

Commonwealth of Pennsylvania
Department of Military and Veterans Affairs
Pennsylvania Soldiers' and Sailors' Home
July 1, 2006, to August 22, 2008
Performance Audit



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August 7, 2009

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 the Pennsylvania Soldiers' and Sailors' Home of the Department of Military and Veterans Affairs for July 1, 2006, to August 22, 2008. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report noted that the Commandant's house remained unoccupied and the Home incurred additional expenditures without an approved plan. In addition, the discharged residents' estate billing revenue was not maximized. The contents of the report were discussed with management of the Home and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the Pennsylvania Soldiers' and Sailors' Home and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Military and Veterans Affairs – Bureau of Veterans Affairs

The Department of Military and Veterans Affairs (DMVA) administers a wide variety of services and benefit programs for veterans, their dependents, and 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.¹ The Bureau of Veterans Affairs has been designated by the Adjutant General as the unit responsible for coordinating all matters relating to veterans' affairs with other state and federal agencies. The Bureau headquarters are at Fort Indiantown Gap, Annville, Pennsylvania, and operates field offices in Philadelphia, Pittsburgh, and Wilkes-Barre.

As of June 30, 2008, the Bureau administered six state-operated 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

The facilities provided domiciliary, nursing, and personal care to veterans who served in the Armed Forces of the United States or in Pennsylvania Military Forces, and who were released from service under honorable conditions.

Pennsylvania Soldiers' and Sailors' Home

The Pennsylvania Soldiers' and Sailors' Home, hereinafter referred to as the Home, was established through the enactment of Act 40 of June 30, 1885. The Act states its purpose as follows:

For the establishment and maintenance of a home for the disabled soldiers and sailors of Pennsylvania who, as citizens of the Commonwealth, enlisted and participated in the war for the preservation of the Union.

¹ 51 PA C.S.A. §902 (10).

Background Information

The Home opened its doors to veterans on February 22, 1886. It is located on 26 acres overlooking Lake Erie. Residents currently reside in the original building (domiciliary unit), an annexed nursing unit (nursing care unit), and Alzheimer's Care Unit. As of June 30, 2008, the domiciliary unit consisted of 100 beds providing domiciliary and personal care, the nursing care unit consisted of 75 beds providing skilled and intermediate type nursing care, and the Alzheimer's Care Unit consisted of 32 beds providing long-term care.

In addition to conducting its general operations, the Home is responsible for the maintenance and accountability of residents' personal income and welfare. It administers a members' fund as a service to members who voluntarily use the Home as a depository for their personal funds. A welfare fund is also established to provide entertainment and craft activities from donations and interest earnings.

The federal Veterans Administration accredits the Home, the Pennsylvania Department of Health licenses the skilled and intermediate nursing unit, and the Pennsylvania Department of Public Welfare licenses the domiciliary unit.

A Commandant manages the day-to-day operations. In addition, a separately appointed 11-member advisory council assists in the Home's operations.² A combination of sources, including a state appropriation, federal reimbursements from the Veterans Administration, and collection of maintenance fee assessments from the Home's residents provide funding for operations.

² 51 PA C.S.A. §704.

Background Information

The following schedule presents selected unaudited statistics compiled for the years ended June 30, 2006, 2007, and 2008:

	2006	2007	2008
Operating expenses (rounded in millions) ³	\$12.33	\$13.40	\$13.45
Employee Complement at year end	182	184	240
Resident capacity at year end	175	175	207
Available bed days of care ⁴	63,875	63,875	75,762
Average daily census ⁵	147	148	174
Actual days of care	53,757	53,881	63,779
Percentage of days utilized	84.2%	84.3%	86.7%
Average resident cost per day ⁶	\$229	\$249	\$211
Average resident cost per year ⁷	\$83,749	\$90,790	\$77,186

³ Operating expenses were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation. In addition, regional and department level direct and indirect charges were not allocated to the totals reported here.

⁴ Alzheimer Care Unit opened September 10, 2007, designed as a 32 bed unit. The unit was full by October 1, 2007.

⁵ Average daily census was calculated by dividing the actual bed days of care for the year by the number of calendar days in the year.

⁶ Average daily cost per resident was calculated by dividing the total operating expenses by the combined actual bed days of care for nursing, personal, and domiciliary care. Note: this rate is not the same as certified per diem rate, since the total operating expenses exclude depreciation and allocated direct and indirect costs from regional and department-level offices.

⁷ Yearly average cost per resident was calculated by multiplying the daily average cost per resident by the number of calendar days in the year.

Objectives, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We selected the audit objectives, detailed in the body of the report, from the following general areas: Client Management, including an examination of the admissions process; Expense Management, including a determination of the status of the Commandant's house and a review of significant expenses and maintenance expenses; Personnel Management, including an examination of training activities and licensing of professional employees; and Revenue Management, including an examination of estate billings and Medicare Part B billings. In addition, we determined the status of recommendations made during the prior audit of the Home. The specific objectives were:

- To determine the effectiveness of the admissions process including compliance with applicable policies and procedures. (Finding 1)
- To determine if any significant expenses were appropriate and met the objectives of the institution's mission statement. (Finding 2)
- To determine if the Home established adequate control over maintenance expenditures. (Finding 3)
- To assess the adequacy of qualifications of direct care staff. (Finding 4)
- To determine whether the Home maximized revenue by processing estate-billing claims in accordance with policies and procedures. (Findings 5 and 6)
- To evaluate the Home's procedures for recording, documenting, and billing Medicare Part B eligible procedures to ensure the Home is maximizing Medicare Part B revenue. (Finding 7)

In addition, we determined the status of recommendations made during the prior audit of the Home.

The scope of the audit was from July 1, 2006, to August 22, 2008, unless indicated otherwise in the individual report findings. Auditors opened fieldwork on March 24, 2008, and the audit ended on August 22, 2008.

Objectives, Scope, and Methodology

To accomplish these objectives, auditors reviewed applicable Department and Home policies and procedures,⁸ the institution's SAP Business Warehouse module expenditure summaries, the Home's policies for facility maintenance,⁹ Department and Home policies and procedures for staff qualifications,¹⁰ applicable sections of The Pennsylvania Code concerning continuing education license requirements,¹¹ the Home's Education Department annual training report for the fiscal years ended June 30, 2007 and 2008, Department and Home policies and procedures for estate billing,¹² and the Home's policies and procedures for processing Medicare Part B eligible procedures¹³ and Medicare Part B fee schedules dated October 1, 2007. Finally, auditors reviewed the Home's response to the previous Auditor General's audit report.

Auditors interviewed Home personnel including the Commandant, social services personnel, accounting personnel, facility maintenance manager, building maintenance foreman, purchasing agents, registered nurse instructor, human resources director, facility reimbursement officer, medical records assistant, facility reimbursement technician, accounting assistant, and a nursing manager. Auditors also interviewed the DMVA Director of Veterans' Homes. Finally, they held discussions with appropriate Home personnel to gain an understanding of the status of the implementation of prior audit recommendations.

To test the effectiveness of the admissions process, auditors randomly selected and tested admission records of 34 of 168 residents admitted from July 1, 2006, through April 30, 2008, and compared the application dates of the 30 applicants listed on the Home's April 8, 2008, waiting list to the application dates of the 168 residents admitted from July 1, 2006, to April 30, 2008.

To determine the status of the Commandant's house, auditors toured the facility, and reviewed Visa Card statements and supporting documentation from March 2006, to March 2007.

⁸ Pennsylvania Department of Military and Veteran's Affairs, Pennsylvania Soldiers' and Sailors' Home, Residence Eligibility Requirements; Commonwealth of Pennsylvania, Department of Military and Veterans' Affairs, Application for Admission to a Pennsylvania State Veterans' Home; Pennsylvania Soldiers' and Sailors' Home Operational Policy and Procedure Manual.

⁹ Pennsylvania Soldiers' and Sailors' Home Policies and Procedures, Maintenance Services.

¹⁰ Commonwealth of Pennsylvania, Department of Military and Veterans Affairs, Pennsylvania Soldiers' and Sailors' Home Policies and Procedures; Staff Development pages 32-1 through 32-21.

¹¹ 55 Pennsylvania Code, Chapter 2600; 28 Pennsylvania Code §109.52 – Orientation and continuing education, §109.4 – Professional nursing staff, §109.7 – Nursing staff qualifications, §201.20 – Staff Development; 49 Pennsylvania Code §16.19 – Continuing Medical Education, §21.724 – Continuing Education, §27.32 – Continuing Education, §42.16 – Biennial renewal, and §47.32 – Requirement for Biennial renewal; Pennsylvania Bulletin Document Number 08-1289 §21.131 – Continuing Education.

¹² Commonwealth of Pennsylvania, Department of Military and Veterans Affairs, Office of the Deputy Adjutant General for Veterans' Affairs, Policy Number 02-2008, Estate Recovery Operating Procedures; Commonwealth of Pennsylvania, Department of Military and Veterans Affairs, Handbook of Procedures, Accounting Manual, Part I – Determination and Collection of Maintenance Costs Pennsylvania State Veterans Homes.

¹³ Department of Health and Human Services, Centers for Medicare and Medicaid Services, CMS manual system, Publication 100-07 State Operations Provider Certification, Transmittal 5, 11/19/04; Department of Military and Veterans Affairs, Pennsylvania Soldiers' and Sailors' Home, Policies and Procedures Manual, Medical Records, Resident Billing.

Objectives, Scope, and Methodology

To test significant transactions, auditors randomly selected and tested 56 transactions totaling approximately \$379,573 during the period July 1, 2006, to April 30, 2008, and reviewed supporting documentation of the selected transactions.

To assess the effectiveness of controls over maintenance expenses, auditors randomly selected and tested 45 of 946 completed maintenance work orders from January 1, 2008, to June 30, 2008, reviewed all three work orders identified as issued/not completed as of June 30, 2008, and randomly selected and tested 15 of 72 maintenance VISA credit card purchases from the fiscal year ended June 30, 2008.

To assess the adequacy of qualifications of direct care staff, auditors randomly selected and tested 23 of 117 professional licensed employees required to complete continuing education from July 1, 2006, to June 27, 2008, to determine if they received the required training to maintain their licenses and if their licenses were current. Auditors also randomly selected and tested 15 of 73 new employees hired from July 1, 2006, through May 12, 2008, to determine compliance with new hire orientation and training policy.

To determine whether the Home maximized revenue by processing estate-billing claims in accordance with policies and procedures, auditors randomly selected and tested 12 of 58 files of residents who died at the Home between July 2006, and March 2008, and randomly selected and tested 31 of 73 files of residents who were discharged from the Home between July 2006 and March 2008.

To determine whether the Home is maximizing Medicare Part B revenue, auditors examined Medicare Billing Forms and medical records for 34 of the Home's 182 Medicare Part B eligible residents from the months of November 2007, December 2007, and January 2008.

Auditors also performed tests as part of, or in conjunction with, the current audit to determine the status of the implementation of recommendations made during the prior audit.

Audit Results

Admissions

The Pennsylvania Soldiers' and Sailors' Home was established through the enactment of Act 40 of June 30, 1885. The Act states:

For the establishment and maintenance of a home for the disabled soldiers and sailors of Pennsylvania who, as citizens of the Commonwealth, enlisted and participated in the war for the preservation of the Union.

The Department has developed the following residence eligibility requirements for admission into the Home:

1. *An applicant shall 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 shall be a bona fide resident of the Commonwealth of Pennsylvania or the eligible veteran or spouse of an eligible veteran for who the Commonwealth of Pennsylvania is his/her home of record upon entry into the Armed Forces of the United States or the Pennsylvania Military Forces. Current residents have priority, however, in admission.*
3. *A resident of a state veterans home shall be required to make monthly payments against maintenance fee liability in accordance with the resident's ability to pay. However, monthly payments may be waived if an applicant is incapable of self-support and demonstrates a financial need. An applicant is "incapable of self-support" if he/she earns less than 100 percent of the service-connected disability compensation for a single person, as set by the U.S. Department of Veterans Affairs.*
4. *Admissions will be on a first-come, first-served basis. The admissions committee at the home shall determine the level of care, but its decisions may be appealed.*
5. *The following are not eligible 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/herself or to others. This exclusion applies to an applicant who is taking medication to control behavior where, in absence of medication, the applicant's behavior would reasonably be expected to create a potential threat to the health, safety or welfare of himself/herself or others.*

Audit Results

- c) *An applicant whose condition requires treatment or level of treatment not available at the home, except under circumstances where alternative sources of treatment are reasonably available in the immediate vicinity of the home.*
- 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 may not accept or participate in available treatment programs.*
- e) *An applicant with 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 five years subsequent to incarceration.¹⁴*

Finding 1 – The Home had an effective admission process.

Testing of the 34 selected residents' admissions records found that the Home complied with Department policies and procedures. All 34 residents met the eligibility criteria and their records were complete and included all required documentation. Applications were reviewed, approved and processed timely. Therefore, we concluded that the Home has an effective admissions process.

Significant Expenses

The Home's mission is to maintain the highest quality of resident care, considering physical, psychological, and social needs, as well as maintaining their autonomy with family and community. It is funded through appropriations. Expenses for the fiscal year ended June 30, 2007, totaled approximately \$12.9 million. In addition, the Home expended approximately \$14.2 million from July 1, 2007, to April 30, 2008. These expenses included ordinary transactions such as salaries, utilities, office supplies, equipment, maintenance, medical and pharmaceutical expenses, as well as transactions that were non-ordinary in nature.

Finding 2 – The Home had appropriate expenses.

The home expended approximately \$27.1 million for normal operations from July 1, 2006, to April 30, 2008. A review of expenses revealed that \$20.9 million, or 77 percent were payroll-related transactions. One tested transaction totaling \$71,656 was for the Integrated Enterprise System software maintenance cost that is allocated to all Commonwealth facilities that use the system. The remaining 55 transactions tested were for various supplies and services that supported normal operations. These included contracted ambulance services, dietary supplements, dental services, furniture, maintenance repairs, office and

¹⁴ <http://milvet.state.pa.us/DMVA/2033.htm> l, information obtained on March 21, 2008.

housekeeping supplies, and employee travel and training. The results of this phase of the audit indicated that the Home had adequate control over the expenditures tested and met the objectives of the institution's mission statement.

Maintenance Expenses

The Maintenance Department's primary objective is to provide routine and preventive maintenance service to all areas of the building, grounds, and equipment. The Home is required to develop and implement preventative maintenance schedules in order to maintain the building and equipment in a safe and operable manner. Maintenance work orders are completed in order to establish maintenance service priority.

Finding 3 – The Home established adequate control over maintenance expenditures.

The 15 Visa transactions tested were completed in accordance with policies and procedures. The transactions were approved properly, justifications were appropriate and all required documentation, such as Agency Purchase requests, invoices, and receiving reports were included. In addition, the 45 work orders selected for testing were properly documented, reviewed, approved and completed in a timely manner. The three incomplete work orders had appropriate reasons why they were not completed. Based on the results of the testing, we concluded that the Home had adequate control over maintenance expenditures.

Training and Licensure of Professional Employees

The Home, through the DMVA is responsible for providing all employees with initial orientation and continuing education and training programs that focus on skills and competencies directed toward the safety and care of the residents as well as the staff of the institution. Professionally licensed employees must complete continuing education programs within a certain timeframe as required by their respective licensing boards.

Finding 4 – The Home hired and maintained qualified direct care staff.

We found that the 23 professional employees selected for testing maintained valid, current licenses for their positions. In addition, all 23 professional employees, who are required to attend training to maintain their licenses, received the required training. Auditors also examined records for 15 selected new employees and found that the Home conducted timely criminal background checks for the 15 employees. None of the employees were convicted of a crime. Also, all 15 employees effectively completed orientation and new employee training.

Audit Results

Estate Billing

Act 211 of 1976 mandated that a maintenance cost be established and authorized the recovery of the cost of maintaining a person in a state veterans home. Effective January 1, 1977, each resident of a state veteran's home shall be liable for the payment of a maintenance cost for their care based on their ability to pay, but not to exceed the average annual per capita cost of maintenance. Residents are charged a maintenance fee based on their ability to pay. The cost per resident for services rendered by the Home is greater than the reduced maintenance fee charged to the resident. Therefore, it is DMVA's policy to recover any unpaid costs from a resident's estate after his or her death.

Finding 5 – Estate Billing revenue for deceased residents was maximized.

Our audit of the estate billing claims for deceased residents revealed that the Home maximized revenue. We tested 12 deceased residents' files and found that the Home submitted all required forms to the Department's chief counsel within the 30-day requirement. The Home has or is in the process of collecting approximately \$210,637 from the deceased residents' estates.

Finding 6 – The Home did not comply with current DMVA policy for discharged residents with outstanding billing claims.

Our audit of the estate billing claims for discharged residents found that the Home did not submit estate recovery files of discharged residents with unpaid balances to the Department's Office of Chief counsel. Department policy states:

Upon death or discharge of a resident, FROs will determine whether the resident had owed money to the Veterans' Home as of the date of the resident's death or discharge. If (as will rarely be the case), a resident's bill is completely paid up-to-date on the date of discharge or death, the FRO will simply make note of that fact in the resident's file and close the file without further action. There is no requirement to send the file to the Office of Chief Counsel. In all other cases, the FRO will, within thirty (30) days of the date of the resident's death or discharge, prepare an Estate Recovery File for transmittal directly to the Office of Chief Counsel.¹⁵

Discussions with management revealed that the Home was following an outdated policy that only required them to submit estate recovery files for deceased residents. Auditors found that management was not aware of a new policy that requires the Home to submit estate recovery files for discharged residents. This policy was developed to have account

¹⁵ Commonwealth of Pennsylvania, Department of Military and Veterans Affairs, Office of the Deputy Adjutant General for Veterans' Affairs, Policy Number 02-2008, Estate Recovery Operating Procedures.

information readily available to possibly recover funds in the event of their death. Testing of the remaining 31 selected resident records found that they had outstanding balances totaling approximately \$1,323,663.

The Department's assistant chief counsel provided the facility reimbursement officer with a Social Security Death Index website to use as a tool to determine if previously discharged residents are still alive. The Home does not use this tool to periodically track the status of discharged residents.

Auditors tested the 31 residents utilizing the internet website and found that all 31 residents were still alive and no claims against their estates were due. As a result, there was no impact on revenue at this time. However, the facility failed to comply with current Department policy for establishing future estate recovery.

Recommendations:

Home management should ensure compliance with Department policies and procedures for estate recovery of discharged residents. Additionally, the Home should periodically review the Social Security Death Index website to determine the status of discharged residents for timely estate collection efforts.

Management Comments:

At the time of the audit, the Revenue Office began and has continued to prepare an estate bill for each discharged resident. The estate bill is forwarded to DMVA Office of Chief Counsel for processing. Additionally, the Revenue Office will access the Social Security Death Index bi-annually (beginning July 2009) to determine the status of discharged residents. If a discharged resident identified, DMVA Office of Chief Counsel will be notified to begin Estate Recovery.

Medicare Part B

Home residents receiving Social Security, Veterans' Pensions, Railroad Retirement or similar retirement payments may be eligible to participate in the Medicare Part B insurance program. For each eligible resident, the Home can seek reimbursement for certain medical/psychiatric and occupational therapy procedures completed by the Home's professional medical staff. These procedures are recorded in the resident's medical file and on a "Medicare Billing Form," which is forwarded to the Medicare Part B Coordinator for billing.

Audit Results

Finding 7 – The Home maximized its Medicare Part B revenue.

Our audit disclosed that the Home properly documented eligible procedures for Medicare Part B reimbursement in the individual patient medical record and on the Encounter Forms. Eligible procedures were recorded properly in the Medicare Part B billing records. In addition, the procedures were processed in accordance with established reimbursement guidelines. The Home conducted periodic reviews of medical records to ensure that all eligible procedures were recorded on encounter forms and billed to Medicare in order to maximize Medicare part B revenue.

Status of Prior Audit Findings and Recommendations

The following is a summary of the findings and recommendations presented in our audit report from July 1, 2003, to February 24, 2006, along with a description of Pennsylvania Soldier and Sailors' Home disposition of the recommendations.

Prior Finding 1 – A renovation project was completed without following proper approval and purchasing guidelines, purchase justifications were altered, and purchased tools were missing.

The prior audit report revealed the improper approval of \$30,947 of expenditures. These expenditures included bathroom and kitchen plumbing renovations, hardware fixtures and appliances, general carpentry supplies, tools, furnaces, and air conditioning units. The Home did not use the appropriate bidding procedures to complete this project. In addition, Home officials did not obtain the proper building permits, nor did they obtain an occupancy permit. Finally, auditors noted several expensive tools, purchased for the renovation, that were not in the Home's possession and no one could account for their whereabouts.

We recommended that the Home ensure that all future projects be completed in accordance with applicable policies and procedures. In addition, we recommended that the Home have the Commandant's house inspected and approved for occupancy. Finally, we recommended that the Home conduct an internal investigation to discover the whereabouts of the missing tools, and if still not located, hold appropriate personnel accountable.

Status:

Our current audit found that the Home had the plumbing and electrical systems in the Commandant's house inspected and these systems are now in compliance with applicable codes. Also, the Home has purchased a tool chest to secure specialty tools and only the maintenance manager and foreman have keys. However, the Home has not obtained an occupancy permit for the Commandant's house. In addition, the Home incurred additional expenditures for the commandant's house without a final, approved usage plan. Once a use is determined, the Home must submit a plan to the Department of Labor & Industry before a permit is issued. Finally, the Commandant's house remained unoccupied.

A review of purchasing documentation identified an additional \$10,974 of expenditures for the Commandant's house. These expenditures included draperies and related hardware, window blinds, residential carpeting for three rooms and stairway, entryway door repairs, two new storm doors and electrical supplies. The Commandant stated that she expressed interest in living in the house and she obtained permission to purchase the draperies and

Status of Prior Audit Findings and Recommendations

carpeting from the Department’s Director of Veterans’ Homes. The Commandant also stated that the Home was not required to obtain an occupancy permit for use of the house as a personal residence. Discussions with the Director of Veterans’ Homes revealed that he gave the Commandant verbal permission to move into the house. However, the Department’s Adjutant General for Veterans’ Affairs ultimately decided to deny the Commandant’s request to live in the house.

The Director of Veterans’ Homes also stated that the Department has now decided to use the Commandant’s house for office and meeting facilities. The Home’s maintenance manager discovered that additional renovations/expenditures would be necessary for the new usage plan to meet building code and Department of Labor & Industry occupancy requirements. The requirements included the need to determine usage and potential number of occupants and applying for an occupancy permit. The application requires a qualified design engineer’s drawings that show structural changes and upgrades to comply with applicable codes before occupancy can be approved. These actions have not been taken. The summary of the prior findings and management’s disposition of those recommendations follow:

<i>Recommendations</i>	<i>Disposition</i>
The Home should ensure that all future projects are completed in accordance with applicable policies and procedures.	Home management continued to incur \$10,974 of expenditures for renovations at the Commandant’s house since the last audit for a total of total of \$41,921. The majority of those renovations are now worthless according to the new usage plan.
In addition, the Home should have the Commandant’s house inspected and approved for occupancy.	The plumbing and electrical systems in the Commandant’s house were inspected and these systems are now in compliance with applicable codes. The Home has not obtained an occupancy permit for the Commandant’s house for use as an office and meeting facility.
Finally, the Home should conduct an internal investigation to discover the whereabouts of the missing tools, and if still not located, hold appropriate personnel accountable.	Department management conducted an internal investigation, but it could not find the tools and it did not hold anyone accountable.

Auditors toured the Commandant’s house and found that it is currently used for storage of medical supplies and equipment. In addition, the carpeting in the living room, dining room, stairway, upstairs hall, and one bedroom is thick, plush residential type carpeting that would not work well in an office. Additional Commonwealth funds will be needed to bring the Commandant’s house into compliance with the new usage plan. As a result, we concluded that Home management has taken minimal corrective action since the prior audit.

Status of Prior Audit Findings and Recommendations

Recommendations:

Therefore, we again recommend that Home management ensure that all future projects are completed in accordance with applicable policies and procedures. We also recommend that all future projects should be properly planned, budgeted, and approved prior to commencing the project in order to eliminate wasteful spending of Commonwealth funds.

We again recommend that the Home have the Commandant's house approved for occupancy.

Finally, we again recommend that the Home conduct an internal investigation to discover the whereabouts of the missing tools, and if still not located, hold appropriate personnel accountable.

Management Comments:

All projects at the Home must be on the facility's approved 5-year plan. This plan is submitted to DMVA, reviewed, funded, and then monitored by DMVA personnel and PSSH personnel to insure that all purchasing guidelines are adhered to.

Prior Finding 2 – Purchasing agents were authorized to perform incompatible duties creating an internal control weakness that could lead to undetected theft or fraud.

The prior audit report disclosed that testing of the Home's role assignments for the Purchasing Agent 3 and the Purchasing Agent I positions revealed that they were both assigned the duties of purchaser as well as requisitioner and receiver.

We recommended that the Home's business office review all purchases to ensure that only legitimate purchases are made. In addition, we recommended that, regardless of the location of the individual, compensating controls be implemented to prevent any one individual from creating a purchase requisition, preparing a purchase order, and receiving the order.

Status:

In June 2005, the Commonwealth established a policy¹⁶ that required all SAP R/3 roles to be uniformly assigned to positions in order to ensure adequate segregation of duties. In June 2007, the Commonwealth's Bureau of Integrated Enterprise System reassigned roles to positions instead of employees. Auditors reviewed role assignments for the two purchasing agents and found that these employees did not have the ability to create a purchase order, and receive goods through the role-mapping process. Therefore, the Home has complied with our recommendation.

¹⁶ Commonwealth of Pennsylvania, Governor's Office, Management Directive Number 205.37 – Role Assignment, Security, and Internal Control Maintenance.

Status of Prior Audit Findings and Recommendations

Prior Finding 5 – Hotel orders were not properly controlled.

The prior audit report found that four different offices maintained a supply of hotel orders for employee use. The orders were not maintained in numerical orders in any of the offices. The Home did not maintain a log of issued hotel orders. Therefore, the Home could not account for 736 hotel orders.

We recommended that the Home management develop and enforce procedures in order to strengthen control over hotel orders. Hotel orders are to be assigned to a limited number of personnel who are responsible for securing them at all times. We further recommended that these individuals issue hotel orders in numerical order and maintain a log of hotel orders issued and used. Finally, we recommended that business office personnel review monthly travel expenditures for payment of hotel orders to reduce the chance of a double payment.

Status:

Our current audit revealed that the Home has implemented procedures to ensure the proper care and control of hotel orders. All hotel orders are secured in the Commandant's office and only the Commandant's secretary or the Business Manager's secretary can issue the orders. The hotel orders are issued in numerical order and are recorded in a log. The Budget Analyst reviews monthly travel expenditures to ensure that hotel orders are accurately recorded. The Home has complied with our recommendations.

Prior Finding 7 – Not all employees received the required annual fire safety training.

Our prior audit reported that not all staff received the mandatory fire safety training as required by Commonwealth and Home policies and procedures. Auditors found that only 114 of 191, or 60 percent of employees, attended fire safety training during calendar year 2005, while 179 of 183, or 98 percent of employees, attended fire safety training in calendar year 2004.

We recommended that the Home management enforce compliance with mandatory fire safety training to ensure all residents, staff, and visitors are safe.

Status:

Our current audit found that the Home uses pre-printed sign-in sheets to document employee attendance at mandatory fire safety training. The training instructor ensures that employees attend make-up classes for those who did not attend scheduled classes. In addition, the employees can also take the fire safety class on the Home's internal computer network if they miss scheduled training. The Home has complied with our recommendation.

Status of Prior Audit Findings and Recommendations

Prior Finding 8 – The Home continued to have poor control over storeroom inventories.

Our prior audit report disclosed that a review of the Home's storeroom inventory procedures found that storeroom personnel were delegated both custodial and recordkeeping duties. Inventory items were received, disbursed, and recorded by the same employees. In addition, the same personnel who maintained the inventory conducted monthly inventory spot checks and the annual physical inventory. These weaknesses were reported in the prior audit. In addition, reorder balances and a total inventory value could not be obtained easily, because the Home did not maintain a running inventory balance. In addition, the spreadsheets could be altered by anyone having computer access.

We recommended that the Home's management implement procedures for proper inventory management including segregating custodial and recordkeeping duties and establishing adequate inventory controls. We also recommended that management perform independent spot checks of inventory items.

Status:

Our current audit found that the Home recently installed a new inventory software program that will provide reorder balances and total inventory values. In addition, the purchasing agents must order all items that are requisitioned and the individuals in the various departments that order the items must receive the items. Only the purchasing agents and storeroom clerks can access inventory records. Also, the business manager now conducts periodic spot checks of inventory items and the purchasing agents conduct the annual physical inventory. The Home has complied with our recommendations, however, due to the new software system; we will continue to look at this area in the future.

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