

**Commonwealth of Pennsylvania**  
**Department of Military and Veterans Affairs**  
***Southeastern Veterans Center***  
**July 1, 2005, to December 28, 2007**  
**Performance Audit**





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November 17, 2008

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 Southeastern Veterans Center of Pennsylvania of the Department of Military and Veterans Affairs from July 1, 2005, to December 28, 2007, except where we expanded the scope to assess all relevant information objectively. The audit was conducted pursuant to Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The report details the audit objectives, scope, methodology, findings, and recommendations. The audit noted that improvements could be made in the training of abuse investigators and that Southeastern Veterans Center did not distribute the funds of deceased residents timely. The audit also disclosed that the Welfare Fund canteen operating deficiencies continued in that Southeastern management failed to establish a written canteen sales policy, did not maintain a perpetual inventory system for the canteen, and did not prepare accurate income statements. The contents of the report were discussed with the officials of the Southeastern Veterans Center and all appropriate comments are reflected in the report.

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

Sincerely,

**JACK WAGNER**  
Auditor General



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## **Background Information**

### **Department of Military and Veterans Affairs – Bureau of Veterans Affairs**

The Department of Military and Veterans Affairs 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.<sup>1</sup> 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 of Veterans Affairs is headquartered at Fort Indiantown Gap, Annville, Pennsylvania and operates field offices in Philadelphia, Pittsburgh, and Wilkes-Barre.

As of June 30, 2007, the Bureau administered six state-operated veterans facilities:

- Delaware Valley Veterans Home in Northeast 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

These facilities provided domiciliary, nursing, and/or personal 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.

### **Southeastern Veterans Center**

Southeastern Veterans Center, located in Spring City, Chester County, was dedicated on December 22, 1986, and consists of 120 acres on the former grounds of a Department of Public Welfare facility. The physical plant consists of modular cottage units, which house veterans needing only minimal (domiciliary) care and Coates Hall, which houses

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

## **Background Information**

Southeastern administrative offices, nursing care, and a dementia unit. Southeastern can accommodate 304 veterans: 112 in domiciliary/personal care and 192 in nursing care. In addition to conducting its general operations, Southeastern is responsible for the maintenance and accountability of residents' personal income and welfare. Southeastern administers a members fund as a service to residents who voluntarily use Southeastern as a depository for personal funds. In addition, a welfare fund provides entertainment and craft activities from donations and interest earnings. The following schedule presents selected unaudited Southeastern operating data for the years ended June 30, 2005, 2006, and 2007.

	2005	2006	2007
Operating expenditures (rounded in thousands)			
State	\$17,477	\$17,498	\$18,970
Federal	<u>4,511</u>	<u>4,635</u>	<u>4,892</u>
Total	<u>\$21,988</u>	<u>\$22,133</u>	<u>\$23,862</u>
Employee complement positions at year-end	316	316	316
Actual days of care:			
Nursing unit	61,816	60,693	59,234
Domiciliary and personal units	<u>30,808</u>	<u>28,678</u>	<u>29,447</u>
Total	<u>92,624</u>	<u>89,371</u>	<u>88,681</u>
Average daily census:			
Nursing unit	170	167	163
Domiciliary and personal units	<u>85</u>	<u>79</u>	<u>81</u>
Total	<u>255</u>	<u>246</u>	<u>244</u>
Available bed days of care:			
Nursing unit	70,080	70,080	70,080
Domiciliary and personal units	<u>40,880</u>	<u>40,880</u>	<u>40,880</u>
Total	<u>110,960</u>	<u>110,960</u>	<u>110,960</u>
Occupancy percentage:			
Nursing unit	88.2%	86.6%	84.5%
Domiciliary and personal units	75.4%	70.2%	72.0%
Resident capacity at year-end:			
Nursing unit	192	192	192
Domiciliary and personal units	<u>112</u>	<u>112</u>	<u>112</u>
Total	<u>304</u>	<u>304</u>	<u>304</u>
Daily average cost per resident <sup>2</sup>	\$237	\$248	\$269
Yearly average cost per resident <sup>3</sup>	\$86,505	\$90,520	\$98,185

<sup>2</sup> Daily average cost per resident was calculated by dividing the total operating expenditures by the actual days of care, and rounding to the nearest whole dollar.

<sup>3</sup> Yearly average cost per resident was calculated by multiplying the daily average cost per resident by the number of calendar days in the year, and rounding to the nearest whole dollar.

## *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 objectives from the following areas: Resident Abuse, Staff and Resident Well Being, Members Fund, Welfare Fund, Payroll and Personnel, and Estate Billings. The specific objectives of this audit were:

- To evaluate procedures for documenting, reporting, and resolving incidents of abuse. (Findings 1, 2, and 3)
- To assess programs that further employee and resident well-being to include accident and illness prevention, emergency action plans, and safety programs. (Finding 4)
- To determine if Southeastern had complied with our prior audit recommendation to properly distribute funds that belong to former residents but remain in the Members Fund. (Finding 5)
- To determine if the Welfare Fund is sufficiently controlled and used exclusively for the benefit of Southeastern residents. (Finding 6)
- To determine the accuracy of Southeastern's timekeeping and payroll records. (Finding 7)
- To determine the status of any estate billing backlog that existed and to determine if Southeastern continued to process estate billings as required. (Finding 8)

In addition to the current Members Fund objective listed above, we determined the status of implementation of the other recommendations made during the prior audit of Southeastern regarding the Welfare Fund, storeroom inventory control, and the Members Fund.

The scope of the audit covered the period July 1, 2005, to December 28, 2007, unless indicated otherwise in the individual findings.

To accomplish these objectives auditors reviewed applicable Southeastern, Department of Military and Veterans Affairs, and Commonwealth policies and procedures including the

## **Objectives, Scope, and Methodology**

Safety Committee board minutes from December 2004 through October 2007, applicable sections of the Department of Military and Veterans Affairs Handbook and the Pennsylvania Code.<sup>4</sup> Auditors also reviewed the Department's accounting handbook and applicable union contracts, as well as the July 13, 2006, Department of Military and Veterans Affairs written response to the prior audit report.

Auditors interviewed the Southeastern Veterans Center Director of Nursing, Business Manager, Human Resources Officer, Revenue Officer, Training Coordinator, Quality Assurance/Risk Management Coordinator, the Resident Council's President, and representatives from the Chester County Area Agency on Aging. Auditors also interviewed Southeastern personnel responsible for instituting programs that address accident and illness prevention, emergency action plans, and safety programs, and the staff responsible for administering the Members Fund and the Welfare Fund.

To evaluate procedures for documenting, reporting, and resolving incidents of abuse, auditors randomly selected and analyzed 44 of the 115 incidents filed with the Department of Health during the period from July 1, 2005, through September 30, 2007, and reviewed the 2005, 2006, and 2007 Annual State Home Surveys conducted by the Department of Military and Veterans Affairs. Auditors also obtained and analyzed records of 32 of the 157 direct care staff employed at Southeastern as of November 2007, to determine if they had received the required criminal background checks and mandated resident abuse training for the period from July 1, 2004, through June 30, 2007.

To assess programs that further employee and resident well-being, auditors examined Southeastern's employee training process by reviewing the 2007 mandatory training courses manual and the respective course summaries, and a list of health and wellness in-services held. Auditors also examined Southeastern's fire and safety process by reviewing the fire drill and emergency response drill reports for the calendar years 2006 and 2007.

To determine if Southeastern had complied with our prior year recommendation to properly distribute funds that belonged to former residents, auditors contacted the Chester County Registrar of Wills to determine the status of wills for deceased veterans and analyzed Members Fund account balances.

To determine if the Welfare Fund is sufficiently controlled, auditors obtained and analyzed bank statements, monthly reconciliations, quarterly collection reports, canteen daily summary reports, canteen sales, operating costs, and profit margin for July 2006 through June 2007.

To determine the accuracy of Southeastern's timekeeping and payroll records, auditors obtained and analyzed records for 35 of 323 full time employees for the pay period ended June 15, 2007, and 20 of 304 employees for the pay period ended October 19, 2007, to verify regular hours, overtime, shift differential, and leave usage.

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<sup>4</sup> 43 Pa. Code § 7.9, Unclaimed property of deceased resident who dies intestate.

## **Objectives, Scope, and Methodology**

To determine the status of estate billing backlog, auditors determined the status of estate billings that were considered part of the backlog, and reconciled estate billings with to the list of residents who passed away between July 1, 2005, and July 31, 2007.

To determine the status of implementation of the other recommendations made during the prior audit of Southeastern, auditors performed tests, as necessary, in prior audit areas, to substantiate their understanding of management's progress in resolving the prior audit findings.

## **Audit Results**

### **Resident Abuse**

Southeastern Veterans Center operates under the policy that that no resident should be subject to abuse, neglect or the misappropriation of property. Reporting procedures have been established if anyone has reasonable cause to suspect that a resident is a victim.<sup>5</sup> In addition, criminal background checks are performed on potential employees in compliance with state requirements.<sup>6</sup> Finally, employee annual training includes procedures for protecting residents from mistreatment and abuse.<sup>7</sup>

#### **Finding 1 – Southeastern investigated, documented, reported, and resolved incidents of abuse.**

Southeastern documented incidents, which included alleged cases of abuse through an “Event Details” report, which was filed with the Department of Health. All 44 of the incidents examined were investigated, within the mandated time periods, by Southeastern management in compliance with applicable policy and the results of the investigation were documented and maintained on file. Finally, corrective action was taken, when necessary, to resolve each of the incidents.

#### **Finding 2 – Direct care staff underwent criminal background checks and received required resident abuse training.**

Criminal background checks were performed on direct care staff as required and employees received the mandatory resident abuse training without exception. All 32 employees reviewed had background checks included in their personnel folders. Additionally, they each attended training seminars on topics related to resident abuse. Finally, auditors reviewed the Department of Military and Veterans Affairs annual surveys conducted at Southeastern in 2005, 2006, and 2007 and found that Southeastern complied with resident abuse policies.

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<sup>5</sup> Southeastern Veterans Center “Abuse, Neglect and Misappropriation of Property,” policy number HG-02-A, March 5, 2007.

<sup>6</sup> 35 P.S. §10225.503.

<sup>7</sup> The Department of Military and Veterans Affairs, “Annual Education and Training Program.”

**Finding 3 – The Department of Military and Veterans Affairs did not require abuse investigators at Southeastern to be certified.**

Certain Southeastern management employees are responsible for conducting all resident abuse investigations. Southeastern’s internal resident abuse policy states:

*Any employee who has reasonable cause to suspect that a resident is a victim of abuse, neglect or misappropriation of property shall make an immediate oral report to the Area Agencies on Aging, the Elder Abuse Hotline as well as the Department of Health and the local law Enforcement Agency depending on severity, the Nursing Home Administrator must also be notified of any suspected abuse.<sup>8</sup>*

Section II of this policy requires an investigation by Security staff, with support from other departments. Investigations involving nursing staff members will have nursing administration involved with the Security Staff. Although the policy includes a list of who must be notified when there is an allegation of abuse and the respective reporting requirements, it does not specifically address techniques, methods, or procedures for completing an investigation.

The nursing administrator designated as the lead investigator at Southeastern was previously employed by the Department of Public Welfare’s (DPW) Office of Mental Retardation as a certified investigator. This employee stated that she utilized the skills learned while employed by the Office of Mental Retardation when conducting investigations at Southeastern.

The nursing administrator also stated that other Southeastern and Department of Military and Veterans Affairs investigators would benefit from a certified investigator program. Although utilizing the same individuals for each of the investigations provides consistency, the employees that conducted the investigation were not certified investigators nor had they received training in specific investigative techniques.

The certification course offered through DPW’s Office of Mental Retardation specifically addresses investigator procedures and is contained in the Pennsylvania Certified Investigator Manual.<sup>9</sup> An example of the detailed requirements is demonstrated in Chapter 5 “Physical and Demonstrative Evidence,” Section II “Locations at which Injuries Occur,” Subsection G, which states:

*Before actually entering the location, the investigator should first observe the layout, thinking primarily about how to enter and walk around the room **without** disturbing any of the contents. This is particularly a problem with objects or substances, which might be on the floor. The investigator should*

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<sup>8</sup> Southeastern Veterans Center, “Abuse, Neglect and Misappropriation of Property” policy number HG-02-A, March 5, 2007.

<sup>9</sup> Pennsylvania Certified Investigators Manual, Fourth Edition, © 2001, 2002, 2004 Labor Relations Alternatives, Inc.

## **Audit Results**

*proceed cautiously to ensure that wherever s/he intends to step is not wet or covered with any substances that might be smeared or tracked around the room.*<sup>10</sup>

Subsection H further states:

*The investigator should next take pictures of the location, first from the entrance and then, walking to the opposite side of the room, back toward the entrance. Also, using the initial reports as a guide, s/he should take pictures of any location and/or object in the room, which apparently is related. For example, if the report indicated that someone fell over a table and there is a table at the location, the investigator should take a picture of the table. [The investigator should take the picture regardless of whether the table is neatly set for a dinner party or a shambles!] As the investigator takes pictures, s/he should keep notes identifying the subject of each shot.*<sup>11</sup>

In addition to providing instruction in investigative techniques, methods, and procedures, having incident investigators certified would ensure investigations are conducted uniformly throughout the department and any applicable evidence is properly secured.

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

*One component of the system that strives to ensure a safe environment is a trained group of investigators who not only understand the technical elements of the investigative process but also appreciate and promote the values, which drive decision making at every level of the care giving system.*<sup>12</sup>

DPW's Bureau of Mental Retardation Program Operations' requirement that incident of abuse investigations be conducted by certified investigators is driven by the commitment to providing individuals in its care with an array of opportunities for an everyday life which is possible only if we also commit to a safe and caring environment for them.

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<sup>10</sup> Pennsylvania Certified Investigators Manual, Fourth Edition, © 2001, 2002, 2004 Labor Relations Alternatives, Inc.

<sup>11</sup> Pennsylvania Certified Investigators Manual, Fourth Edition, © 2001, 2002, 2004 Labor Relations Alternatives, Inc.

<sup>12</sup> Pennsylvania Certified Investigators Manual, Fourth Edition, © 2001, 2002, 2004 Labor Relations Alternatives, Inc.

The Department of Military and Veterans Affairs is also committed to providing a safe and caring environment for their resident veterans and spouses. Certified incident investigators would enhance that commitment.

**Recommendation:**

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

**Management Comments:**

A committee established by the Department of Military and Veterans Affairs has developed a standard abuse policy for all six state homes. This policy includes abuse investigators training. The policy and training will be modeled after the Department of Public Welfare's policy, but tailored to the needs of the Department of Military and Veterans Affairs.

## **Staff and Resident Well-Being**

Southeastern is responsible for providing programs that benefit the health, safety, and well-being of its employees and residents. To meet this responsibility, they must provide the necessary training, and develop and maintain programs directly related to accident and illness prevention, emergency action plans, and safety programs. Some of the events that could arise include earthquakes, civil unrest, tornados, hurricanes, floods, and other similar emergencies.<sup>13</sup> Due to the close proximity of Southeastern to a nuclear power plant, a radiological emergency response plan is also prudent.

### **Finding 4 – Southeastern maintained programs that addressed the well-being of employees and residents.**

Southeastern instituted programs, developed and maintained various action plans, and provided training directly related to accident and illness prevention, emergency preparedness, and safety programs to further employee and resident well-being. Specific issues, which detail how Southeastern has addressed the well-being of employees and residents, are discussed below.

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<sup>13</sup> Southeastern Veterans Center, "Emergency Response – Policy and Procedure Manual," revised June 7, 2007.

## **Audit Results**

### *Safety Committee*

Safety Committees were responsible for recommending and making modifications to the safety policies and procedures. The committees met monthly and discussed safety issues and concerns for Southeastern. The meetings held during the period December 2004, through October 2007, were well attended by management, staff, and residents. Members of the safety committee stated that management adequately addressed their concerns and recommendations.

### *Fire Safety*

For the 2006 and 2007 calendar years, records were available to support that all of the monthly fire drills scheduled were conducted, as required. For those fire drills where an incident occurred, such as a resident refusing to evacuate the building during a drill, documentation was on hand to support that management performed follow-up work to correct the issue, such as counseling the resident on the importance of participating in the fire drills.

### *Emergency Action Plans*

Southeastern's Emergency Response Plan contained policies that addressed general emergencies to ensure the safety of the facility. The plan outlined a course of action to be followed when an emergency, fire or other incident occurs that would affect the normal operations of the facility or community area. The plans addressed specific emergencies such as a nuclear incident, fire, radiological emergency, tornado and high winds, bomb incidents, electrical power failure, and searching for a missing resident. Records indicated that these plans were reviewed and or revised on an annual basis throughout our audit period.

### *Employee Training and Well-being*

Southeastern established mandatory annual training programs for all employees. During training employees were instructed in areas on accident prevention, infection control, disaster preparedness, fire safety and prevention. Employee health and wellness seminars were also offered to address the prevention of back injury and carpal tunnel syndrome. Additionally, flu vaccines were offered to all employees.

## **Members Fund**

Southeastern maintains and administers the Members Fund as a service to residents. This Fund provides Southeastern residents with a convenient method of safeguarding cash and providing prompt access if necessary. Participation in the Members Fund is voluntary.

The Department of Military and Veterans Affairs has established operating guidelines for maintaining and administering the Members Fund.<sup>14</sup> These guidelines require Southeastern to maintain an account balance for each member, allocate monthly interest earning to each eligible member, and complete other fiduciary duties.

**Finding 5 – Southeastern did not distribute the funds of deceased residents.**

Our prior audit reported that Southeastern’s Members Fund included \$51,209 that belonged to 13 deceased residents and an additional \$10,154 where ownership of the funds could not be established. We recommended that management properly distribute the amounts identified for the 13 deceased residents, and conduct a review to try to determine ownership of the remaining \$10,154. If ownership could not be determined, then the funds should be transferred to the Revenue Office as required by Department of Military and Veterans affairs policy.

The Department of Military and Veterans Affairs responded to this prior audit finding stating:

*[Southeastern Veterans Center] (SEVC) properly distributed the assets in the amount of \$51,209 to the Revenue Department on 10/31/05, per the request of the Auditor General audit team.*

*SEVC management was unsuccessful in determining ownership of remaining \$10,154. Funds will be transferred to the Revenue office July 2006. The funds will then be electronically transmitted to General Government.*

However, our current audit disclosed that none of the funds in question was distributed from the Members Fund. Southeastern management stated that it was an oversight and on August 22, 2007, \$61,363 was forwarded to their revenue office. In turn, that amount was forwarded to the Department of Military and Veterans Affairs Comptroller’s Office on September 7, 2007.

In addition, Southeastern did not attempt to contact the estates of the deceased veterans with balances stating that based upon Section 7.9 of the Pennsylvania Code, any unclaimed property of a deceased resident who dies without a will becomes the property of the State Veterans Home one year after the date of death. However, Southeastern management could not support nor could they confirm that all 13 deceased residents in question died without wills.

After the auditors made contact with the Chester County Register of Wills, Southeastern management confirmed that only one of the 13 deceased veterans in question had a probated will. The estate bill prepared for that individual indicated that the resident owed

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<sup>14</sup> The Department of Military and Veterans Affairs “Handbook of Procedures for Accounting” Chapter IV.

## **Audit Results**

Southeastern an amount greater than the amount remaining in the Members Fund. At the end of field work, Southeastern was in the process of filing the appropriate paperwork with the estate of the deceased veteran to claim the amount remaining in the Members Fund to satisfy a portion of the amount owed.

### **Recommendation:**

Southeastern management should ensure that all deceased resident moneys remaining in the Members Fund are disposed of in accordance with the Department of Military and Veterans Affairs and Commonwealth requirements.

### **Management Comments:**

In a meeting on August 13, 2008, Southeastern management stated that all deceased resident moneys in the Members Fund were disposed of in accordance with Department of Military and Veterans Affairs and Commonwealth requirements. Additionally, all estates and Members Fund accounts are current and handled as mandated.

## **Welfare Fund**

Southeastern's Welfare Fund operates a canteen for resident benefit and offers a variety of products such as candy, soda, potato chips, shirts, and sweaters. Volunteers staff the canteen with oversight provided by Southeastern personnel.

The Department of Military and Veterans Affairs has established operating guidelines to ensure that the Welfare Fund's canteen is sufficiently controlled and used exclusively for the benefit of Southeastern residents.<sup>15</sup>

### **Finding 6 – Welfare Fund canteen operating deficiencies continued.**

Southeastern failed to address canteen operating deficiencies identified in the previous audit. Those deficiencies included:

- Southeastern management failed to establish a written canteen sales policy as required by the department.
- Southeastern management did not maintain a perpetual inventory system for the canteen.

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<sup>15</sup> The Department of Military and Veterans Affairs, "Handbook of Procedures for Accounting" Chapter V.

**Audit Results**

- Southeastern management did not prepare accurate income statements.

The Department of Military and Veterans Affairs, in their reply to the previous audit, indicated that corrective action was taken to address these deficiencies. However, those deficiencies remained. The Department’s response, with the current status, follows:

<b>Department of Military and Veterans Affairs Response</b>	<b>Current Status</b>
Southeastern Veterans Center Accountant III shall conduct quarterly physical inventory counts on canteen stock.	The Accountant III indicated that the inventory counts were taken. However, these counts were not documented.
Southeastern Veterans Center Account Assistant shall verify the amount of daily sales against the daily cash sales to ensure accurate recording of sales.	The Accountant Assistant did verify daily sales. However, discrepancies existed that were not investigated.
Southeastern Veterans Center management implemented monitoring procedures over canteen goods and sales including a formalized sales policy, quarterly stock count comparisons, and verification of accurate canteen daily summary sheets.	Southeastern Veterans Center had not developed a formalized canteen sales policy.
Volunteer Coordinator will monitor quarterly profit margins in accordance with sales policies and any variances will be investigated and appropriately adjusted.	The Volunteer Coordinator only began monitoring in October 2007.

Southeastern has a fiduciary responsibility to operate the Welfare Fund’s canteen efficiently and effectively which includes complying with all department established policies and procedures as outlined in its accounting manual. Failure to establish adequate monitoring procedures could allow errors or irregularities to occur and go undetected.

**Recommendations:**

Southeastern management should develop a policy manual for the Welfare Fund’s canteen. The manual should include monitoring procedures over goods and sales, conducting and documenting quarterly stock count comparisons, and preparing accurate income statements. In addition, management should review daily canteen sales summary reports and investigate errors to ensure sales are recorded accurately. Finally, profit margins should be reviewed quarterly and any variances investigated.

## **Audit Results**

### **Management Comments:**

In a meeting on August 13, 2008, Southeastern management stated that a draft policy has been prepared for the Welfare Fund's canteen. This policy requires the accounting assistant to conduct monthly spot checks of inventory and establish a set markup rate. Monthly income statements are now balanced and shared with the canteen committee. Finally, new cash registers were installed and volunteers were trained which reduced the number of errors and the need for adjustments.

## **Payroll and Personnel**

Southeastern's payroll system automatically generates payroll payments, either check or direct deposit, based on the last inputted data. For most employees who work regular shifts with no overtime, the need to make adjustments only occurs for promotions and pay increases. However, for employees who work overtime or different shifts, information related to the different pays must be inputted as earned. Payments made to employees who work overtime or on different shifts are governed by employees' respective union contracts.<sup>16</sup>

In addition, Southeastern uses an online service known as the Employee Self-Service System, which helps the employee manage employment information, such as requesting leave and viewing work schedules. The timekeeping section monitors leave input for employees having access to this system and inputs leave usage for employees who do not have access to the Employee Self-Service System.

### **Finding 7 – Southeastern processed overtime, shift differential, and leave usage transactions accurately.**

Southeastern processed all reviewed overtime, shift differential, and leave usage transactions accurately. Overtime and shift differential payments were made in accordance with the applicable union contracts and agreed with approved work schedules. Auditors determined that leave used was earned, available, and posted to the correct leave record.

In addition, to ensure employees were only paid for actual hours worked and any leave used was accurately posted, Southeastern required all department heads to verify the accuracy of the "Time Statement Report" prior to additional payroll processing.

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<sup>16</sup> PSSU, Pennsylvania Social Service Union, 7/1/03 to 6/30/07, Council 13, American Federation of State, County and Municipal Employees, AFL-CIO 2007-20011, UGSOA United Government Security Officers of America, 9/1/03-8/31/07, SEIU Healthcare Pennsylvania – Service Employees International Union 6/1/03-6/30/07, and PNA Pennsylvania Nurses Association.

## **Estate Billing**

Monthly care and maintenance charges for an individual admitted to the Southeastern Veterans Center are established based on the resident's ability to pay. However, this calculated monthly payment does not exonerate the resident from the financial responsibility for the actual cost of residing at the Center. The Department of Military and Veterans Affairs has established procedures for billing the estate of a deceased resident for owed care and maintenance charges. Those procedures state:

*Since the per capita rate for services rendered is greater than the reduced maintenance fee based on the resident's ability to pay, upon the death of a resident, the Commonwealth shall submit a claim to the estate for the balance due for services rendered for care while a resident is in a State Veteran's Home. This claim shall be submitted not later than ninety (90) days after the Resident's death.<sup>17</sup>*

Prior year audits of Southeastern had disclosed a backlog of estate billings. This issue was addressed in our audit report for July 1, 2002, to May 27, 2005, which stated that Southeastern had made significant inroads in its estate billing backlog and was timely with current estate billings.

### **Finding 8 – Southeastern completely eliminated their backlog of estate billings.**

Southeastern eliminated their backlog of estate billings. In addition, the estates for all 128 residents who passed away during the period tested were billed within the 90-day threshold established by the Department of Military and Veterans Affairs.

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<sup>17</sup> The Department of Military and Veterans Affairs "Handbook of Procedures," Section 112 "Claim against Estate of Deceased Residents."

## **Status of Prior Audit Findings and Recommendations**

This is a summary of the findings and recommendations presented in the prior audit report of the Southeastern Veterans Center for the period from July 1, 2002, to May 27, 2005.

### **Prior Audit Results**

#### **Prior Finding II-1 – The Welfare Fund was not effectively managed.**

The previous audit report disclosed that Southeastern did not operate the canteen in accordance with the Department's guidelines. A required written sales mark-up policy was not established, periodic physical inventory counts were not conducted, and income statements were inaccurate. We recommended the following:

- Implement monitoring procedures over canteen goods and sales including establishing a formalized sales policy, conducting quarterly stock count comparisons, and preparing accurate income statements.
- Review daily canteen sales summary reports and investigate errors to ensure sales are recorded accurately.
- Review profit margins quarterly in accordance with sales policies and investigate any variances.

#### **Status:**

Southeastern management did not address the previously identified Welfare Fund deficiencies. These issues are discussed in the current report in the Welfare Fund section concluding with Finding 6.

#### **Finding III-1 – Southeastern did not establish inventory controls over the storeroom or dietary operations.**

We previously reported that Southeastern did not have an inventory system for either the main storeroom or the dietary storeroom. Therefore, management could not adequately monitor these areas and the potential for loss, theft, or misuse of the storeroom and dietary items was greatly increased. To compound the situation, our review of the Department's

## **Status of Prior Audit Findings and Recommendations**

handbook of procedures for accounting revealed that the Department did not require its facilities to maintain inventories over the storeroom or dietary operations.

We recommended that Southeastern management determine the scheduled SAP R/3 inventory control system implementation date. If the implementation is not scheduled for the immediate future, Southeastern should establish an interim inventory system. In addition, we recommended that the Department revise its accounting manual to address the need for inventory controls.

### Status:

Southeastern's interim inventory controls were limited to the Business Manager performing cost analysis of all food and food supplement products. However, since the implementation date for the SAP R/3 inventory control system is scheduled for March of 2008 it would not be practical to implement additional interim controls at this late date. Therefore, we will evaluate inventory controls during our next audit of Southeastern.

### **Finding IV-1 – Funds of deceased residents were not returned or properly reallocated.**

The prior audit reported that Southeastern could not determine ownership of \$61,363 in the Members Fund. These monies had accumulated over several years and the associated records were lost or misplaced. We recommended:

- Southeastern management follow-up on the moneys belonging to the estates of the 13 deceased residents and properly distribute these assets.
- In addition, Southeastern make every effort to determine ownership of the remaining \$10,154. If a good faith effort fails to determine ownership, these funds should be transferred to the revenue office for use by Southeastern.

### Status:

Southeastern did not comply with our recommendations. Therefore, this issue is again discussed in the Members Fund section of this report concluding with Finding 5.

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