

PERFORMANCE AUDIT

Hamburg Center

February 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

February 19, 2016

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 Hamburg Center (Hamburg) that is operated by the Commonwealth's Department of Human Services (DHS). This audit covered the period July 1, 2013 through June 30, 2015, with follow-up procedures through December 23, 2015. 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 Hamburg administered purchasing cards in a manner that ensured the transactions were appropriate and in accordance with applicable laws, regulations, and/or policies. We found that Hamburg needs to improve its administration of the purchasing card program and the control of items purchased. We offer six recommendations to alleviate these deficiencies.

We also conducted procedures to determine the status of the implementation of our prior audit finding and recommendations as presented in the audit report released on January 11, 2013. We found that improvements were made to address the conditions in the prior audit finding; however, additional improvement is needed. We offer one additional recommendation.

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In closing, I want to thank Hamburg's management and staff for its cooperation and assistance during the audit. DHS/Hamburg officials agree with the audit report's findings and recommendations and have indicated that the weaknesses have been subsequently corrected. We will evaluate these corrective actions during our next audit.

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

Hamburg Center

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Hamburg Center

Results in Brief

The purpose of this report is to communicate the results of our performance audit of the Hamburg Center (Hamburg). Our objective was to determine if Hamburg administered purchasing cards in a manner that ensured transactions were appropriate and in accordance with applicable laws, regulations, and/or policies. We also conducted procedures to determine the status of the implementation of our prior audit report finding and recommendations as presented in the audit report released on January 11, 2013.

Our audit found that Hamburg needs to improve its administration of the purchasing card program and the control of items purchased. Of the 40 transactions tested, we found that three did not comply with policy. Specifically, Hamburg processed two purchasing card transactions without the respective purchaser's signature to authorize the payment and one transaction that was not supported by an invoice. Additionally, we attempted to visually confirm the existence of 62 items, such as appliances and equipment, and found that Hamburg could not locate four of the items that were purchased through the purchasing card program. Finally, nine of the items that had been purchased over a year prior to our field work were still in storage at Hamburg and had not yet been placed into service. We offered six recommendations to ensure that Hamburg is operating the purchasing card program in accordance with applicable policy and to ensure that items purchased with the purchasing cards are tracked and properly accounted for.

We also determined that Hamburg partially resolved Finding No. 3 in our prior report regarding Hamburg's failure to monitor Medicare Part B reimbursement requests resulting in \$9,881 in lost revenue. Medical staff providing services at Hamburg had the required National Provider Identifier and the Department of Human Services' (DHS) Bureau of Financial Operations is now responsible for submitting reimbursement claims and following up on claims rejected by Medicare. However, we were informed that Hamburg Medicare claims totaling approximately \$10,000, during the period February 24, 2014 through June 6, 2014, were either rejected by Medicare or were unable to be billed for one contracted physician whose Medicare enrollment was deactivated. We offer one recommendation for management to inquire if action can be taken against the previous contracted vendor to recoup revenue lost from the physician's rejected/unbillable Medicare claims.

DHS/Hamburg agreed with the recommendations and, in its response to our finding on page 13, indicated that all of the recommendations have already been addressed.

Hamburg Center

Background

The Hamburg Center (Hamburg) is a 186 bed intermediate care facility located in Berks County, approximately 30 miles west of Allentown. The campus consists of 278 acres with 39 buildings. Approximately 145 acres are leased to neighboring farmers.¹ It is one of five state centers operated by the Commonwealth's Department of Human Services (DHS) through the Office of Developmental Programs that provides services for people with intellectual disabilities. Hamburg is licensed by the Commonwealth's Department of Health.

Hamburg's mission is to provide care and services to people with intellectual disabilities, with a goal of helping them learn to live independently in the community.

Hamburg was originally founded in 1914 as a hospital to care for people with tuberculosis. It operated as such until January 1960 when it re-opened as a center for people with intellectual disabilities. It was transferred from the Department of Health to the DHS (formerly named the Department of Public Welfare) and renamed The Hamburg State School and Hospital. Later, it was renamed to its current name, Hamburg Center.

Hamburg provides 24-hour care, seven days a week. Individuals at Hamburg receive a wide range of services and programs, including recreational programs, living skills and vocational training, occupational and physical therapy, speech therapy, psychological and social services, and medical and dental care. These services are all intended to help people develop the skills they will need for independence within the community.

A facility director administers the day-to-day operations of Hamburg. In addition, a nine-member Board of Trustees provides advisory services to Hamburg Center.² Hamburg operates using a combination of funding sources including a state appropriation, reimbursements from Medicare and the Medical Assistance Program for services rendered to eligible individuals, the collection of maintenance fees assessed on patients, and supplemental insurance carried by some of the individuals.

¹ <http://dhs.pa.gov/citizens/statecenters/hamburgstatecenter/index.htm#.Vp2pYWdIjIU> Accessed January 19, 2016.

² <http://www.legis.state.pa.us/cfdocs/legis/ExNom/DisplayResults.cfm?PositionID=105> Accessed January 19, 2016.

Hamburg Center

The commonwealth contracts with a vendor to provide medical services to individuals at Hamburg. When eligibility requirements are met, Hamburg can seek reimbursement from Medicare for services performed by medical staff. Medical staff must be actively enrolled with Medicare in order for Hamburg to request reimbursement for eligible medical procedures performed on individuals at Hamburg. To maintain active enrollment status in the Medicare program, medical staff must submit enrollment information to Medicare.

Goods and services are procured to assist in the day-to-day operations at Hamburg. One method of payment for goods and services is the commonwealth's purchasing card program. The commonwealth's purchasing card is similar to a personal credit card in that the contractor receives payment directly from the card issuer rather than the commonwealth. Purchasing cards for Hamburg are issued in the name of the employee authorized by Hamburg to make purchases for facility operations. Policies have been developed by the commonwealth, DHS, and Hamburg to provide guidelines on the use of purchasing cards and approvals and reconciliations required prior to authorizing payment for purchasing card transactions.

Hamburg Center**Finding****1****Hamburg Center needs to improve its administration of the purchasing card program and the control of items purchased.**

The commonwealth purchasing card program allows for a credit card to be issued in the name of a commonwealth employee to be used to pay for goods and services acquired in accordance with commonwealth procurement policy.³ In addition to policies developed by the Governor's Office of the Budget, the Department of Human Services (DHS) developed a manual⁴ to provide guidelines on the use of purchasing cards. In addition, the Hamburg Center (Hamburg) developed a purchasing policy which includes items that are purchased with commonwealth purchasing cards.

Applicable policy requires the invoice or purchase request form to contain a justification for why the purchase has been made, and it is recommended that purchases be pre-approved by a supervisor. After the goods or services are received, the purchaser should sign the invoice to document agreement with the items purchased and amount charged. Each month purchasing card statements are sent to Hamburg's business office that lists what purchases were charged to each Hamburg employee cardholder's account. Once the monthly purchasing card statements arrive, a Hamburg fiscal technician reconciles the transactions listed on the monthly statements to the supporting invoices and/or receipts, and then the reconciliations are required to be approved by Hamburg's accountant.

Deficiencies identified during our purchasing card test work.

We tested 40 transactions totaling \$131,413 out of the 3,844 purchasing card transactions totaling \$1,671,650 made by Hamburg staff from July 1, 2013 through June 30, 2015. Based on our test work, we found that 37 transactions generally complied

³ Governor's Office's *Management Directive Number 310.23*, entitled "Commonwealth Purchasing Card Program" last amended April 5, 2013 under the direction of the Governor's Office of the Budget and Department of General Services' *Procurement Handbook*, Part I, Chapter 27, "Procurement Card," last revised April 8, 2013 and Part I, Chapter 07, "Thresholds and Delegations," last revised August 10, 2015.

⁴ Pennsylvania DHS' *Purchasing Card Manual*, revised November 24, 2014.

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with all applicable policies and 3 transactions did not comply with applicable policies, as follows:

- **Two transactions did not contain the respective purchaser's signature to authorize the payment.**⁵
One transaction related to webcam fees that were set up to be automatically charged monthly by the vendor to one cardholder. The cardholder indicated that if there was a change in the amount billed, then she would seek approval from either Hamburg's accountant or its business manager. The other transaction related to a past due balance invoice for cable charges. The cardholder indicated that she was directed to pay the past due balance by the former business manager and accountant; however, there is no written documentation authorizing the payment. Without the review and approval of all invoices, charges for services that were not provided or possibly no longer needed could be made and go undetected.
- **One transaction was not supported by an invoice.**
This transaction related to monthly charges for high speed internet service and five internet access lines for Hamburg's maintenance department. The support on file was a January 2009 email from the vendor confirming the original order of the internet services for Hamburg. In response to our inquiry as to why there was no invoice, management indicated that in 2013 Hamburg initiated a request for an electronic invoice; however, since Hamburg failed to complete the request, the electronic invoices never started and the vendor stopped mailing a hard copy. According to the cardholder, given that the same monthly amount was charged to the cardholder's purchasing card, the cardholder did not question the monthly charge. However, paying for services without receiving an invoice and without obtaining the required approvals increases the risk of paying a vendor for services that were not provided or no longer needed.

In fact, upon further inquiry, Hamburg management confirmed that only one of the five internet access lines was being used by the facility. The five lines were part of a

⁵ Pennsylvania DHS' *Purchasing Card Manual*, section III, A. 6. "Invoices," revised November 24, 2014.

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bundle of services offered in 2009 for a certain rate that, at the time the service was originally ordered, was the least expensive rate. Hamburg should re-evaluate the need for paying for five internet access lines when only one has been used in six years and determine if there is a less expensive option.

In addition to the compliance deficiencies noted above, we also found a lack of segregation of duties with one cardholder, a fiscal technician, who also is responsible for performing the monthly purchasing card statement reconciliation for each of the Hamburg staff purchasing cardholders. Although the fiscal technician's monthly statement reconciliation is reviewed by the accountant, the accountant indicated that she only reviews the supporting documentation for a few of the monthly transactions each month. As part of our test work, we did not identify any transactions made by this employee that were not allowable per applicable policy; however, since the employee is initiating purchasing card transactions as well as reconciling the monthly statement, the accountant should be reviewing all of the monthly statement transactions. The accountant's failure to review all of the monthly statement transactions increases the risk that an inappropriate transaction may be made and not detected.

Existence testing resulted in 4 of 62 items not being located.

In order to determine if items purchased on the previously discussed 40 purchasing card transactions were currently in use at Hamburg, we conducted additional testing to visually confirm that the 62 items purchased, such as appliances and equipment, were present at Hamburg and being used for their intended purpose. Although Hamburg is not required to maintain an inventory list of lower dollar value items,⁶ it is imperative that management maintain control of the items purchased. Without having a method to track items purchased, such as equipment and appliances, Hamburg is at risk for theft of the items or that the items may not be used for their intended purpose.

⁶ Items whose purchase price is less than the department's \$5,000 threshold for an item to be considered a fixed asset.

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With the assistance of Hamburg's maintenance staff, we confirmed the existence of 58 of the 62 items. Management indicated the following for the four items that were not located: two items, a microwave and a washing machine, had been discarded because they were no longer operational, however no evidence was provided to verify these statements; a compact refrigerator was not located because the location information was not documented; and a vacuum was unable to be located. Based on the results of our test work, Hamburg is considering developing a spreadsheet to track such items.

In addition to the existence testing, we also found that of the 58 located items, 7 compact refrigerators totaling \$1,430, purchased in September 2014, and 2 full-size refrigerators totaling \$1,078, purchased in September 2013, were currently located in storage and had not yet been placed into service. Management indicated that they are aware of what is available in storage and intend to use the items on hand prior to any future purchases of refrigerators. Further, management stated that it has been past practice to purchase refrigerators to have on hand in case any that are currently in use in the facility need to be replaced. However, to purchase that many extra items only to sit in storage for over one year and two years, respectively, is not a fiscally responsible use of funds.

Recommendations:

We recommend that Hamburg:

1. Implement procedures to ensure that the accountant reviews, for appropriateness and accuracy, all of the purchasing card transactions made by the fiscal technician who is authorized to both make purchasing card purchases and is responsible for reconciling the monthly purchasing card statements.
2. Implement procedures to ensure that there is an invoice and/or receipt obtained to support each transaction on the monthly purchasing card statement.
3. Implement procedures to verify that all invoices and/or receipts for purchasing card transactions are reviewed and approved before payment is made.

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4. Evaluate the need for the five internet access lines currently being provided by a vendor for maintenance operations and determine if a less expensive option is available to meet Hamburg's internet needs.
5. Develop and maintain an inventory listing of appliances and equipment purchased for use in facility operations. The listing should include item identification information and location of where the item is being utilized within the facility.
6. Ensure that appliances currently in storage at the facility be utilized prior to any additional similar purchases. Additionally, purchase requests for appliances should be reviewed and careful consideration should be given to determine the need for the items.

Agency's Response and Auditors' Conclusions

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

Hamburg Center

Status of Prior Audit Findings



Our prior audit of the Hamburg Center covered the period July 1, 2007 to September 15, 2011, and contained three findings. During the current audit, we addressed the one finding that contained two recommendations. On the pages that follow, we provide the status of this finding and offer one additional recommendation to eliminate the deficiency identified.

Hamburg Center

**Prior Finding
Three****Hamburg Center failed to monitor Medicare Part B reimbursement requests resulting in \$9,881 in lost revenue. (Partially Resolved)**

Our prior audit disclosed that Hamburg Center (Hamburg) management did not follow up on Medicare reimbursements that were rejected due to the psychiatrist who provided the services failing to register his National Provider Identifier (NPI)⁷ with Medicare. This impacted the Center's ability to maximize Medicare Part B revenues. We recommended that Hamburg implement a system to ensure all doctors providing Medicare reimbursable services have an NPI and are registered with Medicare. Additionally, we recommended that Hamburg implement procedures to utilize the *Service Month Summary Report* for identifying rejected Medicare claims so rejected claims can be reviewed for error(s), amended, and then resubmitted for payment in a timely manner.

Status as of this audit

In July 2015, we obtained a listing of all doctors currently providing services at Hamburg and verified that they each had an NPI. Additionally, Hamburg management indicated that the process of submitting reimbursement claims and following up on claims rejected by Medicare is now the responsibility of the Department of Human Services' (DHS) Bureau of Financial Operations (BFO) in Harrisburg. If the BFO receives notice that a claim has been rejected and further information is needed, the BFO will contact Hamburg's medical records director to determine if the claim can be amended and resubmitted for payment.

However, we were informed by Hamburg staff that for more than three months during the audit period, Hamburg's Medicare claims totaling approximately \$10,000 were either rejected by Medicare or were unable to be billed for one contracted physician. Specifically, Medicare rejected claims for services between February 24 and 28, 2014, for one physician whose Medicare enrollment was deactivated. Medicare had requested the physician

⁷ The NPI is a unique identification number issued by the Centers for Medicare and Medicaid Services to covered health care providers.

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to submit additional required information, but the physician did not respond to the request. Therefore, in addition to the claims rejected in February 2014, Hamburg was unable to bill for services provided by the physician during the period March 1, 2014 through June 6, 2014, when the physician ended her contracted services at Hamburg.

According to correspondence dated April 17, 2014, Medicare notified Hamburg management that the February 2014 claims for the physician were being rejected due to the physician not being certified/eligible to be paid for the procedures on the date of service. Hamburg management indicated that they contacted the physician and requested that she contact Medicare to correct the issue. However, the issue was unresolved as of the physician's last day at Hamburg. Additionally, according to Hamburg management, both Hamburg and staff from the BFO contacted Medicare directly in an attempt to rectify the issue. However, management stated that Medicare responded that it could only talk directly to the physician or a designated contact person. Discussions regarding the issue were held between Hamburg and BFO staff through August 6, 2014, when it was determined that due to the physician no longer providing services at Hamburg, there was no further action that could be taken.

However, we reviewed the state-wide contract⁸ executed by the Department of General Services (DGS) on behalf of the commonwealth⁹ and noted that the terms required the vendor to provide qualified licensed practitioners to have a valid Medicare ID number. Based upon these contract terms, Hamburg may be able to seek recourse against the contracted vendor for providing a physician whose enrollment was deactivated by Medicare resulting in Hamburg being unable to submit claims to Medicare for services provided by the physician.

⁸ Liberty Healthcare Corporation (Liberty) contract number 4400004062 valid March 10, 2009 through June 9, 2014.

⁹ The Liberty contract was entered into on behalf of the following agencies of the commonwealth including but not limited to the Department of Human Services (formerly known as Public Welfare), the Department of Military and Veterans Affairs, the Department of Labor and Industry, and the Department of Corrections.

Hamburg Center

Recommendation

1. We recommend that Hamburg management coordinate with DHS and particularly, its Office of Chief Counsel, to contact DGS and its Office of Chief Counsel to inquire if action can be taken against the previous contracted vendor to recoup revenue lost from the physician's rejected/unbillable Medicare claims.

Agency's Response and Auditors' Conclusions

The DHS/Hamburg Center's response to this status of prior finding and its recommendation is located in the *Agency's Response and Auditors' Conclusions* section of the audit report.

Hamburg Center

Agency's Response and Auditors' Conclusions



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

Hamburg Center

Audit Response from DHS/Hamburg Center



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE

FEB 05 2016

The Honorable Eugene A. DePasquale
Auditor General
Department of the Auditor General
229 Finance Building
Harrisburg, Pennsylvania 17120

Dear Mr. DePasquale:

Thank you for providing the draft findings of the audit report titled Performance Audit, Hamburg Center, 2016. Below are our specific comments to each recommendation included with the draft findings. We ask that you consider our comments and incorporate those points into the final Performance Audit report.

Finding One – Hamburg Center needs to improve its administration of the purchasing card program and the control of items purchased.

Auditor General (AG) Recommendation 1: Implement procedures to ensure that the accountant reviews, for appropriateness and accuracy, all of the purchasing card transactions made by the fiscal technician that is authorized to both make purchasing card purchases and is responsible for reconciling the monthly purchasing card statements.

Department of Human Services (DHS) Response:

DHS agrees with this recommendation. As of January 28, 2016, Hamburg Center management has implemented procedures to ensure that the accountant reviews all purchasing card transactions for appropriateness and accuracy.

AG Recommendation 2: Implement procedures to ensure that there is an invoice and/or receipt obtained to support each transaction on the monthly purchasing card statement.

DHS Response:

DHS agrees with this recommendation and has implemented procedures to ensure that there is an invoice or receipt obtained to support each transaction on the monthly card statement. This procedure was implemented as of January 28, 2016.

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Audit Response from DHS/Hamburg Center

The Honorable Eugene A. DePasquale 2

AG Recommendation 3: Implement procedures to verify that all invoices and/or receipts for purchasing card transactions are reviewed and approved before payment is made.

DHS Response:

DHS agrees with this recommendation. As of January 28, 2016, procedures have been implemented to verify that all invoices and/or receipts for purchasing card transactions are reviewed and approved before payment is made.

AG Recommendation 4: Evaluate the need for the five internet access lines currently being provided by a vendor for maintenance operations and determine if a less expensive option is available to meet Hamburg's internet needs.

DHS Response:

DHS agrees with this recommendation. Effective February 1, 2016, four high speed internet access lines have been discontinued.

AG Recommendation 5: Develop and maintain an inventory listing of appliances and equipment purchased for use in facility operations. The listing should include item identification information and location of where the item is being utilized within the facility.

DHS Response:

DHS agrees with this recommendation. As of January 28, 2016, Hamburg Center management has developed and implemented an inventory process for appliances and equipment purchased for facility operations, which includes identification, serial number, and location. A disposal process has also been added for any appliance and/or equipment that is not repairable and is discarded.

AG Recommendation 6: Ensure that appliances currently in storage at the facility be utilized prior to any additional similar purchases. Additionally, purchase requests for appliances should be reviewed and careful consideration should be given to determine the need for the items.

DHS Response:

DHS agrees with this recommendation. Items in storage will be exhausted prior to purchasing new items.

Hamburg Center

Audit Response from DHS/Hamburg Center

The Honorable Eugene A. DePasquale 3

Prior Finding Three – Hamburg Center failed to monitor Medicare Part B reimbursement requests resulting in \$9,881 in lost revenue. (Partially Resolved)

AG Recommendation 1: We recommend that Hamburg Center management coordinate with DHS and particularly, its Office of Chief Counsel, to contact DGS and its Office of Chief Counsel to inquire if action can be taken against the previous contracted vendor to recoup revenue lost from the physician's rejected/unbillable Medicare claims.

DHS Response:

DHS agrees with this recommendation. Hamburg Center management has contacted DHS' Office of Chief Counsel and provided them with supporting information to determine if action can be taken against the previous vendor.

Thank you for the opportunity to respond to these draft findings. Please contact Mr. David R. Bryan, Manager, Audit Resolution Section, Bureau of Financial Operations, at 717-783-7217, or via email at davbryan@pa.gov, if you have any questions regarding this matter.

Sincerely,



Jay Bausch
Deputy Secretary for Administration

c: Mr. John M. Lori
Ms. Janet B. Ciccocioppo
Ms. Leigh Ann Weaver
Mr. David Bryan, Manager, Audit Resolution Section

Hamburg Center

Auditors' Conclusions to DHS/Hamburg Center's Response

Hamburg has reviewed the findings and concurs with our recommendations. We commend Hamburg for pro-actively taking steps to correct the deficiencies identified in this report. We believe our recommendations will improve Hamburg's administration and oversight of the purchasing card program and reimbursements received from Medicare.

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

Hamburg Center**Appendix A****Objective, Scope, and Methodology**

The Department of the Auditor General conducted this performance audit in order to assess Hamburg Center's (Hamburg) administration of the purchasing card program and to follow-up on the prior audit finding.

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

Our audit objective was to determine whether Hamburg administered purchasing cards in a manner that ensured the transactions were appropriate and in accordance with applicable laws, regulations, and/or policies.

We also conducted procedures to determine the status of the implementation of our prior audit report finding and recommendations as presented in the audit report released on January 11, 2013.

Scope

This audit covered the period July 1, 2013, through June 30, 2015, with follow-up procedures through December 23, 2015.

Hamburg 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 Hamburg'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

Hamburg Center

also assessed the effectiveness of the design and implementation of those controls as discussed in the *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

To address our audit objective, we performed the following:

- We obtained and reviewed applicable commonwealth, Department of Human Services (DHS), and Hamburg regulations and policies.
- We interviewed and corresponded with Hamburg's management staff to assess controls and gain an understanding of policies and procedures related to Hamburg's administration of purchasing cards.
- Using auditor judgment, we selected 40 transactions totaling \$131,413 out of the 3,844 purchasing card transactions totaling \$1,671,650, made by Hamburg staff from July 1, 2013 through June 30, 2015, and reviewed documents on file to determine whether justification was on file to support the purchase and if the transactions were approved and appropriate.
- Using auditor judgment, we selected 62 of the items purchased in the 40 purchasing card transactions tested and conducted testing to visually confirm that the items purchased were present at Hamburg and being used for their intended purpose.

To address the status of Finding No. 3 in our prior audit, we performed the following procedures:

- We obtained a listing of all doctors currently providing services at Hamburg and verified that they each had a National Provider Identifier (NPI) number.
- We interviewed Hamburg and DHS's Bureau of Financial Operations' (BFO) employees responsible for submitting reimbursement claims to Medicare and following up on rejected claims.

Hamburg Center

- We reviewed Service Month Summary reports for the period July 1, 2013 through August 4, 2015 to determine if there were claims submitted to Medicare that were listed as either rejected or unresolved and made inquiries regarding the status of those claims.
- We reviewed a listing of claims totaling approximately \$10,000 that were either rejected by Medicare or unable to be billed for one contracted physician for services from February 24 2014 through June 6, 2014.
- We reviewed correspondence between Hamburg and BFO employees regarding the contracted physician's rejected claims and attempts to rectify the issue.

We reviewed the terms of the state-wide contract¹⁰ executed by the Department of General Services (DGS) on behalf of the commonwealth¹¹ regarding requirements of the vendor to provide qualified licensed practitioners to have a valid Medicare ID number.

¹⁰ Liberty Healthcare Corporation (Liberty) contract number 4400004062 valid March 10, 2009 through June 9, 2014.

¹¹ The Liberty contract was entered into on behalf of the following agencies of the commonwealth including but not limited to the Department of Human Services (formerly known as Public Welfare), the Department of Military and Veterans Affairs, the Department of Labor and Industry, and the Department of Corrections.

Hamburg Center

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 Timothy Reese
State Treasurer
Treasury Department

The Honorable Sharon Minnich
Secretary of Administration
Office of Administration

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

The Honorable Ted Dallas
Secretary
Department of Human Services

The Honorable Pat Vance
Majority Chair
Senate Public Health and Welfare
Committee

The Honorable Shirley Kitchen
Democratic Chair
Senate Public Health and Welfare
Committee

The Honorable Matthew Baker
Majority Chair
House Health Committee

The Honorable Florindo Fabrizio
Democratic Chair
House Health Committee

The Honorable Gene DiGirolamo
Majority Chair
House Human Services Committee

The Honorable Angel Cruz
Democratic Chair
House Human Services Committee

Ms. Nancy Thaler
Deputy Secretary
Office of Developmental Programs
Department of Human Services

Mr. Kevin Dressler
Director
Bureau of Supports for People with
Intellectual Disabilities
Department of Human Services

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Hamburg Center

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