Commonwealth has developed certain programs, monetary incentives, and contractual agreement terms to attract, retain, and reward medical and dental professionals. The Governor's office has issued policies for the use of monetary incentives.<sup>32</sup> The agreement between the Commonwealth and the Pennsylvania Doctors Alliance, effective July 1, 2005, through June 30, 2009, conferred additional compensation up to \$5,600 per year to those Commonwealth physicians certified by one or more specialty boards. The agreement also provided for a quality assurance program that awarded monetary incentives to medical and dental professionals based on their years of service with the Commonwealth. The awards ranged from \$5,000 for one year of service to \$16,000 for twelve or more years of service.<sup>33</sup> Also, two consecutive agreements between the Commonwealth and the Service Employees International Union, effective from July 1, 2003, through June 30, 2011, provided for payments to Commonwealth nurses who attained one or more of the certifications specified in the contractual agreement. Each qualifying nurse would receive a \$200 payment in each year that the employee met the criteria.<sup>34</sup>

<sup>32</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 525.16, "Physicians and Related Occupations Quality Assurance Program," February 14, 2006; Commonwealth of Pennsylvania Governor's Office, Management Directive Number 535.2, "Physicians and Related Occupations Specialty Board Certification Payments," February 21, 2006.

<sup>33</sup> Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, July 1, 2005, through June 30, 2009.

<sup>34</sup> Agreement between Commonwealth of Pennsylvania and the Service Employees International Union District 1199P, CTW, CLC, July 1, 2003, to June 30, 2007, and July 1, 2007, to June 30, 2011.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Employee Pay  
Incentives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

Separate contractual agreements between the Commonwealth and several different unions, effective July 1, 2007, to June 30, 2011, provided each permanent full-time or part-time employee on active pay status on July 1, 2007, a one-time lump sum payment of \$1,250, or \$625, respectively. Permanent full-time or part-time employees on inactive pay status on July 1, 2007, who returned to active pay status prior to December 31, 2007, and remained on active pay status for 60 calendar days were also eligible for the lump sum payment.<sup>35</sup> Also, the Executive Board of the Office of Administration issued resolutions that extended the one-time lump sum payment to management employees<sup>36</sup> and dentists.<sup>37</sup>

**Methodologies to meet our objective**

To establish our understanding of the Commonwealth of Pennsylvania's policies for employee pay incentives, we reviewed the Commonwealth policies regarding the quality assurance program and specialty board certification payments for physicians.

We also reviewed the separate contractual agreements between the Commonwealth and the American Federation of State, County and Municipal Employees, the Service Employees International Union, the Pennsylvania Social Services Union, the Office and Professional Employees International Union, and the Pennsylvania Doctors Alliance.

We also reviewed the Office of Administration executive board resolutions regarding the one-time lump sum payments to management employees and dentists.

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<sup>35</sup> Master Agreement between Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, AFL-CIO, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and The Service Employees International Union District 1199P, CTW, CLC, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and PSSU, Local 668 SEIU, Pennsylvania Social Services Union, July 1, 2007, to June 30, 2011; Memorandum of Understanding between Commonwealth of Pennsylvania and OPEIU Healthcare Pennsylvania, Local 112, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, July 1, 2005, through June 30, 2009.

<sup>36</sup> Office of Administration, Executive Board Resolution CN-07-122, May 21, 2007.

<sup>37</sup> Office of Administration, Executive Board Resolution CN-07-137, June 4, 2007.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Employee Pay  
Incentives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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We interviewed the human resource analyst to obtain an understanding of procedures for the use of employee pay incentives.

We examined expenditure reports that detailed incentive payments for the fiscal years ended June 30, 2007, and June 30, 2008.

We analyzed the nurse certification, physician specialty board certification, and employment documentation for the 21 nurses who received certification payments, the 11 physicians and one dentist who received quality assurance payments, and the five physicians who received specialty board certification payments during the fiscal year ended June 30, 2007.

Finally, using our professional judgment, we selected and reviewed certification and employee complement reports for personnel in 17 of Hollidaysburg's 35 departments for the fiscal year ended June 30, 2008.

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**Finding 8****Hollidaysburg properly awarded and processed employee incentive payments.**

During the fiscal year ended June 30, 2007, Hollidaysburg paid \$4,200 in certification incentives to 21 nurses, and \$105,000 in quality assurance and specialty board certification incentives to 11 physicians and 1 dentist. Hollidaysburg accurately processed all payments in accordance with the relevant contractual agreement terms.

During the fiscal year ended June 30, 2008, Hollidaysburg paid approximately \$724,000 in one-time lump sum bonuses to permanent full-time and part-time employees in 35 different departments. Additionally, the facility paid approximately \$67,000 in nurse certification and physician quality assurance and specialty board certification incentives. Our review of the supporting documentation for the monetary incentives awarded to employees in 17 of the facility's 35 departments found that Hollidaysburg accurately processed \$520,625 in lump sum payments to the 407 full-time and 19 part-time employees in the 17 departments according to the relevant contractual agreement terms.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Employee Pay  
Incentives**

*Pennsylvania Department of the Auditor General*

*Jack Wagner, Auditor General*

*November 2011*

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Hollidaysburg also correctly awarded \$3,200 in nurse certification payments to 16 nurses in the 17 departments with one exception. The facility erroneously paid \$200 to one nurse whose certification had lapsed. There was no evidence of any other incentive payments being made improperly to Hollidaysburg employees.



**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Estate Recovery**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results  
for  
Objective  
Seven**

**The objective**

The objective for our audit of estate recovery was to determine whether Hollidaysburg complied with Department of Military and Veterans Affairs' policy and procedures for estate recovery.

**Scope of our audit work**

*Estate Recovery*

We examined a sample of state recovery files for former patients who either died or were discharged from Hollidaysburg between July 1, 2006, and July 17, 2008.

**Relevant laws, policies, or agreements**

The Department of Military and Veterans Affairs has established policy and procedures to recover any unpaid costs of maintaining a resident at a state veterans' home from the resident's estate after his or her death.<sup>38</sup> The Department requires veterans' homes to submit an estate recovery file to the Department's Office of Chief Counsel within 30 days of a resident's death or discharge in order to assert the Department's claim against an estate. Each estate recovery file must include the resident's initial admissions documents with information pertaining to the resident's financial assets, annual acknowledgment of the per diem charges, a report of the monthly charges from the date of admission to the date of the resident's death or discharge, and the resident's total unpaid bill.

According to Hollidaysburg's internal financial reports, the facility received approximately \$865,000 from estate billings from July 1, 2007, through June 30, 2008.

**Methodologies to meet our objective**

To establish our understanding of the estate recovery process, we reviewed the Department policy as referenced above.

<sup>38</sup>Office of the Deputy Adjutant General for Veterans' Affairs Policy, Department of Military and Veterans Affairs, Policy Number 02-2008, "Estate Recovery Operating Procedures," October 9, 2007.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Audit Results:  
Estate Recovery**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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We interviewed Hollidaysburg's facility reimbursement officer, as well as accounting personnel, to establish our understanding of Hollidaysburg's implementation of the policies governing estate recovery.

We also randomly selected and examined the estate recovery files of 32 of 404 former residents who either died or were discharged from Hollidaysburg between July 1, 2006, and July 17, 2008.

We also reconciled quarterly internal reports of estate collections to facility records of receipts and deposits from July 1, 2007, to June 30, 2008.

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**Finding 9****Hollidaysburg did not comply with the Department of Military and Veterans Affairs' policy and procedures to maximize estate collections.**

Department of Military and Veterans Affairs policy requires veterans' homes to submit an estate recovery file to the Department's Office of Chief Counsel within 30 days of a resident's death or discharge in order to assert the Department's claim against an estate. Hollidaysburg management did not enforce this policy.

Our review of records for 32 of 404 residents who died or were discharged between July 1, 2006, and July 17, 2008, found that Hollidaysburg did not submit all estate recovery files to the Department's Office of Chief Counsel within the 30-day required time period. Specifically, we found that Hollidaysburg submitted only 10 of the 32 files within 30 days of death or discharge. We could not determine the timeliness of 1 file because the facility failed to document the date of the submission to the Office of Chief Counsel. With regard to the 21 files that were not submitted within the 30-day period, the degree of lateness ranged from only 1 day (i.e., submitted 31 days after death or discharge) to 236 days (i.e., submitted 266 days after death or discharge). On average, the 21 files were submitted 57 days after death or discharge.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Estate Recovery**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

The 32 residents owed Hollidaysburg approximately \$3,144,500 in total at the time of the death or discharge. As of August 2011, Hollidaysburg collected \$154,580 from those 32 estates. Because each resident must demonstrate financial need on the application for admission, we reviewed the admission applications for the 32 residents and determined that the approximate value of their reported assets (excluding real estate) totaled \$589,273 at the time of application. However, 25 of the residents reported less than \$10,000 in the assets other than real estate, and 22 of those 25 residents reported less than \$2,500 in assets. Further, 12 of those 22 residents reported less than \$100 in assets other than real estate.

Only 6 of the 32 sampled applicants reported that they owned any real estate, including a home. The average dollar value of assets reported by the 32 applicants (including cash on hand, trust funds, savings accounts, checking accounts, certificates of deposit, government bonds, stocks, annuities, IRA accounts, and other investments) was approximately \$16,850.

Overall, we concluded that, while Hollidaysburg's failure to submit estate recovery files within the 30-day period increased the probability of unsuccessful collections from the estates of former residents, it is also unlikely that timely billings would have resulted in the recoupment of all the associated costs.

**Recommendations  
for Finding 9**

4. Hollidaysburg management should enforce the Department of Military and Veterans Affairs' policy and procedures for estate recovery.
5. Management should adopt the necessary measures to ensure that the facility submits estate recovery files to the Department's Office of Chief Counsel within 30 days of a resident's death or discharge.

*Response of Hollidaysburg Veterans Home Management:*

*The revenue department will submit all estate recovery files in its possession to the [Department of Military and Veterans Affairs] DMVA Office of Chief Counsel within 30 days of the death of a resident. Changes in DMVA billing and monthly statement policy*

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Estate Recovery**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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*and procedures will assist in making this possible within the  
allotted time frame.*

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Medicare Part B**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Audit Results  
for  
Objective  
Eight**

**The objective**

The objective for our audit of Medicare Part B was to determine whether Hollidaysburg maximized its Medicare Part B revenue for eligible procedures.

**Scope of our audit work**

**Medicare Part B**

We analyzed the July and August 2008 medical files, daily encounter forms, and revenue transaction histories for a sample of residents who were eligible for Medicare Part B insurance as of January 8, 2008.

**Relevant laws, policies, or agreements**

Hollidaysburg residents who receive social security, railroad retirement, or similar retirement payments may be eligible to participate in the Medicare Part B insurance program. For each eligible resident, Hollidaysburg can seek reimbursement for certain medical/psychiatric procedures performed by its professional medical staff. After providing services to an eligible resident, Hollidaysburg medical personnel document each procedure in the resident's medical chart and prepare an encounter form, which is forwarded to the facility's business office. Business office personnel then bill the insurance carrier in accordance with the billing policies of the Centers for Medicare and Medicaid Services,<sup>39</sup> the Medicare Part B Reference Manual,<sup>40</sup> and the Medicare fee schedule for the 2008 calendar year.<sup>41</sup>

**Methodologies to meet our objective**

To establish our understanding of the Medicare Part B billing process, we reviewed the federal policies of the Centers for Medicare and Medicaid Services regarding occupational and physical therapy billing, the Medicare Part B Reference Manual, and the Medicare fee schedule for the 2008 calendar year.

<sup>39</sup> [http://www.cms.hhs.gov/TherapyServices/02\\_billing\\_scenarios.asp](http://www.cms.hhs.gov/TherapyServices/02_billing_scenarios.asp), viewed January 9, 2009; verified August 3, 2011.

<sup>40</sup> <http://www.highmarkmedicare.com>, viewed January 26, 2009; verified August 3, 2011.

<sup>41</sup> Ibid.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Results:  
Medicare Part B**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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We interviewed Hollidaysburg's business manager, the chief occupational therapist, and a physical therapy assistant to establish our understanding of Hollidaysburg's implementation of the federal billing policies.

Finally, we analyzed the July and August 2008 medical files, daily encounter forms, and revenue transaction histories for 34 of 318 residents who were eligible for Medicare Part B insurance.

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**Finding 10**

**Hollidaysburg maximized its Medicare Part B revenue.**

Our review of the medical charts, encounter forms, and revenue transaction histories for 34 residents showed that Hollidaysburg properly billed Medicare Part B for all eligible procedures provided to those 34 residents during July and August 2008. Hollidaysburg billed Medicare Part B approximately \$28,200 for the 72 physician procedures, 286 physical therapy procedures, 288 occupational therapy procedures, and 374 other medical procedures provided to the 34 residents during the two-month period.

Hollidaysburg developed procedures to ensure that the facility maximized its Medicare Part B revenue. Business office management regularly prepared lists of insurance claims prior to submission. The facility then reconciled Medicare Part B payments to the claims list, investigated rejected claims, and resubmitted eligible claims to the insurance carrier.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Status of  
Prior Audits**

**The objective**

The prior audit report of the Hollidaysburg Veterans Home covered the period of July 1, 2003, to October 7, 2005, and contained five findings. Three of the findings (Findings III-1, IV-1, and V-1) were positive and thus had no recommendations. The status of the remaining findings (I-1, I-2) and their accompanying recommendations are presented below. The prior audit report also contained three still unresolved findings (Findings I-1, III-1, and IV-2) from the audit report of Hollidaysburg that covered the period of July 1, 2001, to June 27, 2003. The status of the three unresolved findings and their accompanying recommendations is also presented below.

**Scope of our audit work**

To determine the status of the implementation of the recommendation made during the prior audit, we held discussions with appropriate institution personnel and performed tests as part of, or in conjunction with, the current audit.

**Prior  
Finding I-1**  
*From the audit  
report for  
July 1, 2003, to  
October 7, 2005,  
and continued from  
the audit report for  
July 1, 2001, to  
June 27, 2003*

**Hollidaysburg Veterans Home still did not bill Medicare Part B for occupational therapy services. (Resolved)**

The two preceding audits reported that Hollidaysburg did not bill Medicare Part B for occupational therapy services. The finding from the earlier Hollidaysburg audit for the period of July 1, 2001, to June 27, 2003 was entitled, "Occupational Physical Therapy Services Were Not Billed To Medicare Part B." In the immediately preceding audit, we found that the facility did not bill Medicare Part B for occupational therapy services from July 2003 through September 2005.

Although Hollidaysburg's occupational therapy department provided reimbursable services during this 27-month period, that department did not submit any medical assessment or treatment information to the Medicare Part B coordinator for billing. As a result, Hollidaysburg did not receive an estimated \$137,624 in Medicare Part B reimbursement.

**Status of  
Prior Audits****Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

We recommended that Hollidaysburg require the staff of the occupational therapy department to submit all necessary medical assessment and treatment information to the Medicare Part B coordinator for billing.

**Status as of this audit.** We included Medicare Part B collections as an objective of the current audit report. The results of the testing for the current audit are found under Objective 8: Medicare Part B, of the current audit report (See Finding 10). The current audit revealed that Hollidaysburg implemented our prior audit recommendation. According to Hollidaysburg management, the facility has billed Medicare Part B for occupational therapy services since July 2007. As a result of the actions taken by Hollidaysburg management, we concluded that the prior audit finding has been resolved.

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**Prior  
Finding I-2**  
*From the audit  
report for  
July 1, 2003, to  
October 7, 2005*

**Hollidaysburg Veterans Home did not bill Medicare Part B  
for in-house physical therapy services. (Resolved)**

The prior audit reported that Hollidaysburg provided all physical therapy services in-house since August 1, 2004. However, it did not bill Medicare Part B for physical therapy services from August 2004 through September 2005. As a result, Hollidaysburg did not receive an estimated \$65,700 in Medicare Part B reimbursement.

We recommended that Hollidaysburg management require the chief physical therapist to document the time spent for reimbursable physical therapy services so that the necessary information can be submitted to Medicare Part B for reimbursement.

**Status as of this audit.** We included Medicare Part B collections as an objective for this current audit. Again, the results of the testing for the current audit are found under Objective 8: Medicare Part B (See Finding 10). The current audit revealed that Hollidaysburg implemented our prior audit recommendation. According to Hollidaysburg management, the facility has billed Medicare Part B for physical therapy services since July 2007. As of June 30, 2008, Hollidaysburg supplemented its in-house physical therapy services with the additional services of an outside contractor. As a result of the actions taken by



**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

Hollidaysburg management, we concluded that the prior audit finding has been resolved.

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**Prior  
Finding III-1**

*From the audit  
report for  
July 1, 2001, to  
June 27, 2003*

**Excessive overtime and/or compensatory time was  
authorized by management. (Resolved)**

Our two preceding audits reported that Hollidaysburg management authorized excessive overtime and/or compensatory time. The most recent prior audit found that Hollidaysburg reduced its total overtime expenditures approximately 21 percent from about \$790,700 for the fiscal year ended June 30, 2003, to about \$627,900 for the fiscal year ended June 30, 2005. Although the facility's overall overtime costs significantly decreased, the commandant's clerk stenographer III earned 773 overtime hours, valued at approximately \$14,800, for the fiscal year ended June 30, 2005.

Commonwealth guidelines require overtime expenditures to be carefully controlled and monitored to prevent an unwarranted escalation of costs, as follows:

*The use of overtime work shall be kept to a minimum.  
Agency Heads shall strictly control the amount of paid  
overtime authorized for all employees.<sup>42</sup>*

In July 2005, Hollidaysburg adopted a new overtime monitoring process to minimize facility overtime costs. The facility allotted each department a specified number of overtime hours to be used during the fiscal year. The process required department heads to work within the specified allotments or to justify any overages to upper management. The allotted overtime for the commandant's clerk stenographer III totaled 113 hours for the fiscal year ended June 30, 2006.

Because field work for the most recent prior audit ended in October 2005, we could not adequately assess the effectiveness of the facility's

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<sup>42</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 525.15 Amended, "Overtime," February 10, 1997.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

monitoring process adopted in July 2005. Thus, the prior report indicated that we would review Hollidaysburg's overtime usage during the next audit.

**Status as of this audit.** To follow up on the deficiencies noted in the prior report, the auditors interviewed the facility's business manager. The auditors also reviewed the Commonwealth's directive regarding overtime,<sup>43</sup> the Department's overtime and compensatory leave policy,<sup>44</sup> as well as the employment agreement between the Commonwealth and the Pennsylvania Doctors Alliance effective July 1, 2005, through June 30, 2009. The auditors analyzed overtime reports for 30 cost centers for the fiscal years ended June 30, 2007 and 2008, as well as overtime records for 36 of 571 employees who received overtime pay during the fiscal year ended June 30, 2008. Finally, the auditors reviewed payroll reports for five cost centers where annual overtime totals increased more than \$10,000 between June 30, 2007, and June 30, 2008.

In our current audit, we found that, as required by Commonwealth guidelines, Hollidaysburg monitored its overtime to prevent an unwarranted escalation of costs. Hollidaysburg significantly reduced the overtime incurred by the commandant's clerk stenographer III from 773 hours during the fiscal year ended June 30, 2005, to 523 hours and then 265 hours during the fiscal years ended June 30, 2007 and 2008, respectively. Although the clerk stenographer's actual overtime repeatedly exceeded the annual budget of 113 overtime hours, the related overtime costs did decrease considerably from approximately \$14,800 for the fiscal year ended June 30, 2005, to about \$11,800 and then \$6,100 for the fiscal years ended June 30, 2007 and 2008, respectively.

Hollidaysburg reduced its total overtime expenditures from the final adjusted \$622,700 for the fiscal year ended June 30, 2005, to about \$580,700 for the fiscal year ended June 30, 2007. Total overtime expenditures then increased to about \$927,900 for the fiscal year ended June 30, 2008. However, during the fiscal year ended June 30, 2008, Hollidaysburg offset the aforementioned \$347,200 increase in overtime

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<sup>43</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 525.15 Amended, "Overtime," February 10, 1997.

<sup>44</sup> Department of Military and Veterans Affairs, "Overtime and Compensatory Leave Policy," November 15, 2004.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

expenditures with a decrease of approximately \$517,800 for regular salaries and wages, shift and higher class differentials, and salary and wage adjustments.

Our review of payroll reports for the five cost centers where annual overtime totals increased more than \$10,000 between June 30, 2007, and June 30, 2008, determined that the overtime increases were reasonable.

Hollidaysburg's overtime expenditures for physicians increased from about \$46,800 for the fiscal year ended June 30, 2007, to approximately \$177,500 for the fiscal year ended June 30, 2008, because the facility recorded "on call" payments as salaries during the earlier fiscal year and as overtime during the latter year. The overtime costs for nursing and domiciliary care individually rose by \$138,000 and \$26,400, respectively, primarily because the facility filled only 31 of 39 nurse or aide employment vacancies during the fiscal year ended June 30, 2008. Similarly, overtime costs for the dietary department increased \$16,700, because the facility filled only nine of ten vacancies and placed a dietary worker on disability status during the same time period. Finally, overtime expenditures for the security department increased from approximately \$50,900 for the fiscal year ended June 30, 2007, to about \$91,200 for the fiscal year ended June 30, 2008. During the fiscal year ended June 30, 2008, Hollidaysburg used overtime to staff security posts left vacant by the expiration of four temporary full-time security positions in April 2007. Although the facility created three new temporary full-time security positions in January 2008, it did not fill two of the positions until July 2008 and the remaining position until September 2008.

Because our review did not find unjustified overtime and because the facility reduced the overtime incurred by the commandant's clerk stenographer, we concluded that the prior excessive overtime issue has been resolved.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

**Prior  
Finding IV-2**

*From the audit  
report for  
July 1, 2001, to  
June 27, 2003*

**Purchasing Office employees could perform incompatible  
duties. (Unresolved)**

The Hollidaysburg audit for the period from July 1, 2001, to June 27, 2003, reported that a purchase agent could requisition, issue a purchase order, and authorize a receipt of goods, actions that could bypass purchasing controls or render them ineffective.

The prior audit reported that Hollidaysburg assigned two purchasing agents, its warehouse manager, and two of three stock clerks the ability to create a purchase order and receive goods in the SAP R/3 Materials Management module. By assigning these duties to multiple employees, each of these employees had the ability to order and receive any purchase valued up to \$3,000.

We recommended that Hollidaysburg management evaluate the duties assigned to facility employees in the SAP R/3 Materials Management module and make all necessary changes to optimize the segregation of duties and, thus, internal controls over purchasing.

**Status as of this audit.** In order to follow up on the deficiencies noted in the prior report, we interviewed Hollidaysburg warehouse and purchasing personnel. We also reviewed Commonwealth directives regarding procurement role assignments, security, and internal control maintenance,<sup>45</sup> as well as the master roles document on the Commonwealth's Integrated Enterprise System web site.<sup>46</sup> In addition, we examined summaries of the procurement roles assigned to the facility's warehouse supervisor, five stock clerks, and one purchasing agent as of November 4, 2008. Finally, we observed a demonstration of the purchasing and receiving process by the purchasing agent.

As a result of our work, we found that Hollidaysburg only partially implemented the recommendations of the prior report. Our review of

<sup>45</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," June 13, 2005.

<sup>46</sup> [http://oaess.state.pa.us/MasterRolesDoc/Procurement\\_Roles.htm](http://oaess.state.pa.us/MasterRolesDoc/Procurement_Roles.htm), accessed December 2, 2008; verified August 3, 2011.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs****Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

Hollidaysburg's procurement roles revealed that the facility's warehouse supervisor and stock clerks no longer had conflicting role assignments on IES. Although warehouse personnel could receive goods, they did not have the ability to create purchase orders on the system. However, the facility's purchasing agent was assigned the incompatible roles of purchaser and R3 receiver and, as a result, still possessed the ability to purchase and receive items valued at \$5,000 or less.

Section 5d of Commonwealth Management Directive 205.37 states the following:

*...Roles should be assigned to ensure segregation of duties and avoid role conflicts. If it is determined that it is operationally necessary to assign roles in a manner that creates a role conflict, approval must be obtained from the Agency Head or appropriate designee with agency authority.<sup>47</sup>*

Additionally, the above directive requires the organization to develop safeguards to deter and detect errors or inappropriate transactions in those situations that require role conflict exceptions.

According to the IES master roles document, employees who are assigned the purchaser role should not be assigned receiver roles. Similarly, the IES policy indicates that employees who are assigned receiver roles should not also be assigned the role of purchaser.<sup>48</sup>

Hollidaysburg did not obtain approval for the purchasing agent to possess conflicting procurement role assignments. Furthermore, Hollidaysburg did not implement additional internal controls over purchasing to compensate for the lack of segregation of duties for its purchasing personnel.

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<sup>47</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," June 13, 2005.

<sup>48</sup> [http://oaess.state.pa.us/MasterRolesDoc/Procurement\\_Roles.htm](http://oaess.state.pa.us/MasterRolesDoc/Procurement_Roles.htm), accessed December 2, 2008; verified August 3, 2011.

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Status of  
Prior Audits**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

---

**Recommendations  
for prior  
Finding IV-2**

6. Hollidaysburg should evaluate the IES roles assigned to its purchasing agent and remove any conflicting roles.
  
7. If conflicting roles are necessary to perform essential functions, Hollidaysburg should request the appropriate waivers and develop compensating controls.

*Response of Hollidaysburg Veterans Home Management:*

*The facility received waivers on 1/09/2009 for the IES roles.*

**Hollidaysburg Veterans Home of the  
Department of Military and Veterans Affairs**

**Audit Report  
Distribution List**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
November 2011*

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**Audit Report  
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