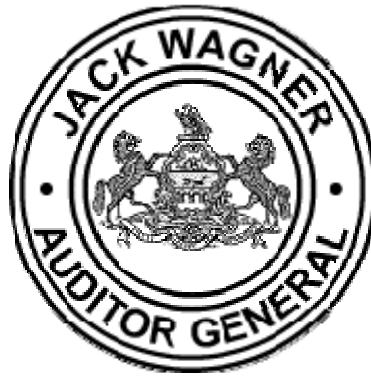


Commonwealth of Pennsylvania
Department of Public Welfare
Mayview State Hospital
July 1, 2003, to April 7, 2006
Performance Audit



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March 27, 2007

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

Dear Governor Rendell:

This report contains the results of a performance audit of Mayview State Hospital of the Department of Public Welfare from July 1, 2003, to April 7, 2006. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The report details the audit objectives, scope, methodology, findings, and recommendations. The report notes that Mayview did not report two usable buildings and surrounding land as surplus real property to the Department of General Services.

The contents of the report were discussed with the officials of Mayview State Hospital, and all appropriate comments are reflected in the report.

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

Sincerely,

JACK WAGNER
Auditor General

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Background Information

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

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

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

Over the past 30 years, the Commonwealth's public mental health program has changed from a main emphasis on state mental health hospitals to a program stressing community mental health services. Behavioral health services range from community to hospital programs designed to help children, adolescents, and adults remain in their communities. Community-based services are utilized, with the goal to help people who have serious mental illness or serious emotional disturbance break the cycle of repeated hospital or residential admissions. The range of services includes outpatient, partial, residential, short-term inpatient hospital care, emergency crisis intervention services, counseling, information, referral, and case management services.

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

Bureau of State Hospital Operations

The primary purpose of the Bureau of State Hospital Operations is to ensure state-of-the-art inpatient treatment to persons committed under the Mental Health Procedures Act to the nine state mental hospitals. The Bureau also ensures that individuals who come for service develop the skills, resources and supports needed for recovery and are able to return to the community.

The Bureau oversees and manages nine state-owned and operated mental hospitals and one restoration center, including three maximum-security forensic units for persons with serious mental illness and charged with or convicted of criminal offenses.

Background Information

Since all patients are admitted through the County Mental Health system, the Bureau collaborates with county, local hospital and community provider staff, constituents, and other stakeholders to establish effective community/hospital linkages and continuity of care for patients discharged back into the community. The Bureau collaborates with other Office of Mental Health and Substance Abuse Services bureaus and divisions in planning, developing, and implementing community integration initiatives as a resource for expanding community-based services in order to enhance the Commonwealth's development of a recovery-supporting approach to service.

County Mental Health System

The Pennsylvania Mental Health/Mental Retardation Act of 1966 and its implementing regulations require county governments to provide community mental health services including short term, inpatient treatment, partial hospitalization, outpatient care, emergency services, specialized rehabilitation training, vocational rehabilitation and residential arrangements.

The Commonwealth's 67 counties are divided into 45 single or multi-county service units. A single entry point for services has been established by regulations in each service area. Community mental health services are administered through county Mental Health/Mental Retardation program offices. These Offices are part of county government and are overseen by a county Mental Health/Mental Retardation administrator. The Offices are a referral source, determine a person's eligibility for service funding, assess the need for treatment or other services, and make referrals to appropriate programs to fit treatment and/or other service needs.

The cost of these services will vary depending upon the type of service. The Commonwealth's Medical Assistance Program, either through a managed care organization or the traditional fee-for-service system, pays for many of these services, when rendered to eligible individuals. The Offices assess the ability to pay for services of those people who use services, but are not on Medical Assistance and are without access to other insurance.

Mayview State Hospital

Mayview State Hospital is one of nine state mental hospitals operated by DPW's Office of Mental Health and Substance Abuse Services. It is located in the town of Bridgeville, Allegheny County, approximately 15 miles south of Pittsburgh, and was originally established in 1893 as a hospital known as Marshalsea. In 1916, its name was changed to the Pittsburgh City Home and Hospital. The Commonwealth assumed control of the facility in 1938 and changed its name to Mayview State Hospital.

Today, Mayview provides inpatient psychiatric care to mentally disabled persons who require a hospital program of inpatient care. Hospital admissions are facilitated on a county

Background Information

level through county-operated mental health and mental retardation programs. The geographical service area of Mayview consists of the counties of Beaver, Greene, Lawrence, Washington, and a portion of Allegheny.

Mayview also provides specialized inpatient mental health services to criminal offenders in its forensic unit. The forensic care unit was established for males and females to evaluate competency and provide treatment for those patients committed for psychiatric care by the criminal court system. In addition, active extended psychiatric care is provided to individuals who require this care.

A Chief Executive Officer administers the day-to-day management functions of Mayview. Additionally, a nine-member board of trustees provides advisory services.

During our audit timeframe, Mayview participated in the federally funded Medicare and Medical Assistance Programs. Participation in these federal programs is determined by federally regulated inspections conducted by surveyors from the Commonwealth's Department of Health. Mayview, also certified by the Joint Commission on Accreditation of Hospitals, has met the accreditation requirements for its adult psychiatric treatment program.

Background Information

The following schedule presents select unaudited operating statistics for the Hospital compiled for the years ended June 30, 2004 and 2005:

	<u>2004</u>	<u>2005</u>
Operating expenditures (rounded in millions) ¹		
State	61.80	61.48
Federal	<u>1.93</u>	<u>1.43</u>
Total	<u>\$63.7</u>	<u>\$62.9</u>
Employee complement at year end		
Filled	708	691
Vacant	<u>37</u>	<u>45</u>
Total	<u>745</u>	<u>736</u>
Bed capacity at year end ²	386	374
Available client days of care	139,548	140,290
Actual client days of care	126,449	123,685
Average daily client population ³	346	339
Percent utilization (based on client days of care)	90.6%	88.2%
Average daily cost per client ⁴	\$503.98	\$508.61
Annual average cost per client ⁵	\$183,952	\$185,644

¹ Operating expenses are recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation. In addition, region and department level direct and indirect charges are not allocated to the totals reported here.

² On February 2, 2004, Mayview's bed capacity was increased from 378 to 386 beds. On May 12, 2005, its bed capacity was reduced from 386 to 374 beds.

³ Average daily client population was calculated by dividing the actual client days of care for the year by the number of calendar days in the year.

⁴ Average daily cost per client was calculated by dividing the total operating expenses by the actual client days of care. This rate is not the same as a certified per diem rate since the total operating expenses exclude depreciation and allocated direct and indirect costs from region and department level offices.

⁵ Annual average cost per client was calculated by multiplying the average daily cost per client by the number of calendar days in the year.

Objectives, Scope, and Methodology

The audit objectives are detailed in the body of this report. We selected the objectives from the following general areas:

- To assess compliance with Department and Mayview policies and procedures regarding unauthorized patient absences. (Finding 1)
- To assess compliance with Commonwealth guidelines and to evaluate the efficacy of Mayview's monitoring of the laboratory testing, physical therapy, and laundry service contracts. (Finding 2)
- To determine whether Mayview complied with Commonwealth and Department policies and procedures for use of the advancement account, Visa purchasing card, and the SAP Materials Management module and to assess the adequacy of relevant internal controls. (Finding 3)
- To determine whether Mayview properly processed its payroll through the new SAP R/3 Payroll module. (Finding 4)
- To determine if hospital management utilized Mayview's land and buildings efficiently. (Findings 5 & 6)
- The audit also included an update on the status of the prior audit findings and recommendations regarding pharmacy operations and procurement through the advancement account.

The scope of the audit was from July 1, 2003, to April 7, 2006, unless indicated otherwise in the individual report chapters.

To accomplish these objectives, auditors reviewed Mayview policies and procedures regarding the privilege/risk profile system,⁶ unauthorized absences,⁷ the search plan for missing patients,⁸ and incident reporting, investigation, and corrective actions,⁹ as well as the Department's policies and procedures regarding risk management.¹⁰ They also reviewed

⁶ Mayview State Hospital, Policy Number 2-260, "Privilege/Risk Profile System," January 1998.

⁷ Mayview State Hospital, Policy Number 2-370, "Unauthorized Absences," June 1996.

⁸ Mayview State Hospital, Policy Number 2-290, "Search Plan for Missing Patients," Revised January 2006.

⁹ Mayview State Hospital, Policy Number 6-100, "Management of SI-815 Incident Report," September 1985.

¹⁰ Commonwealth of Pennsylvania Department of Public Welfare, Mental Health and Substance Abuse Bulletin Number SMH-03-03, "Management of Incidents: SI-815 Incident Reporting and Risk Management Policy and Procedural Changes," June 13, 2003.

Objectives, Scope, and Methodology

the Commonwealth's procurement manual¹¹ and Mayview policies and procedures regarding service contracts.

Additionally, auditors reviewed the Master Agreement between the Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees (AFSCME) effective July 1, 2003, through June 30, 2007, as well as the Collective Bargaining Agreement between the Pennsylvania State Corrections Officers Association and the Commonwealth of Pennsylvania Department of Public Welfare effective July 1, 2001, through June 30, 2004, and the Commonwealth's Field Procurement Handbook¹² and its SAP R/3 role mapping guidelines,¹³ as well as the Department's Visa Purchasing Card Manual¹⁴ and its administrative policy regarding advancement account procedures.¹⁵ The auditors also reviewed the Governor's Office executive order regarding the utilization of Commonwealth space,¹⁶ the directive regarding the reporting of surplus property,¹⁷ and the Department's administrative policies for leases and other occupancy agreements,¹⁸ as well as for office space management.¹⁹ Finally, auditors reviewed the Department's written response, dated January 6, 2005, replying to the Auditor General's prior audit report.

Auditors interviewed appropriate management and staff, including Mayview's chief performance improvement executive, personnel from Mayview's human resources department, the Division of Facilities and Property Management in the Department of Public Welfare, and the Bureau of Real Estate in the Department of General Services. Auditors also held discussions with appropriate Mayview personnel regarding the prior audit findings and recommendations.

For testing Mayview's management of patient elopements, auditors analyzed the Department's monthly risk management summary reports for its 10 state hospitals for the period from January 2004 through September 2005, the incident reports for all 59 of Mayview's unauthorized absences, as well as the administrative elopement forms, risk profiles, emergency operation logs, and other supporting documentation for all 14 elopements from hospital grounds from January 2004 through September 2005.

¹¹ Commonwealth of Pennsylvania Governor's Office Manual, M215.3, Revision No. 4, "Field Procurement Handbook," April 17, 2003.

¹² Commonwealth of Pennsylvania Governor's Office, Policy Number M215.3 Revision No. 4, "Field Procurement Handbook," April 17, 2003.

¹³ <http://www.ies.state.pa.us/imaginepa/lib/imaginepa/Allroles.html> View Date: February 22, 2006

¹⁴ Commonwealth of Pennsylvania Department of Public Welfare, "Visa Purchasing Card Manual," August 11, 2004.

¹⁵ Commonwealth of Pennsylvania Department of Public Welfare, "Advancement Account Procedures," September 1, 2004.

¹⁶ Commonwealth of Pennsylvania Governor's Office, Executive Order Number 2004-2, "Utilization of Commonwealth Owned and Leased Space," February 18, 2004.

¹⁷ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 625.5 Amended, "Reporting Surplus Real Property," May 16, 1996.

¹⁸ Commonwealth of Pennsylvania Department of Public Welfare, "Lease or Other Agreements for Occupancy at Hospital/Center Buildings," January 6, 2005.

¹⁹ Commonwealth of Pennsylvania Department of Public Welfare, "Lease and Space Management for Office Usage," September 1, 2004.

Objectives, Scope, and Methodology

The auditors also reviewed Mayview's root cause analysis of a November 2004 elopement incident that involved the death of the patient and examined the risk profiles, progress notes, and orientation records for 10 patients who received unsupervised grounds privileges after January 2005.

Regarding the testing of Contract Management, auditors inspected Mayview's detailed list of service purchase contracts for the fiscal year ended June 30, 2005, reviewed the laboratory testing, physical therapy, and laundry service contracts, as well as the associated bid documentation. They also reconciled the invoices for 30 of 1,551 laboratory tests to the contracted laboratory fee schedule for the months of January, May, and September 2005, compared the invoices for physical therapy service hours from January 2004 through September 2005 to the hospital's sign-in time sheets, and examined the monthly laundry invoices from June 2004 through September 2005.

For Expense Management, auditors observed demonstrations of Mayview's purchasing processes involving the advancement account, purchasing card, and the SAP purchasing module, evaluated the physical security over Mayview's purchasing card, and examined the supporting documentation associated with 39 of 1,211 purchasing card transactions processed for the months of January, April, June, and August 2004, as well as for April and September 2005. The auditors also analyzed the purchase orders, invoices, receiving reports, and checks associated with 29 of 302 purchases paid with an advancement account check between January 1, 2004, and September 30, 2005, examined summaries of the SAP roles mapped to six hospital employees assigned SAP purchasing roles, and analyzed the supporting documentation associated with 24 purchase orders initiated and processed solely through the SAP R/3 Materials Management module between July 1, 2004, and September 30, 2005.

In the area of Personnel Management, the auditors compared the January 15, 2004, wage rates recorded for 29 of 729 employees in Mayview's prior payroll system to the January 16, 2004, wage rates recorded for the same employees in the SAP R/3 Payroll module, and compared the leave slips, overtime records, and other supporting documentation to the wages and benefits of the above 29 employees for the pay periods ended August 26, 2005, and May 20, 2005. We also examined the documented approvals for 29 of 1,558 instances of overtime incurred by the hospital's 729 employees for the pay periods ended February 25, 2005, and August 26, 2005, reviewed the supporting documentation for pay raises, promotions, and new appointments from January 1, 2004, through October 30, 2005, for each of 15 employees designated as time advisors in the hospital's SAP R/3 Payroll module, and examined the documented approvals for 25 of 160 instances of overtime incurred by the 15 time advisors during the months of June, July, and August 2005.

To assess Fixed Asset Management, auditors analyzed Mayview's internal report of building utilization for the fiscal year ended June 30, 2005, as well as descriptions of the building surveys included in its 2002 biennial report, toured one occupied and two vacant buildings at the hospital, and examined the rental agreements with the four agencies that leased Mayview office space.

Objectives, Scope, and Methodology

Finally, auditors performed tests, as necessary, in prior audit areas to substantiate their understanding of Mayview's progress in implementing the prior audit recommendations.

Audit Findings

Eloperments

Department policy requires state mental hospitals to develop comprehensive risk management programs.²⁰ Each risk management program must establish a system for the prevention, investigation, analysis, and monitoring of incidents of suspected abuse, elopements, death, and other events that jeopardize the health, safety or rights of patients. The ten Commonwealth hospitals report all such incidents to the Department. The Department, in turn, compiles the related data and then prepares and distributes monthly summary reports to the ten hospitals.

Mayview policy requires clinical staff to complete a privilege/risk profile for each patient at the time of admission, every 28 days, annually, at discharge, and prior to the issuance of unsupervised grounds privileges. Mayview uses a risk profile system, in part, to assist clinical staff in making decisions about the privileges granted to resident patients. The treating psychiatrist ultimately determines whether a resident is accorded unsupervised privileges on or off grounds. According to Mayview policy, the treating psychiatrist must write a progress note that documents the noted risks, mitigating circumstances, benefits, and rationale each time unsupervised privileges are ordered or changed.²¹

Mayview policy considers a patient to be missing whenever one of the following occurs:

Any patient who is observed to be off hospital grounds without authorization.

Any patient who is determined to have been off grounds without authorization.

Any patient who does not return to his/her living unit from grounds privileges at time specified, or fails to report for a scheduled on or off grounds activity at time specified.

Any patient who fails to return from an authorized leave of absence on the stated date and time and the hospital is unable to establish rationale for failure to return.

²⁰ Commonwealth of Pennsylvania Department of Public Welfare, Mental Health and Substance Abuse Bulletin Number SMH-03-03, "Management of Incidents: SI-815 Incident Reporting and Risk Management Policy and Procedural Changes," June 13, 2003.

²¹ Mayview State Hospital, Policy Number 2-260, "Privilege/Risk Profile System," January 1998.

Audit Findings

Any patient who is discovered/believed to be missing from a locked living unit or from an escorted on/off grounds activity.²²

Mayview has established procedures for the search for missing patients.²³ These procedures detail the requirements for an initial search in a ward/building, the notification of security staff, a full-scale search, the command post, and the notification of local police. The search plan requires the security department to serve as the command post in a full-scale search. The Mayview switchboard operator is responsible for requesting assistance from the local police upon the direction of security staff and/or Mayview's chief executive officer.

In early November 2004, a resident with full grounds privileges did not return to his living unit at the specified time. Mayview notified local and state law enforcement personnel and conducted a full-scale search without success. One month later, the resident was found deceased in a wooded area approximately one mile from the Mayview campus.

The Department's risk management summary reports identified 59 unauthorized absences for Mayview patients from January 2004 through September 2005. Fourteen of the 59 incidents involved patient elopements off hospital grounds. One of these 14 incidents involved the above patient who eloped from Mayview grounds and then died. Six off-campus elopements occurred before the death in late 2004, while seven off-campus elopements occurred after the death.

Finding 1 – Mayview improved its management of incidents after a patient elopement and ensuing death in late 2004.

The audit team reviewed the 14 off-campus elopement incidents to evaluate compliance with procedures for patient risk profiles, the issuance of grounds privileges, and the proper search for missing patients.

Mayview's investigation of the patient elopement and death disclosed weaknesses in its management of the incident. Mayview did not conduct a risk assessment, did not record a progress note, and did not document any orientation of the patient to hospital grounds prior to the issuance of full grounds privileges. Furthermore, Mayview did not establish a command center during the search for this patient. The investigation, or root cause analysis, also detailed recommendations to enforce Mayview's "privileging" and search policies, including a new mandate that Mayview review the management of each unauthorized absence that involves a full grounds search.

Mayview did not always enforce its "privileging" or search policies prior to the patient elopement and death in late 2004. The review of the supporting documentation for the six off-campus elopements before the November 2004 incident disclosed that Mayview previously granted grounds privileges to five of the six involved patients. Although

²² Mayview State Hospital, Policy Number 2-290, "Search Plan for Missing Patients," Revised January 2006.

²³ Ibid.

Audit Findings

Mayview prepared a risk assessment for each of these five patients, it did not document grounds orientation for any patient or prepare progress notes for four of the five patients prior to the issuance of grounds cards. Finally, Mayview conducted a full grounds search in four of the six off-campus elopements that preceded the death incident. However, it did not establish a command center in any of these four full-scale incidents.

Mayview significantly improved its management of elopement incidents after the patient death in late 2004. The review of the seven off-campus elopements between January and September 2005 disclosed that the hospital previously granted grounds privileges to two of the seven involved patients. Although Mayview did not document the grounds orientation for these two patients, it conducted risk assessments and documented progress notes for both patients prior to the issuance of grounds cards. Furthermore, Mayview conducted a full grounds search in five of the seven elopements that followed the death incident. The hospital established a command center in all five.

Mayview adopted additional measures to improve its management of elopement incidents after it completed the root cause analysis in January 2005. The hospital reviewed its management of all full scale searches conducted after the report's release in January 2005. The hospital also required its quality assurance department to monitor all "privileging" procedures.

The 14 patients who eloped off campus between January 2004 and September 2005 received unsupervised grounds privileges before Mayview completed the root cause analysis for the death incident. Mayview's quality assurance department improved Mayview's "privileging" procedures subsequent to the investigation. The audit of records for ten patients who received grounds cards after February 1, 2005, disclosed that Mayview documented a risk assessment, progress note, and grounds orientation for each of the ten patients.

Finally, Mayview improved the timeliness of police notification since the elopement and death in late 2004. Mayview notified the police in five of the six off-campus elopements that occurred prior to the patient death and in five of the seven off-campus incidents that occurred after the patient death. Mayview reduced the time span between elopement and police notification from an average of 73 minutes before December 2004 to an average of 17 minutes after December 2004.

Service Purchase Contracts

Commonwealth institutions often contract with vendors instead of providing services in-house, because full-time positions may not be warranted or institution personnel may not possess the necessary expertise. Contracted services include, but are not limited to, medical services, laundry services, and equipment maintenance.

Audit Findings

During the fiscal year ended June 30, 2005, Mayview expended approximately \$88,000 for contracted physical therapy services, \$215,000 for contracted laboratory services, and \$158,000 for contracted laundry services.

The Commonwealth has established guidelines for the procurement of services. These guidelines address the monetary thresholds and procedures for formal bids, as well as contract payment methods and requirements. Hospital management is responsible for effectively monitoring contracted services performed on site.

Finding 2– Mayview complied with Commonwealth policies and procedures and effectively monitored the three service contracts.

The hospital bid the laboratory services contract according to Commonwealth policies. The hospital did not bid the physical therapy and laundry contracts, because the Department of General Services awarded these two state contracts. Furthermore, interviews and a review of the Commonwealth and AFSCME agreement disclosed that the cost of contracted physical therapy services compared favorably to the anticipated cost of hiring a staff physical therapist. Finally, the hospital assigned contract monitors for each of the three contracts. The contract monitors ensured compliance with contract terms and verified the accuracy of vendor invoices.

Materials Management

Mayview began to utilize SAP R/3 in its procurement processes in January 2003. Mayview pays for goods and services through three methods: the advancement account, its Visa purchasing card, and Pennsylvania treasury checks. The method of payment depends upon the dollar value and the nature of the purchase. Mayview processes the procurement of all items purchased through a state contract or transactions valued greater than \$3,000 entirely through the Materials Management module of SAP R/3. The hospital may use its Visa purchasing card for other transactions less than \$3,000 and the Department's centralized advancement account for those less than \$1,500.

The advancement account is a checking account centrally controlled by the Department's comptroller. The comptroller authorizes each of the state mental hospitals to prepare checks for individual disbursements restricted to a maximum of \$1,500 per transaction.

The Commonwealth and the Department have developed policies and procedures regarding procurement. These guidelines specify not only the aforementioned monetary thresholds for procurement method but also the required authorizations. Additionally, the guidelines discuss the segregation of employee duties. The Department's Visa Purchasing Card Manual addresses purchasing card security, issuance, and usage, as well as card activity documentation and reconciliation.

Finding 3 – Mayview personnel complied with Commonwealth and Department policies and procedures and established an effective system of internal control.

Mayview adequately segregated procurement duties among employees assigned to use the SAP R/3 Materials Management module. Purchasing and receiving documents, invoices, and appropriate approvals accompanied the sampled disbursements paid through the SAP R/3 Materials Management module, the advancement account, and the Visa purchasing card. Additionally, hospital purchasing personnel stored the Visa purchase card in a secure location, and accounting personnel reconciled the card statements to supporting documentation each month. Only authorized card users initiated the purchasing card transactions. Moreover, Mayview management routinely reconciled the advancement account check register with the supporting documentation for purchases.

Payroll

Mayview began to utilize the SAP R/3 Payroll module for its human resource and payroll processes in January 2004.

Finding 4 – Mayview properly processed its payroll through the new SAP R/3 Payroll module.

Mayview accurately recorded the beginning wage rates of the sample of 29 employees upon inception of the SAP R/3 software during January 2004. The hospital properly documented and processed the leave, wages, and benefits for the same 29 employees for the pay periods ended May 20, 2005, and August 26, 2005. Additionally, management authorization accompanied each reviewed instance of overtime. Finally, the Human Resource Director approved each of 10 changes to the pay rates for the 15 time advisors from January 1, 2004 through October 30, 2005.

Space Utilization

Mayview encompasses 34 buildings on approximately 335 acres of land in Upper St. Clair and South Fayette Townships. The buildings and land are owned by the Commonwealth. The Department's Office of Administration and Mayview management are responsible for ensuring that the buildings are utilized in an economical and efficient manner.

Audit Findings

Finding 5 – Mayview adopted measures to utilize its land and buildings efficiently.

Mayview consolidated patient wards, program areas, and office space in order to reduce building maintenance costs. Management shut off utilities, including heat, in the ten buildings designated uninhabitable and approved for demolition pending Commonwealth fund availability. Management maintained heat at minimal levels (55 degrees Fahrenheit) in the eight vacant buildings for which demolition had not been approved. Additionally, Mayview leased space in a building that was not fully occupied to four outside agencies in order to maximize building usage.

Finding 6 – Mayview did not report two usable buildings and surrounding land as surplus real property.

In 2001, Mayview vacated its two Temple Center buildings, which were geographically separate from all other hospital buildings (including the six remaining vacant buildings). Since July 2001, the hospital used the two buildings for storage and maintained minimal heat (55 degrees Fahrenheit) to prevent deterioration. According to Mayview management, the Department did not have any short-term or long-term plan to use the two buildings productively.

The Department of General Services annually sends all Commonwealth agencies a notice and form to report any agency surplus real property. According to Commonwealth guidelines,

Administering agencies are responsible for reviewing all Commonwealth owned real property under their jurisdiction to identify and report any that is deemed usable but surplus to their needs.²⁴

Mayview management did not report the two Temple Center buildings and surrounding land as surplus, because management had not completely researched the implications for utility rights-of-way, the cost of rerouting the associated water lines, or the cost of physically securing the two surplus buildings.

Mayview's failure to report the usable land and two buildings as surplus prevents the alternative productive use or disposal by the Commonwealth. Additionally, the hospital incurred maintenance/utility costs for two buildings that were no longer productively used by the facility.

Recommendation:

- Mayview should complete its research of the implications/costs of designating the Temple Center buildings and land as surplus.

²⁴ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 625.5 Amended, "Reporting Surplus Real Property," May 16, 1996.

Audit Findings

- Mayview should then forward this information to the Department of General Services in order to facilitate the disposition of the real property.

Management Comments

In response to the audit finding, Mayview management contacted the Department of Public Welfare's Division of Facilities and Property Management. The chief of the Division's Real Estate Unit indicated that surplusizing the recommended site to the Department of General Services would not be in the "best interest" of Mayview or the Department of Public Welfare due, in part, to the state of the buildings and the complexity of the utility systems throughout the land parcel. The chief also stated that any changes to the arrangement could be reviewed on an annual basis.

Additionally, the chief noted the following specifics:

- 1. The department has since 1979 reduced its acreage and land building inventories for all of our state facilities. This has been done in concert with the Department of General Services, most specifically Bureau of Real Estate, the program offices and our office as well.*
- 2. According to the Bureau of Real Estate, Act 48 (surplus division plan) provides for the state agencies to determine those land and buildings surplus to its need.*
- 3. Temple Centers 1 and 2 are within the main campus and are interconnected with our facility utility systems.*
- 4. The land around Temple Centers 1 and 2 provides a sufficient buffer to the hospital.*
- 5. Road access to this site is via our state road system.*
- 6. Within this land parcel area, we have our water storage tanks that feed our main campus.*
- 7. Temple Centers 1 and 2 have been vacated for an appreciable time and any reuse would require major capital dollars.*

Status of Prior Audit Findings and Recommendations

The following is a summary of the findings and recommendations presented in our audit report for July 1, 2002, to February 27, 2004, along with descriptions of Mayview's disposition of the recommendations

Pharmacy Inventory

Finding I-1 – Independent inventory records were not maintained.

The prior audit reported that the accounting office did not maintain independent records of the Pharmacy inventory as required by Department of Public Welfare policy.²⁵ We recommended that Mayview enforce the existing policy and require the Accounting Office to maintain independent inventory records.

Status:

The Department's written response to the prior audit report stated that its current accounting/inventory system did not accommodate the Department's requirement that the accounting office maintain independent records for each drug in the pharmacy. However, the Department also indicated its intention to work toward that goal.

The current audit disclosed that Mayview substantially complied with the prior report's recommendation. The hospital's accounting office has maintained independent inventory records of all controlled drugs and select high cost drugs since May 2005. The audit team's physical count of 15 of the 88 controlled and high cost drugs agreed with the corresponding accounting records and the separate inventory records prepared by the pharmacy.

Finding I-2 – The accounting office did not verify the accuracy of pharmacy inventory records.

The prior audit reported that the accounting office did not complete 7 of 17 required monthly spot checks from July 2002 to November 2003. Additionally, accounting staff did not reconcile the purchased quantities on invoices to the quantities posted to pharmacy inventory records. Finally, the accounting office staff did not conduct quarterly management reviews to ensure that working stock was not excessive.

²⁵ Commonwealth of Pennsylvania Department of Public Welfare, Administrative Manual Section 7085.5, "Inventory Management," July 1, 1996.

Status of Prior Audit Findings and Recommendations

We recommended that Mayview management ensure that accounting office personnel conduct monthly spot checks and quarterly working stock reviews.

Status:

The current audit disclosed that Mayview complied with the prior report's recommendation. The accounting office conducted monthly spot checks of pharmacy inventory from November 2004 through December 2005. The hospital also established internal audit procedures for its annual physical inventories that require the accounting office to compare invoices to pharmacy records. Additionally, the accounting office verified the accuracy of the invoice quantities for the 88 controlled or high cost drugs maintained in the inventory records. Finally, the accounting office conducted four quarterly working stock reviews between December 14, 2004, and December 23, 2005.

Finding I-3 – Restricted access to working stock could be improved.

The prior audit reported that Mayview could improve safeguarding controls over the working stock of non-controlled drugs. When pharmacy personnel moved non-controlled drugs from the central stock to the working stock, the hospital stored the unused portions of the bottles on shelves in an open area of the pharmacy. Since the door to the pharmacy was locked at all times, the open stock was usually secured. However, it was possible that individuals who were granted access to the Pharmacy could remove working stock items without detection if allowed to be unsupervised.

We recommended that Mayview management limit access to the pharmacy to only authorized individuals and maintain proper supervision over occasional visitors.

Status:

The current audit disclosed that Mayview complied with the recommendation of the prior report. Auditors observed that access to the pharmacy was limited to authorized individuals. Pharmacy personnel closely monitored non-pharmacy employees (such as housekeeping staff) while in the pharmacy. Doors to the pharmacy were locked, and pharmacy employees granted access electronically.

Finding I-4 – Medical station reviews were not always completed.

The prior audit disclosed that Mayview did not complete 29 of 208 monthly medicine station review reports from January 2003 to January 2004. The Chief Pharmacist did not monitor the checklists in order to ensure the review of all medical stations each month.

Status of Prior Audit Findings and Recommendations

We recommended that Mayview management develop and implement a system to ensure that all medical station reviews are completed monthly.

Status:

The current audit disclosed that Mayview implemented the recommendation of the prior report. The hospital's pharmacy personnel completed all 227 required medical station review reports from July 2004 through September 2005.

Procurement

Finding III-1 – Management did not review advancement account checks and supporting documentation.

The prior audit reported that management did not review the Advancement Account checks and supporting documentation prior to sending the checks to vendors.

We recommended that hospital management require business office management to review all advancement account checks and supporting documentation prior to releasing the checks for payment.

Status:

The current audit disclosed that Mayview implemented the recommendation of the prior report. The review of 29 of 302 advancement account purchases from January 1, 2004, through September 30, 2005, revealed that business office management reviewed the checks and supporting documentation prior to releasing the checks for payment. Moreover, business office management reconciled the advancement account check register with the supporting documentation monthly.

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