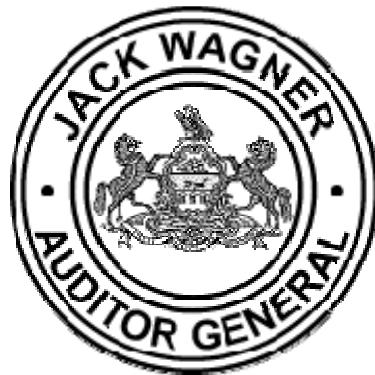


**Commonwealth of Pennsylvania**  
**Department of Public Welfare**  
**Wernersville State Hospital**  
**July 1, 2003, to November 4, 2005**  
**Performance Audit**





**Commonwealth of Pennsylvania  
Department of Public Welfare**

**Wernersville State Hospital**

**July 1, 2003, to November 4, 2005**

**Performance Audit**



October 4, 2006

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

Dear Governor Rendell:

This report contains the results of a performance audit of the Department of Public Welfare's Wernersville State Hospital from July 1, 2003, to November 4, 2005. The audit was conducted under the 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 contents of the report were discussed with the officials of Wernersville State Hospital and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of Wernersville 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, under the Department of Public Welfare (DPW), operates under the following vision 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.*

Over the past 30 years, the Commonwealth's public mental health program has changed from a main emphasis on state mental health hospitals to an emphasis on community mental health services. Behavioral health services range from community to hospital programs with emphasis on helping children, adolescents, and adults to remain in their communities. Community-based services are emphasized, with the goal to help people who have serious mental illness or serious emotional disturbance break the cycle of repeated hospital or residential admissions.

In addition, DPW operates nine state hospitals for persons with serious mental illness, which provide special intensive treatment services for patients needing extended psychiatric inpatient services. Admission of persons committed under the Mental Health Procedures Act is made through the County Mental Health/Mental Retardation program after short-term treatment has been provided by the community.

### **Bureau of State Hospital Operations**

The primary purpose of the Bureau of Hospital Operations is to ensure state-of-the-art inpatient treatment to persons committed under the Mental Health Procedures Act to the nine state mental hospitals. The Bureau also ensures that individuals who come for service develop the skills, resources, and supports needed for recovery and are able to return to the community.

The Bureau oversees and manages nine state-owned and operated mental hospitals and one restoration center, including three maximum-security forensic units for persons with serious mental illness and charged with or convicted of criminal offenses.

## **Background Information**

Since all patients are admitted through the County Mental Health system, the Bureau collaborates with county, local hospital and community provider staff, constituents, and other stakeholders to establish effective community/hospital linkages and continuity of care for patients discharged back into the community. The Bureau collaborates with other Office of Mental Health and Substance Abuse Services bureaus and divisions in planning, developing and implementing community integration initiatives as a resource for expanding community-based services to enhance the Commonwealth's development of a recovery-supporting approach to service.

## **County Mental Health System**

The Pennsylvania Mental Health/Mental Retardation Act of 1966 and its implementing regulations require county governments to provide community mental health services including short-term inpatient treatment, partial hospitalization, outpatient care, emergency services, specialized rehabilitation training, vocational rehabilitation, and residential arrangements.

The Commonwealth's 67 counties are divided into 45 single or multi-county service units. A single entry point for services has been established by regulations in each service area. Community mental health services are administered through county Mental Health/Mental Retardation program offices (offices). These offices are part of county government and are overseen by a county Mental Health/Mental Retardation administrator. The offices are a referral source, determine a person's eligibility for service funding, assess the need for treatment or other services, and make referrals to appropriate programs to fit treatment and/or other service needs.

The cost of these services will vary depending upon the type of service. The Commonwealth Medical Assistance Program, either through a managed care organization or the traditional fee-for-service system, pays for many of these services, when rendered to eligible individuals. People who use services, but are not on Medical Assistance and are without access to other insurance, are assessed by the offices on their ability to pay for services.

## **Wernersville State Hospital**

Wernersville State Hospital (Wernersville) is located in the town of Wernersville, Berks County, approximately ten miles west of Reading. Wernersville formally opened on June 23, 1893, as the State Asylum for the Chronic Insane of Pennsylvania. Its name changed to the current designation in 1923. Wernersville's mission is to provide intermediate and long-term psychiatric care and serves Berks, Lancaster, Lebanon, York, and Adams counties.

## **Background Information**

Wernersville's physical plant consists of approximately 40 buildings situated on 1,019 acres of land. A chief executive officer administers Wernersville's day-to-day operations with the assistance of management personnel assigned to various divisions. Additionally, a nine-member board of trustees acts in an advisory capacity to Wernersville's management.

The following schedule presents selected unaudited Wernersville operating statistics compiled for the years ended June 30, 2004, and June 30, 2005:

	2004	2005
Operating expenditures (rounded in thousands): <sup>1</sup>		
State	\$32,960	\$32,738
Federal	<u>759</u>	<u>813</u>
Total	<u><u>\$33,719</u></u>	<u><u>\$33,551</u></u>
Employee complement positions at year-end	432	480
Average daily client population <sup>2</sup>	173	177
Actual client days of care	63,464	64,433
Bed capacity at year-end	182	208
Available client days of care	66,612	75,920
Percent of utilization (based on client days of care)	95.3%	84.9%
Average client cost per day <sup>3</sup>	\$531	\$521
Average client cost per year <sup>4</sup>	\$194,459	\$190,061

<sup>1</sup> Fixed asset costs as well as regional and department level direct and indirect charges were not allocated to the totals reported here.

<sup>2</sup> 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 client cost per day was calculated by dividing the total operating expenses by the combined actual client days of care for nursing and domiciliary 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.

<sup>4</sup> Average client cost per year was calculated by multiplying the average client cost per day by the number of calendar days in the year.

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

The audit objectives are detailed in the body of the report. We selected the objectives from the following general areas:

- Expense management, including the procurement of goods and services through the SAP R/3 Materials Management module and the Visa purchasing cards. We also selected employee travel expenses and internal maintenance work orders for additional testing of expenditures.
- Personnel management, including the testing of time and attendance data and the processing of these transactions through the SAP R/3 Payroll module.
- In addition, we determined the status of the recommendations from the prior audit regarding the institution's

To accomplish our audit objectives, we interviewed various DPW and hospital management and staff, obtained and reviewed available records, and analyzed pertinent regulations, policies, and guidelines.

The scope of the audit was from July 1, 2003, to November 4, 2005, unless indicated otherwise in the individual report chapters. We discussed the results of the audit with Wernersville management, and management's comments are included with each recommendation in the report.

## **Chapter I – Procurement**

### **Objectives and Methodology**

Wernersville began using SAP R/3 for its procurement process in January 2003.

Wernersville purchases goods and services through the Materials Management module of SAP R/3, the advancement account, also processed through SAP R/3, and with Visa purchasing cards. The method of payment is dependent upon the dollar value and the nature of the purchase. All purchases made from a state contract or valued greater than \$3,000 are processed entirely through SAP R/3. Visa purchasing cards can be used for transactions with a value less than \$3,000. An advancement account check can be used for those transactions with a value less than \$1,500. The Commonwealth has established various operating guidelines for these payment methods.<sup>5</sup> In addition, Wernersville has established institution-specific procurement guidelines.<sup>6</sup>

The objectives of this part of the audit were to assess compliance with applicable Commonwealth policies and procedures and evaluate key controls over the procurement function. To accomplish these objectives, we performed the following procedures:

- Interviewed appropriate management and staff.
- Reviewed Commonwealth and Wernersville procurement policies and procedures.
- Analyzed the supporting documentation associated with 97 of 2,454 purchase orders processed through the SAP system between July 1, 2003, and June 30, 2005.
- Examined the supporting documentation associated with 229 of 512 purchasing card transactions processed on 7 of Wernersville's 30 purchasing cards between July 1, 2003, and June 30, 2005.
- Reviewed the supporting documentation associated with 45 of 822 purchases processed through the advancement account between July 1, 2003, and June 30, 2005.

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<sup>5</sup> Management Directive 310.1 Agency Operated Advancement Accounts, Management Directive 310.23 Commonwealth Purchasing Card Program, and [www.ies.state.pa/lib/imaginepa/Allroles.html?securityNav=1#\\_Toc102547731](http://www.ies.state.pa/lib/imaginepa/Allroles.html?securityNav=1#_Toc102547731).

<sup>6</sup> Wernersville State Hospital Policy/Procedure Manual Section No. 540 entitled "Preparation Of Purchase Requisitions – All Supplies And Services."

## **Chapter I – Procurement**

- Evaluated the roles assigned to Wernersville business office personnel in the SAP system to determine adequate segregation of duties.

### **Audit Results**

#### **Finding I-1 – Purchasing Card transactions substantially complied with Commonwealth policies and procedures.**

All purchasing card monthly statements were reviewed and approved by the accountant. In addition, 223 of 229 purchasing card transactions examined were processed in accordance with Commonwealth policies and procedures. The transactions were accompanied by appropriate approvals, purchasing and receiving documents, and invoices.

For the transactions that were not processed in accordance with policies and procedures, one transaction (exception rate of less than one percent) did not have any documentation on file to support the transaction. Four other transactions (exception rate of 1.7 percent) had supporting documentation on file, but the file did not contain a copy of the invoice. Finally, one Visa card user did not follow the pre-approval procedures for one transaction (exception rate of less than one percent). Purchasing policy required pre-approval of Visa purchasing card transactions for items over \$500 by the Facility Financial Manager. Wernersville management attributed these six exceptions to misfiling and an oversight. Based on the number of transactions processed correctly, management's explanation appears reasonable.

#### **Finding I-2 – Wernersville processed advancement account transactions according to guidelines.**

All examined advancement account transactions were accompanied by the appropriate approvals, purchasing and receiving documents and invoices, and all transactions complied with applicable policies and procedures. Accounting department personnel received the vendor invoice and reviewed the supporting documentation for accuracy and approval. In addition, DPW's Comptroller also performed monthly audits of advancement account transactions that included an examination of the support documentation for the selected transactions.

Based on our test results, we concluded that the advancement account payments were safeguarded properly.

## **Chapter I – Procurement**

### **Finding I-3 – Wernersville processed SAP R/3 payments made against purchase orders accurately.**

All purchase orders examined that were requested, approved, received, and paid solely through the SAP R/3 system were processed accurately and timely. Wernersville's purchasing department created each purchase order and employees from the storeroom or receiving department processed each goods receipt. The DPW Comptroller's Office in Harrisburg authorized the Pennsylvania Treasury Department to make payment to the vendor when the information from the purchase order, goods receipt, and invoice received from the vendor matched.

In addition, our testing of the purchasing duties assigned to Wernersville business office staff through the role-mapping process within the SAP R/3 system created an adequate segregation of duties. Based on the examination of available documents, all Wernersville business office employees roles were appropriately assigned. No individual had the capability to perform functions that would be considered incompatible; that is initiating a transaction, approving the transaction, and receiving the goods or services from the transaction.

### **Finding I-4 – Purchase requisition approval thresholds in the SAP R/3 module were not consistent with Wernersville's internal policy.**

The SAP system does not provide Wernersville management with a mechanism to ensure all purchase requisitions were forwarded to the Facility Financial Manager as required by Wernersville policy. The SAP system has a built in check which automatically forwards purchase requisitions with a value of \$20,000 and above and certain specific items regardless of dollar value to Wernersville's Chief Operating Officer for approval. Wernersville officials indicated that they implemented an internal policy requiring requisitioners to forward all purchase requisitions over \$500 to the Facility Financial Manager for approval. Wernersville took the initiative to train the requisitioners and are continually reinforcing the policy for all requests over \$500 to be forwarded to the Facility Financial Manager. However, Wernersville must rely on the integrity of the individual requisitioners to forward all purchase requisitions to the Facility Financial Manager. When Wernersville's purchasing department receives a purchase request, it can only assume that the request was properly approved. Although all purchases over \$3,000 are reviewed by DPW's Comptroller's Office, Wernersville management could better determine the propriety of a purchase.

Based on the information available at Wernersville, we could not determine if the SAP system could be reconfigured to establish a default to ensure compliance with Wernersville's internal approval requirements.

## **Chapter I – Procurement**

### **Recommendation:**

Wernersville management should determine if the SAP system default of \$20,000 could be changed to comply with their internal policy.

### **Management Comments**

*While the SAP system has no automated approval process unless the document exceeds \$20,000 at Wernersville, the decision was made that the Financial Manager should review and approve all documents over \$500. We have directed all requisitioners to add the Financial Manager as an approver. While requisitioners are in compliance with this request in almost all cases, we have built a further check into our process. While we do not confirm every document, in most cases the Purchasing Department will verify with the Financial Manager that the requisition has been through the approval process prior to placing the order. If the proper approval has not taken place, the Financial Manager will contact the requisitioner to remind them of the approval process. Periodically, the Financial Manager reviews the list of all Wernersville requisitions in the SAP system prior to the order being placed. Any that have not been reviewed by the Financial Manager will not be processed until the requisitioner has been contacted and the approval process completed.*

*We feel that Wernersville has established sufficient controls over the requisition process and will continue these procedures.*

## **Chapter II – Timekeeping and Payroll**

### **Objectives and Methodology**

Wernersville's payroll system automatically generates payroll payments based on the last inputted data. For most employees who work regular shifts with no overtime, there is no need to make adjustments. However, for employees who work overtime or different shifts, payroll information must be inputted as earned. Wernersville management must determine that overtime and shift differentials earned are consistent with DPW and Wernersville policies and procedures<sup>7</sup> and negotiated labor agreements.<sup>8</sup> Employees working the second and third shifts are entitled to shift differential if the overtime shift occurs before or directly after their regular shift or if the overtime shift is worked on their regular shift during their scheduled day off.

In January 2004, Wernersville implemented an online service known as the Employee Self-Service System, which helps the employee manage their employment information, such as requesting leave and viewing work schedules. Wernersville timekeeping section monitors leave input for employees having access to this system and inputs leave usage for employees who do not have access to it.

The objectives for this part of the audit were to determine if Wernersville accurately posted overtime and shift differential hours, and accurately calculated employee compensation. We also evaluated Wernersville's established management controls. To accomplish these objectives, we performed the following procedures:

- Interviewed Wernersville management and staff responsible for the payroll and time keeping efforts.
- Reviewed applicable Commonwealth administrative policies, hospital policies and procedures, and labor agreements.
- Reviewed payroll reports, which included an employee's regular hours, overtime, shift differential and types of leave used for the pay period ending May 20, 2005.

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<sup>7</sup> Department of Public Welfare Administrative Manual § 7025, entitled "Payroll" and the Commonwealth of Pennsylvania Governor's Office Management Directive 315.10 entitled, "Recording and Reporting of Wage, Overtime, Shift Differential, and Short-Term Leave Without Pay." Wernersville State Hospital Policy/Procedure Manual, Section No. HR112 "Daily Time Report."

<sup>8</sup> American Federation of State, County and Municipal Employees, Contract Effective July 1 2003 to June 30, 2007, Recommendation No. 19 Salary and Wages and State Employees International Union, Contract Effective July 1, 2003 to June 30, 2007, Article 16, Salary and Wages.

## **Chapter II – Timekeeping and Payroll**

- Evaluated transactions for 27 out of a population of 162 employees who received overtime or shift differential pay during the pay period ending May 20, 2005.
- For the transactions selected, we reconciled employee hours paid to the applicable approved work schedules.
- Determined that leave was posted correctly to each tested employee's leave record.

### **Audit Results**

#### **Finding II-1 – Overtime and shift differential transactions were processed accurately and leave usage was posted correctly.**

All overtime and shift differential transactions evaluated were posted accurately. Overtime and shift differential hours paid agreed with the approved work schedule and with the rates required by the applicable labor agreement. In addition all leave used was posted correctly to the applicable employee's leave record.

#### **Finding II-2 – Changes can be made to timekeeping records in the SAP system without prior management approval.**

Wernersville timekeepers have the ability to change employee hours worked and the method of compensation without prior supervisory approval. As a result, employees could unintentionally or intentionally be paid at an incorrect rate or for an incorrect number of hours worked.

Wernersville management is responsible for ensuring employees are compensated for actual hours worked based on the applicable union agreement. In addition, management is responsible for ensuring that all transactions are processed correctly and recorded accurately. Wernersville management stated that they require a written approval from the employee's supervisor for any change to an employee's time record. However, SAP allows the timekeeper to make a change to an employee's time record without approval. Management was not aware of a way to implement approval requirements prior to an adjustment made by the timekeeper.

Wernersville management stated that the Facility Financial Manager conducts a spot check every pay period of payroll reports. This audit includes a comparison of work schedules and approved overtime reports, to the amounts paid per payroll reports. The audit provided an after the fact verification of payroll, but would not detect any erroneous changes made by timekeeping prior to payment.

## **Chapter II – Timekeeping and Payroll**

### **Recommendation:**

Wernersville management should investigate if approval requirements for any adjustments made to an employee's time record is available in SAP or if the SAP R/3 module can be modified to include approval requirements. Additionally, management should determine if there is a report available that would list any adjustments made to time records. This type of report, although after the fact, would at least allow management the ability to review the accuracy and propriety of payroll adjustments.

### **Management Comments:**

*Both in the ICS and the SAP systems timekeepers have had the capability and the responsibility to change employee records. Because of the volume of transactions [that] change time records it is impractical that each transaction be reviewed and approved prior to entry, [and] you would need double the staff to review this volume of entry. Near the end of the two-week pay period, timely data entry is essential to accurate pay checks, which would be difficult to achieve.*

*At Wernersville, we use a variety of reports from SAP, Business Warehouse, and IRIS to verify the accuracy of the entries made. Any incorrect entries would be corrected and reported in the next available pay period. As stated in the Audit Results, all of the reviewed transactions were completed accurately and leave usage was posted correctly, which attests to the quality of the review process.*

## **Chapter III – Employee Travel**

### **Objective and Methodology**

Commonwealth employees who are required to travel as part of their official job responsibilities do so at the Commonwealth's expense but must submit a travel expense voucher to receive expense reimbursement. The Commonwealth has established policy that details allowable expenses and procedures for seeking reimbursement.<sup>9</sup>

The objective of this part of the audit was to determine if travel by Wernersville employees was conducted and reimbursed according to applicable policies and procedures. To accomplish this objective, we performed the following procedures:

- Interviewed Wernersville employees responsible for processing and improving employee travel.
- Reviewed applicable travel policies and procedures.
- Examined a sample of 20 travel expenditures from a population of 198 for the fiscal year ending June 30, 2005.

### **Audit Results**

#### **Finding III-1 – Travel expense reimbursements did not comply with Commonwealth policies and procedures.**

Wernersville employees were not submitting reimbursement requests for miles driven in compliance with Commonwealth policy. In addition, supervisory employees were not verifying mileage reimbursement requested prior to approval. As a result, Wernersville paid \$868.60 for excess mileage. Additionally, Wernersville reimbursed mileage totaling \$947.71 twice for the same mileage reimbursement from October 6, 2004, through March 31, 2005.

For the fiscal year ending June 30, 2005, Wernersville expended approximately \$13,440 for employee travel. Our testing revealed that two employees submitted for mileage reimbursement that exceeded the allowable mileage per Commonwealth policy.

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<sup>9</sup> Commonwealth of Pennsylvania Governor's Office Management Directive 230.10, "Travel and Subsistence Allowances."

## **Chapter III – Employee Travel**

Additionally we determined that Wernersville paid twice for one of these employee's mileage charges from October 6, 2004, through March 31, 2005. The employee in question shared duties between Wernersville and Hamburg Center. Wernersville reimbursed the employee directly for mileage traveled between the two institutions. Wernersville then reimbursed Hamburg Center for that employee's mileage thus creating the situation of double paying for the mileage.

Wernersville management indicated that the excess mileage payments were the result of the immediate supervisor approving the travel expense voucher without a detailed review. The mileage submitted for reimbursement was from the employee's residence to a temporary worksite rather than from Wernersville to a temporary worksite, which was shorter as required by Commonwealth regulations.

In addition, Wernersville management was not aware that it had the capability to view all employee travel expense vouchers in the SAP R/3 program. After we provided management with this information, management examined all mileage reimbursement claims from July 1, 2004, through July 31, 2005, and that examination disclosed nine additional over payments of travel expense. Subsequently, Wernersville management billed the nine employees to recover the amounts paid for excess mileage.

### **Recommendation:**

Wernersville management should ensure that all reviewing supervisors are aware of and comply with travel regulations. In addition, Wernersville management should periodically review employee travel expense vouchers for compliance with Commonwealth travel policy.

### **Management Comments:**

*Wernersville is in agreement that staff were not submitting travel requisitions in accordance with Commonwealth and Wernersville policy. We appreciate the assistance of Auditor General staff in identifying a report, which makes available all detail regarding travel requisitions submitted. We regret we were not informed at the implementation of the travel reimbursement component of SAP.*

*Upon obtaining this report, Wernersville staff completed a 100 percent review of travel requisitions and subsequently received reimbursement from all parties identified as receiving excess reimbursement. This review also disclosed the issue of the duplicate reimbursement of a shared staff member between Wernersville and Hamburg. Prior to informing the Auditor General staff of this issue Wernersville had already begun the restitution process.*

*We continue to review all of the travel requisitions submitted and contact both the employee and their supervisor if requisitions are not completed correctly.*

## **Chapter IV – Work Orders**

### **Objective and Methodology**

Wernersville is responsible for maintaining the safety, welfare, efficiency, and decor of the facility. To accomplish this goal, maintenance department personnel perform general repairs and maintenance work as reported by hospital employees, or initiated by the maintenance department. To ensure work orders are processed efficiently, Wernersville has established work order processing policies and procedures.<sup>10</sup>

The objective of this part of the audit was to determine if work orders were processed in accordance with Wernersville's policies and procedures. To accomplish this objective, we performed the following procedures:

- Interviewed appropriate maintenance department personnel.
- Reviewed Wernersville's maintenance department policy and procedure manual.
- Reviewed 67 of the 11,534 work orders submitted during the period July 1, 2003, to October 31, 2005.

### **Audit Results**

#### **Finding IV–1 – Wernersville's maintenance department complied with work order policies.**

All examined work orders were processed in accordance with Wernersville established policies and procedures. The work order process begins when an employee requesting the work obtains approval by the building supervisor. This approval generates a work order in the maintenance department where it is approved, prioritized, and assigned to the appropriate maintenance shop.

Ninety five percent of the work orders received by the maintenance department during the examined period were completed. The remaining 576 were work orders that were still open. Of those work orders that remained open, 271 were less than one month old.

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<sup>10</sup> Wernersville State Hospital Maintenance Department Procedure Manual, Section No. 600.

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

### **Objectives and Methodology**

The following is a summary of the findings and recommendations presented in our audit report for the period July 1, 2000, to June 23, 2003, along with a description of Wernersville's disposition of the recommendations. We used one or more of the following procedures to determine the status of each recommendation:

- A review of DPW's written response dated August 3, 2004, replying to the Auditor General's audit report.
- Tests performed as part of, or in conjunction with, the current audit.
- Discussions with appropriate Wernersville personnel regarding specific prior audit findings and recommendations.

### **Prior Audit Results**

#### **Finding I-1 – Fixed asset controls were ignored.**

The prior audit report disclosed that Wernersville could not produce documentation to support the completion of either quarterly or annual fixed asset inventories. In addition, Wernersville did not use the required Moving/Disposition form when changing the location of a fixed asset. Finally, not all fixed assets were properly tagged to identify and account for the item.

We recommended that Wernersville management ensure that the asset tracking system is accurate and at a minimum, conduct a physical inventory of fixed assets and other assets susceptible to disappearance at least annually. In addition, we recommended that the Moving/Disposition form be completed as required when assets are moved from one location to another.

#### **Status:**

The current audit disclosed that Wernersville conducted an annual physical inventory of fixed assets, and other assets susceptible to disappearance. Wernersville officials indicated that although there is no set time when the physical inventory is conducted, it is conducted by the end of each fiscal year. In addition, Wernersville requires the storeroom staff to tag

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

all fixed assets upon delivery to the Storeroom. Finally, the Movement/Disposition forms were completed as required. Because of these actions, the finding was resolved.

### **Finding I-2 – Inventory tracking software was not maintained.**

The prior audit reported that the inventory tracking software used to monitor assets with a value less than \$5,000 was no longer being maintained by Wernersville. While neither the Commonwealth nor Public Welfare require institutions to track assets costing less than \$5,000, prudent management practices dictate that these assets should not be overlooked since most of the items such as tools and maintenance equipment are movable and therefore susceptible to disappearance.

We recommended that Wernersville conduct a physical inventory at least annually and that Wernersville administrators ensure that the asset tracking system is accurate.

#### **Status:**

The current audit disclosed that Wernersville maintained and utilized the Freeman Inventory Management System, a tracking system that monitored the location of assets valued below \$5,000. An annual physical inventory of the assets was conducted at the same time as the physical inventory for the fixed assets. As a result, this finding was resolved.

### **Finding II-1 – Hospital vendors did not comply with invoice requirements.**

The previous audit reported that Wernersville vendors were not including all relevant and pertinent information on their invoices. In addition, the vendor for outpatient laboratory and phlebotomy services over billed for contracted services. We recommended that Wernersville personnel review all contracts to ensure that contract codes and other invoice requirements were still necessary. For contract terms that were no longer necessary, Wernersville personnel should initiate change orders to delete the unnecessary requirements. After making the necessary contract revisions, Wernersville personnel should also emphasize to contractors the importance of complying with all invoicing requirements to prevent delays in invoice processing and payment. Finally, Wernersville and the DPW Comptroller's Office should reemphasize to contract monitors the need to ensure that contractors correctly invoice for services provided before approving the invoices for payment.

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

### **Status:**

The current audit disclosed that vendor invoices processed during the audit period contained the required information and there was no delay in processing invoice payments.

Additionally, Wernersville was billed for outpatient laboratory and phlebotomy services at the correct rate. As a result, we concluded that Wernersville has complied with our recommendations.

## **Audit Report Distribution List**

This report was initially distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell  
Governor

The Honorable Robert P. Casey, Jr.  
State Treasurer

The Honorable Estelle B. Richman  
Secretary  
Department of Public Welfare

The Honorable Jake Corman  
Majority Chair  
Public Health and Welfare Committee  
Senate of Pennsylvania

The Honorable Vincent J. Hughes  
Minority Chair  
Public Health and Welfare Committee  
Senate of Pennsylvania

The Honorable George T. Kenney, Jr.  
Majority Chair  
Health and Human Services Committee  
Pennsylvania House of Representatives

The Honorable Frank L. Oliver  
Minority Chair  
Health and Human Services Committee  
Pennsylvania House of Representatives

Joan Erney  
Deputy Secretary  
Mental Health & Substance Abuse Services  
Department of Public Welfare

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Lynn F. Sheffer  
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Irene Taylor  
Chief Executive Officer

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