

**Commonwealth of Pennsylvania**  
**Department of Public Welfare**  
**Hamburg Center**  
**July 1, 2005, to October 26, 2007**  
**Performance Audit**





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October 23, 2008

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

Dear Governor Rendell:

This report contains the results of the Department of the Auditor General's performance audit of the Department of Public Welfare's Hamburg Center for the period July 1, 2005, to October 26, 2007. 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 audit noted that Hamburg did not verify whether contract vendors complied with the Commonwealth's insurance requirements. The contents of the report were discussed with the management of Hamburg Center, 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 Hamburg Center 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 Developmental Programs**

The Office of Mental Retardation (OMR) was established within the Department of Public Welfare (DPW) by an Executive Board order on December 8, 1972. In 2007, as a result of reorganization, OMR became the Office of Developmental Programs and within that, the Bureau of Mental Retardation Program Operations. The Bureau directs the fiscal and program planning, management and oversight of all mental retardation program operations including state operated facilities, community mental retardation programs and early intervention programs. Services provided by these programs are classified into four categories:

- Nonresidential community-based service
- Residential community-based service
- Intermediate care facilities
- Institution care

To provide care in the institutional setting, the Bureau is directly responsible for the operation of five mental retardation centers: Ebensburg/Altoona, Hamburg, Polk, Selinsgrove, and White Haven. The centers are physically separate institutions that provide residential care to individuals with severe and profound mental retardation.

### **Hamburg Center**

The Bureau of Mental Retardation Program Operations operates Hamburg Center. Hamburg is located in Windsor Township, Berks County and was originally established as the Hamburg Tuberculosis Hospital under the jurisdiction of the Pennsylvania Department of Health. In 1956, the name was changed to the Charles H. Miner State Hospital at Hamburg. In December 1959, control of the hospital was transferred from the Department of Health to the Department of Public Welfare for the care of people with mental retardation. On July 15, 1976, the hospital's name was changed to Hamburg Center. Hamburg provides a structured environment for the development of the mentally disabled in order to enhance their skills and behaviors for community and family living, in order to promote eventual placement into community settings.

Hamburg's physical plant consists of 43 buildings located on 154 acres of land. Hamburg is licensed by the Pennsylvania Department of Health as a 237-bed intermediate care facility and receives cost of care reimbursements from the federal government through the Medical Assistance Program for services rendered to eligible clients.

## **Background Information**

A facility director administers Hamburg's day-to-day management functions. Additionally, a nine-member Board of Trustees has been designated to provide advisory services to Hamburg.

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

	2006	2007
Operating expenditures (rounded in thousands) <sup>1</sup>		
State	\$14,518	\$13,461
Federal	<u>15,304</u>	<u>16,111</u>
Total	<u>\$29,822</u>	<u>\$29,572</u>
Employee complement at year-end	437	430
Bed capacity at year-end	237	237
Available client days of care	86,505	86,505
Daily average client census <sup>2</sup>	148	138
Actual client days of care	53,993	50,194
Percent utilization (based on client days of care)	62.4%	58.0%
Daily average cost per client <sup>3</sup>	\$552	\$589
Yearly average cost per client <sup>4</sup>	\$201,602	\$215,043

<sup>1</sup> Operating expenditures are recorded net of fixed asset costs, and amount that would normally be recovered as part of depreciation.

<sup>2</sup> Daily average census 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> Daily average cost per client was calculated by dividing the total operating expenditures by the actual client days of care.

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

## *Objectives, Scope, and Methodology*

The audit objectives were selected from the follow general areas: Client Management, including an assessment of Hamburg's procedures to safeguard its clients from abuse and to provide quality of life assessments; Contract Management, including an assessment of compliance with policies and procedures; and Expense Management, including an examination of food service activities, and cell phone usage. In addition, we determined the status of the implementation of the recommendations made during the prior audit of Hamburg. The specific audit objectives were:

- To assess the adequacy of Hamburg's prevention, investigation, and management of alleged resident abuse and to determine if the certified investigators received the required training and certifications. (Findings 1 and 2).
- To determine if the Guardian Office conducted mandatory Quality of Life Assessment visits to individuals living at Hamburg. (Finding 3)
- To determine whether Hamburg's purchase contracts complied with the prescribed policies and procedures. (Findings 4 and 5)
- To determine if the Food Service Department complied with DPW policies and procedures. (Finding 6)
- To determine if all the cellular phones at Hamburg were necessary and their associated costs appropriate. (Finding 7)
- To determine the status of management's corrective actions for prior audit findings that addressed approval requirements for SAP transactions, follow-up of vendor overbillings, and Medicare Part B billing efforts.

The scope of the audit was from July 1, 2005, to October 26, 2007, unless indicated otherwise in the individual report findings. Auditors conducted fieldwork from June 18, 2007, to October 26, 2007. An exit conference was held on October 25, 2007, to discuss the results of the audit with management of the institution, and management's comments are included with each recommendation in the report.

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

To accomplish these objectives, auditors reviewed DPW incident management regulations,<sup>5</sup> Hamburg's bill of rights,<sup>6</sup> and PA Certified Investigator Manuals<sup>7</sup> regarding the prevention, reporting, investigation, and management of abuse incidents. They also reviewed the DPW Administrative Manual, Guardian Officer policies and procedures regarding ward visitations and the DPW Purchasing Manual. To update their understanding of the prior audit's findings, they also reviewed DPW's written response, dated July 3, 2006, replying to the prior Auditor General audit report.

Auditors interviewed Hamburg's Director of Program Services, the Guardian Officer, the acting purchasing agent as well as accounting and purchasing personnel. They also held discussions with appropriate Hamburg personnel regarding the prior audit findings and recommendations.

In order to assess the adequacy of Hamburg's prevention, investigation, and management of resident abuse, auditors reviewed all seven certified investigator files for certification expiration dates and abuse prevention courses, reviewed the Pennsylvania Department of Health licensing survey reports for March 2006 and March 2007, and selected 11 of 55 reportable incidents, accidents, and deaths for detailed follow-up.

To determine if the Guardian Office conducted mandatory Quality of Life Assessment visits, auditors selected six calendar months in the two-year period ending June 30, 2007 for analysis and detailed testing.

To determine whether Hamburg's purchase contracts complied with the prescribed procedures and policies, auditors selected 53 of 89 purchase contracts for analysis and detailed testing.

To determine if the Food Service Department complied with DPW guidelines, auditors obtained food service department organizational charts and job descriptions for each position within the food service operation, determined the training provided to food service personal, and determined that the institution participates in the Institutional Donated Commodities Program<sup>8</sup> and has an agreement on file with the Department of Agriculture. Auditors also reviewed the daily, weekly, and monthly inspection reports, and the employee Center's records to determine that each employee received an annual test for tuberculosis. Finally, auditors also toured the facility and reviewed annual inventories of fixed assets and dry good commodities.

To determine if all the cellular phones at Hamburg were necessary and their associated costs appropriate, auditors discussed the cell phone contract and usage procedures with the accounting and purchasing personnel, reviewed the Commonwealth's policies and

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<sup>5</sup> Department of Public Welfare, Mental Retardation Bulletin 00-01-05A dated March 28, 2002 and effective immediately.

<sup>6</sup> Hamburg Center Patient Bill of Rights based on the Bill of Rights Act of 1999.

<sup>7</sup> Written manual as guidance for individuals conducting investigations in accordance with Commonwealth of Pennsylvania, Department of Public Welfare, Mental Retardation Bulletin 6000-04-01.

<sup>8</sup> Department of Public Welfare Administrative Manual Section 7071.4.

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

procedures for wireless communication devices,<sup>9</sup> obtained and reviewed all cellular phone invoices from June 6, 2006, through June 23, 2007, and prepared an analysis of usage and costs for each of the institution's cell phones.

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

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<sup>9</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive, Number 240.11.

## *Audit Results*

### **Client Abuse Prevention**

Department of Public Welfare policy requires Hamburg's Director to ensure that all cases of abuse be investigated.<sup>10</sup> According to the Department personnel manual, categories of abuse include, but are not limited to physical abuse (e.g. slapping, pushing), non-physical abuse (e.g. verbal assault, ignoring a need), neglect (e.g. leaving a patient who requires supervision unattended), and exploitation (e.g. sexual activity with a patient).

In addition, the Department defines abuse in its personnel manual as:

*An act by an employee toward or with patients/individuals that does not have as its legitimate goal the healthful, proper and humane care and treatment of the patient/ individual . . . Any act or mission which reasonable may cause or causes physical or emotional harm or injury to a patient/individual or deprives a patient/individual of his/her rights, as defined by the Departments rules and regulations . . . Non-action which results in emotional/physical injury . . .*<sup>11</sup>

#### **Finding 1 – Abuse Incidents were handled according to DPW guidelines.**

Auditors analyzed the documentation of the 11 Certified Investigations to determine compliance with DPW regulations. They concluded the investigations were handled within the established DPW guidelines. Auditors also reviewed the March 2006 and March 2007 licensing survey report prepared by the Pennsylvania Department of Health and found that Hamburg corrected all items requiring corrective action in the 2006 survey before the 2007 survey. In addition, the 2007 survey contained no reportable deficiencies.

The review of the 11 Certified Investigations disclosed that investigations were timely and comprehensive. The reports included summaries of investigative procedures, evidence gathered, and any corrective disciplinary or procedural actions.

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<sup>10</sup> Department of Public Welfare, Incident Management Bulletin 00-01-05, dated August 27, 2001 and effective March 25, 2002.

<sup>11</sup> Department of Public Welfare, Personnel Manual Section 7178, Patient/Individual Abuse, Subsection 7178.2(A) (1) reissued June 22, 1995.

**Finding 2 – Hamburg investigators were properly certified.**

Hamburg has seven employees who are Certified Investigators. All seven employees were trained properly and were certified in accordance with DPW regulations.<sup>12</sup>

**Guardian Office Operations**

In the spring of 1978, a federal court decision mandated DPW to establish an independent Guardian Officer in each state hospital and mental retardation center.<sup>13</sup> The Guardian Officer serves as representative payee and/or court appointed financial guardian for incompetent patients when no family or outside agency is available. With written consent, competent patients can open accounts and receive assistance with money management. DPW has established policies and procedures to ensure each Guardian Officer operates consistently.<sup>14</sup>

The clients personal needs have top priority. The Guardian Officer must meet with clients and/or their treatment team in their ward to determine their wants and needs. This meeting is documented in a Quality of Life (QOL) Assessment form. Currently, the Guardian Officer is required to complete a QOL Assessment form on five clients each month as determined by the Division of Guardianship Programs at DPW.<sup>15</sup>

**Finding 3 – The Guardian Office completed the Quality of Life Assessments each month.**

We selected six separate months for testing between July 1, 2005, and June 30, 2007. Although the number of Quality of Life Assessments to be completed changed periodically, from two to three to five, during this time, the Guardian Office met the requirements as directed by DPW.

**Contract Management**

Hamburg has a centralized Purchasing Office for the handling of all purchase contracts. DPW's Purchasing Manual governs all purchases contracts.<sup>16</sup> To help ensure the efficient operations of the hospital, Hamburg entered into 89 purchase contracts for items, equipment,

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<sup>12</sup> Department of Public Welfare, Mental Retardation Bulletin Number 00-04-11, dated September 16, 2004.

<sup>13</sup> U.S. District Court, Eastern District of Pennsylvania, Veccione vs. Wohlgemuth, Civil Action No. 73-162; Stipulation of Council.

<sup>14</sup> Department of Public Welfare, Bureau of Administrative Services, Division of Guardianship Programs, Policy and Procedure Manual, Section III, Other Standard Work Procedures, Subsection I-12 Client Personal Needs – Quality of Life Assessment, revised September 2005.

<sup>15</sup> Ibid.

<sup>16</sup> Department of Public Welfare, Purchasing Manual Part 3, Services, Section 300, dated February 2, 2002.

## **Audit Results**

and for services when Hamburg personnel were unable to perform those services. As part of our testing, we selected 53 of those contracts, which included such things as sound system repair, blood testing for lead, rental of snow equipment, and dental and speech services.

### **Finding 4 – Hamburg did not verify whether contract vendors complied with the insurance requirements.**

Our audit disclosed that Hamburg did not execute contracts in compliance with the commonwealth purchasing manual.<sup>17</sup> Ten contracts (18%) of the total contracts examined did not contain a certificate of insurance, which protects Hamburg in the event of an injury or engagement in negligent conduct. The purchasing agent is responsible for verifying that a certificate of insurance accompanies the contract.

#### **Recommendation:**

The Purchasing Office should ensure that all vendors file a certificate of insurance and include a copy in the contract folder.

#### **Subsequent Event:**

The Purchasing Agent, upon notification of the missing certificates of insurance, called each vendor for a copy of the missing certificates. As of September 19, 2007, all ten missing certificate of insurance were received by the Purchasing Office and verified by the auditors and then placed within the contract folder.

### **Finding 5 – Contracts were monitored properly.**

Each of the 53 contract folders included the name of the contract monitor assigned to the contract. The DPW field procurement manual<sup>18</sup> requires the use of a contract checklist by the contract monitor to serve as a guide and to provide evidence that all invoices have been reviewed for vendor compliance to the contract provisions. A partial list of DPW contract monitor requirements includes:

- Verify contractor's name and address are filled out correctly.
- Verify contract period is entered.
- Verify cost calculations and extensions are mathematically correct.
- Verify all signatures are dated.
- Verify changes orders are initialed by all parties.
- Verify account codes and encumbrance amounts correct.
- Verify all attachments identified are attached to contract.

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<sup>17</sup> Department of Public Welfare, Purchasing Manual Part 3, Services, Section 309.04.01 p. 48.

<sup>18</sup> Department of General Services, Field Procurement Manual 215.3.



All 53 contract folders contained the contract review checklist and a contract monitor sign off signature.

## **Dietary Services**

The DPW Administrative Manual<sup>19</sup> contains general policy and responsibilities for the food service department to follow concerning receiving and storage of food, inventory, and maintenance of equipment, new employee orientation, donated food, sanitation and safety inspections and annual employee Mantoux/PPD Tuberculosis tests and biennial physicals.

### **Finding 6 – Hamburg did not comply with DPW food service policy for biennial physicals for dietary employees.**

Hamburg did not comply with the DPW Personnel Manual<sup>20</sup> or the Hamburg Center Policy/Procedure Manual<sup>21</sup> related to biennial physical examinations. Both manuals state:

*“Food service employees shall receive a physical examination every two years using the Report of Medical and Physical Examination, Form PW-663.”*

Currently, Hamburg has only been requiring new employees to have a physical exam completed prior to employment.

#### Recommendation:

Hamburg needs to immediately commence with biennial physical examinations for all food service employees.

#### Management Comment:

In discussions on September 18, 2008 with the Department of the Auditor General staff, Hamburg management stated that they would immediately begin physical examinations in accordance with both the DPW Personnel Manual and the Hamburg Policy/Procedure Manual.

However, Hamburg has implemented the following procedures to ensure that all DPW food service policies were met for the receiving and storage, inventory and maintenance of equipment, new employee orientation, institution donated food, sanitation and safety inspections, and annual employee Mantoux TB tests.

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<sup>19</sup> Department of Public Welfare, Administrative Manual Section 7071, Food Service Program, issued March 31, 1982.

<sup>20</sup> Department of Public Welfare, Personnel Manual Section 7137.2.b, Health and Medical Services, reissued January 14, 1996.

<sup>21</sup> Department of Public Welfare, Hamburg Center Policy/Procedure Manual Section 2070.2, Employee Physical Examinations, dated March 2006.

## **Audit Results**

### Receiving, Storage and Maintenance of Food Equipment and Supplies<sup>22</sup>

1. All commodities are stamped with the date received, issued on a first-in first-out basis and a system is in place to provide timely information to the Food Service Director as to stock available.
2. Dry Stores are on shelving that is easily cleanable, is non-absorbent, and allows for food air circulation at least one foot from the floor. Food is stored at least 18 inches from the sprinkler system and items are stored neatly and arranged for easy identification.
3. All opened items are properly labeled, dated and maintained in covered containers, fats and oils are stored in closed containers at low temperatures and walk-in coolers and freezers are equipped with alarm systems that are activated when the temperature inside a freezer reaches 20 degrees Fahrenheit or when the temperature inside a cooler reaches 55 degrees Fahrenheit and all are equipped with safety latches to prevent any employee from being trapped inside a cooler.
4. Operating and cleaning instructions are posted next to each piece of equipment.
5. To safeguard inventories against theft, only supervisors are issued keys to coolers and freezers.

### Inventory of Equipment<sup>23</sup>

Auditors determined that all fixed assets and dry good commodities listed on the 6-30-06 annual inventory were located in the food service area.

### New Employee Orientation<sup>24</sup>

All new employees hired receive an orientation outline, which includes the following:

1. A tour of the work site and introduction to other staff members.
2. Description and explanation of equipment, supplies, and facilities the employee will use in performing assignments.
3. A discussion and explanation of job duties and responsibilities based on a written job. Included in this discussion will be a description of what will be expected in performance and acceptable job standards and the use of standard evaluation form.

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<sup>22</sup> Department of Public Welfare, Administrative Manual Section 7071.5.

<sup>23</sup> Ibid.

<sup>24</sup> Department of Public Welfare, Personnel Manual Section 7124.1.

4. A description of the structure, organization, and mission of the employee's assigned unit, its relationship to the organization, including work rules and procedures.

**Institutional Donated Food Program**<sup>25</sup>

Hamburg participates in the Institutional Donated Commodities Program and has a written agreement with the Department of Agriculture. All institutions participating in the donated commodities program are required to sign an agreement with the Department of Agriculture, to use the commodities solely for the benefit of the patients and trainees and to properly use, store and handle the food to prevent loss or damage which makes the food unfit for human consumption. The Department of Agriculture makes frequent inspections to determine that participants follow the conditions of the agreement. Any violation is subject to a penalty that may call for the payment of the cost of the food that was not used in accordance with the agreement.

**Sanitation and Safety Inspections**<sup>26</sup>

It is the responsibility of the Hamburg food service director, to inspect the food service area. During the audit period the food service director:

1. Conducted quarterly inspections.
2. Conducted daily, weekly, and monthly health standards inspections.
3. Documented all discrepancies and noted corrections on the inspection evaluation forms.

**Employee's Medical Examinations and Mantoux TB Testing**<sup>27</sup>

Hamburg had 29 food service employees. The auditors randomly selected a sample of six employee files, or 20 percent, and found that all files had a copy of the Mantoux TB Test.

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<sup>25</sup> Department of Public Welfare, Administrative Manual Section 7071.4.

<sup>26</sup> Department of Public Welfare, Administrative Manual Section 7071.6.

<sup>27</sup> Department of Public Welfare, Administrative Manual Section 7137.2.

## **Audit Results**

### **Cell Phones**

The Commonwealth of Pennsylvania, Department of General Services (DGS) contracted with three telephone companies to provide wireless communication services. After reviewing all contracted provider plans,<sup>28</sup> Hamburg entered into a contract with the AT&T wireless phone company for wireless communication services. This contract became effective in April of 2004. The Department of General Services contract with AT&T allowed for the choice of three different rate plans. The three plans were:

1. AT&T Wireless Flat Rate Advantage Plan (This option was chosen for the thirteen in house cell phones)

AT&T Wireless Flat Advantage Plan – 0 Anytime Minutes	\$9.99
Additional Home Minutes	\$0.11
Domestic Roaming Minutes	\$0.69
Long Distance Minutes (for calls originating within the AT&T local network – which includes the Commonwealth)	\$0.00
Long Distance Minutes (for calls originating outside Commonwealth to non-Pennsylvania phone numbers)	\$0.20

2. AT&T Wireless mLIFE Local Plan \$29.99 (250 minutes) (This plan was chosen for the two administrative employees)

AT&T Wireless Local mLIFE Plan – 250 Anytime Minutes with \$5.00 reduction	\$24.99
Additional Home Minutes	\$0.45
Domestic Roaming Minutes	\$0.69
Long Distance Minutes (for calls originating within the AT&T local network – which includes the Commonwealth)	\$0.00
Long Distance Minutes (for calls originating outside Commonwealth to non-Pennsylvania phone numbers)	\$0.20

3. AT&T Wireless mLIFE Local Plan \$29.99 (350 minutes) (Not chosen)

AT&T Wireless Local mLIFE Plan – 350 Anytime Minutes includes 100 additional anytime minutes	\$29.99
Additional Home Minutes	\$0.45
Domestic Roaming Minutes	\$0.69
Long Distance Minutes (for calls originating within the AT&T local network – which includes the Commonwealth)	\$0.00
Long Distance Minutes (for calls originating outside Commonwealth to non-Pennsylvania phone numbers)	\$0.20

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<sup>28</sup> Department of General Services, Contract Number 9985.34 available for viewing at <http://www.deycomm.state.pa.us/keycomm/cwp/view.asp?a=3&Q=185265&keycommPNavCtr=#8223>, as of September 27, 2007.

**Finding 7 – Cellular phones were necessary and their associated costs appropriate.**

According to the Commonwealth’s wireless communication policy<sup>29</sup>,

*Allocation of wireless communication devices is to be determined as operationally necessary by the Agency Head and one agency Deputy Secretary with operational responsibility for the management of wireless communication devices.*

At Hamburg, the Facility Director and the Director of Administrative Services made the final determination on which employees or areas were issued cellular phones and the rate plans chosen.

Hamburg had fifteen cellular phones of which thirteen were assigned to specific areas of Hamburg rather than employees. The phones were assigned to areas that affect the health and safety of Hamburg’s clients, and were shared between supervisory employees on all shifts. The remaining two phones were assigned to the Facility Director and the Shift Nurse Supervisor. Their responsibilities require them to be accessible twenty-four hours a day and seven days a week for any decisions requiring immediate attention or contact with supervisors, subordinates, health care professionals, and other officials throughout the workday.

The Commonwealth wireless communication policy<sup>30</sup> also states:

*Employee personal use of wireless equipment is not allowed unless warranted by an emergency situation.*

Our examination and analysis of all the cellular phone invoices indicated that they were being used efficiently with plans tailored to the amount of minutes needed by the user. In addition, the accountant reviewed monthly invoices for personal calls, including toll free numbers, based on her experience of the calling area and used the internet phone number look-up for any unusual numbers to ensure the Commonwealth was being reimbursed for any personal calls made on the Commonwealth cellular phones.

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<sup>29</sup> Commonwealth of Pennsylvania Governor’s Office, Management Directive Number 240.11, Section 5.b, amended October 8, 2004.

<sup>30</sup> Commonwealth of Pennsylvania Governor’s Office Management Directive, Number 240.11, Section 5.f (1), amended October 8, 2004.

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

### **Objectives and Methodology**

The following is a summary of the findings and recommendation presented in our audit report for the period July 1, 2003, to April 22, 2005, along with a description of Hamburg's disposition of the recommendations.

### **Procurement**

#### **Prior Finding I-1 – Compliance with Hamburg's internal approval requirements for SAP transactions was not confirmed.**

Our prior audit noted that the SAP R/3 purchasing module did not provide Hamburg management with a mechanism to ensure that all purchase requisitions are forwarded to the Assistant Superintendent for Administrative Services as required by Hamburg's policy. Therefore, unauthorized or unnecessary items could be purchased without Hamburg management's knowledge.

According to Hamburg management, 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 Hamburg's Assistant Superintendent for approval. Hamburg officials indicated that they were not comfortable with the \$20,000 threshold and implemented an internal policy requiring all requisitioners to forward all purchase requisitions to the Assistant Superintendent for approval and to the accounting office for coding review. We recommended that Hamburg management determine if the SAP system default of \$20,000 could be changed to ensure compliance with its internal review policy. If this was not possible, Hamburg should explore the various screens available through SAP and determine the appropriate screen that would provide the greatest assurance that all purchase requisitions were approved by the Assistant Superintendent prior to processing.

#### **Status:**

Follow up interviews with institution management indicated that the threshold for approval of requisitions could not be changed from the current default of \$20,000; however, the online approval system was reconfigured to compensate for this deficiency. Requisitions are now electronically routed directly from the requisitioner to the Director of Administrative Services for his approval prior to submission to purchasing. As a result, this finding has been resolved.

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

### **Prior Finding I-2 – The SAP payments tested were processed accurately with one exception.**

In our prior audit, all 15 examined purchase orders that were requested, approved, received, and paid through the SAP purchasing module were processed accurately and timely. However, our examination of the disbursements for 1 of the 15 purchase orders revealed that the vendor over-billed for 7.5 hours of service totaling \$457.13, which was inadvertently approved and paid. We recommended that Hamburg request a refund from the vendor for the overpayment.

#### **Status:**

Our current audit found that Hamburg pursued the claim against said vendor for the over-billing of services. The vendor was notified and a credit was received on April 15, 2005, for \$457.13. The auditor reviewed the invoice indicating the credit amount and found the corrective action to be adequate.

## **Medicare Part B**

### **Prior Finding II-1 – Medicare billings were not always accurate.**

Hamburg had not established sufficient procedures to ensure that all Medicare Part B eligible encounters were billed accurately. In addition, Hamburg did not provide periodic Medicare Part B training to its staff. An examination of the November 2004 medical records for 16 clients disclosed that Hamburg did not accurately bill for three procedures provided to those clients.

We recommended that Hamburg establish a medical records review process to ensure the completeness and accuracy of its Medicare Part B billings. The process should determine that all eligible procedures are listed on the patients' encounter form and are accurately billed. In addition, procedures listed on the encounter forms for billing should be substantiated in the patient medical records. Finally, Hamburg should institute regular training sessions for all medical staff to ensure that they remain current with Medicare regulations.

#### **Status:**

Our current audit disclosed that Hamburg has taken steps to increase the completeness and accuracy of Medicare Part B billings. Interviews with management staff found that numerous steps were taken to reduce billing errors such as increased training, random checking of encounter forms and comparison with a daily incident report. Subsequent testing of 25 individual medical records for March 2007 found only one discrepancy. This amounted to a potential loss of \$50.73 in revenue. However, due to the period of the occurrence we determined that it could be re-billed with no loss of income. As a result of our testing, we concluded that the discrepancies found in the prior audit were resolved in a satisfactory manner.

## *Audit Report Distribution List*

This report was initially distributed to the following:

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