

# PERFORMANCE AUDIT

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## Southwestern Veterans Center

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December 2015



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE  
AUDITOR GENERAL

December 14, 2015

The Honorable Tom Wolf  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

Dear Governor Wolf:

This report contains the results of the Department of the Auditor General's performance audit of the Southwestern Veterans Center (SWVC) that is operated by the Commonwealth's Department of Military and Veterans Affairs (DMVA). This audit covered the period July 1, 2013 through May 31, 2015, unless otherwise noted. This audit was conducted under the authority of Section 402 of The Fiscal Code, 72 P.S. § 402, and in accordance with applicable 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

We performed this audit to determine whether the SWVC effectively monitored contracted therapy services. We found that the SWVC did not verify the accuracy of therapy services' invoices. We offer 6 recommendations to alleviate these deficiencies.

We also conducted procedures to determine the status of the implementation of our two prior audit report findings and recommendations as presented in the audit report released on October 11, 2012. We found that improvements were made to address the conditions in both prior audit findings; however, additional improvement is needed. We offer 9 additional recommendations.

The Honorable Tom Wolf

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In closing, I want to thank the SWVC's management and staff for its cooperation and assistance during the audit. SWVC officials generally agree with the audit report's finding and recommendations. I am encouraged by SWVC's current commitment to correct these weaknesses.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale  
Auditor General

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## Results in Brief

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The purpose of this report is to communicate the results of our performance audit of the Southwestern Veterans Center (SWVC). We wanted to determine if the SWVC effectively monitored contracted therapy services. We also conducted procedures to determine the status of the implementation of our prior audit report findings and recommendations as presented in the audit report released on October 11, 2012.

Our audit found that the SWVC did not verify the accuracy of therapy services' invoices. Specifically, SWVC staff did not verify that therapy services on the invoices were actually provided or if the charges for the co-pays or deductibles were accurate. Additionally, staff at the Department of Military and Veterans Affairs (DMVA), who enter the invoices into the Commonwealth's SAP accounting system, also did not verify the propriety and accuracy of the invoices.

Our audit recommended that SWVC develop and implement procedures to verify that invoiced therapy services were provided. The procedures should include a comparison, on at least a test basis, of the invoices for therapy services to: a) medical records; b) the Case Load Tracking Log; or c) other reliable records. We also recommended that SWVC work with the Department of Military and Veterans Affairs (DMVA) to determine which entity (DMVA or SWVC) should be responsible for developing and implementing procedures to determine, at least on a test basis, whether the invoiced co-pay and deductible amounts are accurate.

We determined that SWVC partially resolved Finding No. 1 in our prior report regarding its failure to monitor contracted medical services. SWVC developed and implemented policies and procedures to determine if invoiced medical services were actually provided. However, based on our test work, we found that SWVC did not verify that the rates charged on the invoices agreed to the rates identified in the contract, resulting in an overpayment of \$1,166. We offer four recommendations.

We also determined that SWVC partially resolved Finding No. 2 in our prior report regarding its failure to request refunds for pharmacy charges in a timely manner. SWVC developed policies and procedures to ensure it did not pay the Veterans Administration Pittsburgh Health System (VAPHS) for medications that VAPHS provided SWVC on behalf of its Aid and Attendance eligible residents. However, beginning November 1, 2014, SWVC no longer received medications from VAPHS. Instead, it obtained medications from a new vendor through a contract negotiated by the Commonwealth and DMVA. SWVC paid the vendor the cost of all medications, including the medications provided for its Aid and Attendance residents, and then the SWVC needs to request reimbursement from VAPHS for medications for Aid and Attendance residents. Although SWVC submitted two requests for reimbursement to VAPHS totaling \$178,114, VAPHS had not paid SWVC. There was no

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process negotiated between SWVC, DMVA, and VAPHS for SWVC to obtain reimbursement from the VAPHS for costs associated with medications for Aid and Attendance residents. However, according to the SWVC business manager, a process for SWVC to receive reimbursement was agreed to during an August 14, 2015, meeting.

Overall, SWVC's response agrees with the recommendations and indicates that many of the recommendations have already been addressed. (See page 18).

**Southwestern Veterans Center****Background**

The Southwestern Veterans Center (SWVC) is a 236 bed nursing care facility located in the city of Pittsburgh, Allegheny County. It is one of six veterans' homes operated by the Commonwealth's Department of Military and Veterans Affairs (DMVA). The SWVC was dedicated on July 14, 1997. It is fully licensed by the Commonwealth's Department of Health and the Department of Human Services. Until recently, the SWVC provided nursing care and personal/domiciliary care to its residents; however, beginning January 16, 2015, the SWVC no longer provides personal or domiciliary care.

A commandant manages the day-to-day operations of the SWVC. In addition, a separately appointed advisory council assists in the SWVC's operations.<sup>1</sup> The SWVC operates using a combination of funding sources including a state appropriation, federal reimbursements from the Veterans Administration, and the collection of maintenance fee assessments from residents.

The SWVC provides 24-hour care, seven days a week. Residents receive medical, dental, podiatry, and mental health care at SWVC from physicians and other licensed health care professionals. SWVC has contracted with a health care provider for the services of various health care professionals at hourly rates. Dental services however are contracted for by procedure. Residents also receive physical, occupational, and speech therapy and their medications through the SWVC.

Physical, occupational, and speech therapy is provided to residents when the services are ordered by a physician. The therapy services are delivered on site at the SWVC by a vendor who is contracted to provide these services. According to the contract, the vendor pays the SWVC a monthly fee to be the exclusive provider of therapy services at the SWVC. The SWVC is responsible for paying the vendor the resident's therapy deductibles and co-pays. The vendor is responsible for obtaining payment from insurance or any third party.

In the past, pharmaceuticals for SWVC residents were provided to SWVC by Veterans Administration Pittsburgh Health System (VAPHS). Since November 1, 2014, pharmaceuticals for residents have been provided to SWVC from a third party under a contract the DMVA entered into with a vendor. According to the contract,

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<sup>1</sup> Chapter on "Department of Military Affairs," 51 Pa.C.S. § 704.



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the SWVC pays the vendor the cost of all pharmaceuticals prescribed for the SWVC residents and received by the SWVC, including the cost of pharmaceuticals received for residents who are Aid and Attendance eligible, as determined by the United States Department of Veterans Affairs. The SWVC then requests the VAPHS to refund the pharmaceutical expenses paid on behalf of those who are Aid and Attendance eligible.

A veteran may be eligible for Aid and Attendance when he/she requires the regular assistance of another person to assist in eating, bathing, dressing or undressing, or with the needs of nature. A veteran who is blind or a patient in a nursing home because of his/her mental or physical capacity may also be eligible for Aid and Attendance.

**Southwestern Veterans Center****Finding****1****Southwestern Veterans Center did not verify the accuracy of therapy services' invoices.**

Since May 3, 2011, the Department of Military and Veterans Affairs (DMVA) contracted with a private therapy vendor to provide therapy services to residents at the Southwestern Veterans Center (SWVC)<sup>2</sup>. According to the contract, the therapy vendor purchased a license agreement to be the exclusive provider of on-site physical, occupational, and speech therapy services at SWVC.

The therapy vendor is required to pay the SWVC an \$80,668 annual license fee paid in monthly installments of \$6,722 for the use of the SWVC premises.<sup>3</sup> The therapy vendor is responsible for seeking reimbursement from Medicare or the resident's third party provider, but the SWVC must reimburse the therapy vendor for the co-pays and deductibles incurred when residents are provided therapy services. During the period of July 1, 2013 through May 31, 2015, the SWVC paid the therapy vendor \$293,787 for co-pays and deductibles and was expected to receive \$154,606 in license fees.

Once a physician orders therapy, a therapist evaluates the resident to determine the type and frequency of the therapy required. Every Monday, the therapy vendor places a Case Load Tracking sheet on each resident floor, which lists each resident's name, type of therapy the resident will receive during the week, and the resident's room. Employees of the therapy vendor transport the resident to and from each therapy session. At the end of the week, the Case Load Tracking sheet is discarded.

According to the therapy vendor's management, following each therapy session, treatment notes are prepared by the treating therapist. The notes are entered into the therapy vendor's computer system and a copy of the therapy notes are also to be placed in the resident's medical case file at the SWVC. In addition, therapy vendor staff on site at the SWVC send

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<sup>2</sup> Service Purchase Contract No. 4000015701 between the DMVA and Therapy vendor, was effective from May 3, 2011, through May 2, 2014. Two additional one-year renewals have extended the contract through May 2, 2016.

<sup>3</sup> The Therapy vendor, was awarded the contract in response to the DMVA's Request for Proposal/Solicitation No. DMVA-VH PT/OT/ST-2010-004B-Physical/Occupational/Speech Therapy Services for Southwestern Veterans Center.

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information (notes, billing codes, time) to the vendor's headquarters in order to generate invoices. Invoices are generated for each resident in therapy either once a month or when a resident is discharged from service, whichever is sooner. The vendor sends copies of each invoice to the SWVC and the DMVA.

At the DMVA, a fiscal technician enters the invoices into SAP to process the invoices for payment. However, the fiscal technician indicated that she does not verify that therapy services on the invoice were actually provided nor does she determine if the charges for the co-pays or deductibles were correct. Additionally, according to the SWVC, no one at the SWVC reviews the invoices to verify that the therapy services listed on the invoices were provided to the applicable resident or that the co-pay or deductible amounts are accurate. Therefore, based on interviews, neither the DMVA nor the SWVC are verifying that services were provided to the resident on the dates listed on the invoices or verifying that the amounts charged for co-pays and deductibles are accurate.

Prudent business practices dictate that invoice details should be reviewed prior to payment, at least on a test basis, to verify that the services invoiced were actually rendered and the amount charged for co-pays or deductible amounts are accurate. Without this type of monitoring, the SWVC is placing complete trust in the private therapy vendor to submit accurate invoices for the actual therapy services provided.

We were precluded from reviewing resident's medical files due to Health Insurance Portability Accountability Act (also more commonly known as **HIPAA**) constraints, and other documentation was not available to allow us to determine whether the services paid by the SWVC during the period August 21, 2014, through May 20, 2015, were actually rendered.

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**Recommendations**

We recommend that the SWVC:

1. Develop and implement procedures to verify that invoiced therapy services were provided before payment is made. The procedures should include a comparison, on at least a test basis, of the invoices for therapy services to adequate and reliable supporting documentation such as medical records, the Case Load Tracking Log, and/or other records.

If the Case Load Tracking Log will be used for this purpose, the Log should be modified to include a column to record the date and time the resident was taken to therapy and the physical therapy staff's initials. A copy of the Log should be retained by the SWVC to support the payment of the invoice.

2. Work with the DMVA to determine which entity (DMVA and/or SWVC) should be responsible for developing and implementing procedures to determine, at least on a test basis, whether the co-pays and deductibles are accurate.
3. Take appropriate action if discrepancies between the invoice and medical records/Case Load Tracking Log/other records are discovered, or if co-pay or deductible amounts are incorrect.
4. Assign appropriate staff/management the responsibility to verify the accuracy of the therapy invoices and to monitor this process to ensure verifications are done timely and accurately.

We recommend that the DMVA:

5. Consider assigning the responsibility of determining the accuracy of co-pays and deductibles to trained staff in the DMVA's central office who could perform this function for all of DMVA's six Veterans Centers.
6. Train staff at each of the DMVA's six Veterans Centers on how to verify co-pays and deductibles, if it is determined that the accuracy of the co-pays and deductibles should be the responsibility of each Center.

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**Agency's Response and Auditors' Conclusions**

The SWVC's response to this finding and its recommendations are located in the *Agency's Response and Auditors' Conclusions* section of the audit report.

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## **Status of Prior Audit Findings**

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Our prior audit of the Southwestern Veterans Center covered the period July 1, 2008 to November 4, 2011 and contained two findings and four recommendations. On the pages that follow, we provide the status of these findings and offer additional recommendations to eliminate the deficiencies identified.

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## Southwestern Veterans Center

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**Prior Finding  
One**

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

Our prior audit, and the three audits preceding it, reported that the SWVC did not effectively monitor its payments to the Veterans Administration Pittsburgh Healthcare System (VAPHS) for physician, nurse practitioner, or consultative services. The SWVC did not have documentation to identify what consultative services the VAPHS had provided, who provided them, and when the services were performed. In addition, our review of 66 invoices for physician and nurse practitioner services from the VAPHS for the period July 2008 through March 2011, disclosed errors in ten invoices that resulted in overcharges of \$10,250 that were paid by the SWVC.

We recommended that the SWVC develop and implement monitoring procedures to strengthen its oversight of all aspects of its medical and pharmaceutical service contracts, especially the receipt of consultative services. We also recommended that the SWVC management require its contract monitor to carefully reconcile the medical services invoices to the medical service provider sign-in-sheets in order to ensure that payments are accurate. In addition, we recommended that the SWVC immediately request a \$10,250 refund from the VAPHS.

**Status as of this audit**

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SWVC's current business manager and accountant were not employed at the SWVC at the time the refund should have been requested, and they could not locate any documentation to support whether a refund request was made or if a refund was received. However, during the current audit, the SWVC submitted a \$10,676 refund request to the VAPHS on June 15, 2015, which included the \$10,250 in overcharges previously reported.

Additionally, following the release of our prior audit report in October, 2012, the SWVC issued new administrative policies and

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procedures: "VAPHS CONTRACT MONITORING." These procedures, dated October 25, 2012, require the VAPHS contracted personnel to sign in and sign out on sign-in sheets, located at SWVC's Security Desk, when they entered and exited the SWVC. The commandant's secretary collected and retained these sheets. The secretary also created a spreadsheet using information from the sign-in sheets for record keeping.

Also, the SWVC assigned the Director of Nursing (DON) as the medical services contract monitor. The DON is required to review and approve the medical service invoices on a monthly basis by verifying that the hours reported on the sign-in sheets agreed with the hours on the invoices. She documented any discrepancies and submitted them to the accounting department, who, in turn, investigates and resolves the discrepancies with the VAPHS before payment is made.

As of November 1, 2014, the SWVC discontinued its use of consultative services. Therefore, follow-up regarding this aspect of the prior finding was moot. However, the SWVC continued to use the VAPHS for medical services: physician, nurse practitioner, dental, podiatry, and behavioral health (psychiatric and psychological services).

During the current audit period, we reviewed the December 2013, June 2014, and January 2015 monthly invoices for physician, nurse practitioner, dental, podiatry, and behavioral health services. Of these 15 invoices, we determined that all 15 were reviewed by the DON to ensure that the services invoices were actually rendered by comparing to the sign-in sheets. However, for one of the 15 invoices (for behavioral health services for December 2013) we noted that the incorrect rates were charged for psychiatry and psychology services.

Specifically, the VAPHS invoiced these services at rates of \$119.09 and \$56.47 per hour, respectively, when the contracted rates for psychiatry and psychology services were \$105.34 and \$53.13 per hour, respectively. As a result, the SWVC was overcharged \$81.00 in December 2013. In order to determine the extent of the error, we reviewed all 19 monthly behavioral health invoices from July 2013 through January 2015, and found that 11 invoices, from July 2013 through May 2014, contained incorrect rates. Overall, the SWVC overpaid the VAPHS \$1,166 for behavioral health services.



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We inquired as to why these rate differences were not detected. According to the DON, she was not instructed to compare the contracted hourly rates for medical services to the rates charged on the invoices. Additionally, the SWVC's accounting assistant stated that she was not instructed by SWVC's accountant to verify that invoiced rates agreed with the contracted rates; however, the accountant is no longer employed by the SWVC. Moreover, we reviewed the SWVC's written procedures for processing invoices and found that the procedures do not require invoice rates to be compared to contract rates prior to the payment.

To ensure more effective invoice review and processing, management must design an internal control structure to manage risk, promote accountability, and prevent and detect instances of error, fraud, and abuse. An internal control system includes policies, written procedures, and supervisory oversight. Prior to paying invoices, written procedures must be in place to ensure the services were actually rendered and to ensure the rates charged for the services match the contract rates. Additionally, there should be supervisory oversight to ensure the procedures are adequately and timely performed.

Failure to adequately review invoices may lead to overpaying for services. In this case, the vendor billed for excessive rates for 11 months, and the SWVC failed to detect the error costing the SWVC \$1,166 in excess charges.

**Recommendations**

We recommend that the SWVC:

1. Verify that the hourly rates charged on all medical service invoices agree with the contracted rate prior to payment.
2. Request a refund of \$1,166 from the VAPHS.
3. Retain and track all refund request documentation to ensure all refunds are paid and credited to the SWVC.
4. Amend its written procedures to include steps for comparing rates charged on invoices with contract rates and ensuring that a supervisor has approved the invoices for payment.

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**Agency's Response and Auditors' Conclusions**

The SWVC's response to this status of prior finding and its recommendations are located in the *Agency's Response and Auditors' Conclusions* section of the audit report.

## Southwestern Veterans Center

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**Prior Finding  
Two**

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

During our prior audit, the Southwestern Veterans' Center (SWVC) contracted with the Veterans Administration of Pittsburgh Healthcare System (VAPHS) to provide pharmaceuticals, including medications, to SWVC for its residents. According to the contract, VAPHS would not charge SWVC for prescription medications for SWVC residents who were eligible for Aid and Attendance benefits.<sup>4</sup>

When the United States Department of Veterans Affairs (USDVA) determines that a veteran is eligible for Aid and Attendance, the eligibility determination is retroactive to the date of the veteran's application for Aid and Attendance benefits. It may take months for the USDVA to review and approve a veteran's application.

During the prior audit, we determined that over the course of more than three years, SWVC made only two refund requests for pharmacy charges it had paid on behalf of its Aid and Attendance residents. The two requests, totaling \$101,371, covered the period April 2008 through March 2011.

However, we found the refund requests for the period July 2008 through March 2011 were understated by \$15,609. We also found that during April, May and June, 2011, the SWVC paid \$3,990 for pharmaceuticals on behalf of Aid and Attendance residents. Therefore we recommended that the SWVC immediately request a refund of \$19,599 from the VAPHS and develop and implement procedures to ensure all pharmacy related charges are accurate prior to payment.

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<sup>4</sup> A veteran may be eligible for Aid and Attendance when he/she requires the regular assistance of another person to assist in eating, bathing, dressing or undressing, or with the needs of nature. A veteran who is blind or a patient in a nursing home because of his/her mental or physical capacity may also be eligible for Aid and Attendance.

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**Status as of this audit**

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We determined that the SWVC did not request a refund for the full amount of \$19,599. Additionally, the SWVC management did develop and implement procedures designed to ensure pharmacy related charges incurred on behalf of residents who were eligible for Aid and Attendance were removed from pharmacy invoices prior to payment by the SWVC. However, the SWVC did not develop and implement procedures to timely request refunds of pharmacy charges, including pharmacy charges retroactive to the date of the resident's eligibility for Aid and Attendance.

SWVC provided documentation that it requested a refund in the amount of \$17,624 from the VAPHS on September 27, 2011. The refund was for pharmaceuticals paid for by the SWVC on behalf of residents who were receiving Aid and Attendance during the period January 2009 through June 2011.

We asked the SWVC management why the request was not for \$19,599. Management stated that the accountant and business manager who worked at the time of the refund request are no longer employed at the SWVC. Additionally, the current business manager was unable to determine why the refund request was for less money or if an additional refund request was made for the difference. We also asked the SWVC for evidence that the refund was received.

The SWVC's management stated that refunds are sent directly to the DMVA Comptroller and are not sent to the SWVC. Neither the SWVC's nor the DMVA's officials could provide documentation that the entire 17,624<sup>5</sup> refund was received. Failure to verify that refunds are received may result in lost revenue and preclude the SWVC from continuing to pursue outstanding refund balances. Therefore, the SWVC officials did not have processes or procedures in place to ensure that refunds were received.

During the current audit period, the Director of Nursing (DON) at the SWVC monitored monthly pharmacy invoices to ensure that the pharmacy invoices did not include any pharmacy charges for residents who were receiving Aid and Attendance. Based on our

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<sup>5</sup> The SWVC provided us with documentation that two refunds totaling \$9,058 were received by the DMVA on November 3, and November 18, 2011; however, the documentation did not indicate if that amount included any part of the \$17,624 refund request.

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review of the May 2014 and January 2015 pharmacy invoices, the DON's monitoring of pharmacy invoices is adequate and sufficiently documented.

During the period July 1, 2013 through May 31, 2015, we identified three SWVC residents who became eligible for Aid and Attendance and received pharmaceuticals. SWVC incurred retroactive pharmacy expenses for all three. Although the pharmaceutical expenses were incurred on behalf of the three residents prior to September 2014, the SWVC did not submit a refund request until February 24, 2015, at least six months later.

Additionally, based on our review of the \$8,677 refund request, we found that the requested refund amount was overstated by \$1,780. Specifically, the request included \$649 in pharmacy expenses the DON had previously removed from one invoice prior to payment and \$1,131 in pharmacy expenses for a resident who was not eligible for free medication.<sup>6</sup> The SWVC has not received the refund.

Because the SWVC's accountant during the audit period is no longer employed by the SWVC, the SWVC could not provide a reason for why it took more than six months to request a refund and why the refund request was not accurately calculated. Without the accurate preparation and review of refund requests, the SWVC may lose reimbursement dollars or receive excess reimbursement dollars. Additionally, it may delay the receipt of the reimbursement.

Effective November 1, 2014, the SWVC's pharmacy contract with the VAPHS ended and it began a contract with a different vendor for pharmaceutical services.<sup>7</sup> The agreement with the new vendor is scheduled to remain in effect until the SWVC's in-house pharmacy is completed in a few months. The SWVC pays the vendor the cost of all pharmaceuticals, including the costs of the pharmaceuticals for residents who receive Aid and Attendance,

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<sup>6</sup> The resident was not Aid and Attendance eligible. The resident had a 70% service related disability rating which does not qualify the resident to receive free medications according to Veterans Health Administration Directive 2011-035. The resident's pharmacy expenses are to be paid by SWVC from the full per diem rate it receives from the USDVA for the resident's care. SWVC management indicated that VAPHS personnel erroneously told SWVC that residents with a 50% service related disability compensation rating or higher received free medications from the VAPHS.

<sup>7</sup> Contract No. 4400013852 for pharmacy services between the Department of General Services and the Pharmaceutical vendor.

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and then it requests the VAPHS to refund the SWVC the pharmaceutical expenses it paid on behalf of residents who receive Aid and Attendance.

Since contracting with a new pharmacy vendor, the SWVC had submitted two reimbursement requests to the VAPHS. The requests totaled \$178,114 and were to recover pharmaceutical expenses the SWVC incurred on behalf of residents who received Aid and Attendance during the period November 2014 to May 2015. However, given the VAPHS had not yet paid the SWVC for these expenses, the SWVC requested a meeting with VAPHS to discuss this matter.

According to the SWVC business manager, at the August 14, 2015 meeting, the VAPHS agreed to reimburse the SWVC for the cost of the pharmaceuticals for aid and attendance eligible residents at the VA formulary price.<sup>8</sup> To receive reimbursement from November 2014 forward, the SWVC agreed to provide or will have the pharmacy vendor provide the VAPHS an Excel spreadsheet on a monthly basis that lists the names of each SWVC Aid and Attendance eligible resident who received medications during a given month and all of the medication(s) each resident received. In turn, the VAPHS pharmacist will insert the VA formulary rate for each medication listed on the Excel spreadsheet and reimburse the SWVC for the total of the formulary rates for every individual prescription.

When the VAPHS communicates the reimbursement amount to the SWVC, the SWVC indicated that it will verify that the VA formulary rates are accurate and the reimbursement amount is mathematically correct. However, if the VAPHS reimburses the SWVC nearly 100 percent of the cost the SWVC incurred for medications, the SWVC will not expend its resources to verify that the reimbursement amount is correct. Additionally, if the pharmacy vendor prepares the Excel spreadsheet, the SWVC will review the completeness of the information on the Excel spreadsheet prior to the SWVC submitting the spreadsheet to the VAPHS.

We encourage the SWVC to diligently and timely prepare/review the monthly Excel spreadsheet from November 2014 forward. Failure to adequately prepare/review the Excel spreadsheets may

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<sup>8</sup> The VA formulary price is the price at which the VAPHS can purchase drugs.

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result in the SWVC being reimbursed by the VAPHS at the incorrect amount or further delaying the receipt of the reimbursement.

**Recommendations**

We recommend that the SWVC:

1. Develop procedures to verify that the monthly Excel spreadsheets prepared by the SWVC or the pharmacy vendor include all of the medications provided to all of the Aid and Attendance eligible residents.
2. Develop procedures to verify reimbursement amounts from the VAPHS are complete and accurate.
3. Ensure that the Excel spreadsheets include the names of the residents who are recently determined to be Aid and Attendance eligible and the related pharmaceuticals the SWVC paid on their behalf so that the SWVC can be reimbursed by the VAPHS for the VA formulary cost for the pharmaceuticals retroactive to the date of the resident's Aid and Attendance eligibility.
4. Develop and implement procedures that require reimbursement requests be reviewed and approved to ensure they are complete and accurate. The policies and procedures should require sign offs by the preparer/reviewer and the supervisor who approves the request.
5. Work with the DMVA to develop a process to ensure that all refund requests are received.

**Agency's Response and Auditors' Conclusions**

The SWVC's response to this status of prior finding and its recommendations are located in the *Agency's Response and Auditors' Conclusions* section of the audit report.

**Southwestern Veterans Center**

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## **Agency's Response and Auditors' Conclusions**

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We provided draft copies of our audit finding and status of prior findings and related recommendations to the Southwestern Veterans Center for its review. On the pages that follow, we included those responses in their entirety. Following the agency's response is our auditors' conclusions.

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Southwestern Veterans Center

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## Audit Response from Southwestern Veterans Center

Southwestern Veteran's Center  
Management Response to Audit Findings  
FY 2014 Audit (06/30/15)

### Finding 1

SWVC accounting department audited on a test basis the remaining Benchmark invoices from 7/18/2013 through 9/16/2015 and found zero discrepancies.

SWVC agrees that prudent business practices does in deed dictate that invoice details should be reviewed prior to payment and we have implemented and will continue to, at least on a test basis, verifying that the services invoiced were actually rendered and the amounts charged for co-pays and/or deductibles are accurate. The procedures that management implemented during our current audit are as followed: SWVC will retain and verify the vendor's case load tracking log to the date and times that are invoiced as well as the therapist's initials on the log sheet. SWVC has also developed and implemented procedures to determine, at least on a test basis, whether the co-pays and deductibles are accurate. If discrepancies are discovered, we will test a larger sample as well as work with the vendor to correct the differences. SWVC has assigned the responsibility of verifying the accuracy of the therapy invoices to the accounting assistant. Also the Accountant will have the responsibility of monitoring this process to ensure verifications are done timely and accurately.

DMVA/BVH disagrees with centralizing the responsibility of determining the accuracy of co-pays and deductibles. It remains the responsibility of the accounting department at each home. DMVA/BVH agrees to the training of each home's accounting staff in regard to the verification of co-pays and deductibles.

### Prior Finding 1

SWVC management has amended its written procedures to include steps for comparing rates charged on invoices with contract rates as well as requiring the supervisor to approve the invoices before payments are made. The accounting supervisor will also retain and track all refund documentation to ensure all refunds are paid and credited to SWVC. Per the Auditor's recommendation, the Accountant at SWVC is reviewing the inaccurate invoices and if the findings are the same as that of the auditors, he will promptly request a refund of \$1,166 from VAPHS for the excessive charges.

### Prior Finding 2

Again SWVC has already implemented procedures to verify that the monthly Excel spreadsheets prepared by the SWVC or the pharmacy vendor includes all of the medications provided to all of the Aid and Attendance eligible residents. Furthermore, we also agree with recommendations 1-4. We have determined that the accounting assistant will be verifying and signing off on the reimbursement requested amounts from VAPHS and also ensuring that the requests are complete and accurate. Additionally, the Accountant will be monitoring and signing off on the requests for reimbursements as well as the accuracy of the invoices and requests. Our accounting assistant will also ensure that the Excel spreadsheets include the names of the residents who are recently determined to be Aid and Attendance eligible and the related pharmaceuticals the SWVC paid on their behalf so that the SWVC can be reimbursed by the VAPHS for the VA formulary cost for the pharmaceuticals retroactive to the date of the resident's Aid and Attendance eligibility. The Accountant is currently working with DMVA/OA to develop a process to ensure that all refund requests have been received from VAPHS.

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**Auditors' Conclusions to Southwestern Veterans Center Response**

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We commend SWVC for pro-actively taking steps to correct the deficiencies identified in this report. Given a decision has been reached to have the accounting department of each home be responsible to verify the accuracy of the co-pays and deductibles, we encourage the appropriate training to be developed and implemented as soon as possible.

At the appropriate time, we will follow up to determine whether and to what extent all recommendations have been implemented.

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## Objective, Scope, and Methodology

The Department of the Auditor General conducted this performance audit in order to assess the Southwestern Veterans Center's (SWVC) monitoring of contracted therapy services and to follow-up on certain prior audit findings.

We conducted this 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

### Objective

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Our audit objective was to determine whether the SWVC effectively monitored contracted therapy services.

We also conducted procedures to determine the status of the implementation of our prior audit report findings and recommendations as presented in the audit report released on October 11, 2012.

### Scope

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This audit covered the period July 1, 2013, through May 31, 2015, unless otherwise indicated.

SWVC management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that its department is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures.

In conducting our audit, we obtained an understanding of SWVC's internal controls, including any information system controls, if applicable, as they relate to those requirements and that we considered to be significant within the context of our audit objective. For those internal controls that we determined to be significant within the context of our audit objective, we also assessed the effectiveness of the design and implementation of those controls as discussed in the

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*Methodology* section that follows. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objective are included in this report.

**Methodology**

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To address our audit objective, we performed the following procedures:

- We reviewed the therapy services contract<sup>9</sup> to gain an understanding of its terms and conditions.
- We interviewed DMVA and SWVC employees responsible for ensuring compliance with the terms and conditions of the therapy services contract in effect during our audit period. These employees included the DMVA fiscal technician, the SWVC's business manager, facility reimbursement officer, manager of the therapy department, and accounting assistant.
- We randomly selected 40 of 388 invoices paid to the therapy vendor from August 21, 2014 through May 20, 2015. However, we could not review documentation to verify whether the services listed on the paid invoices were rendered, because this documentation is protected by HIPAA rules. Therefore, no testing could be conducted.

To address the status of Finding No. 1 in our prior audit, we performed the following procedures:

- We reviewed the Veterans Administration Pittsburgh Health System (VAPHS) contract and related change orders to gain an understanding of the terms and conditions, and the SWVC Contract Monitoring Policy, dated October 25, 2012, to gain an understanding of how the monitoring process was to occur.
- We interviewed the SWVC employee responsible for contract monitoring to gain a better understanding of the review process and the steps they take to ensure compliance with the contract and SWVC policy.

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<sup>9</sup> Service Purchase Contract No. 4000015701 between the DMVA and Therapy vendor, was effective from May 3, 2011, through May 2, 2014. Two additional one-year renewals have extended the contract through May 2, 2016.

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- We selected and reviewed the paid invoices under the VA medical contract for physician, nurse practitioner, podiatry, dental, and behavioral health services for the months of December 2013, June 2014, and January 2015 to ensure testing coverage throughout the audit period.
- Based on identifying rate overage charges on the behavior health (psychology and psychiatry) invoice for December 2013, we expanded our test work to verify the hourly rate charges for all months between July 2013 and January 2015.

To address the status of Finding No. 2 in our prior audit, we performed the following procedures:

- We reviewed the VAPHS Contract Monitoring administrative policy and procedures, dated October 25, 2012, and interviewed the SWVC's director of nursing, facility reimbursement officer, and business manager to obtain an understanding of the procedures to monitor the monthly invoices for the pharmacy contract.
- We reviewed refund requests from SWVC to VAPHS to determine if SWVC requested accurate refunds during the current audit period and also requested the refunds identified in our prior audit report.
- We reviewed the May 2014 and January 2015 invoices to ensure the invoices were sufficiently reviewed.
- We reviewed the Pharmacy Services contract (4400013852) and related amendment, the VAPHS contract, previously identified above, and the Sharing Agreement for Healthcare Resources (RFP244-06-01290) between SWVC and VAPHS.
- We reviewed the U.S. Department of Veterans Affairs qualifications for receiving Aid and Attendance.
- We randomly selected 17 of 66 new residents (between July 1, 2013 and May 6, 2015) not listed as Aid and Attendance to ensure they were not eligible.

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- We reviewed the May 2014 and January 2015 invoices to ensure the invoices were reviewed by the Director of Nursing.
- We reviewed the October 2014 and January 2015 pharmacy invoices to ensure that the invoices did not include any pharmacy charges for residents who were receiving Aid and Attendance or that the SWVC requested refunds from the VAPHS for Aid and Attendance eligible residents that were charged.
- We reviewed the Aid and Attendance list maintained by SWVC from July 2013 through May 2015, noted that 51 residents were added to the list, and determined whether SWVC was either not charged or requested a refund from the VAPHS from the effective date the resident was awarded Aid and Attendance for all 51 of the residents added to the list.

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**Appendix B**

**Audit Distribution List**

Upon its release, this report was distributed to the following Commonwealth officials:

**The Honorable Tom Wolf**  
Governor

**The Honorable Randy Albright**  
Secretary of the Budget  
Office of the Budget

**The Honorable Stephen Barrar,**  
House Majority Chair, Veterans Affairs  
and Emergency Preparedness Committee

**The Honorable Timothy Reese**  
State Treasurer  
Treasury Department

**The Honorable Chris Sainato,**  
House Minority Chair, Veterans Affairs  
and Emergency Preparedness Committee

**Major General James R. Joseph**  
Adjutant General  
Department of Military and Veterans  
Affairs

**The Honorable Sharon Minnich**  
Secretary of Administration  
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Beck Jr.**  
Deputy Adjutant General  
Department of Military and Veterans  
Affairs

**The Honorable Kathleen G. Kane**  
Attorney General  
Office of the Attorney General

**Andrew Ruscavage**  
Director, Bureau of Veterans' Homes  
Department of Military and Veterans  
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**Thomas Tallon, President**  
Pennsylvania Veterans Home Advisory  
Council

**Richard Adams**  
Commandant, Southwestern Veterans  
Center

**Clarence Gomberg, Vice President**  
Pennsylvania Veterans Home Advisory  
Council

**The Honorable Randy Vulakovich**  
Senate Majority Chair, Veterans Affairs  
and Emergency Preparedness Committee

**Franklin Lopes, Treasurer**  
Pennsylvania Veterans Home Advisory  
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**The Honorable Jay Costa,** Senate  
Minority Chair, Veterans Affairs and  
Emergency Preparedness Committee

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