

Commonwealth of Pennsylvania
Department of Military and Veterans Affairs
Southwestern Veterans Center
July 1, 2005, to February 8, 2008
Performance Audit



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July 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 Southwestern Veterans Center of the Department of Military and Veterans Affairs for the period July 1, 2005, to February 8, 2008. 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 our audit objectives, scope, methodology, findings, and recommendations. The report notes that Southwestern Veterans Center did not take the necessary steps to maximize estate collections. Additionally, the facility did not request approximately \$67,000 in refunds from the federal Department of Veterans Affairs (VA) for residents eligible for aid and attendance benefits. Moreover, the facility still did not effectively monitor its payments to the VA for physician and nurse practitioner services as we reported in the three preceding audits. Lastly, the facility did not adequately segregate the procurement duties assigned to its two purchasing agents and its accountant as we recommended in the two preceding audit reports. The contents of the report were discussed with officials of the institution, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the Southwestern 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 (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 (Bureau) 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 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 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.

Southwestern Veterans Center

The Southwestern Veterans Center is located in the city of Pittsburgh, Allegheny County. The physical plant consists of one building, which was dedicated on July 14, 1997. Southwestern admitted its first resident on November 7, 1997. The facility includes a domiciliary/personal care unit and skilled and intermediate nursing units to provide care to those veterans who are disabled, indigent, or in need of care. Southwestern is fully licensed by the Commonwealth's Departments of Health (skilled and intermediate nursing unit) and Public Welfare (domiciliary unit).

¹ Military Affairs, 51 Pa. C.S.A. §902 (10).

Background Information

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

A commandant manages the day-to-day operations. In addition, a separately appointed advisory council assists in Southwestern's operations.² Funding for operations is provided from a combination of sources, including a state appropriation, federal reimbursements from the VA, and collection of maintenance fee assessments from residents.

The following schedule presents unaudited Southwestern operating data compiled for the fiscal years ended June 30, 2006, and 2007.

	2006	2007
Operating expenditures (rounded in thousands) ³		
State	\$14,520	\$15,362
Federal	<u>4,364</u>	<u>4,411</u>
Total	<u>\$18,884</u>	<u>\$19,773</u>
Employee complement at year end	290	287
Resident capacity at year end	236	236
Available bed days of care	86,140	86,140
Actual days of care	82,491	82,474
Average daily census ⁴	227	226
Percentage of bed days utilized	95.8%	95.7%
Daily average cost per resident ⁵	\$229	\$240
Yearly average cost per resident ⁶	\$83,585	\$87,600

² Military Affairs, 51 Pa. C.S.A. §704.

³ Operating expenditures were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation.

⁴ 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.

⁵ Daily average cost per resident was calculated by dividing the total operating expenditures by the actual days of care.

⁶ 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

The objectives for the current audit were selected from five general areas: Client Management, including an evaluation of the effectiveness of the admissions process; Contract Management, including a review of the medical services contract; Personnel Management, including an assessment of the adequacy of qualifications of the direct care staff; Expense Management, including reviews of Southwestern's maintenance and other significant expenses; and Revenue Management, including a review of the processing of estate billing claims. The audit also included an update on the status of prior audit findings and recommendations regarding the medical services contract and procurement.

The specific audit objectives were:

- To determine whether Southwestern complied with Department of Military and Veterans Affairs admission guidelines. (Finding 1)
- To determine whether Southwestern received free prescription drugs from the VA for its residents who qualified for aid and attendance benefits. (Finding 2)
- To evaluate the economy and efficiency of maintenance operations, as well as work order administration, including an assessment of the adequacy of controls over maintenance expenditures. (Finding 3)
- To determine whether Southwestern expenditures were reasonable and appropriate for the facility's mission. (Finding 4)
- To assess whether Southwestern employed qualified and sufficient levels of personnel to care for its residents, including whether Southwestern provided timely and effective criminal background screenings of prospective employees, training that complied with applicable guidelines, and sufficient numbers of direct care staff. (Findings 5 through 7)
- To determine whether Southwestern maximized its collections of estate billings. (Finding 8)
- To determine the status of management's corrective actions for prior audit findings that addressed the monitoring of the medical services contract, the segregation of duties over purchasing, and internal controls over advancement account checks.

Objectives, Scope and Methodology

The scope of the audit was from July 1, 2005, to February 8, 2008, unless indicated otherwise in the individual findings.

To accomplish these objectives, auditors reviewed the DMVA's and Southwestern's policies and procedures for application and determination of admissions eligibility to state veterans homes;⁷ and the VA Pittsburgh Healthcare System medical contract and renewals effective during the three fiscal years ended June 30, 2006, 2007, and 2008. Auditors reviewed the policies and procedures for maintenance operations, the work order system, and controls over expenditures. Auditors reviewed state law, federal regulations, and DPW regulations regarding criminal background checks, training, and minimum staffing levels, including the Older Adults Protective Services Act,⁸ Centers for Medicare and Medicaid Services regulations for long-term care facilities,⁹ and DPW regulations regarding personal care homes¹⁰ and long-term care nursing facilities.¹¹ They also reviewed DMVA estate recovery operating procedures.¹² To update their understanding of the prior audit's findings, they also reviewed the DMVA's written response, dated November 14, 2006, replying to the Auditor General report.

Auditors interviewed appropriate management and staff including the DMVA's Director of State Veterans Homes and Southwestern's Social Services Director, management and staff who were responsible for administration of the medical contract, the Facility Maintenance Manager, Maintenance Foreman, accounting personnel, the Business Manager and the Facility Reimbursement Officer. They also interviewed Southwestern management and staff to obtain an updated understanding of the progress in implementing the prior audit's recommendations and other corrective action to resolve the prior findings.

To accomplish the objective to determine whether Southwestern complied with Department of Military and Veterans Affairs admission guidelines, auditors examined the admissions records of 25 of 110 residents admitted to Southwestern between July 1, 2006, and October 24, 2007, and compared the application dates for the 98 applicants on Southwestern's admissions waiting list dated October 9, 2007, to the application dates for the above sample of 25 residents.

To accomplish the objective of determining whether Southwestern received free prescription drugs from the VA for its residents who qualified for aid and attendance benefits, auditors analyzed relevant pharmacy records from July 1, 2005, through September 30, 2007, for 56 residents eligible for aid and attendance benefits.

To accomplish the maintenance objectives to evaluate the economy and efficiency of maintenance operations, as well as work order administration, including an assessment of the adequacy of controls over maintenance expenditures, auditors analyzed the

⁷ <http://www.pacode.com/secure/data/043/chapter7/chap7toc.html> View Date: October 22, 2007.

⁸ 35 P. S. §10225.501 *et seq.*

⁹ 42 C. F. R. §483.75(e).

¹⁰ 55 Pa. Code §2600.51, §2600.57, and §2600.65.

¹¹ 28 Pa. Code §211.12.

¹² Office of the Deputy Adjutant General for Veterans' Affairs Policy, Department of Military and Veterans Affairs, Policy Number 02-2008, "Estate Recovery Operating Procedures," October 9, 2007.

Objectives, Scope and Methodology

documentation associated with 38 of 4,680 work orders completed between January 1, 2007, and December 31, 2007, examined the documentation associated with all 29 corrective work orders open on January 17, 2008, and examined the supporting documentation for all 72 maintenance credit card purchases between July 17, 2006, and October 15, 2007. Finally, the auditors reviewed the supporting documentation for \$207,949 of \$828,684 expended in the SAP system for maintenance (excluding payroll and utility costs) between July 1, 2005, and June 30, 2007.

To accomplish the Expense objective to determine whether Southwestern expenditures were reasonable and appropriate for the facility's mission, auditors examined the supporting documentation for 90 non-payroll transactions from 22 different vendors.

To accomplish the Staffing objective to assess whether Southwestern employed qualified and sufficient levels of personnel to care for its residents, including whether Southwestern provided timely and effective criminal background screenings of prospective employees, auditors examined the criminal history record information for 20 of the 42 employees who were hired or reassigned by Southwestern between January 1, 2007, and December 31, 2007. To accomplish the Staffing objective to determine that staff training complied with applicable guidelines, auditors reviewed Southwestern's 2007 orientation program, the 2006 annual training plan, and reviewed the training records for 28 of the facility's 147 direct care workers on November 2, 2007. To accomplish the Staffing objective to determine that Southwestern employed sufficient numbers of direct care staff, auditors analyzed the facility's staff schedules for the two-week pay period ended November 30, 2007.

To accomplish the Estate Recovery objective to determine whether Southwestern maximized its collections of estate billings, auditors examined the files of 35 of 181 former residents who either died or were discharged from Southwestern between July 1, 2005, and November 1, 2007.

Auditors also performed tests, as necessary, in prior audit areas to substantiate their understanding of Southwestern management's progress in resolving the prior audit findings.

Audit Results

Admissions

The DMVA maintains a series of homes throughout the Commonwealth to serve eligible veterans and spouses. The Commonwealth has established the following eligibility requirements for admittance into these facilities:¹³

An applicant must be an eligible veteran, spouse, or surviving spouse of an eligible veteran. An eligible veteran is defined as an individual who has served in the Armed Forces of the United States or the Pennsylvania Military Forces and was discharged under honorable conditions.

An applicant must be a bona fide resident of the Commonwealth. However, an eligible veteran who resides in another state may apply for admission if the applicant listed Pennsylvania as the home of record upon entry into active duty. An applicant who is not a bona fide resident of the Commonwealth at the time of admission may not be admitted if a bona fide resident of Pennsylvania is awaiting admission.

An applicant must be incapable of self-support and demonstrate a financial need for admission. The maximum income level is based on the service-connected disability compensation established by the United States Department of Veterans Affairs. An applicant whose income exceeds these levels may still qualify for admission if he/she can demonstrate exceptional circumstances creating a financial need for admission to the home.

An applicant must be approved for admission by the admissions committee at the home.

The following applicants are ineligible for admission:

- An applicant whose condition requires mental health care or custody.
- An applicant whose behavior creates a reasonable threat to the health safety, or welfare of others.
- An applicant whose condition requires treatment or levels 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.

¹³ 43 Pa. Code §7.3.

- An applicant who has a history of alcoholism or drug abuse and whose history indicates that the applicant may not be responsive to treatment or that the applicant may not accept or participate in available treatment programs.
- An applicant suffering from a contagious disease.
- An applicant who was convicted of a felony, unless the applicant has demonstrated good character and behavior and has no convictions for crimes or offenses for at least 5 years.

The home must offer qualified applicants admission in the order in which the DMVA received the completed applications, subject to the available services at the desired home and limitations on the percentage of non-veterans in any home.¹⁴

Finding 1 – Southwestern complied with DMVA admissions policies and procedures.

The review of admissions records for 25 of the 110 residents admitted to Southwestern between July 1, 2006, and October 24, 2007, disclosed that Southwestern followed DMVA guidelines for admissions. All 25 residents in the audit sample met the eligibility criteria. Furthermore, Southwestern offered the 25 qualified applicants admission in the order in which the DMVA received the completed applications (i.e., according to their positions on the waiting list).

Medical Services Contract

An agreement between Southwestern and the federal Department of Veterans Affairs (VA) Pittsburgh Healthcare System provides for the comprehensive medical care and treatment of Southwestern's residents. The contract and its renewals, effective during the three fiscal years ended June 30, 2006, 2007, and 2008, require the VA to furnish physician, nurse practitioner, psychiatric, psychological, podiatric, dental, pharmacy, audiology, laboratory, and radiology services. Additionally, the agreement provides that the VA will not charge for the prescription medications for Southwestern residents eligible for aid and attendance benefits.¹⁵ Southwestern expended approximately \$1,065,000 for pharmacy services from July 2005 through June 2007.

¹⁴ 43 Pa. Code §7.6.

¹⁵ Aid and attendance is a benefit paid to veterans in addition to the monthly pension. A veteran may be eligible for aid and attendance when the individual requires the regular attendance of another person to assist in eating, bathing, dressing and undressing, or taking care of the needs of nature. Eligibility may also apply to a veteran who is blind or a patient in a nursing home because of mental or physical incapacity. Refer to <http://www.vba.va.gov/bln/21/pension/vetpen.htm>.

Audit Results

Finding 2 – Southwestern did not request approximately \$67,230 in refunds from the VA for residents eligible for aid and attendance.

Southwestern's agreement with the VA Pittsburgh Healthcare System provides that the VA will not charge for the prescription medications dispensed to Southwestern residents who are eligible for aid and attendance benefits.

Southwestern did not request \$67,230 in refunds from the VA for prescription medications dispensed to residents awarded aid and attendance benefits retroactively after admission and to some residents during the month of eligibility notification. In the first circumstance, Southwestern did not receive refunds of the costs of prescription medications for 41 of the 56 sampled residents eligible for aid and attendance benefits at November 20, 2007. The VA awarded aid and attendance benefits to each of these 41 residents retroactively to the date of application, which was after admittance to Southwestern. Although Southwestern billed the VA for the 41 residents' basic aid and attendance benefits retroactively to the effective date of each award, it did not request a refund of the cost of prescription drugs dispensed between the effective date of each award and the date that Southwestern received notification of each resident's eligibility. As a result, Southwestern did not receive approximately \$63,570 in refunds of prescription medication costs.

Second, the review of pharmacy invoices for the same 56 residents disclosed 11 instances where the VA charged for prescription drugs dispensed during the month in which Southwestern received notification of a resident's aid and attendance eligibility. According to Southwestern personnel, the monitor for the medical contract did not compare Southwestern's updated list of residents eligible for aid and attendance benefits to the pharmacy invoices from the VA to ensure the propriety of the VA invoices. As a result, Southwestern overpaid and did not request approximately \$3,660 in refunds.

Recommendations:

Southwestern officials should immediately request the above \$67,230 in refunds from the VA. Also, the contract monitor should compare the updated list of eligible residents to the VA's pharmacy invoices to ensure accuracy. Finally, Southwestern should timely request refunds for the costs of prescribed medications as the VA retroactively awards eligibility for aid and attendance benefits.

Management Comments:

After a complete records review was conducted in order to properly request the refunds as outlined above, the refund request was made on March 28, 2008. Future monthly pharmacy invoices will be monitored to ensure those residents included within the invoice are not also eligible for aid and attendance benefits. Copies of any future benefit awards will also be forwarded to the VA billing office for reconciliation prior to the release of the monthly invoice.

Maintenance

Southwestern's maintenance department is responsible for the care and maintenance of the facility's building, grounds, motor vehicles, and equipment. The department employs eight workers, including the Facility Maintenance Manager and the Maintenance Foreman. Between July 1, 2005, and June 30, 2007, Southwestern expended approximately \$3.1 million for the maintenance of the facility.

Finding 3 – Southwestern effectively controlled its maintenance expenditures and work order system.

Southwestern adequately controlled its maintenance expenditures and effectively administered its work order system. The review of disbursements and 38 processed work orders did not disclose any unnecessary or exorbitant maintenance expenditures. Additionally, purchasing and receiving documents, invoices, and justifications accompanied the 72 sampled purchasing card disbursements. The examination of the 38 processed work orders also disclosed that the maintenance department timely completed maintenance work an average of two days after request. The maintenance department also documented the labor hours for the sampled work orders. Lastly, none of the 29 sampled open work orders involved emergency safety or security issues.

Expenses

The mission of the state veterans' homes is to provide Pennsylvania veterans and their spouses with personal, skilled nursing, and dementia care services in a safe, secure, and caring environment.¹⁶ To accomplish this mission, Southwestern provides its residents various medical, dietary, social, spiritual, and recreational goods or services. In addition, Southwestern provides support services, such as maintenance, housekeeping, and administration.

During the fiscal year ended June 30, 2007, Southwestern expended approximately \$20 million for its operations.

¹⁶ http://www.milvet.state.pa.us/DMVA/Docs_BVA/Publications/PA520VA%20Homes%20Brochure.pdf
View Date: February 14, 2008.

Audit Results

Finding 4 – Southwestern expenditures appeared to be reasonable and appropriate for the facility’s mission.

The review of the supporting documentation for 90 transactions from 22 different vendors did not disclose any excessive expenditures. The sampled expenditures, which totaled approximately \$130,500, appeared to be reasonable and necessary for operations. The 90 transactions involved the purchase of supplies and services for the facility’s residents, including medical supplies (oxygen, catheters, and beds), personal hygiene items and services (razors, shaving cream, and haircuts), and maintenance services (van repairs and security radio repairs).

Staffing

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

State law, federal regulations, and Department of Public Welfare (DPW) regulations establish requirements for the verification of criminal histories, training, and staffing levels for the facility’s direct care staff.

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

Section 502 of the Older Adults Protective Services Act mandates Southwestern to require all job applicants to submit with their applications a report of criminal history record information or a statement from the state police that the central repository contains no such information relating to that person.¹⁷ Section 503 of the Act precludes the hire or retention of an employee who has been convicted of any of the offenses listed in the Act.¹⁸

Section 506 of the Older Adults Protective Services Act permits provisional employees for limited periods, as follows:

...Administrators may employ applicants on a provisional basis for a single period not to exceed 30 days...if all of the following conditions are met:

- 1. The applicant has applied for the information required under section 502 and the applicant provides a copy of the appropriate completed request forms to the administrator.*

¹⁷ 35 P. S. §10225.502.

¹⁸ 35 P. S. §10225.503.

2. *The administrator has no knowledge of information pertaining to the applicant, which would disqualify him from employment...*
3. *The applicant swears or affirms in writing that he is not disqualified from employment under section 503.*
4. *If the information obtained under section 502 reveals that the applicant is disqualified from employment under section 503, the applicant shall be immediately dismissed by the administrator.*
5. *The department shall develop guidelines regarding the supervision of applicants...*¹⁹

The examination of the criminal history record information for 20 of the 42 employees who were hired or reassigned by Southwestern between January 1, 2007, and December 31, 2007, disclosed that 19 of the 20 sampled applicants submitted criminal history background checks prior to the hire date. None of these 19 employees had been convicted of a crime.

Southwestern hired the remaining employee on a provisional basis in compliance with Section 506 of the Older Adults Protective Services Act. The DMVA promptly terminated the employment of the nurse aide when receipt of the background check disclosed a criminal history. According to Southwestern management, the convictions did not involve any of the offenses listed in Section 506 of the Older Adults Protective Services Act. DMVA, however, believed that the criminal background could impair the probationary employee's ability to perform satisfactorily as a nurse aide. The nurse aide was provisionally employed by Southwestern for 16 days.

Finding 6 – Southwestern provided its direct care employees the required orientation and continuing education training.

The Centers for Medicare and Medicaid Services regulations for long-term care facilities require each facility to provide its nurse aides with regular in-service education that is sufficient to ensure their continuing competence but is no less than 12 hours per year. The nurse aide training and competency evaluation program must be approved by the State.²⁰

DPW regulations for personal care homes require each facility to provide its direct care workers with orientation and continuing education that focus on the skills and safety of both the direct care staff and residents. Section 2600.65 of Title 55 of the Pennsylvania Code specifies the required content of the orientation training. Additionally, the regulations state that direct care staff persons hired after April 24, 2006, must successfully complete the direct care training course approved by DPW and pass the related competency test before they provide unsupervised services for any resident's activities of daily living. Lastly, the

¹⁹ 35 P. S. §10225.506.

²⁰ 42 C. F. R. §483.75(e) .

Audit Results

regulations require direct care staff persons to complete at least 12 hours of annual training related to their job duties.²¹

Southwestern provided its direct care employees the required orientation and continuing education training. The review of training records for the sample of 28 direct care workers disclosed that 21 of these employees received 16 hours of training related to their particular job duties during the 2006 calendar year. The remaining seven employees were hired during 2006 or 2007 and received either 24 hours (nurse aides) or 32 hours (licensed nurses) of the required orientation training prior to working with residents. All sampled direct care workers passed the approved competency test.

Finding 7 – Southwestern staff levels either met or exceeded the established minimums.

Commonwealth regulations for personal care homes mandate that direct care staff persons be available to provide at least one hour per day of personal care services to each mobile resident. The regulations also require that at least 75 percent of the personal care hours be available during waking hours.²²

Commonwealth regulations for long-term care nursing facilities establish minimum nursing staff-to-resident ratios. Section 211.12 of Title 28 of the Pennsylvania Code requires one nursing staff employee on duty per 20 residents. The regulations also require the number of general nursing care hours for the entire facility to total a minimum of 2.7 hours of direct care for each resident in each 24-hour period.

A comparison of the facility's resident census data to employee staff levels during the two-week pay period ended on November 30, 2007, disclosed that Southwestern provided staff levels that either met or exceeded the required minimum levels.

Estate Recovery

The DMVA has established policy and procedures to recover any unpaid costs of maintaining a resident of a state veterans' home from the resident's estate after his or her death.²³ The DMVA requires veterans' homes to submit an estate recovery file to the DMVA's Office of Chief Counsel within 30 days of a resident's death or discharge in order to assert DMVA's claim against an estate. Each estate recovery file must include the resident's initial admissions documents with information pertaining to the resident's financial assets, annual acknowledgment of the per diem charges, a report of the monthly charges from the date of admission to date of the resident's death or discharge, and the

²¹ 55 Pa. Code §2600.65.

²² 55 Pa. Code §2600.57.

²³ Office of the Deputy Adjutant General for Veterans' Affairs Policy, Department of Military and Veterans Affairs, Policy Number 02-2008, "Estate Recovery Operating Procedures," October 9, 2007.

resident's total unpaid bill. According to Southwestern's financial reports, the facility received approximately \$650,000 in estate billings from July 1, 2005, through June 30, 2007.

Finding 8 – Southwestern did not take the necessary steps to maximize estate collections.

DMVA policy requires veterans' homes to submit an estate recovery file to the DMVA's Office of Chief Counsel within 30 days of a resident's death or discharge in order to assert DMVA's claim against an estate. The review of records for 35 of 181 residents who either died or were discharged between July 1, 2005, and November 1, 2007, disclosed that Southwestern did not submit estate recovery files timely to the DMVA Office of Chief Counsel.

We determined that 2 of the 35 sampled residents paid the full per diem and did not owe any money to the facility. Southwestern did not submit any of the files for ten discharged residents who were identified by the facility as alive at November 1, 2007. However, the facility failed to submit an estate recovery file to the DMVA's Office of Chief Counsel for one of the residents that had died in June 2007, and the deceased resident's estate could have been billed.

Of the remaining 23 files reviewed, we determined that Southwestern sent only one deceased resident's file to the DMVA within the required filing period. The facility did not timely submit 19 of 23 files for residents who were identified by the facility as deceased as of November 1, 2007. More specifically, submission of the 19 files averaged 151 days after the deaths or discharges of the residents and ranged from 33 to 555 days after the deaths or discharges. Finally, the facility did not indicate the date of submission for three deceased residents.

According to Southwestern management, the workload of the facility's revenue department often caused delays in the submission of estate recovery files to the DMVA. Moreover, facility revenue department personnel had not yet utilized an internet website that the DMVA Chief Counsel provided them in October 2007 to determine whether any previously discharged residents had died. As a result, the facility failed to comply with DMVA policy and procedures for estate recovery and did not maximize its collections of estate billings.

The 35 residents in the audit sample owed Southwestern approximately \$2,890,600 at the time of their deaths or discharges. As of December 18, 2007, Southwestern collected approximately \$63,500 from those estates. While it is unlikely that timely billings would result in recoupment of all of those costs, the failure to submit the estate recovery files in a timely manner reduces the probability of collection.

Audit Results

Recommendations:

Southwestern management should ensure compliance with DMVA policy and procedures for estate recovery. Management should evaluate and make any necessary changes to the workload of the facility's revenue department to ensure that estate recovery files are submitted to the DMVA Office of Chief Counsel within 30 days of a resident's death or discharge. Additionally, revenue department personnel should regularly review the website recommended by the DMVA Chief Counsel to determine whether any previously discharged residents had died.

Management Comments:

All discharged resident accounts were reviewed for proper processing per DMVA policies and procedures for estate recovery. As of this date, all required records have been submitted to the DMVA Office of Chief Council. The referenced website has been shared throughout the revenue department and monthly checks will be conducted by the revenue department to determine whether any previously discharged residents have died.

Status of Prior Audit Findings and Recommendations

Objectives, Scope and Methodology

The following is a summary of the findings and recommendations presented in our audit report from July 1, 2003, to October 7, 2005, along with descriptions of Southwestern's disposition of the recommendations.

Prior Audit Results

Prior Finding II-1 – Southwestern did not effectively monitor the medical services contract again.

The three preceding audits reported that Southwestern did not effectively monitor its payments to the federal Department of Veterans Affairs (VA) for physician or nurse practitioner medical services. The VA Pittsburgh Healthcare System medical services contract required Southwestern to pay the VA only for service hours actually provided. However, Southwestern paid the VA for physician and nurse practitioner vacation, sick, and holiday hours, resulting in a cumulative overpayment of \$72,929 from January 2000 through October 2003. Moreover, Southwestern paid for physician and nurse practitioner hours at rates that differed from those stipulated in the contract, resulting in a cumulative underpayment of \$56,070 from February 2003 through October 2003. The net overpayment to the contractor was \$16,859.

The immediately preceding audit also reported that Southwestern management did not appoint a contract monitor to oversee the medical contract. Accounting personnel did not verify that services and procedures were actually provided or that the charged rates complied with the contract. Additionally, Southwestern did not require medical contract personnel to complete sign-in sheets.

We recommended that Southwestern management designate a contract monitor for the medical services contract to ensure that the VA charges Southwestern for only actual service hours at the appropriate rates in order to avoid overpayments or underpayments.

Status:

To follow up on the deficiencies noted in the prior report, the auditors interviewed Southwestern accounting personnel, as well as its assistant director of nursing. The auditors also reviewed Southwestern's contracts with the VA for medical services from April 2005

Status of Prior Audit Findings and Recommendations

through June 2007, physician and nurse practitioner invoices from July 2005 through June 2007, and medical personnel sign-in sheets from October 2006 through June 2007.

The current audit disclosed that Southwestern substantially implemented the recommendations of the prior report. In September 2007, Southwestern and the VA entered into an agreement that settled the prior report's billing discrepancies from January 2000 through October 2003. As a result of this agreement, we concluded that all prior outstanding balances were satisfied.

In July 2005, Southwestern designated the assistant director of nursing as the monitor of the medical services contract. As of October 2006, Southwestern required medical contract personnel to complete sign-in sheets. Our review of physician and nurse practitioner invoices from July 2005 through June 2007 and our reconciliation of the corresponding invoices to the sign-in sheets from October 2006 through June 2007 disclosed that Southwestern paid for actual hours of service at the contracted rates with two exceptions. The VA billed Southwestern for physician and nurse practitioner services for two nonexistent days in February 2007 (i.e., February 29 and 30). The contract monitor did not note the discrepancies on the associated invoice. As a result, Southwestern overpaid the VA \$2,159.

Recommendations:

Southwestern management should require the medical contract monitor to carefully reconcile the medical contract invoices to the sign-in sheets in order to ensure that payments are accurate. Southwestern should request a \$2,159 credit from the VA for the February overpayments.

Management Comments:

Southwestern requested the overpayment refund on January 10, 2008 and received the refund on February 11, 2008. The contract monitor has been provided instruction on reconciling invoices for these services against the original sign-in sheets to ensure accurate payment for services rendered.

Prior Finding IV-2 – Employee duties continued to be improperly assigned in the SAP R/3 Materials Management module.

The two preceding audits reported that Southwestern did not adequately segregate the duties assigned to employees who had access to the SAP R/3 Materials Management module. The immediately preceding audit reported that the facility's purchasing agents, accountant, accounting assistant, and inventory clerk were assigned the duties of purchaser, requisitioner, and receiver. Therefore, these employees could individually create a purchase requisition, complete the purchase order, and then receive and post the order for goods valued up to \$3,000.

Status of Prior Audit Findings and Recommendations

We recommended that Southwestern's business office personnel review each purchase to ensure that only valid and necessary purchases are made. We also recommended that Southwestern implement compensating controls to prevent any one individual from creating a purchase requisition, preparing the purchase order, and then receiving the order.

Status:

To follow up on the internal control deficiencies noted in the prior report, the auditors interviewed appropriate Southwestern personnel, including the senior purchasing agent. The auditors also reviewed the Commonwealth management directive regarding procurement role assignments, security, and internal control maintenance,²⁴ as well as the master roles document on the Commonwealth's Integrated Enterprise System (IES) web site.²⁵ Finally, the auditors examined summaries of the procurement roles assigned to the facility's purchasing agents, accountant, accounting assistant, and inventory clerks.

The current audit disclosed that Southwestern still did not comply with the recommendations of the prior report. Although the facility's accounting assistant and inventory clerks were not assigned conflicting roles, its two purchasing agents and accountant were assigned R3 purchaser roles as well as receiver or requisitioner roles.

According to the IES master roles document, employees who receive purchaser roles should not receive requisitioner or receiver roles. Similarly, the IES guidelines indicate that employees who are assigned receiver roles should not be assigned purchaser roles.²⁶

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

...Roles should be assigned to ensure segregation of duties and avoid role conflicts. If it is determined that it is operationally necessary to assign roles in a manner that creates a role conflict, approval must be obtained from the Agency Head or appropriate designee with agency authority.²⁷

Additionally, the above directive requires the organization to develop safeguards to deter and detect errors or inappropriate transactions in those situations that require role conflict exceptions. Since the prior audit, Southwestern management did not request any waivers for the aforementioned role conflicts or develop compensating internal controls to prevent inappropriate transactions.

During the testing of the IES procurement function, auditors observed that a purchase order less than \$5,000 did not require additional management approval. Thus, in the absence of compensating internal controls, the above role assignments for the facility's two purchasing

²⁴ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," June 13, 2005.

²⁵ http://oaess.state.pa.us/MasterRolesDoc/Procurement_Roles.htm View Date: January 24, 2008.

²⁶ Ibid.

²⁷ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," June 13, 2005.

Status of Prior Audit Findings and Recommendations

agents and accountant provided these employees the ability to create purchase orders and receive goods valued up to \$5,000.

Recommendations:

Southwestern should evaluate the IES roles assigned to business office personnel and remove any conflicting roles. If conflicting roles are necessary to perform essential functions, Southwestern should request the appropriate waivers and develop compensating controls.

Management Comments:

After the original audit finding, the Department of Military and Veterans Affairs had the receiver function removed from the purchasing positions. The receiver role is also embedded in the Inventory Administrator and Planner roles; however, the individual assigning the roles was unaware of this and therefore had not requested a waiver for the conflict. These roles were given to the procurement positions in order to complete the implementation of SAP inventory. SAP inventory is now up and running and these roles are no longer needed within the purchasing office. As of March 28, 2008, the roles have been removed. In the event SWVC needs to add similar roles in the future, a waiver will be requested and obtained prior to access being granted.

Prior Finding IV-3 – Inadequate controls over advancement account checks continued.

The two preceding audits reported that Southwestern did not adequately review advancement account purchases. Testing of 30 advancement account transactions disclosed that Southwestern management did not review or approve the advancement account checks prior to mailing. An accounting office employee entered purchase invoice information into the SAP R/3 system, and the SAP R/3 system generated an electronically signed check, which was then mailed to the vendor without additional review by Southwestern management. Additionally, although the Department's central office comptroller had the authority to review the support for any advancement account check, the office rarely, if ever, requested supporting documentation for advancement account transactions.

We recommended that Southwestern's business office management review and approve all advancement account checks and supporting documentation prior to releasing the checks for payment.

Status of Prior Audit Findings and Recommendations

Status:

To follow up on the deficiencies noted in the prior report, the auditors interviewed Southwestern accounting personnel and examined the supporting documentation and check registers for all 153 advancement account checks issued by the facility between January 1, 2006, and September 30, 2007.

The current audit disclosed that Southwestern implemented the prior report's recommendation. According to Southwestern personnel, the accounting assistant prepared the advancement account checks and obtained the supporting documentation, while the accountant reviewed and approved the checks and supporting documentation prior to releasing the checks for payment. The accounting assistant prepared the check register each month, and the accountant reviewed and signed the check register with the attached supporting documentation.

The review of the advancement account check registers, the 153 checks, and supporting documentation from January 1, 2006, through September 30, 2007, disclosed that the facility's accountant reconciled and then signed each monthly check register with the supporting documentation. The accountant documented his approval of each purchase. Lastly, supporting documentation (including receipts, invoices, and receiving reports) accompanied all purchases.

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