



Performance Audit

Southwestern Veterans Center

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

October 2012

October 11, 2012

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

Dear Governor Corbett:

This report contains the results of a performance audit of the Southwestern Veterans Center of the Department of Military and Veterans Affairs from July 1, 2008, to November 4, 2011. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details the audit objectives, scope, methodology, findings, and recommendations. The report indicates that Southwestern Veterans Center again failed to adequately monitor medical services contracts resulting in the Center's inability to verify the receipt of consultative services for which the Center paid over \$33,000. Inadequate monitoring also led to a \$10,000 overpayment to a medical services contractor. Another finding is that the Center waited more than two years to request more than \$100,000 in pharmacy-related refunds when those refunds should have been requested monthly; during the same period the Center also missed nearly \$20,000 more in pharmacy related refunds. We discussed the contents of the report with the management of Southwestern Veterans Center, and all appropriate comments are reflected in the report.

Overpaying for medical services and inadequate monitoring of contracts have been ongoing problems at the Center for years. In fact, we have identified deficiencies related to the medical services contracts in each of our four audits of the Center dating back to 1999. In response to each audit finding and recommendation, the Department has routinely agreed with our findings and outlined plans for corrective action. However, corrective action has never been fully implemented, and these deficiencies have continued audit after audit, including this one. Accordingly, we cannot be sure that the Center will actually implement the corrective action necessary to ensure that the Center is paying only for medical services actually rendered and in accordance with contract provisions.

The deficiencies related to the overpayment of pharmacy charges are also not new. We first identified this problem in the audit released in July 2008. Again, the Department agreed with our findings and indicated that it would implement procedures to fix the problem. But once again we find that the problems continue, costing the Center thousands of dollars in overpayments.

In these tight fiscal times when agencies are faced with budget cuts, it is incumbent upon all agencies to identify wasteful spending and to maximize revenues. We bring these serious deficiencies to your attention with the expectation that you can ensure greater responsiveness from the Southwestern Veterans Center management with regard to our recommendations. In that way, you can further ensure that wasteful spending is eliminated and that more of the Center's funds are available to provide quality service to the veterans of Pennsylvania.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Military and Veterans Affairs

*History, mission,
and operating
statistics*

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

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

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

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

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

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

² http://www.dmva.state.pa.us/portal/server.pt/community/dmva_home/5902, accessed April 7, 2011, verified July 24, 2012.

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State Veterans Home System

Pennsylvania offers its veterans six extended care facilities throughout the Commonwealth. The level of care provided includes personal care, skilled nursing care, domiciliary care, and dementia care to veterans who served in the Armed Forces of the United States or in the Pennsylvania Military Forces and who were released from service under honorable conditions. As of February 24, 2012, the Department operated six state veterans' facilities:

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

Southwestern Veterans Center

The Southwestern Veterans Center (Center) is located in the city of Pittsburgh, Allegheny County. The physical plant consists of one building, which was dedicated on July 14, 1997. The Center admitted its first resident on November 7, 1997. The Center provides nursing care, and personal/domiciliary care. It is fully licensed by the Commonwealth's Department of Health (nursing care), and Department of Public Welfare licenses (personal/domiciliary care).

A commandant manages the day-to-day operations of the Center. In addition, a separately appointed advisory council assists in Veterans Center's operations.³ A combination of sources provides funding for the Center's operations including a state appropriation, federal reimbursements from the Veterans Administration, and the collection of maintenance fee assessments from residents.

³ Military Affairs, 51 Pa. C.S.A. §704.

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The following schedule presents unaudited Center operating data compiled by the Department of Military and Veterans Affairs for the fiscal years ending June 30, 2009, and 2010.

	2009	2010
Operating expenditures⁴		
State	\$15,058,901	\$13,644,988
Federal	<u>6,621,468</u>	<u>7,960,148</u>
Total operating expenditures	<u>\$21,680,369</u>	<u>\$21,605,136</u>
Employee complement positions at year-end	275	288
Bed capacity at year-end		
Nursing unit	204	204
Domiciliary/Personal unit	<u>32</u>	<u>32</u>
Total	<u>236</u>	<u>236</u>
Resident population at year-end		
Nursing unit	199	204
Domiciliary/Personal unit	<u>32</u>	<u>32</u>
Total	<u>231</u>	<u>236</u>
Available resident days of care for the year ⁵		
Nursing unit	74,460	74,460
Domiciliary/Personal unit	<u>11,680</u>	<u>11,680</u>
Total	<u>86,140</u>	<u>86,140</u>

⁴ Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level and indirect charges were not allocated to the totals reported here.

⁵ The available resident days of care for the year figure was calculated by multiplying the bed capacity at year-end by the number of days in the year.

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	2009	2010
Actual resident days of care for the year		
Nursing unit	70,488	71,261
Domiciliary/Personal unit	<u>11,166</u>	<u>11,016</u>
Total	<u>81,654</u>	<u>82,277</u>
Percentage of days utilized ⁶		
Nursing unit	94.6%	95.7%
Domiciliary/Personal unit	95.6%	94.3%
Average resident cost, per resident, per day ⁷	\$266	\$263
Average resident cost, per resident, per year ⁸	\$97,090	\$95,995

Department of Health Licensure

All long-term care facilities must have a license to operate in Pennsylvania. The Pennsylvania Department of Health is responsible for monitoring and inspection of long-term care facilities. The inspections are called surveys. The Pennsylvania Department of Health surveys these facilities to ensure that they are complying with state licensure and federal regulations.⁹ The federal regulations are applicable for facilities that receive federal Medicare and/or Medicaid reimbursement.¹⁰

During a facility survey, non-compliance with regulations or deficiencies are identified and reported to the facility for correction. The facility is

⁶ Percentage of days utilized was calculated by dividing the actual resident days of care by the available resident days of care.

⁷ Average resident cost per resident per day was calculated by dividing the total operating expenses by the combined actual beds days of care.

⁸ Average resident cost per resident per year was calculated by multiplying the daily average cost per resident by the number of calendar days in the year.

⁹ 28 Pa. Code § 201, "Applicability, Definitions, Ownership and General Operation of Long-Term Care Nursing Facilities;"

28 Pa. Code § 211, "Program Standards for Long-Term Care Nursing Facilities."

¹⁰ United States Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS), CMS Manual System, Publication 100-07 – "State Operations Provider Certification."

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required to complete a plan of correction for each deficiency reported. The plan must include how the facility will correct the deficiencies and what system will be implemented to prevent reoccurrence.¹¹

Surveyors, also known as inspectors, from the Pennsylvania Department of Health's Division of Nursing Care Facilities visit all of the nursing homes in Pennsylvania to determine their compliance with state licensure regulations and federal Medicare and Medicaid regulations. Visits are conducted for a variety of reasons, such as yearly surveys, follow-up visits, and complaint and incident or abuse investigations. If the Pennsylvania Department of Health determines that there are violations of the state or federal regulations, a "Statement of Deficiencies" is sent to the nursing home. A "Statement of Deficiencies" includes information about both the violated regulations and the facts found by the surveyors, which demonstrate the violation of the regulations. The nursing home is required to prepare a plan to correct the violations, unless the violations are very minor, and the plan, called a "Plan of Correction," is submitted to the Department of Health's Division of Nursing Care Facilities.¹²

We reviewed 30 Pennsylvania Department of Health surveys conducted at the Center from July 2008 through March 2011. The surveys identified minor deficiencies. The Center appropriately addressed the deficiencies through the timely completion of plans of correction that were approved by the Department of Health.

¹¹<http://app2.health.state.pa.us/commonpoc/content/publicweb/Definitions.htm>; viewed January 26, 2012, verified May 15, 2012.

¹²<http://app2.health.state.pa.us/commonpoc/content/publicweb/NCFTText.htm>; viewed November 23, 2010, verified May 15, 2012.

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**Objectives,
Scope, and
Methodology**

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**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.

Our primary objective of the performance audit of Southwestern Veterans Center was to assess the controls over the medical services and pharmacy contract, including contract monitoring.

Unless indicated otherwise, the scope of the audit includes the period of July 1, 2008, to November 4, 2011.

To accomplish our objective, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Commonwealth and the Department of Military and Veterans Affairs. In the course of our audit work, we interviewed various facility management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analyses conducted for our audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed pharmacy refunds for aid and attendance eligible residents, estate billings, ineffective monitoring of the medical services contract, and SAP role assignment.

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Audit Results

In the pages that follow, we have organized our audit results as follows:

- Statement of the objective.
- Relevant agreements.
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit.
- Methodologies used to gather sufficient evidence to meet the objective.
- Finding(s) and conclusion(s).
- Recommendation(s), where applicable.
- Response by Southwestern Veterans Center management, where applicable.
- Our evaluation of Southwestern Veterans Center management's response, where applicable.

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and
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**Audit Results
for
Objective
One**

The objective

Objective one for our performance audit was to assess controls over the medical services and pharmacy contract, including contract monitoring.

Relevant agreements

*Medical Services
and Pharmacy
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The Center contracted with the United States Department of Veterans Affairs, VA Pittsburgh Healthcare System (VAPHS) for comprehensive medical and pharmaceutical services. Specifically, the contract provides for general health care and the specialized medical services of a physician, certified registered nurse practitioner, psychiatrist, psychologist, podiatrist, and dentist as well as audiology, speech pathology, laboratory and radiology services. In addition, the contract provides for pharmaceutical services including drug distribution, emergency carts, and consultative services. The total dollar value of the contract for services during our audit period totaled approximately \$3.7 million.

The pharmaceutical portion of the contract included a provision that the VAPHS would not charge for the prescription medications for Center residents eligible for aid and attendance benefits.¹³

The Pennsylvania Department of Military and Veterans and the Center has not established policies and procedures for the monitoring of the medical services/ pharmacy contract. However, the Commonwealth of Pennsylvania does have written procedures on the monitoring of contracts which we used as a basis for compliance during our examination.¹⁴

¹³ According to the United States Department of Veterans Affairs, 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 or 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#7>, July 23, 2012.

¹⁴The Commonwealth of Pennsylvania has a Procurement Handbook that established policy and procedures for the use of contracts to procure services. Included in that handbook are procedures to monitor the services provided by the contracts http://www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304. Part I Chapter 54, "Contact Person Responsibilities." This manual undergoes continuous updates.

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Methodologies to meet our objective

We obtained and reviewed the contract between the Center and the VAPHS.¹⁵

We interviewed the appropriate Center personnel to establish our understanding of the contract's terms and conditions and the Center's monitoring efforts.

We reviewed 66 monthly VAPHS medical services invoices (33 for the physician and 33 for the nurse practitioner) and the supporting Center sign-in sheets for the hours charged from July 2008 to March 2011.

We verified the accuracy of the invoices and reviewed the supporting documentation for the invoices for medical related consultation services provided under the contract, which totaled \$33,123 for the period July 2008 to June 2010.

In order to review the Center's activity under the contract, we compared the Center's revenue department monthly listings of 47 residents who were eligible for aid and attendance benefits to the VAPHS's monthly invoices for prescription medication. Our monthly comparison was done for the 36-month period from July 2008 through June 2011.

We selected an additional 67 residents and reviewed their medical charts to verify that the contractually required monthly reviews of medical charts were completed by physicians for a 24 month period from July 2008 through June 2010.

We selected one medication from each of the selected 67 residents' charts and verified that the medication listed matched the applicable month's invoice for quantity and price. We also compared the applicable month's

¹⁵ Agreement for use of Department of Veterans Affairs Health Care Resources, Agreement Number V244-S-00021, effective December 1, 2006 through June 30, 2007 with monthly extensions indefinitely. We reviewed the monthly extensions through September 30, 2011.

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invoice medication price to the Federal Supply Schedule¹⁶ to verify accuracy of billings.

We reviewed 24 monthly pharmacy related invoices from July 2008 to June 2010 to determine if billings were properly reviewed and approved prior to payment.

Finding 1

Southwestern Veterans Center failed to monitor its medical services contract resulting in the Center's inability to verify more than \$33,000 paid for consultative services, and the Center being overcharged more than \$10,000 for other medical services. Similar deficiencies were identified in prior audit reports and the Center failed to adequately correct the problem.

Our three preceding audits reported that the Center did not effectively monitor its payments to the VAPHS for physician or nurse practitioner medical services. The VAPHS medical services contract required the Center to pay only for service hours actually provided. Our current audit found that the Center did not implement our prior audit recommendations which included assigning a contract monitor to this contract and having the monitor carefully reconcile the medical contract invoices to the contractor's sign-in sheets in order to ensure that billings were accurate.

The Center received separate monthly invoices from the VAPHS for all medical services and pharmacy related charges. These charges included prescription drugs dispensed to residents, emergency cart restocking, and services performed by contractor's medical staff such as medical chart reviews, examinations and consultative services. Our examination of invoices found that the Center did not verify that the medical services and related charges recorded on the invoices were actually provided. In the sections that follow, we provide the details of the specific areas where the Center failed to adequately monitor the contract.

¹⁶ According to the United States Department of Veterans Affairs, the Federal Supply Schedule is a multiple award, multi-year federal contract that is available for use by any Federal Government agency. Refer to <http://www.pbm.va.gov/DrugPharmaceuticalPrices.aspx> view date July 6, 2011, verified July 24, 2012.

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Consultative Services. A review of the monthly invoices for the two-year period of July 2008 to June 2010 found that Center was billed for 362 hours of consultative services at \$91.50 an hour for a total of \$33,123 for the two-year period. The Center paid for these charges without verifying what types of services were provided. Our discussions with Center management revealed that management did not have documentation to support what services were provided, who provided them, and when the services were actually performed. Even more troubling was the fact that management also could not provide us with an explanation regarding the specific billable activities that were considered consultative services.

Further, the VAPHS contract did not include an explanation of the consultative services. In order to provide a response to our inquiries about consultative services, Center personnel asked VAPHS to provide a detailed description of consultative services. According to an August 8, 2011, email from VAPHS personnel to Center management, a minimum of 12.5 hours consultative services were performed monthly on various quality assurance functions including, but not limited to, ward inspections, monitoring of the dispensing of meds to residents, and attendance at pharmacy and therapeutics meetings.

Our interview with the Center's accountant, who approved the medical service invoices for payment, revealed that he only reviewed the invoices to ensure that the correct month and fund numbers were charged prior to approving them for payment. The accountant stated that he did not verify if services were actually received. He stated that the contract monitor, identified as the clinical services manager/director of nursing, was responsible for verifying that services were actually provided. A serious internal control deficiency was identified when we learned that the invoices were delivered directly to the accountant's office for processing. Thus, the contract monitor never had the opportunity to review the invoices prior to payment. The accountant could not provide us with an explanation for this oversight.

We identified another deficiency related to contract monitoring when we interviewed the clinical services manager/director of nursing. Specifically, we found that this employee was unaware that she was

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assigned the responsibility for monitoring the medical services/pharmacy contract.

Subsequent to our interview with the director of nursing, and in response to an inquiry from director of nursing, the Center's management formally informed the clinical services manager/director of nursing that she was the contract monitor in an email dated July 25, 2011. Regardless of whether the director of nursing knew of her monitoring responsibilities, she never received the invoices for consultative services to review and approve during the audit period. Thus, the Center again failed to ensure that invoices for medical services were correct and accurate prior to payment.

Medical Services. Our current review of 66 physician and nurse practitioner invoices over a thirty-three month time period revealed that the Center failed to monitor the physician and nurse hours charged to the Center. This monitoring deficiency was identified in our prior audit reports, and based on our current audit testing we concluded that the Center failed to implement corrective action.

Our reconciliation of the hours charged on the invoices to hours recorded on the sign-in sheets from July 2008 through March 2011 found 10 errors totaling \$10,250 in overcharges. In each instance, the hours recorded on the invoices exceeded the actual hours documented on the sign-in sheets. The Center provided each VAPHS physician and nurse practitioner with monthly sign-in sheets in order to document hours worked. The sign-in sheets are located at the entrance of the Center and the VAPHS personnel are required to document the time of arrival and departure as well as their signature. The variances between time charged on the invoices and the sign-in sheets ranged from a minor overcharge totaling \$206 for 3.65 additional hours for the nurse practitioner in February 2009 to a larger overcharge of \$2,465 for 43.75 additional hours for nurse practitioner services in June 2010.

In response to our prior audit, the Department ensured us that the Center would address this deficiency and stated that the contract monitor was provided with specific instructions on procedures for reconciling invoices for these services against the contractor's sign-in sheets to ensure accurate payment for services rendered. While the Center's "plan" for corrective

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action was adequate, it appears that the actual implementation of the plan did not occur.

As stated previously in this finding, all VAPHS invoices for medical service were delivered directly to the accountant or the business manager for approval and payment. The contract monitor was unaware of her responsibilities and was not provided an opportunity to review and approve the invoices.

After discussing the results of our examination with the Center's accountant, he agreed that errors were made with the review and approval of these invoices. Based on the results of our testing, the Center should request a refund of \$10,250 from the VAPHS.

Chart reviews and medication billings. Our audit of 67 residents' charts selected for review found that contractually required monthly chart reviews were completed by the physicians timely and properly billed. In addition, we selected one medication item from each of the 67 resident's charts and verified that the medication listed matched the applicable month's invoice for quantity and price. We also compared the applicable month's invoice medication price charged by the VAPHS to the Federal Supply Schedule. Our testing found VAPHS charged the Center the correct price for all selected items.

**Recommendations
for Finding 1**

1. Southwestern Veterans Center should develop and implement monitoring procedures that will strengthen the oversight of all aspects of the medical and pharmaceutical service contract, especially the receipt of consultative services.
2. We again recommend that Center management require the medical services contract monitor to carefully reconcile the medical services invoices to the sign-in sheets in order to ensure that payments are accurate. The Center should immediately request a \$10,250 refund from the VAPHS for the overpayments.

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Southwestern Veterans Center's Management Response:

Southwestern Veterans' Center has appointed a monitor for the VAPHS contract. This monitor is the Director of Nursing (DON). The DON will verify the number of hours provided by the clinicians against the VAPHS bill. The VA clinicians will sign-in and out of the log book at Security for each day they visit. The Commandant's Secretary will collect the pages monthly and fax them to the VAPHS. She will also tally them on a spreadsheet for better verification and record keeping. The Secretary will also update the log book with new sign-in sheets monthly. The Secretary will make this spreadsheet available to the DON for the purposes of verifying the number of hours being billed versus the number of hours recorded in the log book. The DON will receive the VAPHS bill first so that hours and services can be checked prior to the Accountant processing the bill. Additionally, we will request a refund of \$10,250 from VAPHS per your recommendation.

Our evaluation of the Center's response:

The corrective action outlined in the management response above, if fully implemented, should address the deficiencies identified in this finding. We will review the status of the implementation of our recommendations during our next audit.

Finding 2

Southwestern Veterans Center again failed to request refunds of more than \$100,000 for pharmacy related charges in a timely manner. In addition, the Center unnecessarily paid a contractor more than \$19,500 in other pharmacy related charges.

The pharmacy contract included a provision that the VAPHS would not charge for the prescription medications for Center residents eligible for aid and attendance benefits. According to the United States Department of Veterans Affairs, or USDVA, *Aid and Attendance* is a benefit for veterans in addition to their 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 or undressing, or

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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.¹⁷

Upon admission to the Center, each resident completes an application for aid and attendance and submits it to the USDVA for approval. It may take weeks or months for eligibility to be approved. During that time, the VAPHS bills the Center for any pharmacy charges related to residents not eligible for aid and attendance. Once a resident is approved, the eligibility date becomes retroactive to the date of the application. Therefore, the Center must request a refund from the VAPHS for all prescription medications dispensed to residents awarded aid and attendance retroactively after admission.

Our prior audit recommended that the Center request timely refunds for the costs of prescribed medications for individuals who were retroactively awarded aid and attendance benefits during our audit period. In addition, we recommended that the contract monitor compare the updated list of eligible residents to the VAPHS's pharmacy invoices to ensure accuracy. We found that the Center failed to implement our prior audit recommendations. Further, we found that the Center has not developed standard procedures for the review and approval of pharmacy invoices prior to payment.

The VAPHS invoiced the Center monthly for pharmaceutical services. Prudent business practices would require the Center to conduct a monthly reconciliation of the charges recorded on the invoices with the list of eligible residents. Instead, what we found was that the Center's accountant had performed this reconciliation and requested refunds from VAPHS on only two occasions during our audit period.

The first request for a refund was dated October 26, 2010, and totaled \$97,938 in refunds for pharmacy charges paid for aid and attendance eligible residents during the period from April 2008 to October 2010, a span of over 2.5 years. The second request, dated May 9, 2011, totaled \$3,433 in refunds for pharmacy charges paid for aid and attendance

¹⁷ --Refer to <http://www.vba.va.gov/bln/21/pension/vetpen.htm#7>, July 23, 2012.

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eligible residents during the period October 2010 to March 2011. Because the Center performed the reconciliations and requests for refunds so infrequently, the receipt of the refunds was delayed. More frequent refund requests would provide the Center with a consistent source of revenue that could be used for ongoing operating expenses.¹⁸

In order to test the accuracy of the reconciliation prepared by the Center's accountant, we examined invoices and compared the names of residents listed on them with the listing of program eligible residents. Specifically, we tested 47 of 183 residents eligible for aid and attendance and compared the listing to the VAPHS's monthly invoice for the period July 2008 to June 2011 to ensure that the Center was not billed for pharmacy charges. We found that Center's accountant missed refunds totaling \$15,609 related to 12 of the 47 aid and attendance eligible residents tested during the period July 2008 to March 2011; the same period for which Center already requested refunds. In addition, we found that the Center was billed \$3,990 for aid and attendance eligible residents for the months of April, May, and June 2011. Therefore, based on our testing, we determined that the Center overpaid the VAPHS an additional \$19,599 in pharmacy charges for aid and attendance eligible residents.

We discussed the results of our testing with the Center's accountant, who agreed that he failed to include the charges for the eligible residents on the two refund requests submitted to the VAPHS. The accountant reiterated that it was his belief that contract oversight was done by the director of nursing, who was responsible for monitoring the services provided under the contract. This assertion served to highlight a serious breakdown in communication within the Center. More specifically, the accountant was relying on the contract monitor to ensure the accuracy of the invoices yet the contract monitor was unaware that these responsibilities were assigned to her.

As was the case with the VAPHS invoices for medical services, the VAPHS invoices for pharmacy services were also delivered directly to the Center's accounting office bypassing the contract monitor entirely.

¹⁸ The Center eventually received \$94,562 in refunds from the VAPHS for the two requests. The difference of \$6,809 represented various adjustments made to the requests by the VAPHS.

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Further, as we stated previously, the director of nursing was not even aware that she was the contract monitor for the pharmacy contract until she was notified by Center management on July 25, 2011. Therefore, during our audit period, the contract monitor did not receive or review monthly VAPHS pharmacy invoices to ensure that they were correct and accurate prior to payment.

**Recommendations
for Finding 3**

3. Center management should immediately request a refund of \$19,599 from the VAPHS.
4. Center management should develop and implement procedures to ensure that all pharmacy related charges are accurate prior to payment. These procedures should include comparing the monthly listing of residents eligible for aid and attendance benefits to the monthly pharmacy invoices to ensure that the Center is not charged for those eligible residents.

Southwestern Veterans Center's Management Response:

We have appointed a monitor for the VAPHS contract. This monitor is the Director of Nursing (DON). DON will verify the residents receiving aid and attendance and the pharmacy sign-in log book against the VAPHS pharmacy bill. The Commandant's Secretary will collect the pages monthly and fax them to the VAPHS. She will also tally them on a spreadsheet for better verification and record keeping. The Secretary will also update the log book with new sign-in sheets monthly. The Secretary will make this spreadsheet available to the DON for the purposes of verifying the monthly VAPHS pharmacy bill she will request updated lists of residents who receive aid and attendance from the Revenue Department. DON will compare the hours and aid and attendance recipients against the VAPHS pharmacy bill. This confirmation will occur prior to the VAPHS pharmacy bill being sent to the Accountant

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processing. Additionally, we will request a refund of \$19,599 from VAPHS per your recommendation.

Our evaluation of the Center's response:

The corrective action outlined in the management response above, if fully implemented, should address the deficiencies identified in this finding. We will review the status of the implementation of our recommendations during our next audit.

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**Status of
Prior Audits**
**Findings and
Recommendations**

Our prior audit report of Southwestern Veterans Center covered the period of July 1, 2005, to February 8, 2008, and contained eight findings. Six of the findings (Findings 1, 3, 4, 5, 6, and 7) were positive and thus had no recommendations. The status of the remaining findings (Findings 6 and 8) and the accompanying recommendations are presented below.

The prior audit report also contained two still unresolved findings (Findings II- 1, and IV- 2) from the audit report of Southwestern Veterans Center that covered the period of July 1, 2003, to October 7, 2005. The status of the unresolved findings and the accompanying recommendations are also presented below.

Scope and Methodologies of our audit work

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

Prior Finding 6 Center did not request approximately \$67,230 in refunds from the VA for residents eligible for aid and attendance. (Unresolved)

Our prior audit disclosed that Center did not request \$67,230 in refunds from the Veterans Administration Pittsburgh Healthcare System (referred to as VAPHS in this finding) for prescription medications dispensed to residents awarded aid and attendance benefits retroactively after admission and to some residents during the month of eligibility notification. The Center's agreement with the VAPHS provided that the VAPHS would not charge for the prescription medications dispensed to Center residents who were eligible for aid and attendance benefits.

We recommended that Center officials immediately request a refund of \$67,230 from the VAPHS. We also recommended that the contract monitor compare the updated list of eligible residents to the VAPHS's pharmacy invoices to ensure accuracy. Finally, we recommended that Center timely request refunds for the costs of prescribed medications as

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the VAPHS retroactively awards eligibility for aid and attendance benefits.

In response to our audit, the Department stated that a complete records review was completed and the refund request was made on March 28, 2008. They also stated that future monthly pharmacy invoices will be monitored to ensure those residents included on the invoice are not eligible for aid and attendance benefits. Copies of any future benefit awards will be forwarded to the VAPHS billing office for reconciliation prior to release of the monthly invoice.

Status as of this audit. Our current audit found that Center did not implement our prior audit recommendations. We found that the Center did request and receive a refund from the VAPHS for the charges reported on in our prior report. We also found that on two occasions the Center's accountant did compare the listing of eligible residents with invoice charges and requested a refund. However, these requests were not timely. In addition, the contract monitor was unaware of her monitoring responsibilities and did not compare the updated list of residents eligible for aid and attendance benefits to the VAPHS's pharmacy invoices to ensure accuracy. Please refer to Finding 2 for additional details regarding the current audit issues we identified.

Southwestern Veterans Center's Management Response:

Please see Finding 2 Agency Response regarding this issue. In addition, Southwestern Veterans' Center received a refund of \$52,220.68 on October 17, 2011.

Prior Finding 8 Center did not take the necessary steps to maximize estate collections. (Resolved)

Our prior audit disclosed that the Center did not submit estate recovery files of discharged residents with unpaid balances to the Department's Office of Chief Counsel. Testing of 35 selected resident records found that outstanding balances totaling more than \$2.8 million were not

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submitted for possible collection. Discussions with Center management indicated that the workload of the facility's revenue department often caused delays in the submission of estate recovery files to the Department of Military and Veterans Affairs. Moreover, the facility revenue department personnel had not yet utilized an internet website that the Department's 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 Department policy and procedures for estate recovery and did not maximize its collections of estate billings.

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

In response to our audit, the Department stated that all discharged resident accounts were reviewed for proper processing for estate recovery. As of September 25, 2008, all required records have been submitted to the Department's Office of Chief Counsel. The referenced website has been shared throughout the Center's revenue department and monthly checks will be conducted by the revenue department to determine whether any previously discharged residents have died.

Status as of this audit. We reviewed files for 41 residents discharged from the Center between July 1, 2008, and May 11, 2011, and found that the estate recovery files totaling approximately \$4.1 million were prepared and submitted to the Office of Chief Counsel for the 34 individuals that are now deceased. In addition, Center management utilized the "Social Security Index" website on a semi-annual basis to monitor pending estate recovery files. We concluded that Center Veterans Center implemented our prior audit recommendation.

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**Prior Finding
II-1**(from audit covering the period July 1, 2003 to October 7, 2005)

Center did not effectively monitor the medical services contract again. (Unresolved)

The three preceding audits reported that the Center did not effectively monitor its payments to the United States Department of Veterans Affairs, Veterans Administration Pittsburgh Healthcare System (VAPHS) for physician or nurse practitioner medical services. The VAPHS medical services contract required the Center to pay only for service hours actually provided.

From our audit report for the period July 1, 2001, to October 10, 2003, the Center paid the VAPHS 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, the Center 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.

From our audit report for the period July 1, 2003, to October 7, 2005, we reported that Center 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 charged rates complied with the contract. Additionally, the audit indicated that the Center did not require medical contract personnel to complete sign-in sheets.

The immediately preceding audit, dated July 1, 2005, to February 8, 2008, disclosed that the Center substantially implemented the recommendations of the prior report. In September 2007, the Center and the VAPHS 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, the Center designated the assistant director of nursing as the medical services contract monitor. As of October 2006, the Center

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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 Center paid for actual hours of services at the contracted rates with one exception. The VAPHS billed the Center for physician and nurse practitioner services for two nonexistent days in February 2007 (i.e., February 29 and 30). The contract monitor did not identify the discrepancies, resulting in an overpayment of \$2,159.

We recommended that Center management require the medical contract monitor to carefully reconcile the medical services invoices to the sign-in sheets in order to ensure that payments are accurate. We also recommended that Center request a \$2,159 credit from the VAPHS for the February overpayments.

In response to our audit, the Department stated that Center requested the overpayment refund of \$2,159 on January 10, 2008 and received the refund on February 11, 2008. The contract monitor was provided instruction on reconciling invoices for these services against the original sign-in sheets to ensure accurate payment for services rendered.

Status as of this audit. Our current audit found that the Center continued to experience deficiencies in its attempt to effectively monitor the medical services contract. We again found instances where charges for services were not verified before payment and we found instances where the invoiced hours did not agree with the hours on the sign-in sheets. Details of these deficiencies are presented in Finding 1 of this report.

Southwestern Veterans Center's Management Response:

Please see Finding 1 Agency Response regarding this issue.

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**Prior Finding
IV-2**(from audit covering the period July 1, 2003 to October 7, 2005)

Employee duties continued to be improperly assigned in the SAP R/3 Materials Management module. (Resolved)

The three preceding audits reported that Center did not adequately segregate the duties assigned to employees who had access to the SAP R/3 Materials Management module. We reported that the facility's purchasing agents, accountant, accounting assistant and inventory clerk were assigned the duties of purchaser, requisitioner, and receiver. The immediately preceding audit revealed that the accounting assistant and inventory clerks did not have conflicting roles assigned. However, the Center's two purchasing agents and accountant were still assigned R3 purchaser roles, as well as receiver or requisitioner roles.

We recommended that the Center evaluate the Integrated Enterprise System (IES) roles assigned to business office personnel and remove any conflicting roles. If conflicting roles are necessary to perform essential functions, we further recommended that the Center request the appropriate waivers and develop compensating controls.

In response to our audit, the Department stated that, after the original audit finding, the Department 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 had not requested a waiver for the conflict. These roles were given to the procurement positions in order to complete 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.

Status as of this audit. Our current audit determined that the roles assigned to the administrative officer¹⁹ and the accountant were reviewed and the conflicting roles have been removed. We found that the administrative officer had the ability to create a purchase order but did not

¹⁹ One of the purchasing agents retired effective February 22, 2008. The second purchasing agent's title was changed to administrative officer.

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have the ability to post receipt of the items in the R/3 Materials Management module. In addition, we found that the roles assigned to the accountant allowed for the posting of received items but did not allow the accountant to create a requisition for items nor to create a purchase order. As a result, we determined that the Center has implemented our prior audit recommendations.

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