

**Commonwealth of Pennsylvania**  
**Department of Public Welfare**  
**Warren State Hospital**  
**July 1, 2005, to April 18, 2008**  
**Performance Audit**





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June 29, 2009

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

The report contains the results of a performance audit of Warren State Hospital for the period of July 1, 2005, to April 18, 2008. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that Warren did not maximize Medicare Part B revenue. The report also notes that Warren did not adequately comply with absence without authorized leave policies. In addition, Warren did not document new hire orientation adequately. Finally, Warren did not administer its work order system effectively. 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 Warren State Hospital and by others who provided assistance during the audit.

Sincerely,

**JACK WAGNER**  
Auditor General



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## **Background Information**

### **Department of Public Welfare – Office of Mental Health and Substance Abuse Services**

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

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

The Office establishes and implements mental health services and programs. In addition, it is responsible for the development of standards and criteria for the provision of quality outcome-oriented behavioral health services. The Office also administers the Commonwealth of Pennsylvania funding streams for community programs, the Health Choices Program, behavioral health services through the Medicaid fee-for-service program, and the Commonwealth's eight mental hospitals and one restoration center.

### **Warren State Hospital**

Warren State Hospital is located in North Warren, Warren County, approximately 50 miles southeast of Erie, and was originally established in 1880 as the Hospital for the Insane of the Northwest District. The name of the facility was changed to its current designation in 1920.

Warren provides inpatient diagnostic and treatment service to adults who require a hospital program of inpatient care. Hospital admissions are facilitated on a county level through county-operated mental health and mental retardation programs. The geographical service area of the Hospital consists of 13 northwestern counties. An additional service area covering 32 counties has been designated for the Hospital's specialized inpatient mental health services to criminal offenders committed for psychiatric care by the criminal court system.

For the fiscal year ended June 30, 2007, Warren had a rated capacity of 250 beds. All hospital psychiatric beds were certified for participation in the federally funded Medicare and Medical Assistance programs. Eligibility for these programs is determined by federally regulated inspections conducted by surveyors from the Health Care Financing Administration. Warren was certified by the Joint Commission of Accreditation of Healthcare Organizations as meeting the accreditation requirements for its psychiatric treatment programs.

## **Background Information**

Warren's physical plant consists of approximately 73 buildings, situated on 405 acres of land. A chief executive officer administers the day-to-day management of the hospital. Additionally, a nine-member board of trustees has been established to provide advisory services.

The following schedule presents selected unaudited Hospital operating statistics compiled for the years ended June 30, 2006 and 2007.

	2006	2007
Operating expenditures (rounded in millions): <sup>1</sup>	\$39.8	\$41.8
Employee complement at year end		
Filled	481	474
Vacant	12	7
Total	493	481
Bed capacity at year end	250	250
Available patient days of care	91,250	91,250
Actual patient days of care	73,400	68,351
Average daily client population <sup>2</sup>	201	187
Percentage utilization (based on days of care)	80.4%	74.9%
Average daily cost per patient <sup>3</sup>	\$548	\$612
Annual average cost per patient <sup>4</sup>	\$199,857	\$223,307

<sup>1</sup> Operating expenditures were recorded net of fixed asset costs, an amount that would normally be charged to depreciation. In addition, region and department level direct and indirect charges are not allocated to the totals reported here.

<sup>2</sup> Average daily client population was calculated by dividing the actual client days of care for the year by the number of calendar days in the year.

<sup>3</sup> Average daily cost per patient was calculated by dividing the total operating expenses by the actual patient days of care. Note, this rate is not the same as a certified per diem rate, since the total operating expenses exclude depreciation and allocated direct and indirect costs from region and department level offices.

Figures may not compute due to rounding.

<sup>4</sup> Annual average cost per patient was calculated by multiplying the average daily cost per patient by the number of calendar days in the year. Figures may not compute due to rounding.

## *Objectives, Scope, and Methodology*

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

We selected the audit objectives, detailed in the body of the report, from the following general areas: client management including complaints, elopements and emergency plans; expense management including significant expenses, pharmacy inventory, maintenance work orders and automotive fleet management; revenue management including Medicare Part B reimbursements; and personnel management including training and professional licensing. The specific objectives were:

- To assess the adequacy and timeliness of the patient complaint process at Warren. (Finding 1)
- To assess the effectiveness of the hospital's management of elopement incidents, as well as compliance with DPW and Warren policies and procedures regarding unauthorized absences. (Finding 2 and 3)
- To assess the completeness of Warren's emergency/evacuation plan. (Finding 4)
- To determine if the significant expenses were reasonable and met the objectives of the institution's mission statement. (Finding 5)
- To assess the effectiveness of controls over pharmacy inventory. (Finding 6)
- To determine whether Warren effectively administered its maintenance work order system. (Finding 7)
- To assess the adequacy of the Warren's management of its automotive fleet. (Finding 8)
- To examine the revenue recognition and collection efforts for Medicare Part B transactions. (Finding 9)

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

- To assess the training and certification of the professional staff. (Finding 10 and 11)

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

The scope of the audit was from July 1, 2005, to April 18, 2008, unless indicated otherwise in the individual report findings.

To accomplish these objectives, auditors reviewed applicable DPW and Warren manuals regarding patient abuse,<sup>5</sup> the accreditation report for Warren dated May 2006, Warren's policies regarding emergency operations planning,<sup>6</sup> and the Procedure Manuals.<sup>7</sup> Auditors also reviewed Warren's Pharmacy Manual,<sup>8</sup> DPW policies for facility maintenance,<sup>9</sup> and the applicable DPW and facility policies and procedures pertaining to the automotive fleet.<sup>10</sup> They also reviewed policies and procedures for processing Medicare Part B eligible procedures, the DPW Personnel Manual regarding training,<sup>11</sup> and the applicable sections of

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<sup>5</sup> Commonwealth of Pennsylvania, Department of Public Welfare Personnel Manual, Section 7178 – Patient/Individual Abuse; Warren State Hospital Policy and Procedure Manual, No. 811 – Patient Abuse Policy and Procedures.

<sup>6</sup> Commonwealth of Pennsylvania, Department of Public Welfare, Bureau of Administrative Services, Administrative Policies, Emergency Operations Planning (formerly 7068), Issue date June 2, 2005.

<sup>7</sup> Warren State Hospital Procedure Manual Number 323 – Duty to Warn/Responsibility to Notify Third Parties Against Patients' Violence; Warren State Hospital Procedure Manual Number 340-Procedure for Patient Privileges in Civil Units; Warren State Hospital Procedure Manual Number 2865 – Victim Notification Policy; Warren State Hospital Procedure Manual No. 2867-Responsibilities and Procedures for Reporting Non-Forensic Patients' Absence Without Authorized Leave (AWOL) from Warren State Hospital; Warren State Hospital Procedure Manual No. 2886-Procedure for Search of Missing Patients/Reporting AWOL's; Warren State Hospital Procedure Manual Number 3008 – Notifying Base Service Unit (BSUs) of AWOLs from Civil Units.

<sup>8</sup> Warren State Hospital Pharmacy Manual, Bulletin Nos. 2200 to 2252.

<sup>9</sup> Commonwealth of Pennsylvania, Department of Public Welfare Administrative Manual, Section 7087 Maintenance Standards; Warren State Hospital Policy and Procedure Manual, Policy #1700 – Maintenance Work Order; Warren State Hospital Maintenance Policy #1 – Controlled Maintenance.

<sup>10</sup> Commonwealth of Pennsylvania, Department of Public Welfare, Bureau of Administrative Services, Division of Support Services, Automotive Fleet Management, Automotive General Policy (formerly 7051.2); Commonwealth of Pennsylvania, Department of Public Welfare, Bureau of Administrative Services, Division of Support Services, Automotive Fleet Management, Motor Vehicle Liability Insurance, Accident Investigation and Analysis (formerly 7051.7); Commonwealth of Pennsylvania, Department of Public Welfare, Bureau of Administrative Services, Division of Support Services, Management Services Section, Travel Management; Warren State Hospital, Policy and Procedure Manual, Safety Bulletin No. 2877, Commonwealth –Owned Vehicle Accident Reporting; Warren State Hospital, Policy and Procedure Manual, No. 100, Requests for Hotel Orders and State Vehicles for Commonwealth Travel; Commonwealth of Pennsylvania, Governor's Office, Management Directive 615.8 – Use of State Automobiles; Commonwealth of Pennsylvania, Governor's Office, Management Directive 615.2 – Motor Vehicle Liability Insurance and Accident Reporting.

<sup>11</sup> Commonwealth of Pennsylvania, Department of Public Welfare Personnel Manual, Section 7123 – Training Classes; Department of Public Welfare Personnel Manual, Section 7124 – In-service Training; Department of Public Welfare Personnel Manual, Section 7125- Out-service Training; Department of Public Welfare, Section 7126 – Nursing and Supportive Medical Service Certification Payment and Tuition Reimbursement Program; Warren State Hospital Policy/Procedure Manual, Training Policy Numbers 3100, 3102 to 3108.

## *Objectives, Scope, and Methodology*

The Pennsylvania Code concerning continuing education license requirements.<sup>12</sup> Finally, auditors reviewed Warren's response to the previous Auditor General audit report.

Auditors interviewed Warren's patient abuse investigation coordinator, and quality assurance executive, the chief performance improvement executive, the institutional Safety Manager, the training coordinator, certain human resources personnel and the Human Resources Director. Auditors also interviewed Warren's chief financial officer, the pharmacy director, the automotive equipment supervisor, and facility reimbursement officer. They also held discussions with appropriate Warren personnel to gain an understanding of the status of the implementation of prior audit recommendations.

To assess the adequacy and timeliness of the patient complaint process at Warren, auditors randomly selected and tested 31 of 154 complaints for the period from January 1, 2005, to December 31, 2007.

To assess the effectiveness of the hospital's management of elopement incidents, as well as compliance with DPW and Warren policies and procedures regarding unauthorized absences, auditors reviewed Warren's risk management database for absences without authorized leave for July 1, 2005, to December 31, 2007, and randomly selected and tested 23 of 115 unauthorized absences during that period and analyzed the incident reports and supporting documentation.

To assess the completeness of Warren's emergency/evacuation plan, auditors evaluated Warren's Emergency Operations Plan.

To determine if the significant expenses were appropriate and met the objectives of the institution's mission statement, auditors analyzed the institution's SAP Business Warehouse module expenditure summaries, and randomly selected and tested 78 transactions totaling approximately \$547,150 during the June 30, 2007 fiscal year, then reviewed the supporting documentation of the selected transactions.

To assess the effectiveness of controls over pharmacy inventory, auditors reviewed the pharmaceutical contact, and randomly selected for detailed testing the records pertaining to 44 of 728 prescription drugs.

To determine whether Warren effectively administered its work order system, auditors randomly selected and tested 37 of 730 open work orders for calendar year 2006.

To assess the adequacy of the Warren's management of its automotive fleet, auditors conducted a physical inventory of all fleet vehicles noting condition, licensing, and inspection, examined the monthly automotive activity reports for all fleet vehicles for the months of November 2006, September 2007, and October 2007, and analyzed all fleet vehicle accident reports from July 2005 to October 2007. Auditors also reviewed the usage reports, the maintenance and repair reports, and randomly selected and tested 21 of 50

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<sup>12</sup> 49 Pa Code, §16.19, §27.32, §41.59, §42.16, §45.501 and §47.32.

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

records for personal mileage reimbursements for the months of November 2006, September, October, and November 2007.

To audit the revenue recognition and collection efforts for Medicare Part B transactions, auditors evaluated the Medicare Billing Forms and medical records for 36 of 247 Medicare Part B eligible patients for the period from July 1, 2005, to December 31, 2007.

To assess the training and certification of the professional staff, auditors analyzed the training records for all 33 professional licensed employees required to complete continuing education for the period from July 1, 2005, to February 1, 2008, and randomly selected and tested 33 of 144 professional licensed employees to ensure that all had current licenses. We also randomly selected and tested 30 of 145 new employees from July 2005 through January 2008 to determine compliance with new hire orientation and training policy.

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

## **Audit Results**

### **Complaints**

Warren policy requires every patient of Warren to be treated with dignity and respect, and in the most humane manner possible. Treatment includes the right to be free of psychological or physical abuse, exploitation, and neglect. Each suspicious incident reported under a label of alleged or suspected patient abuse will initially be classified as a complaint. The Chief Executive Officer is responsible for the preliminary determination as to each complaint's merits and for further investigation of suspected abuse incidents.

#### **Finding 1 – Warren handled client complaints timely.**

Our review disclosed that complaints were processed in a timely manner. We reviewed 21 abuse allegation investigations as well as 10 non-abuse complaints. The complaints reviewed were investigated and documented according to regulations. We found that investigators completed investigations within a reasonable period of time and appropriate actions were taken by management to protect patients' well-being.

Warren implemented a Conflict Resolution Team in September 2005 to address any patient conflicts. We noted that abuse allegations dropped from 43 allegations in 2005, to 26 allegations in 2007, a 40 percent decrease.

### **Eloperments**

DPW policy requires state mental hospitals to strive to minimize incidents that result in harm to patients by promoting the health, safety, and welfare of patients through the development of comprehensive risk management programs.<sup>13</sup> Each risk management program must establish a system for the prevention, investigation, analysis, and monitoring of incidents of suspected abuse, elopements, deaths, and other events that jeopardize the health, safety or rights of patients.

Warren's mission is to provide all persons who have serious mental illness the opportunity for growth, recovery, and inclusion in their community through evidence based psychiatric treatment and substance abuse services, and access to the supports and services of their

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<sup>13</sup> Commonwealth of Pennsylvania Department of Public Welfare, Mental Health and Substance Abuse Bulletin Number SMH-03-03-Management of Incidents: SI-815 Incident Reporting and Risk Management Policy and Procedural Changes, section 7084.1- Policy.

## **Audit Results**

choice so they may enjoy a quality of life that facilitates personal growth and achievement. Some of the values of Warren that guide fulfillment of their mission are:

- The individual's need and capacity to be independent.
- The individual's capacity to grow, to thrive, and to achieve.
- Creating an atmosphere of mutual respect and trust and a safety partnership.
- An environment that supports recovery and personal needs.<sup>14</sup>

Warren provides a patient privilege system that facilitates the recovery process for individuals functioning in the least restrictive setting. Unsupervised free time is a privilege, earned by each patient's demonstrated ability to conduct oneself in a responsible and safe manner.

### **Finding 2 – Warren managed unauthorized absences effectively.**

Warren staff initiated searches immediately when a patient was identified as absent. Incidence reports were completed for all 23 elopements selected for testing. Eighteen of 23 elopements tested found that the patients returned within 30 minutes from the time the absences were noticed. One elopement tested occurred 35 minutes, one at 40 minutes, and another at 50 minutes. The two elopements that exceeded one hour were the only absences declared an absence without authorized leave (AWOL) status by a physician and police were properly notified.

### **Finding 3 – Warren did not adequately comply with absence without authorized leave policies.**

Warren's absence without authorized leave policy states:

*An AWOL shall be defined as:*

*Any patient whom is determined to be off hospital grounds or to have been off-grounds without authorization; or*

*Any patient whom does not return to his or her living area from grounds privileges at the time specified; or fails to report for a scheduled on or off grounds activity at the specified time; or*

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<sup>14</sup> Web site <http://www.dpw.state.pa.us/PartnersProviders/MentalHealthSubstanceAbuse/StateHospitals/>, viewed February 14, 2008.



## Audit Results

*Any patient whom is missing from a locked living unit or an escorted on or off-grounds activity; or*

*Any patient whom fails to return from an authorized Leave of Absence on the stated date and time AND the hospital is unable to establish for failure to return.*

Our testing found that Warren staff did not properly follow and/or document all procedures during an absence without authorized leave. Warren policy also states:

*As soon as a patient is unaccounted for, staff who have the responsibility for the patient at the time must determine if the person has gone AWOL and the Nursing Administration Office notified immediately, ... However, if the individual is known to pose a threat to himself or others, or his AWOL will cause public concern, an immediate, intensive search following [Warren State Hospital] Policy Number 2858 is indicated and the procedures in that policy are immediately implemented. The CEO or Administrator On Call (AOC), as well as the Nurse Manager on call, must be informed immediately of the AWOL of any person who poses a serious danger to himself or anyone else.<sup>15</sup>*

Testing of 23 elopements found that most patients were found on grounds in less than 30 minutes. The following table contains the results of the elopements at Warren.

<b>No. of Patients Found</b>	<b>On-Grounds</b>	<b>Off-Grounds</b>	<b>Left Locked Ward</b>	<b>Total</b>
< 30 minutes	11	7		18
> 30 minutes	1	1		2
50 minutes			1	1
> 60 minutes		1		1
> 5 hours		1		1
<b>Total</b>	<b>12</b>	<b>10</b>	<b>1</b>	<b>23</b>

However, auditors found that the majority of the incidence reports did not indicate when Administration was notified of an AWOL status and/or when a patient was considered a danger to themselves or others as reflected in the tables below.

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<sup>15</sup> Warren State Hospital Procedure Manual No. 2867-Responsibilities and Procedures for Reporting Non-Forensic Patients' Absence Without Authorized Leave (AWOL) from Warren State Hospital Procedure, 1.

## **Audit Results**

<b>No. of Patients AWOL Status</b>	<b>On- Grounds</b>	<b>Off- Grounds</b>	<b>Left Locked Ward</b>	<b>Total</b>
Nursing and Administration not notified	7			7
Nursing not notified		2		2
Administration not notified	1			1
<b>Total</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>10</b>

<b>No. of Patients who were a Danger To Self/Others</b>	<b>On- Grounds</b>	<b>Off- Grounds</b>	<b>Left Locked Ward</b>	<b>Total</b>
Nursing and Administration not notified	2			2
Nursing not notified		6		6
Administration not notified	1		1	2
<b>Total</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>10</b>

Warren did not have one complete, comprehensive checklist to verify that all the steps were completed and/or necessary. Warren's policies and procedures for the search for missing patients and for reporting AWOL's involved many different staff each responsible for several procedures. For example, the charge nurse duties included eight steps, the nursing office six steps, the security office three steps, administration four steps, and the safety manager four steps.<sup>16</sup> Additionally, the doctor's duties are listed in another policy. Exclusion of any one procedure could result in danger to the patient, staff, and/or the public, and it could lead to exposure to civil and/or criminal litigation.

### Recommendation:

Warren management should develop one comprehensive checklist to ensure that the required staff completes all AWOL procedures. Each step should list the date and time it was completed and include all details of what occurred. If a step was not necessary, it should be so indicated.

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<sup>16</sup> Warren Policy and Procedure Manual No. 2886-Procedure for Search of Missing Patients/Reporting AWOL's, Section II. Procedures to Follow in the Event of Unexplained Absence, A, B, C, D, E, F.

Management Comments:

*A checklist was completed for the Risk Manager's use. Since each incident report does not need to include all the information that the auditor is requiring to be monitored, the Risk Manager will gather all the data for each AWOL incident and input that information into the checklist after each event. As stated above, if any entry is not applicable or necessary, a negative response will be indicated on the checklist.*

## **Emergency Operations Plan**

DPW is a large service-delivery agency charged with providing financial and human services to Pennsylvania's most vulnerable citizens. DPW emergency operations and continuity of operations planning is an effort to ensure delivery of critical services and continued operations of essential functions in the event of a man-made or natural disaster or other emergency.

Warren is required to protect hospital personnel, persons under the hospital's care and hospital property from any hazardous situation. Warren policy is to establish, revise, and maintain an Emergency Operations Plan to be used during emergencies.

### **Finding 4 – Warren maintains a comprehensive Emergency Operations Plan.**

Warren's Emergency Operations Plan included all of the elements required by DPW policies. The comprehensive plan included preparation and response for disasters such as fire, flood, severe weather, utility interruption, hazardous materials, bomb threats, medical emergencies, security/lockdown procedures, on-grounds relocation, missing persons and work stoppage situations. In addition, the plan included additional hostage and riot plans for the Forensics Unit.

## **Significant Expenses**

Warren's mission is to provide all persons who have serious mental illness the opportunity for growth, recovery, and inclusion in their community through evidence based psychiatric treatment and substance abuse services, access to the supports and services of their choice, so that they may enjoy a quality of life that facilitates personal growth and achievement. Warren is funded through state and federal appropriations. Expenditures for the fiscal year ended June 30, 2007, totaled approximately \$41.8 million. These expenditures included ordinary transactions such as salaries, utilities, office supplies, equipment, medical and pharmaceutical expenses, as well as transactions that were non-ordinary in nature.

## **Audit Results**

### **Finding 5 – Warren’s expenditures were reasonable.**

Warren expended approximately \$41.8 million for normal operations. A review of these expenditures revealed that \$33.7 million, or 81 percent, were payroll-related transactions. A sample of 78 transactions was selected for the remaining \$8.1 million.

Auditors considered the following categories to be non-ordinary expenditures, medical, dental or drug transactions, one-time vendor purchases and miscellaneous transactions. Auditors then selected transactions that were of an unusually large or small dollar value and reviewed supporting documentation.

Our review of the 78 transactions for various supplies and services did not disclose any excessive expenditures. The selected transactions were reasonable, supported normal operations, and were consistent with Warren’s mission. The transactions included physicians’ contracted quality assurance payments, issued inventory goods, software maintenance costs, contracted psychiatric services, outpatient hospital care, pharmaceuticals, optical services, maintenance repairs, office and housekeeping supplies, and employee training.

### **Pharmacy Inventory Management**

Warren maintains an inventory of pharmaceuticals for the health, well being, and treatment of its residents. The pharmaceuticals are purchased through a statewide contract with Cardinal Health Services. Management is responsible for the safeguarding, accountability, and efficient use of resources entrusted to its care.

The Pharmacy inventory is divided into two types, non-controlled and controlled drugs. Both types of drugs require a doctor’s prescription. Non-controlled drugs are used for the treatment of a disease and/or the relief of symptoms of an illness. Controlled drugs are substances such as narcotics and other addictive drugs that may cause physical dependence. Narcotics are defined as drugs that induce stupor and insensitivity and relieve pain as well as drugs that suppress brain activity.<sup>17</sup> Therefore, tighter control is required over these types of drugs.

### **Finding 6 – Warren had adequate controls over pharmacy inventory.**

The audit found that Warren effectively controlled pharmacy inventory. The pharmacy is secured using an alarm system and a double lock system. The pharmacy keys are not on Warren’s master key system. Perpetual inventories are maintained for both regular and controlled drug inventories. Warren’s accounting personnel performs semi-annual physical inventories and monthly spot checks of pharmacy inventory. Testing of 44 pharmaceutical

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<sup>17</sup> The Bantam Medical Dictionary.

items found that the quantity on hand totals matched inventory balances. In addition, inventory records for the selected items matched supporting documentation.

### **Maintenance Work Order System**

DPW has recognized the need for a Controlled Maintenance Program for each facility with particular attention to Preventive Maintenance and a work order system for all types of work performed as a method of monitoring, evaluation, and control. The Maintenance Work Order is a request for work to be performed by the Maintenance Department. It serves as documentation from the originator to the end result of work performed.

#### **Finding 7 – Warren did not administer its work order system effectively.**

A well-managed work order system supports efficient and effective maintenance operations essential to a safe environment for patients, staff, and visitors. Our testing of 37 of 730 open work orders revealed that Warren management did not monitor open work orders to insure timely completion. Auditors found that only 3 of the 37 open work orders tested were completed. The status of the remaining 34 could not be determined because maintenance staff did not document completion on the work orders.

None of the open work orders tested appeared to have an impact on the health and safety of patients, staff, or visitors. However, management's failure to effectively monitor work orders increased the risk that necessary maintenance work was delayed or neglected, which may result in more costly repairs in the future.

Management stated that 13 maintenance employees retired in the last year, which attributed to the inability to determine the status of open work orders.

#### **Recommendation:**

Warren's management should consistently monitor open work orders to ensure timely completion.

#### **Management Comments:**

*Management intends to investigate options available for work order systems in hopes of finding a new, user friendly system to provide better control of work orders.*

*In the meantime, Maintenance management took the auditor's recommendation and purged old work orders to clean up the system and assist us in improving our efficiency and monitoring programs. Maintenance staff have now been instructed to turn in completed work orders on a daily basis. Maintenance has begun to run*

## **Audit Results**

*weekly reports of open work orders, which will be monitored by Maintenance managers for follow-up as necessary.*

### **Automotive Fleet**

Warren owns and operates a fleet of Commonwealth motor vehicles. These vehicles include sedans, mini-vans, full size vans, pick-up trucks, heavy trucks, and specialty trucks. Of the 38 vehicles in its possession, six are currently in the institution's car pool, while the others are permanently assigned to various departments.

#### **Finding 8 – Warren maintained its automotive fleet efficiently and according to policies and procedures.**

All vehicles' licenses and inspections were current. Vehicle mileage and usage is monitored daily. All vehicle repairs and preventative maintenance, including parts and supplies, is recorded and monitored. Additionally, Warren maintained its vehicles in a cost efficient manner by implementing policies and procedures that minimized unnecessary personal mileage reimbursement. As of January 1, 2007, Warren updated its policy to mandate the use of a state vehicle for business travel if available. Warren reduced its personal mileage reimbursement by 45 percent from the fiscal year ended June 30, 2006, to June 30, 2007.

### **Medicare Part B**

Warren patients who receive Social Security, Railroad retirement or similar retirement payments may be eligible to participate in the Medicare Part B insurance program. For each eligible patient, Warren can seek reimbursement for certain medical/psychiatric procedures performed by Warren's professional medical staff. These procedures are recorded in the client's medical file and on an "Encounter Form," which is forwarded to the Reimbursement Office for billing.

#### **Finding 9 – Warren did not bill for \$6,300 of Medicare Part B procedures and did not maximize Medicare Part B revenue.**

A medical records clerk reviews patient records and creates an encounter form that lists billable Medicare Part B procedures.

As part of the audit, we reviewed the medical records for 36 of 247 Medicare Part B eligible patients and identified 286 encounters that were recorded as counseling/treatment sessions,

## **Audit Results**

these sessions, however, were not submitted for Medicare Part B reimbursement. As a result, Warren lost approximately \$6,300 in Medicare Part B on the 286 procedures.

Our follow up inquiries revealed that the medical records clerk could not determine if the unbilled procedures met the criteria to be a billable procedure. The 286 unbilled encounters all contained evidence of some form of treatment that is eligible for Medicare Part B reimbursement. The physicians' notes, however, were not explicitly clear. Discussions with Warren management revealed that it is difficult for non-medical personnel to determine if certain procedures are billable. Warren management wanted medically trained personnel to review medical charts and prepare the encounter forms. However, DPW dictated that clerical staff review the charts and prepare the encounter forms.

### Recommendation:

Warren management should require physicians to document all treatment procedures clearly to ensure that all eligible Medicare Part B procedures are billed.

### Management Comments:

*Mrs. Donna Jones, Registered Health Information Administrator and Warren State Hospital's Director of Medical Records, and Mrs. Lois Rosenberg, Medical Record Assistant and Warren State Hospital's Medicare Part B Abstractor, met with [Warren State Hospital's] Medical Staff on July 31, 2008 for the annual educational training refresher.*

*Objectives for the training included the following:*

- 1. Re-acquaint each medical staff member with the Medicare abstracting procedure including the possibility of participating in a doctor-to-doctor medical necessity review.*
- 2. Review the elements necessary to be included in a progress note to qualify the encounter as billable.*
- 3. Provide and critique samples of encounters.*

*The training was completed and the plan for continued compliance is presented in the table below.*

<b>Action Element</b>	<b>Plan for Compliance</b>	<b>Plan for Monitoring Continued Compliance</b>
Improve Medicare Submissions	The doctors will be more specific with documentation of all body systems reviewed and indicate all reports reviewed.	The abstractor keep records of number of billable sessions

## **Audit Results**

### **Training and Licensure of Professional Employees**

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

#### **Finding 10 – Warren’s professional employees possessed current licenses and complied with training requirements**

Auditors found that the 33 professional employees selected for testing maintained valid, current licenses for their positions. In addition, all 33 professional employees, who were required to attend training to maintain their licenses, received the required training.

#### **Finding 11 – Warren did not document new hire orientation adequately.**

DPW policy states that:

*An Employee Orientation Checklist, Form PW 1206, must be completed for each new employee, including transfers, on the respective employee’s first work day. The local personnel officer or his/her designee and the employee’s supervisor will provide and/or discuss the appropriate items on the form. Upon completion, the form will be signed and dated by the Personnel Officer, supervisor and the employee and permanently filed in the employee’s Official Personnel Folder.<sup>18</sup>*

Testing of 30 newly hired employees found that Warren did not always document the required orientation. Auditors noted that two Employee Orientation checklists were blank with one missing the employee’s signature. An additional 12 checklists were only partially completed with one checklist missing the employee’s signature. Finally, the auditors noted an additional checklist that was missing management signatures.

Discussions with Warren management revealed that the Human Resources staff member assigned to conduct initial orientation failed to complete the checklist with the new employee and to check each point.

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<sup>18</sup> Commonwealth of Pennsylvania, Department of Public Welfare Personnel Manual, Section 7124.1 – New Employee Orientation, section A. General Policy.



**Recommendation:**

Warren management should enforce existing DPW policy to ensure that all new employees receive the proper orientation as required.

**Management Comments:**

*All supervisors will be informed that they will be receiving the Orientation Form 1206 and it must be completed on the first day of hire/ transfer. The HR portion of the Orientation Form will be completed and documented by HR Staff on the day of new employee processing which occurs prior to the start/transfer date. The form will be scanned and sent electronically to the supervisor for completion and then returned to the HR Department to be filed in the Employee's file. HR staff will monitor for the return of these completed forms and follow-up as necessary.*

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

The following is a summary of the finding and recommendation presented in our audit report from July 1, 2002, to October 7, 2005, along with a description of Warren's disposition of the recommendations.

### **Prior Audit Results**

#### **Prior Finding I-2 – Warren did not properly segregate employee duties in the procurement process.**

The prior audit reported that the role mapping process provided two purchasing agents, a purchasing clerk, three warehouse employees and three accounting or business office personnel with the ability to create purchase orders and to receive goods through SAP R/3 Materials Management module.

We recommended that Warren management evaluate the roles assigned to each employee on the SAP R/3 Materials Management module and make all necessary changes to optimize the segregation of duties.

#### *Status:*

Warren implemented our recommendation. Testing of role assignments during the current audit for nine employees involved in the purchasing process revealed that none of the nine was assigned incompatible duties. Warren management worked with DPW's IES Information Technology specialists and removed specific roles in order to segregate duties.

#### **Prior Finding IV-2 – Warren still did not provide employees with the required fire safety training.**

The prior audit found that Warren did not provide mandatory fire safety education to all employees during the training years ended June 30, 2003, 2004, and 2005.

We recommended that Warren management ensure that all employees receive the required annual fire safety training.

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

### **Status:**

Warren implemented our recommendation. Our current audit found that Warren staff members received mandatory fire safety training during the fiscal year ended June 30, 2007. Warren management established additional procedures to ensure that all employees receive the required training such as requiring employees to sign a preprinted sign-in sheet to document attendance. The safety manager contacts the supervisors for all employees who did not attend training to ensure that employees are scheduled for make-up sessions.

### **Prior Finding V-1 – Warren did not administer its maintenance work order system effectively.**

The prior audit reported that Warren did not enforce policies and procedures that required maintenance employees to document work order data. Completed work orders did not always include the start date of a job, parts and supplies used including costs, and management approval. Additionally, management did not always monitor open work orders to ensure completion. Warren could not assess the status of 17 of 29 open work orders tested.

We recommended that Warren management enforce its policy and procedures that require maintenance employees to document job approvals and materials usage and costs. We also recommended that Management consistently monitor open work orders to ensure timely completion. Finally, we recommended that maintenance management routinely update the work order computer system to reflect the status of all work orders accurately.

### **Status:**

Our current audit revealed that Warren made significant improvement in the administration of its work order system. Auditors found that completed work orders now include the start date of a job, parts, and supplies used and management approval.

In July 2007, maintenance management started to consistently record parts and supplies used on work orders. Our test of 38 work orders included twelve completed from July through October, only one of the twelve did not document parts and supplies used.

However, Warren management still did not monitor open work orders to ensure timely completion as discussed in current Finding 7.

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