

# PERFORMANCE AUDIT

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## Hollidaysburg Veterans Home Blair County, Pennsylvania

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February 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

February 19, 2015

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

Dear Governor Wolf:

This report contains the results of a performance audit of the Hollidaysburg Veterans Home (Hollidaysburg) of the Department of Military and Veterans Affairs (Department) for the period July 1, 2011, through June 30, 2013, unless indicated otherwise in the report. The audit was conducted pursuant to Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details our audit objectives, scope, methodology, findings, and recommendations. Our objectives were:

- To determine whether Hollidaysburg effectively monitored contracted medical services.
- To determine whether Hollidaysburg effectively monitored contracted pharmacy services.
- To determine whether Hollidaysburg monitored the cost effectiveness of the contract for therapy services.

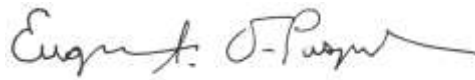
Our audit resulted in the following findings that are detailed in the report:

- Finding 1 - Hollidaysburg did not effectively monitor all of its contracts for medical services and did not ensure that the facility received all contracted physician service hours or that all residents received physician visits required by federal regulations.
- Finding 2 - Hollidaysburg did not effectively monitor its pharmacy agreement, and as a result, paid the local VA medical center for medications that should have been free of charge.

Finding 3 - Hollidaysburg's March 2011 contract for therapy services was cost effective. However, the veterans' home should improve its record retention practices.

We discussed the contents of the report with the management of the veterans' home, and all appropriate comments are reflected in the report. We would like to thank the management and staff of Hollidaysburg Veterans Home for the courtesy and professionalism they extended to us during the 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 at the end.

Eugene A. DePasquale  
Auditor General

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#### Background Information

*History, mission,  
and operating  
statistics*

#### Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs, generally referred to in this report as the DMVA or department, administers a wide variety of services and benefit programs for veterans, their dependents, and their spouses throughout the Commonwealth of Pennsylvania. The Pennsylvania Military Code delegates management responsibility of veterans' facilities to the Adjutant General of the Department of Military and Veterans Affairs.<sup>1</sup> Created by the Pennsylvania General Assembly on April 11, 1793, the DMVA is one of Pennsylvania's largest employers, with more than 21,000 military and civilian personnel in 90 communities statewide.

The DMVA is headquartered at Fort Indiantown Gap in Annville, Lebanon County. Fort Indiantown Gap features more than 17,000 acres and 140 training areas and facilities for year-round training for military forces, law enforcement agents, and civilians from across the nation and is one of the busiest National Guard Training Centers in the country.<sup>2</sup>

The DMVA has a dual mission:

*To provide quality service to the Commonwealth's veterans and their families, and to oversee and support the members of the Pennsylvania National Guard.<sup>3</sup>*

With respect to Pennsylvania's veterans, the DMVA fulfills its mission by providing resources and assistance to Pennsylvania's one million veterans and their families and by providing quality care for aging and disabled veterans.

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<sup>1</sup> Military Affairs, 51 Pa.C.S. § 902(10).

<sup>2</sup> [http://www.dmv.state.pa.us/portal/server.pt/community/dmva\\_home/5902](http://www.dmv.state.pa.us/portal/server.pt/community/dmva_home/5902), accessed December 3, 2014.

<sup>2</sup> [http://www.dmv.state.pa.us/portal/server.pt/community/dmva\\_home/5902](http://www.dmv.state.pa.us/portal/server.pt/community/dmva_home/5902), accessed December 3, 2014.

<sup>3</sup> Ibid.

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#### **State Veterans Home System**

Pennsylvania offers its veterans six extended care facilities throughout the commonwealth. The level of care includes personal care, skilled nursing care, domiciliary care, and dementia care to veterans who served in the Armed Forces of the United States or in the Pennsylvania Military Forces and who were released from service under honorable conditions. As of June 30, 2013, the DMVA operated six state veterans' facilities:

- Delaware Valley Veterans Home in Philadelphia;
- Hollidaysburg Veterans Home in Hollidaysburg;
- Gino J. Merli Veterans Center in Scranton;
- Pennsylvania Soldiers' and Sailors' Home in Erie;
- Southeastern Veterans Center in Spring City; and
- Southwestern Veterans Center in Pittsburgh.

#### **Hollidaysburg Veterans Home**

Hollidaysburg Veterans Home, hereinafter referred to as Hollidaysburg, is located in Hollidaysburg, Blair County, approximately five miles south of Altoona. Hollidaysburg was created through Act 211 of 1976.<sup>4</sup> Previously operated as a Department of Public Welfare (DPW) state mental hospital, it was officially transferred to the DMVA in September 1977.<sup>5</sup>

Hollidaysburg, accredited by the federal Veterans Administration, provides domiciliary, nursing, and personal care. It is fully licensed by the commonwealth's Departments of Health (nursing care) and Public Welfare (personal care). As of June 30, 2013, Hollidaysburg operated 514 beds, including 66 for domiciliary, 101 for personal care, 321 for nursing care, and 26 for dementia care.

A commandant manages the day to day operations of Hollidaysburg. In addition, a separately appointed 11-member advisory council assists with home operations. A combination of sources provides funding for Hollidaysburg's operations, including state appropriations, federal reimbursements from the federal Veterans Administration, and the collection of maintenance fee assessments from residents.

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<sup>4</sup> 71 P.S. § 391d.

<sup>5</sup> [http://www.portal.state.pa.us/portal/server.pt/community/hollidaysburg\\_veterans\\_home/11382/description/576848](http://www.portal.state.pa.us/portal/server.pt/community/hollidaysburg_veterans_home/11382/description/576848), accessed December 4, 2014.

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The following schedule presents select unaudited Hollidaysburg operating data for the fiscal years ended June 30, 2012, and 2013:

	<b>Hollidaysburg Veterans Home Facility Statistics For the fiscal years ended June 30,</b>	
	<b>2012</b>	<b>2013</b>
<b>Operating expenses<sup>6</sup></b>		
State	33,829,396	30,379,488
Federal	<u>15,867,039</u>	<u>17,860,281</u>
<b>Total operating expenses</b>	<b><u>\$49,696,435</u></b>	<b><u>\$48,239,769</u></b>
Employee complement positions at year end	554	539
Bed capacity at year-end		
Nursing unit	347	347
Domiciliary unit	66	66
Personal unit	<u>101</u>	<u>101</u>
<b>Total</b>	<b><u>514</u></b>	<b><u>514</u></b>
Average daily resident population		
Nursing unit	317	292
Domiciliary unit	60	55
Personal unit	<u>92</u>	<u>85</u>
<b>Total</b>	<b><u>469</u></b>	<b><u>432</u></b>
Available resident days of care for the year <sup>7</sup>		
Nursing unit	127,002	126,655
Domiciliary unit	24,156	24,090
Personal unit	<u>36,966</u>	<u>36,865</u>
<b>Total</b>	<b><u>188,124</u></b>	<b><u>187,610</u></b>
Actual resident days of care for the year		
Nursing unit	116,080	106,560
Domiciliary unit	22,143	20,256
Personal unit	<u>33,567</u>	<u>31,099</u>
<b>Total</b>	<b><u>171,790</u></b>	<b><u>157,915</u></b>

<sup>6</sup> Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level and indirect charges were not allocated to the totals reported here.

<sup>7</sup> The available resident days of care for the year figure was calculated by multiplying the bed capacity at year end by the number of days in the year.

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	<b>Hollidaysburg Veterans Home Facility Statistics For the fiscal years ended June 30,</b>	
	<b>2012</b>	<b>2013</b>
Percentage of days utilized <sup>8</sup>		
Nursing unit	91.4%	84.1%
Domiciliary unit	91.7%	84.1%
Personal unit	90.8%	84.4%
Average resident cost per resident per day <sup>9</sup>	\$289	\$305
Average resident cost per resident per year <sup>10</sup>	\$105,774	\$111,325

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<sup>8</sup> Percentage of days utilized was calculated by dividing the actual resident days of care by the available resident days of care.

<sup>9</sup> Average resident cost per resident per day was calculated by dividing the total operating expenses by the combined actual beds days of care.

<sup>10</sup> Average resident cost per resident per year was calculated by multiplying the daily average cost per resident by the number of calendar days in the year.



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

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

Our performance audit of Hollidaysburg had three objectives. We selected the audit objectives from the following areas:

- contracted medical services,
- contracted pharmacy services, and
- contracted therapy services.

The specific audit objectives were as follows:

- One: To determine whether Hollidaysburg effectively monitored contracted medical services.
- Two: To determine whether Hollidaysburg effectively monitored contracted pharmacy services.
- Three: To determine whether Hollidaysburg monitored the cost effectiveness of the contract for therapy services.

The scope of our audit includes the period from July 1, 2011, to June 30, 2013, unless indicated otherwise.

To accomplish our objectives, we obtained, reviewed, and analyzed veterans' home records as well as regulations, policies, and agreements of the U. S. Department of Veterans Affairs (VA), the commonwealth, the DMVA, and the veterans' home. In the course of our audit, we interviewed various management and staff of the veterans' home, as well as members of VA and DMVA management. The audit results section of this report contains specific inquiries, observations, tests, and analyses conducted for each audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed Hollidaysburg's control deficiencies in the following areas: direct care staff training, estate recovery, and segregation of procurement duties.

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Hollidaysburg management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the veterans' home is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of Hollidaysburg Veterans Home's internal controls, including information system controls. For internal controls that we considered to be significant within the context of our audit objectives, we assessed whether these controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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#### **Audit Results**

The audit results are organized in three sections, one for each objective. Each of the three sections is organized as follows:

- Statement of the objective.
- Relevant, laws, policies, contracts, and agreements.
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of the audit.
- Methodologies used to gather sufficient evidence to meet the objective.
- Finding(s).
- Recommendation(s), where applicable.
- Response by Hollidaysburg management, where applicable.
- Our evaluation of Hollidaysburg management's response, where applicable.

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### Audit Results for Objective One

*Medical  
Contracts*

### The Objective

Objective one for our performance audit was to determine whether Hollidaysburg Veterans Home effectively monitored contracted medical services.

#### Relevant Regulations, Contracts, Policies, and Procedures

The Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, has developed regulations that long term care facilities must follow in order to qualify for participation in the Medicare and Medicaid programs. These regulations are intended to ensure quality of care for all residents of long term care facilities, including the skilled nursing care unit at Hollidaysburg.<sup>11</sup>

For this audit objective, we focused on Hollidaysburg’s compliance with the federal regulation specifically related to the frequency of physician visits in a skilled nursing care facility.<sup>12</sup> According to this regulation, each resident in Hollidaysburg’s skilled nursing care unit “must be seen by a physician at least once every 30 days for the first 90 days after admission, and at least once every 60 days thereafter.” Further, “a physician visit is considered timely if it occurs not later than 10 days after the date the visit was required.”<sup>13</sup>

The commonwealth’s Department of Public Welfare has developed regulations to protect the health, safety, and well-being of personal care home residents, such as those in Hollidaysburg’s personal care and domiciliary care units. To determine whether Hollidaysburg effectively monitored its contracted physician services, we assessed whether Hollidaysburg complied with the Department of Public Welfare’s regulation that addresses the required frequency of medical evaluations for residents in a personal care facility.<sup>14</sup> Specifically, the regulation requires Hollidaysburg to provide each resident of its personal care and domiciliary care units a medical evaluation at least annually.<sup>15</sup>

Under the authority of the Commonwealth Procurement Code,<sup>16</sup> the Department of General Services (DGS) has issued the *Procurement Handbook*, which provides the policies, procedures, and guidelines for

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<sup>11</sup> 42 C.F.R. § 483.1.

<sup>12</sup> 42 C.F.R. § 483.40(c).

<sup>13</sup> *Ibid.*

<sup>14</sup> 55 Pa. Code § 2600.141.

<sup>15</sup> *Ibid.*

<sup>16</sup> 62 Pa.C.S. § 101 *et seq.*

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state agencies to use when procuring supplies, services, and construction. Part I, Chapter 54 of the *Procurement Handbook*, entitled “Contact Person Responsibilities,” emphasizes the importance of contract monitoring, as follows:

*A. Contract Management. . . Monitoring and control are essential to ensure that contractor uses and manages its resources in a manner that will provide the agency exactly what it has contracted for in terms of quality, timeliness, and economy of cost. . .*<sup>17</sup>

A later part of Part I, Chapter 54 of the *Procurement Handbook* indicates that a principal duty and responsibility of a contract monitor is to “ensure that the contractor is performing work as required by the contract.”<sup>18</sup>

From July 1, 2011, through June 30, 2013, Hollidaysburg paid 13 different contractors approximately \$1,549,000 for medical services for the facility’s residents. The contracts provided Hollidaysburg a medical director, an assistant medical director, certified registered nurse practitioners (CRNPs), and temporary health and medical staffing (including primary care physicians), as well as dental, laboratory, and radiology services.

We focused our review for this objective on the five medical services contracts described below.

- The DMVA entered into a contract to provide on-site mobile X-ray services for Hollidaysburg residents, effective from October 1, 2009, through June 30, 2012.<sup>19</sup> The contract incorporated the vendor’s bid document, which specified the unit prices for individual X-ray procedures.<sup>20</sup> During our audit period (i.e., from July 1, 2011, to June 30, 2013), Hollidaysburg paid the vendor approximately \$8,000 for contracted X-ray services.
- The DMVA entered into a contract to provide personal courier services for laboratory specimens for Hollidaysburg residents,

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<sup>17</sup> [http://www.portal.state.pa.us/portal/server.pt/community/procurement\\_handbook/14304/part\\_i\\_%E2%80%93\\_policies\\_and\\_guidelines/591308](http://www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304/part_i_%E2%80%93_policies_and_guidelines/591308), accessed October 30, 2014.

<sup>18</sup> Ibid.

<sup>19</sup> Service Purchase Contract No. 4000013915 between the DMVA and Mobile X-ray Imaging, Inc., was effective from October 1, 2009, through June 30, 2012. The contract included **two** (2) one-year renewal options; however, the DMVA did not exercise either of these options.

<sup>20</sup> Mobile X-ray Imaging, Inc., provided the bid in response to the DMVA’s Invitation for Bid/Solicitation No. CN00030451.

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effective from October 1, 2010, through June 30, 2013.<sup>21</sup> The contract incorporated the vendor's bid document, which specified the unit prices for individual procedure codes applicable to each year of the contract.<sup>22</sup> From July 1, 2011, to June 30, 2013, Hollidaysburg paid the vendor approximately \$27,000 for contracted services.

- The commonwealth entered into a state-wide contract for temporary health and medical staffing, originally effective March 10, 2009, through March 9, 2011, and then renewed through June 9, 2014.<sup>23</sup> During our audit period, Hollidaysburg utilized this contract for the services of two primary care physicians, a psychiatrist, and professional dietary staff. From July 1, 2011, to June 30, 2013, Hollidaysburg paid the vendor approximately \$443,000. Within that total, Hollidaysburg paid the vendor approximately \$200,000 for two primary care physicians to provide medical care for the facility's residents.<sup>24</sup> We limited our review to the hourly rates and services provided by the two primary care physicians under two separate purchase orders.<sup>25</sup>
- The DMVA entered into a contract to provide a physician/medical director, a physician/assistant medical director, two CRNPs, as well as laboratory and radiology services to Hollidaysburg

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<sup>21</sup> Service Purchase Contract No. 4000015273 between the DMVA and Altoona Regional Health System was effective from October 1, 2010, to June 30, 2013. The contract included two (2) one-year renewal options; however, the DMVA did not exercise either of these options. Further, Hollidaysburg did not utilize this contract after June 30, 2012. Instead, Hollidaysburg utilized its two (2) consecutive contracts for medical director, assistant medical director, and other medical services to provide laboratory services.

<sup>22</sup> Altoona Regional Health System provided the bid in response to the DMVA's Invitation for Bid/Solicitation No. 6100016128.

<sup>23</sup> Contract No. 4400004062 between the Commonwealth of Pennsylvania and Liberty Healthcare Corporation was originally effective March 10, 2009, through March 9, 2011. The contract was later changed, effective October 27, 2010, to be valid through March 9, 2014, and then changed again, effective January 16, 2014, to be valid through June 9, 2014. The contract is online at:

<http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400004062%5CContractFile.pdf>, accessed October 31, 2014.

<sup>24</sup> Hollidaysburg utilized Contract No. 4400004062 with Liberty Healthcare Corporation to provide primary care physician services for its residents until August 8, 2012. After August 8, 2012, Hollidaysburg utilized two consecutive contracts for medical director, assistant medical director, and other medical services to provide physician services but continued to use the contract with Liberty Healthcare Corporation for psychiatric and dietary services.

<sup>25</sup> Purchase Order No. 4300225277, effective May 14, 2010, provided for the services of one primary care physician at an hourly rate of \$134.27 from July 1, 2011, through June 30, 2012. Purchase Order No. 4300319724, effective January 24, 2012, provided for the services of another primary care physician at an hourly rate of \$134.38 from January 24, 2012, through June 30, 2012.

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residents for the period from July 1, 2012, through June 30, 2015.<sup>26</sup> In return for the above medical services, Hollidaysburg was to pay the vendor a flat monthly fee of \$48,125 plus co-pays and deductibles.<sup>27</sup> During the fiscal year ended June 30, 2013, Hollidaysburg paid the vendor approximately \$358,000. On January 14, 2013, the DMVA terminated the contract due to performance issues with the vendor.

Section 17 of the scope of work for the above contract required the vendor to provide a combination of on-site and off-site physician/medical director services for Hollidaysburg, as follows:

*This must include two individuals, one that is the primary medical director, and one that is capable of providing assistant medical director services. Both individuals will provide physician services for a minimum of twenty hours per week...Schedules will be determined by the medical director and Clinical Service Manager/Director of Nursing (DON) and approved by the ...commandant. The selected vendor is also responsible for ensuring coverage to meet the required hours during any extended scheduled or non-scheduled absences of the physicians. The vendor does not need to provide coverage for short term absences for the physicians provided the total hour for both physicians does not drop below 30 hours, it does not negatively affect resident care, and prior approval is received by the HVH commandant.*<sup>28</sup>

Section 17 of the contract's scope of work also listed various specific responsibilities of the physician/medical director, including the duty to "conduct physical examinations of each resident and review all medical records in order to ... evaluate the level of progress in accordance with local, state, and federal guidelines."<sup>29</sup>

- As mentioned above, the DMVA terminated the immediately preceding contract for medical services for cause on January 14, 2013. The DMVA entered into a contract with another vendor for

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<sup>26</sup> Purchase Order No. 4300341417, effective July 3, 2012, was awarded to ADARA Healthcare Staffing, Inc. (ADARA) in response to Invitation for Bid/Solicitation No. 61000022371.

<sup>27</sup> ADARA agreed to bill primary insurance, Medicare, supplemental insurance, and medical assistance. As the "payor of last resort," Hollidaysburg was obligated to pay any co-pays and deductibles that were outstanding after ADARA exhausted all billing processes.

<sup>28</sup> See page 7 of the scope of work associated with Invitation for Bid/Solicitation No. 61000022371.

<sup>29</sup> See page 8 of the scope of work associated with Invitation for Bid/Solicitation No. 61000022371.

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the same services for Hollidaysburg residents (i.e., physician/medical director, a physician/assistant medical director, two CRNPs, as well as laboratory and radiology services) originally through an emergency purchase order effective from January 15, 2013, through April 16, 2013,<sup>30</sup> and then through a sole source procurement effective from April 17, 2013, through December 31, 2013.<sup>31</sup> From January 15, 2013, to June 30, 2013, Hollidaysburg was to pay this vendor a flat monthly fee of \$41,667 plus resident co-pays and deductibles. Between January 15, 2013, and June 30, 2013, Hollidaysburg payments to this vendor totaled approximately \$214,000.

The language in Section 17 of the scope of work for this contract was identical to that used in Section 17 of the immediately preceding contract. The two contracts required the same services and duties from the physician/medical director.<sup>32</sup>

#### Scope and Methodology to Meet Our Objective

The scope of this objective related to medical services contracts in effect between July 1, 2011, and June 30, 2013. We focused our review on the five contracts discussed above.

To accomplish our objective, we reviewed the above-mentioned regulations developed by the Centers for Medicare and Medicaid Services and the commonwealth's Department of Public Welfare to determine the required frequency of physician visits and medical evaluations for residents in Hollidaysburg's skilled nursing care and domiciliary and personal care units, respectively.

We reviewed the *Procurement Handbook* issued by DGS to determine the commonwealth's requirements for contract monitoring.

We reviewed the component documents associated with the five medical services contracts discussed above to gain an understanding of each contract's terms and conditions. These component documents variously included the invitation for bid/solicitation, emergency procurement

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<sup>30</sup> Hollidaysburg initially procured the medical services of Reinhardt Family Practice, PC, (Reinhardt) through emergency Purchase Order No. 4300360358, effective from January 15, 2013, through April 16, 2013. The purchase order incorporated the scope of work document discussed in the report text.

<sup>31</sup> From April 17, 2013, through December 31, 2013, Hollidaysburg contracted with Reinhardt through the sole source Purchase Order No. 4300361184. The purchase order incorporated the scope of work document discussed in the report text.

<sup>32</sup> See pages 7 and 8 of the scope of work associated with Purchase Order Nos. 4300360358 and 4300361184.



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approval request, sole source justification, vendor bid, supplier price request, scope of work, notice-to-proceed letter, and purchase orders.

We interviewed DMVA and Hollidaysburg employees responsible for ensuring compliance with the terms and conditions of the five contracts as well as with the federal and state regulations regarding the required frequency of physician visits and medical evaluations. These employees included the DMVA's director of the Bureau of Office Services and director of the Bureau of Veterans Homes as well as Hollidaysburg's commandant, business manager, accountant, director of medical records, and clerk typist for medical services.

We examined 60 of 875 invoices paid to the 13 medical services contractors from July 1, 2011, to June 30, 2013. The 60 invoices totaled approximately \$684,000 and were related to the five contracts on which our audit work focused. In order to verify that Hollidaysburg paid only for services to its residents and at the contracted prices, we reconciled the invoice dollar totals to expenditure records, compared the invoice prices to bid or other contract documents, and compared patient names on the invoices to Hollidaysburg's June 30, 2013, census report and to listings of deceased and discharged residents for our audit period.

We reconciled 38 signed time sheets for the two contracted primary care physicians to the corresponding 26 invoices dated from January 16, 2012, to July 3, 2012, to determine whether Hollidaysburg paid only for primary care physician service hours that it actually received.<sup>33</sup>

We reviewed the weekly physician coverage schedules for the two consecutive contractors for medical director and assistant medical director services for the periods from August 9, 2012, through January 14, 2013, and from January 29, 2013, through June 29, 2013, to determine whether Hollidaysburg scheduled the medical director and assistant medical director according to the terms of the contracts.

We examined the sign-in/out sheets for physicians associated with the first of the two consecutive contracts for medical director, assistant medical director, and other medical services to determine whether the contractor provided the minimum number of medical director and assistant medical director service hours required by the contract.

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<sup>33</sup> These 26 invoices were included in the overall test group of 60 invoices and related to the contract with Liberty Healthcare Corporation.

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We randomly selected 60 of the 411 residents listed on the facility's June 30, 2013, census report. At our request, Hollidaysburg provided us data (i.e., dates and names of the associated physicians) regarding the physician visits/medical evaluations for these 60 residents during the period from July 1, 2012, to June 30, 2013. We reviewed this data to determine whether Hollidaysburg ensured that the medical services contractors provided the frequency of physician visits/medical evaluations required by the regulations discussed above.

#### **Finding 1**

**Hollidaysburg did not effectively monitor all of its contracts for medical services and did not ensure that the facility received all contracted physician service hours or that all residents received physician visits required by federal regulations.**

Hollidaysburg paid 13 different contractors approximately \$1,549,000 for medical services for the facility's residents from July 1, 2011, through June 30, 2013. Our review focused on five of these contracts, which accounted for approximately \$1,050,000 of the above payments.

During our audit period, Hollidaysburg effectively monitored the two individual contracts for X-ray and laboratory services. Hollidaysburg paid these two vendors only for services to its residents and at the contracted prices.

Our review of the 38 time sheets and 26 invoices for the two contracted primary care physicians disclosed that Hollidaysburg paid the vendor only for physician service hours that the facility received and at the hourly rates specified by the contract.

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#### Physician Service Hours

However, Hollidaysburg did not adequately monitor its two consecutive contracts for medical director, assistant medical director, and other medical services. Hollidaysburg did not assign specific contract monitors for these two contracts to ensure that all terms and conditions were met. Further, Hollidaysburg did not ensure that the medical director and assistant medical director provided the minimum number of service hours per week required by each of the two contracts. Specifically, Hollidaysburg did not consistently document the start and end times for physicians on the facility's weekly physician (on-site) coverage schedules.

As a result, we were unable to determine whether the facility scheduled the medical director and assistant medical director for the minimum number of hours required by the contracts. Perhaps even more important, Hollidaysburg did not require the medical director and assistant medical director for either contractor to regularly record and report all of their on-site and off-site service hours to Hollidaysburg and/or the DMVA. Hollidaysburg provided us only one sign-in/out sheet with two dates of on-site service for one physician and three sign-in/out sheets with 43 dates of on-site service for another physician – both employees for the first of the two consecutive contractors. The facility did not provide us any sign-in/out sheets for the on-site services of the second contractor. Neither contractor reported its off-site hours to Hollidaysburg or the DMVA.

When we discussed these monitoring deficiencies with Hollidaysburg's commandant and business manager, they indicated that they believed the facility's existing monitoring efforts sufficiently ensured compliance with contract terms and conditions. Hollidaysburg requires its accountant to verify the mathematical accuracy of contractor invoices; the facility prepares weekly physician coverage schedules for the contracted physicians; and the facility commandant and business manager conduct daily briefings with the nursing staff. The commandant and business manager believe that they would be notified of any changes to the schedule or any problems with the contract at the daily meetings.

During the fiscal year ended June 30, 2013, Hollidaysburg paid more than \$572,000 for its two consecutive contracts for medical director, assistant medical director, and other medical services. Because Hollidaysburg did not adequately monitor the contracts, it may not have received the hours of physician service for which it paid.

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#### Frequency of Physician Visits

As discussed above, we reviewed data regarding the frequency of physician visits for 60 residents for the period from July 1, 2012, to June 30, 2013. We found that Hollidaysburg did not ensure that the applicable contractors for medical director, assistant medical director, and other medical services provided the required frequency of physician visits for six of the 40 residents in our test group who received skilled nursing care during the fiscal year ended June 30, 2013. The physician visits for these six residents ranged from two to 39 days late and were an average of 13 days late. Each of the 20 residents in our test group who received personal or domiciliary care received a medical evaluation during the fiscal year.

When we asked Hollidaysburg officials why the six skilled nursing care residents did not receive the frequency of physician visits required by the applicable federal regulation,<sup>34</sup> they explained that two of the exceptions were caused by mistakes on the physician “reorder” calendars that Hollidaysburg nursing units use to schedule physician visits. For the remaining four exceptions, Hollidaysburg officials explained that the facility did not possess documentation that the residents received the required frequency of physician visits, and the officials could not provide a reason for the lack of documentation.

The federal regulation regarding the frequency of physician visits was designed to ensure the health and safety of individuals who receive services in skilled nursing facilities that participate in the Medicare and Medicaid programs. The failure to comply with this regulatory requirement could have a negative impact on the health of the Hollidaysburg residents who receive skilled nursing care.

#### **Recommendations for Finding 1**

1. Hollidaysburg should assign a specific contract monitor for its contract for medical director, assistant medical director, and other medical services.
2. To ensure that the combined on-site and off-site 40-hour requirement and the 30-hour short-term absence requirement of its current contract for medical director and assistant medical director services are implemented, Hollidaysburg should require the medical director and assistant medical director to regularly record and report all of their on-site and off-site service hours to Hollidaysburg and/or the DMVA. Further, Hollidaysburg should require these contracted physicians to

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<sup>34</sup> 42 C.F.R. § 483.40 (c)

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sign in upon arrival and sign out upon departure from the facility.

3. Hollidaysburg management must ensure that all residents receive the required frequency of physician visits and that the visits are adequately documented. Hollidaysburg nursing staff must examine reorder calendars for accuracy, and Hollidaysburg management must retain all documentation related to physician visits.

#### Management Response

**Management Response to recommendation 1:** *Hollidaysburg will assign the Director of Nursing (DON) as the contract monitor for medical director, assistant medical director, and other medical services.*

**Management Response to recommendation 2:** *HVH has coordinated with the Medical Director to have the Physicians to sign-in upon arrival and sign-out upon departure from the facility as recommended. The contract also requires the Medical Director to coordinate and provide work schedules including on-call services for 24/7/365 day operations.*

**Management Response to recommendation 3:** *HVH has initiated a procedure for the Registered Nurse Assessment Coordinators (RNACs) to monitor and document that the residents receive the required physician visits per Department of Health policy. In addition, HVH will retain the reorder calendars within Medical Records.*

#### Auditor's Conclusion

We are pleased that Hollidaysburg Veterans Home management agrees with our recommendations and that management is taking action to implement them. During our next audit, we will determine whether our recommendations were implemented.

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### Audit Results for Objective Two

*Pharmacy Contract*

### The Objective

Objective two of our performance audit was to determine whether Hollidaysburg Veterans Home effectively monitored contracted pharmacy services.

### Relevant Regulation, Policy, and Agreement

According to the U.S. Department of Veterans Affairs (VA), aid and attendance is a benefit paid to veterans in addition to the monthly pension. A veteran may be eligible for aid and attendance benefits when the veteran requires the aid of another person in order to perform personal functions required in everyday living, such as bathing, eating, dressing, attending to the wants of nature, or adjusting prosthetic devices. Eligibility may also apply to a veteran who is blind or a patient in a nursing home because of mental or physical incapacity.<sup>35</sup>

The VA has developed regulations that address the medical care of veterans, including the filling of pharmaceutical prescriptions for medications. The regulations authorize the VA to provide medications to veterans residing in a veterans' home.<sup>36</sup> Further, veterans receiving aid and attendance are eligible for free medications.<sup>37</sup>

The Veterans Health Administration (VHA) within the VA has developed a policy that sets forth the requirements regarding the provision of medications to veterans residing in state veterans' homes.<sup>38</sup> The requirements differ according to the type of agreement entered into by the local VA medical center and the veterans' home for the provision of medications. For veterans' homes with on-site pharmacies and agreements in which the veterans' home uses the local VA medical center to procure medications at ceiling prices, the policy requires the veterans' home to order medications for all of its residents directly from the VA-approved prime vendor. The local VA medical center authorizes the order and makes payment to the prime vendor for the medications ordered by the veterans' home. The veterans' home must reimburse the local VA medical center for the cost of medications purchased for residents who are not eligible for aid and attendance. In addition, the veterans' home must provide data to the local VA medical center in electronic form on all medications provided to

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<sup>35</sup> [http://benefits.va.gov/pension/aid\\_attendance\\_housebound.asp](http://benefits.va.gov/pension/aid_attendance_housebound.asp), accessed November 12, 2014.

<sup>36</sup> 38 C.F.R. § 17.96.

<sup>37</sup> Ibid.

<sup>38</sup> U. S. Department of Veterans Affairs, Veterans Health Administration (VHA) Directive 2011-035, "VA Support for the Provision of Medications to Eligible Veterans in a State Veterans Nursing Home," September 14, 2011.

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all residents in the veterans' home, and the veterans' home must separately identify residents eligible for aid and attendance.

Hollidaysburg entered into an agreement with the local VA medical center to provide medications for its residents for the period from July 1, 2009, through June 30, 2014.<sup>39</sup> According to the agreement, the local VA medical center will provide Hollidaysburg the use of the VA prime vendor contractor,<sup>40</sup> and Hollidaysburg will receive the VA ceiling prices and the federal supply schedule contracts (FSS) for medications purchased for Hollidaysburg residents. The local VA medical center agreed to pay the prime vendor or FSS costs for those veterans eligible for national formulary medications<sup>41</sup> under aid and attendance benefits, while Hollidaysburg agreed to pay for the medications purchased for residents who are not eligible for aid and attendance benefits. Further, the agreement required Hollidaysburg to provide data to the local VA medical center in electronic form on all medications provided to Hollidaysburg residents and to separately identify residents eligible for aid and attendance.

During the period from July 1, 2011, to June 30, 2013, Hollidaysburg paid the local VA medical center approximately \$2,149,000 for medications for its residents.<sup>42</sup>

### **Scope and Methodology to Meet Our Objective**

The scope of this objective related to the pharmacy contract in effect between July 1, 2011, and June 30, 2013.

To accomplish this objective, we reviewed the above-mentioned VA medical regulation and VHA policy to determine the requirements regarding the provision of medications to veterans residing in state veterans' homes.

We reviewed the pharmacy agreement discussed above to gain an understanding of its terms and conditions.

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<sup>39</sup> Agreement number VA244-M-0933 between the Department of Veterans Affairs (VA) – James E. Van Zandt VA Medical Center and the sharing partner Hollidaysburg Veterans Home, is effective from July 1, 2009, to June 30, 2014, with an option to extend the agreement for an additional 5 years.

Related Service Purchase Contract No. 4000014214 is applicable to the same dates as on the Agreement.

<sup>40</sup> The VA prime vendor contractor is McKesson Corporation.

<sup>41</sup> According to the VHA handbook that summarizes the formulary management process, the VA national formulary is a listing of products (i.e., drugs and supplies) that must be available for prescription at all VA facilities, and cannot be made non-formulary by a Veterans Integrated Service Network or individual medical center. Please refer to [http://www.va.gov/vhapublications/ViewPublication.asp?pub\\_ID=2417](http://www.va.gov/vhapublications/ViewPublication.asp?pub_ID=2417), accessed November 12, 2014.

<sup>42</sup> This total includes Hollidaysburg payments for pharmaceutical prescriptions received during the latter part of the fiscal year ended June 30, 2011.

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We interviewed Hollidaysburg's commandant, chief pharmacist, business manager, facility reimbursement officer, accountant, and pharmacy clerk typist to obtain an understanding of Hollidaysburg's agreement with the local VA medical center, pharmacy operations, and the responsibilities of individual staff to carry out the requirements of the pharmacy agreement.

We interviewed the associate director for the local VA medical center to confirm that Hollidaysburg can request reimbursement from the local VA medical center for the cost of national formulary medications retroactive to a resident's date of eligibility for aid and attendance benefits.

We reviewed Hollidaysburg's listing of 230 residents who received aid and attendance benefits between July 1, 2011, and June 30, 2013, to determine the effective date of each listed resident's eligibility for aid and attendance.

We compared the names on the above listing of 230 residents to Hollidaysburg's June 30, 2013, census report and to listings of deceased and discharged residents for our audit period in order to verify that all names on the aid and attendance benefits listing were those of Hollidaysburg residents.

We randomly selected 27 of the 230 residents on Hollidaysburg's aid and attendance benefits listing and compared the effective dates of eligibility on the listing to those documented on notifications from the VA office in Philadelphia (i.e., award letters or email correspondence) in order to verify the accuracy of Hollidaysburg's benefits listing.

We examined each of the 24 monthly VA medical center invoices related to medications received from July 1, 2011, to June 30, 2013. The invoices totaled approximately \$1,766,000. We reconciled the invoice dollar totals to expenditure records to verify that Hollidaysburg paid only for invoiced amounts.

We reviewed the supporting documentation that accompanied each of the above 24 invoices to determine the dollar amount by which the local VA medical center reduced its monthly invoice for medications dispensed to Hollidaysburg residents eligible for aid and attendance benefits.

We determined whether the local VA medical center correctly reduced Hollidaysburg's monthly pharmacy invoices by the acquisition costs of the national formulary medications dispensed to all Hollidaysburg residents eligible for aid and attendance. Specifically, we randomly selected four of the 24 months in our audit period – November 2011, May 2012, October 2012, and June 2013. For these four months, we reconciled the information



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(i.e., names and benefit eligibility dates) on Hollidaysburg's listing of residents eligible for aid and attendance benefits and its monthly "whole house" reports of the specific medications provided to all Hollidaysburg residents to the local VA medical center's summary reports of invoice reductions associated with residents eligible for aid and attendance benefits.

For each of the above four test months, we calculated the dollar amount by which Hollidaysburg's pharmacy bill should have been reduced for aid and attendance residents. Specifically, we compiled a list of the eligible residents for whom Hollidaysburg did not receive invoice reductions and their corresponding medication usage. We then gave the lists to Hollidaysburg's chief pharmacist to identify the national formulary medications and their associated acquisition costs.

To assess the timeliness and nature of communications regarding changes to Hollidaysburg's roster of aid and attendance residents, we reviewed each of seven memoranda from Hollidaysburg's facility reimbursement officer to Hollidaysburg's chief pharmacist and the local VA medical center's chief financial officer. The seven memoranda documented the additions and deletions to the roster of aid and attendance residents during the time period from July 5, 2011, to December 1, 2011.

#### **Finding 2      Hollidaysburg did not effectively monitor its pharmacy agreement, and as a result, paid the local VA medical center for medications that should have been free of charge.**

The Hollidaysburg pharmacy purchases all medications in bulk from the VA prime vendor contractor through the local VA medical center. Hollidaysburg's pharmacy clerk typist orders medications from the VA prime vendor contractor daily. The local VA medical center authorizes the order, and the VA prime vendor contractor delivers the medications to Hollidaysburg the following day. The local VA medical center makes the payment to the VA prime vendor contractor for the medications ordered by Hollidaysburg. Hollidaysburg must reimburse the local VA medical center for the medications purchased for those residents who are not eligible for free medications. According to VA regulations,<sup>43</sup> Hollidaysburg residents eligible for aid and attendance benefits are to receive medications at no charge to the veterans' home.

According to Hollidaysburg officials, Hollidaysburg's revenue office and pharmacy maintain separate listings of residents who are eligible for aid

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<sup>43</sup> 38 C.F.R. § 17.96.

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and attendance benefits. The revenue office receives updates from the VA office in Philadelphia regarding the status and effective dates of aid and attendance eligibility for individual residents. The revenue office then notifies Hollidaysburg's pharmacy and the local VA medical center of these updates. The pharmacy revises its listing of eligible residents according to these notifications.

Each month, Hollidaysburg's pharmacy sends a "whole house" report of medications provided to all residents in the veterans' home and a separate report of the medications provided to residents who are eligible for aid and attendance benefits to the local VA medical center. According to Hollidaysburg officials, the latter of these two reports is based on the pharmacy's listing of aid and attendance residents and serves as Hollidaysburg's request for a reduction in the monthly pharmacy bill for the national formulary medication costs of such residents.

Hollidaysburg paid the local VA medical center approximately \$1,766,000 for medications received during the period from July 1, 2011, through June 30, 2013. For the same time period, the local VA medical center reduced its pharmacy bills by approximately \$149,000 for the national formulary medications provided for Hollidaysburg residents eligible for aid and attendance benefits.

Our review disclosed that Hollidaysburg did not effectively monitor its agreement with the local VA medical center. Hollidaysburg did not request reductions in the pharmacy bills for all residents eligible for aid and attendance benefits or for all time periods of eligibility. Not all resident names on the revenue office listing of residents eligible for aid and attendance benefits were submitted in the pharmacy's monthly reports to the local VA medical center as soon as revenue office staff received eligibility notification from the VA office in Philadelphia. Further, the pharmacy did not seek medication cost reimbursement from the local VA medical center retroactive to the effective date of each resident's eligibility for aid and attendance benefits. The pharmacy requested a reduction in the pharmacy bill only from the date that the pharmacy was notified of a resident's eligibility. The effective date of eligibility often preceded the pharmacy's notification date. Finally, on many occasions, the local VA medical center denied the eligibility of residents submitted by Hollidaysburg's pharmacy for monthly bill reductions. Hollidaysburg did not consistently follow up on these denials even though it had documents from the VA office in Philadelphia that supported eligibility.

We discussed the above issues with Hollidaysburg management, revenue office, and pharmacy staff. The officials were unable to provide

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documentary evidence that the revenue office consistently notified the pharmacy and local VA medical center of additions or deletions to the roster of residents eligible for aid and attendance benefits. In fact, the officials provided only seven such notifications during our audit period – all dated between July and December 2011. Further, the officials indicated that the revenue office and the pharmacy did not routinely reconcile their individual rosters/listings of aid and attendance residents.

Hollidaysburg officials were not aware that the pharmacy could request medication cost reimbursement from the local VA medical center retroactive to the effective date of each resident's eligibility for aid and attendance benefits. When we interviewed the associate director of the local VA medical center in May 2014, he confirmed that Hollidaysburg could seek retroactive reimbursement.

Finally, Hollidaysburg officials explained that the revenue office did not retain any documentary evidence that its staff followed up with the local VA medical center when the medical center denied the aid and attendance eligibility of Hollidaysburg residents. According to Hollidaysburg officials, revenue office staff often provided the local VA medical center copies of aid and attendance award letters for residents whose eligibility was denied, but the staff did not prepare or retain cover letters or memoranda for Hollidaysburg's records.

As a result of the monitoring weaknesses discussed above, Hollidaysburg did not receive the correct pharmacy invoice reductions for all of its residents identified as eligible for aid and attendance. Specifically, for the four months that we tested, Hollidaysburg paid \$24,700 for medications that should have been free of charge, as follows:

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<b>Pharmacy Invoice Reductions that Hollidaysburg Failed to Receive November 2011, May 2012, October 2012, and June 2013</b>		
<b>Month</b>	<b>Number of aid and attendance residents for whom Hollidaysburg failed to receive invoice reductions</b>	<b>Unrecovered Medication Costs</b>
November 2011	96	\$13,600
May 2012	61	\$ 5,800
October 2012	26	\$ 2,200
June 2013	38	\$ 3,100

**Recommendations  
for Finding 2**

1. Hollidaysburg should monitor its pharmacy agreement with the local VA medical center to ensure that it receives the correct pharmacy bill reductions for all of its residents identified as eligible for aid and attendance benefits.
2. Hollidaysburg’s revenue office should promptly notify Hollidaysburg’s pharmacy and the local VA medical center of additions or deletions to the roster of aid and attendance residents when the revenue office receives updates from the VA office in Philadelphia. Hollidaysburg’s revenue office and pharmacy should routinely reconcile their individual listings of aid and attendance residents to ensure that the pharmacy requests pharmacy invoice reductions for all aid and attendance residents.
3. Hollidaysburg should request drug cost reimbursement from the local VA medical center retroactive to the effective date of each resident’s eligibility. This request should include the \$24,700 in unrecovered costs for November 2011, May 2012, October 2012, and June 2013.
4. Hollidaysburg should consistently follow up with the local VA medical center when the medical center denies a resident’s aid and attendance eligibility. Hollidaysburg should send the local VA medical center copies of documentation (such as award letters or email communications from the VA office in Philadelphia) that supports eligibility. Hollidaysburg should then retain copies of all such communications with the local VA medical center.

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**Management  
Response**

**Management Response to recommendation 1:** *At the end of each month a list of A&A residents is reconciled between Pharmacy and Revenue and is reviewed by a third party (Accounting) for discrepancies and addressed by Revenue.*

**Management Response to recommendation 2:** *HVH Revenue department head, compiles a list of additions/deletions once a month & it is then e-mailed to the Van Zandt VA Medical Center (VZMC) eligibility co-coordinator, the VZMC Pharmacy and to HVH Pharmacy and Accounting. The purpose of this list is to ask VZMC eligibility personnel to check the status of A&A resident(s) and advise of any corrections. These corrections are then returned to HVH from VZMC and are communicated to Pharmacy and Revenue.*

**Management Response to recommendation 3:** *HVH will submit an invoice to the VZMC requesting the funds be sent to the Hollidaysburg Veterans' Home for the \$24,700.00 explaining the reason for the underpayment. The invoice will be sent to Charles Becker, CFO VZMC for coordination and possible payment.*

**Management Response to recommendation 4:** *HVH Revenue Department will notify the VA Medical Center of all eligible resident's for A&A monthly by sending a cover sheet of the eligible residents along with the VA Award Letters proving eligibility. The cover sheet and award letters are sent via scan/e-mail to Eligibility, Chief Pharmacist VZMC, Chief Pharmacist HVH. Once received by Eligibility, the VZMC verifies the eligibility and informs Revenue that they have been received and who is in fact eligible based on their system. Any discrepancies between Eligibility and the information sent are then reworked by Revenue and Eligibility to ensure that all residents that are eligible are getting the benefit. Corrective action is taken upon discovery of a discrepancy.*

**Auditor's  
Conclusion**

We are pleased that Hollidaysburg Veterans Home management agrees with our recommendations and that management is taking action to implement them. During our next audit, we will determine whether our recommendations were implemented.

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### Audit Results for Objective Three

*Therapy Services  
Contract*

### The Objective

Objective three of our performance audit was to determine whether Hollidaysburg Veterans Home monitored the cost effectiveness of its contract for therapy services.

### Relevant Policies and Contract

The Commonwealth of Pennsylvania Governor's Office has developed a policy that sets forth the requirements for the state records management program.<sup>44</sup> Beginning July 1, 2011, the policy requires state agencies under the Governor's jurisdiction to have established an approved agency file plan that lists agency specific records retention and disposition schedules. The policy states that all records "must be maintained in such a way that they are readily retrievable, in facilities that provide a suitable environment to protect them from damage, deterioration and loss, and are in compliance with the applicable records schedules." Further, all retention periods "are to reflect at least the minimum legal, fiscal, and administrative (operational) business requirements."<sup>45</sup>

DMVA's agency file plan, dated August 30, 2013, provides the record retention and disposition schedule applicable to Hollidaysburg. According to the agency plan, the retention period for Hollidaysburg's revenue records (including medical encounter forms and billings to Medicare Part B and other third-party insurers) is seven years.

The DMVA entered into a contract to provide physical, occupational, and speech therapy services to Hollidaysburg residents at Hollidaysburg's facility from March 4, 2011, through March 3, 2014.<sup>46</sup> The contract required Hollidaysburg to reimburse the therapy vendor for co-pays and deductibles and included a license agreement dated March 4, 2011. The license agreement granted the therapy vendor a license to be the exclusive provider of on-site physical, occupational, and speech therapy services at Hollidaysburg; the therapy vendor was to pay Hollidaysburg \$103,947 annually as a license fee for the use of Hollidaysburg premises.<sup>47</sup>

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<sup>44</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive 210.5 Amended, "The Commonwealth of Pennsylvania State Records Management Program," July 29, 2010.

<sup>45</sup> Ibid.

<sup>46</sup> Service Purchase Contract No. 4000015704 between the DMVA and Benchmark Therapies, Inc., was effective from March 4, 2011, through March 3, 2014. A change order dated March 13, 2014, renewed the initial contract until May 2, 2015.

<sup>47</sup> Benchmark Therapies, Inc., 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 Hollidaysburg Veterans Home.

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During the period from July 1, 2011, through June 30, 2013, Hollidaysburg paid the therapy vendor \$260,571 for co-pays and deductibles, and the therapy vendor paid Hollidaysburg \$207,894 in license fees.

#### **Scope and Methodology to Meet Our Objective**

The scope of this objective related to the physical, occupational, and speech therapy contract in effect between July 1, 2011, and June 30, 2013. We also reviewed physical, occupational, and speech therapy services data, expenditures, and offsetting revenues related to the fiscal year ended June 30, 2010, in order to compare Hollidaysburg's net costs associated with the first full year of services under the above contract (i.e., the fiscal year ended June 30, 2012) to the net costs associated with the last full fiscal year that preceded the above contract (i.e., the fiscal year ended June 30, 2010).

To accomplish our objective, we reviewed the above-mentioned policy issued by the Commonwealth of Pennsylvania Governor's Office as well as DMVA's agency file plan to determine the record retention requirements applicable to Hollidaysburg.

We reviewed the therapy services contract discussed above to gain an understanding of its terms and conditions.

We interviewed DMVA and Hollidaysburg employees responsible for ensuring compliance with the terms and conditions of the therapy services contract in effect during our audit period as well as with commonwealth and DMVA policies regarding record retention. These employees included the DMVA's director of the Bureau of Veterans Homes and director of the Bureau of Office Services as well as Hollidaysburg's commandant, business manager, facility reimbursement officer, and accountant.

We examined 40 of 920 invoices paid to the therapy vendor from July 1, 2011, through June 30, 2013. The 40 invoices totaled \$11,286. In order to verify that Hollidaysburg paid only for services to its residents and at invoiced amounts, we reconciled the invoice dollar totals to expenditure records and compared resident names on the invoices to Hollidaysburg's June 30, 2013, census report and to listings of deceased and discharged residents for our audit period.

We examined Hollidaysburg's accounting records for license fee revenues for the fiscal years ended June 30, 2012, and 2013, to determine whether the therapy vendor paid Hollidaysburg the annual license fee in compliance with the license agreement discussed above.

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We examined Hollidaysburg's accounting records for physical, occupational, and speech therapy expenditures for the fiscal years ended June 30, 2010, and June 30, 2012, in order to obtain the necessary expenditure data for our evaluation of the cost effectiveness of Hollidaysburg's current contract for comprehensive therapy services.

To obtain information about how Hollidaysburg provided physical, occupational, and speech therapy services prior to the March 2011 contract discussed above, we reviewed a purchase order for speech therapy services effective from June 27, 2008, through March 3, 2011;<sup>48</sup> a purchase order and related service purchase contract for the services of a physical therapist effective from June 1, 2009, through June 30, 2011;<sup>49</sup> and an internally prepared list of in-house occupational and physical therapy staff positions at Hollidaysburg prior to March 2011.<sup>50</sup>

We reconciled Hollidaysburg's accounting records for Medicare Part B and other third-party insurer reimbursements for the fiscal year ended June 30, 2010, to the corresponding remittance advices to verify the validity and reliability of the revenue account records.<sup>51</sup> We also reviewed the above remittance advices from Medicare Part B and other third-party insurers to identify the specific reimbursement revenues associated with the physical and occupational therapy services provided by Hollidaysburg's in-house staff from July 1, 2009, through June 30, 2010.

We reviewed various data sources to obtain statistics regarding the number of therapy service hours provided to Hollidaysburg residents during each month of the two fiscal years ended June 30, 2010, and June 30, 2012. Specifically, the DMVA provided us statistics compiled by the therapy vendor regarding physical, occupational, and speech therapy services for the fiscal year ended June 30, 2012, and regarding speech therapy services alone for the fiscal year ended June 30, 2010. Hollidaysburg provided us

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<sup>48</sup> Hollidaysburg utilized purchase order no. 4300104584, effective from June 27, 2008, through March 3, 2011, to procure speech therapy services from Benchmark Therapies, Inc. According to the purchase order, Hollidaysburg was to pay the vendor the corresponding co-pays and deductibles.

<sup>49</sup> Hollidaysburg utilized purchase order no. 4300149405, effective from June 1, 2009, through June 25, 2010, to procure the services of a physical therapist from Benchmark Therapies, Inc., at an hourly rate of \$60 from June 1, 2009, through June 30, 2009, and at an increased hourly rate of \$65 from July 1, 2009, through June 25, 2010. On September 1, 2009, Hollidaysburg transferred purchase order no. 4300149405 to a funds commitment document (i.e., service purchase contract no. 4000013931) that extended all terms and conditions (including pricing) to June 30, 2011.

<sup>50</sup> Prior to March 2011, Hollidaysburg employed the following nine therapy staff: one chief occupational therapist, four occupational therapists, two occupational therapist assistants, and two registered physical therapist assistants. As of March 5, 2011, Hollidaysburg has not employed any therapy staff.

<sup>51</sup> For the fiscal year ended June 30, 2010, Hollidaysburg's revenue from Medicare Part B and other third-party insurers included reimbursements for eligible physician, physical therapy, and occupational therapy services provided by in-house staff.



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statistics that veterans' home staff compiled from medical encounter forms related to physical and occupational therapy services for the fiscal year ended June 30, 2010.

To assess the accuracy of the above statistics provided by Hollidaysburg, we compared Hollidaysburg's summary of physical therapy statistics to the corresponding medical encounter forms for each month during the fiscal year ended June 30, 2010. We also reconciled Hollidaysburg's summary of occupational therapy statistics to the corresponding medical encounter forms for nine months during the same fiscal year.

#### **Finding 3**

#### **Hollidaysburg's March 2011 contract for therapy services was cost effective. However, the veterans' home should improve its record retention practices.**

From July 2009 through March 2011, Hollidaysburg provided its residents all occupational therapy services and certain physical therapy services in house. For the same period, Hollidaysburg contracted for all speech therapy services as well as for the services of a physical therapist to supplement the physical therapy services provided by Hollidaysburg's in-house staff. Hollidaysburg's in-house therapy staff prepared medical encounter forms for the physical and occupational therapy services provided to residents and then billed Medicare Part B and other third-party insurers for eligible reimbursement, partially offsetting Hollidaysburg's expenditures for physical and occupational therapy services.

Effective March 2011, Hollidaysburg contracted with the above therapy vendor to provide all physical, occupational, and speech therapy services for its residents. As of the effective date of the contract, the therapy vendor billed Medicare Part B and other third-party insurers for eligible therapy encounters and then received the associated reimbursement. The contract required Hollidaysburg to pay the therapy vendor for any co-pays and deductibles that were outstanding after the therapy vendor exhausted all billing processes with the third-party insurers. Finally, the contract required the therapy vendor to pay Hollidaysburg an annual license fee of \$103,947 for the use of the veterans' home's premises; this revenue partially offset Hollidaysburg's expenditures for physical, occupational, and speech therapy services.

#### Cost Effectiveness

Hollidaysburg's March 2011 contract for therapy services was cost effective. The chart below presents a comparison of therapy costs and services for the fiscal years ended June 30, 2010, and 2012.

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<b>Therapy Cost and Service Comparison for Fiscal Year End (FYE) June 30, 2010, and 2012</b>			
	<b>FYE 2010</b>	<b>FYE 2012</b>	<b>Difference</b>
<b>Cost</b>	\$525,900 <sup>52</sup>	\$47,501 <sup>53</sup>	\$478,399
<b>Therapy Hours</b>	5,160	16,316	11,156
<b>Cost Per Hour</b>	\$ 102	\$ 3	\$ 99

In the fiscal year ended June 30, 2010, Hollidaysburg paid a nine person in-house occupational and physical therapy staff. In addition, Hollidaysburg paid a contracted therapist an hourly rate for physical therapy services and contracted with a vendor for speech therapy services. Hollidaysburg's gross expenses for therapy in the fiscal year ended June 30, 2010, were \$783,085. These expenses were offset by \$257,185 in reimbursement revenue from Medicare Part B and other third-party insurers. This resulted in net therapy-related expenses to Hollidaysburg of \$525,900.

In March 2011, after issuing a Request for Proposals (RFP), Hollidaysburg contracted with a vendor to provide all physical, occupational, and speech therapy to its residents. Based on contract terms, the vendor pursued reimbursement from Medicare Part B and other third-party insurers for therapy services it provided to Hollidaysburg residents. Hollidaysburg paid the vendor the co-pays and deductibles for contracted therapy provided to its residents. In the fiscal year ended June 30, 2012, that was \$151,448. The vendor paid Hollidaysburg a license fee of \$103,947.<sup>54</sup> As a result, Hollidaysburg's net therapy related expenses were \$47,501.

The hours of physical, occupational, and speech therapy increased significantly from 5,160 in the fiscal year ended June 30, 2010, to 16,316 hours in the fiscal year ended June 30, 2012. This appears reasonable considering Hollidaysburg's average daily resident population for the fiscal year ended June 30, 2012, included 317 residents in nursing care, 60

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<sup>52</sup> During the fiscal year ended June 30, 2010, Hollidaysburg accrued \$783,085 in expenditures for the salaries and benefits of in-house physical and occupational therapy staff, the co-pays and deductibles for contracted speech therapy, the hourly rate for the contracted services of a physical therapist, and miscellaneous supplies. Hollidaysburg accrued \$257,185 in reimbursement revenue from Medicare Part B and other third-party insurers.

<sup>53</sup> During the fiscal year ended June 30, 2012, Hollidaysburg accrued \$151,448 in expenditures for the co-pays and deductibles for contracted physical, occupational, and speech therapy and for miscellaneous supplies. Hollidaysburg accrued \$103,947 in revenue from the therapy vendor's license fees.

<sup>54</sup> The fee was based on the amount proposed and negotiated in the RFP that was issued. Considerations included the therapy location foot print, number of residents, etc.

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residents in domiciliary care, and 92 residents in personal care. We asked Hollidaysburg's commandant to confirm and provide an explanation for the large difference in service hours between the two years. In an email dated September 3, 2014, the commandant indicated that the large increase in hours was anticipated. "It was ...leadership's belief then, and still is today, that our residents were not receiving the therapy services that they should have been in 2010. The increase in therapy hours is an indication that our residents are now receiving the therapy services they need."

By contracting with the therapy vendor for all physical, occupational, and speech therapy services during the fiscal year ended June 30, 2012, Hollidaysburg provided its residents a greater number of therapy service hours at a significantly lower cost. This was an excellent decision by DMVA and Hollidaysburg management.

#### Record Retention

Hollidaysburg's record retention practices were not always effective. Our comparison of Hollidaysburg's summary of physical therapy statistics to the corresponding medical encounter forms disclosed that Hollidaysburg's physical therapy service hour records for each of the twelve months of the fiscal year ended June 30, 2010, were complete and reliable. Similarly, our comparison of Hollidaysburg's summary of occupational therapy statistics to the corresponding medical encounter forms for the latter six months of the fiscal year ended June 30, 2010, disclosed that Hollidaysburg's occupational therapy service hour records for the period from January 1, 2010, to June 30, 2010, were complete and reliable. However, our review of Hollidaysburg's occupational therapy encounter forms for three of the first six months of the fiscal year ended June 30, 2010, revealed that Hollidaysburg's on-hand records for occupational therapy service hours for the period from July 1, 2009, to December 31, 2009, were incomplete and unreliable.

Because we concluded that Hollidaysburg's occupational therapy service hour records for the second half of the fiscal year ended June 30, 2010, were complete and reliable, we estimated the number of occupational therapy service hours for the entire fiscal year to be double the number of hours applicable to the period from January 1, 2010, to June 30, 2010.<sup>55</sup>

Hollidaysburg was unable to locate all occupational therapy encounter

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<sup>55</sup> The 5,160 total hours of therapy for the fiscal year ended June 30, 2010, included 2,312 documented hours of physical therapy, an estimated 1,772 hours of occupational therapy, and 1,076 documented hours of speech therapy. The occupational therapy service hour records for the second half of the fiscal year ended June 30, 2010, documented 886 hours of occupational therapy.

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forms applicable to the period from July 1, 2009, to December 31, 2009. Hollidaysburg staff found only a limited number of these records stored without folders or any apparent organization in several different boxes. In contrast, Hollidaysburg stored the occupational therapy encounter forms for the period from January 1, 2010, to June 30, 2010, in four well-organized and labeled boxes, and Hollidaysburg staff considered the records to be complete.

When we discussed the record retention issues with Hollidaysburg officials, they attributed the missing records to the movement of “resident spaces, staff working spaces and storage spaces to accommodate construction and safety requirements.” Hollidaysburg officials indicated that the veterans’ home has undergone four major construction projects since January 2010.<sup>56</sup>

Hollidaysburg did not comply with the requirements of the commonwealth policy regarding record retention<sup>57</sup> and the DMVA’s agency file plan. Hollidaysburg did not maintain its occupational therapy encounter forms for the first half of the fiscal year ended June 30, 2010, “in such a way that they are readily retrievable” for the seven years required by the agency file plan. As such, the records were unavailable for review and/or audit by authorized agencies.

#### Recommendations for Finding 3

1. Hollidaysburg management should ensure that veterans’ home staff maintain all records in compliance with the requirements of the commonwealth policy regarding record retention<sup>58</sup> and the DMVA’s agency file plan.
2. Hollidaysburg management should plan/organize, direct, and control the movement of records to alternative storage locations during construction projects to ensure that all records are “readily retrievable” and adequately safeguarded.

#### Management Response

***MANAGEMENT RESPONSE:*** All Departments were provided with copies of DMVA’s agency file plan and PIM for Records Retention, Disposition and Administration. A spreadsheet will list which department

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<sup>56</sup> We estimate that Hollidaysburg is missing approximately 250 encounter forms related to approximately 800 occupational therapy service hours for the first half of the fiscal year ended June 30, 2010. Hollidaysburg officials believe that veterans’ home staff lost the encounter forms after Hollidaysburg billed Medicare Part B and other third-party insurers for cost reimbursement. We did not find evidence that Hollidaysburg failed to bill for any reimbursements associated with occupational therapy encounters during the first half of the fiscal year ended June 30, 2010.

<sup>57</sup> Commonwealth of Pennsylvania Governor’s Office, Management Directive 210.5 Amended, “The Commonwealth of Pennsylvania State Records Management Program,” July 29, 2010.

<sup>58</sup> Ibid.

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*has any records filed off site from their office to include what is filed and where. Each box will be labeled according to policy and will be accounted for when moved during construction projects.*

#### **Auditor's Conclusion**

We are pleased that Hollidaysburg Veterans Home management agrees with our recommendations and that management is taking action to implement them. During our next audit, we will determine whether our recommendations were implemented.

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#### **Status of Prior Audit**

Our prior audit report of Hollidaysburg covered the period from July 1, 2005, through December 31, 2008, and contained two negative findings: Findings 7 and 9. In addition, Finding IV -2 from our audit of Hollidaysburg for the period from July 1, 2001, to June 27, 2003, was not resolved during the prior audit period. The status of Hollidaysburg's implementation of the recommendations for these findings is presented below.

#### **Prior Finding 7**

**Direct care workers received orientation and continuing education, and nurse aides received regular in-service education. However, the training did not appear to be effective in addressing reported deficiencies related to providing quality care to the residents. (Resolved)**

The prior audit reported that four of ten direct care workers hired before January 1, 2007, did not receive the required fire safety education during the training year applicable to 2007 and 2008. According to the facility's safety manager, while Hollidaysburg offered a fire safety course to employees in November and December 2007, the facility did not offer fire safety training during the 2008 calendar year.

During our prior audit, we also examined the Department of Health inspection reports from July 21, 2005, through December 22, 2009, to make a determination about the effectiveness of the facility's training. During the aforementioned time period, the Department of Health inspected Hollidaysburg 39 times and identified 106 deficiencies. The audit reported that although Hollidaysburg provided additional training to direct care workers in response to deficiencies identified in Department of Health inspections, the training – specifically, the training related to deficiencies regarding pressure sores and physician notification – was ineffective. That is to say, even though the facility provided training regarding pressure sores and physician notification after Department of Health inspections initially noted deficiencies, the training was not enough to prevent Hollidaysburg from being cited for similar deficiencies during subsequent inspections.

We recommended that Hollidaysburg management personnel ensure that all direct care workers receive the mandated fire safety training annually and that the facility conduct fire safety classes at a frequency that accommodates this annual mandate. We also recommended that Hollidaysburg management personnel provide training that effectively addresses the deficiencies identified by the Department of Health inspections to prevent recurring findings that impact the quality of care.

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Finally, we recommended that Hollidaysburg administrative personnel take responsibility for the proper reporting of incidents to the Department of Health and encourage all personnel to adopt and follow reporting procedures.

On February 1, 2012, officials from the DMVA provided the following response to our findings and recommendations:

***Fire Safety Training.*** *Hollidaysburg Veterans Home's Institutional Fire and Safety Specialist was involved in a serious accident and was on sick leave for an extended period. He recovered, returned to work, and conducted the in-service program beginning on February 3, 2009. In the future, the Security Officer 3 will be trained and conduct these in-services in the absence of the Institutional Fire and Safety Specialist.*

***Training Effectiveness.*** *Systemic changes have been implemented at the Hollidaysburg Veterans Home to provide effective training and to deter the occurrence of repeat deficiencies from the Department of Health and other regulatory agencies as follows:*

- a. The Nurse Instructors are required to monitor training closely and provide reports with evidence that training has occurred for all nursing personnel. These reports are reviewed by both Assistant Directors of Nursing and the Clinical Services Manager after each training and staff is scheduled for specific classes by the Registered Nurse Supervisors. Each Assistant Director of Nursing completes a review and audit of training records for their assigned building to ensure that training has been completed.*
- b. Systemic changes have been made at the Hollidaysburg Veterans Home to provide for regulatory compliance and deter repeat deficiencies. Daily reports of resident care are reviewed by the Commandant, Clinical Services Manager, and clinical supervisors each business day. Problem solving to address care issues is implemented per case and facility wide as indicated for regulatory compliance and good service. In addition, quality assurance monitoring is continuous for all clinical departments, and the Quality Assurance Committee meets every month to review this data, identify trends, and evaluate the effectiveness of corrective action. Two registered nurses have been assigned to monitor wounds and infections for the facility and also complete quality assurance monitoring*

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*that is reviewed by the Quality Assurance Committee. Finally, the Commandant and Clinical Services Manager monitor Department of Health notification for timeliness and accuracy.*

*From these quality assurance interventions, the Hollidaysburg Veterans Home has achieved its best survey results during the 2011 Department of Health and Department of Public Welfare reviews. These surveys reflected only isolated events and no facility-wide occurrences and speak to the effectiveness of this organization's overall monitoring of services.*

### **Current Status**

#### Fire Safety Training

To follow up on the prior finding regarding fire safety training, we reviewed the facility's written response to an audit information request about fire safety training, the facility's attendance rosters for the fire safety classes held during the training year ended June 30, 2013, and the fire academy training certificate for the facility's Security Officer 3.

According to management's written response to our audit inquiry, the facility provides up to 29 regular fire safety training sessions annually. Management also indicated that Hollidaysburg provides the training to all work shifts and offers make-up sessions for personnel who are unable to attend the regularly scheduled program. Our review of the attendance rosters revealed that Hollidaysburg did indeed provide fire safety training to all employees during the training year ended June 30, 2013. Finally, and in reference to the DMVA's February 1, 2012, response to the finding in our prior report, Hollidaysburg provided the audit team documentation that the facility's Security Officer 3 received fire safety training at the Pennsylvania State Fire Academy.

We conclude that Hollidaysburg complied with the prior report's recommendations regarding fire safety training.

#### Training Effectiveness

To follow up on the prior finding regarding training effectiveness, we reviewed the 26 Department of Health inspection reports for the period from July 26, 2011, to April 25, 2014, as well as the training records associated with the 11 inspection deficiencies for which the home's corrective plans of action involved in-service education.



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Our review of the inspection reports revealed that the Department of Health found no deficiencies during 19 (or 73 percent) of its 26 inspections conducted from July 26, 2011, to April 25, 2014. During the remaining seven inspections, the Department of Health found 18 deficiencies. The Department of Health did not designate any of these 18 deficiencies as widespread. Rather, the Department of Health deemed 11 of the 18 deficiencies to impact a few residents, considered six deficiencies to represent a pattern, and did not designate the scope for one of the deficiencies.<sup>59</sup> Further, the Department of Health did not designate any of the 18 deficiencies as involving actual harm or immediate jeopardy. Instead, the Department of Health deemed 14 deficiencies as involving minimal harm and three deficiencies as involving no harm but did not designate the severity of one deficiency.<sup>60</sup>

The facility's corrective action plans for 11 of the above 18 deficiencies required staff to be trained in policy, procedures, or techniques. Hollidaysburg provided the required training in accordance with each relevant plan of correction. In fact, when the Department of Health conducted the follow-up inspections (i.e., revisits) to the seven inspections with deficiencies, it noted that Hollidaysburg had corrected each of the 18 previously-cited deficiencies.

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<sup>59</sup> The Department of Health defines the various scope designations for inspection deficiencies at the following web address: <http://app2.health.state.pa.us/commonpoc/content/publicweb/Definitions.htm> , accessed August 12, 2014. The scope of a deficiency is isolated/ few "when one or a very limited number of residents are affected and/or one or a very limited number of staff are involved, and/or the situation has occurred only occasionally or in a very limited number of locations." The scope of a deficiency is a pattern "when more than a very limited number of residents are affected, and/or more than a very limited number of staff are involved, and/or the situation has occurred in several locations, and/or the same resident(s) have been affected by repeated occurrences of the same deficient practice, but the deficient practice is not pervasive throughout the nursing home." The scope of a deficiency is widespread "when the problems causing the deficiency are pervasive in the nursing home and/or represents systemic failure that has affected or has the potential to affect a large portion or all of the nursing home's residents."

<sup>60</sup> The Department of Health defines the various severity designations for inspection deficiencies at the following web address: <http://app2.health.state.pa.us/commonpoc/content/publicweb/Definitions.htm> , accessed August 12, 2014. The severity of a deficiency is defined as having the potential for minimal harm/ no harm "when the deficiency has the potential for causing no more than a minor negative impact on the resident(s)...A deficiency is determined to have a severity level of minimal harm when it results in minimal discomfort to the resident or has the potential (not yet realized) to negatively affect the resident's ability to achieve his/her highest functional status as defined by an accurate and comprehensive resident assessment, plan of care, and provision of services... The actual harm level indicates that the deficiency has resulted in a negative outcome that has compromised the resident's ability to maintain and/or reach his/her highest practicable physical, mental and psychosocial well-being as defined by an accurate and comprehensive resident assessment, plan of care, and provision of services." Finally, the immediate jeopardy level of severity indicates that "the resident is in immediate jeopardy of a situation which has caused, or is likely to cause, serious injury, harm, impairment, or death as a result of the nursing home's noncompliance with one or more regulations."

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With regard to the specific deficiencies noted in the prior report, none of the 18 violations from July 26, 2011, to April 25, 2014, involved pressure sores; two involved the failure to timely notify the physician or responsible party of a change in a resident's condition; and one involved the failure to notify the Department of Health of a case of scabies. (The Department of Health did not designate the scope or severity of the deficiency regarding the notification of scabies.)

The October 14, 2011, inspection report cited Hollidaysburg for its failure to timely notify the physician and responsible party of a change in one resident's condition and the failure to notify the responsible party of another resident's condition. The Department of Health considered the scope of this deficiency as isolated and the severity as involving minimal harm. In accordance with its plan of correction, Hollidaysburg trained its registered nursing staff on the policy and procedure for reporting significant change and consultation. Nearly two years (and 14 inspections) later, the Department of Health inspection dated September 26, 2013, cited Hollidaysburg for its failure to timely notify the physician of a resident's rash – a condition not deemed to be urgent or emergent. The Department of Health considered the scope of this deficiency as isolated and the severity as involving minimal harm. In accordance with its corrective plan of action, Hollidaysburg provided licensed nurses training related to this deficiency.

In summary, the majority of the Department of Health inspections from July 26, 2011, to April 25, 2014, revealed no deficiencies at Hollidaysburg. None of the deficiencies in the seven inspections with violations were deemed to be widespread or to involve actual harm or immediate jeopardy. The 26 inspections revealed only one incident in which Hollidaysburg failed to properly report to the Department of Health. Further, Hollidaysburg conducted all of the training required by its plans of correction. Finally, the Department of Health follow-up inspections disclosed that Hollidaysburg had corrected each of the deficiencies cited in the seven inspections. For these reasons, we conclude that Hollidaysburg resolved its issues and complied with our recommendations regarding training effectiveness.

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### **Prior Finding 9 Hollidaysburg did not comply with the Department of Military and Veterans Affairs' policy and procedures to maximize estate collections. (Resolved)**

The Department of Military and Veterans Affairs (DMVA) has established policy and procedures regarding the recovery of any unpaid costs of care for a veterans' home resident from the resident's estate after his or her death. DMVA policy and procedures in effect at the time of the prior audit<sup>61</sup> as well as the current policy and procedures<sup>62</sup> require veterans' homes to submit an estate recovery file to the DMVA's Office of Chief Counsel within 30 days of a resident's death or discharge to enable the DMVA to assert its claim against a deceased resident's estate.

During the prior audit, we examined the records for 32 of 404 residents who died or were discharged between July 1, 2006, and July 17, 2008. We found that Hollidaysburg submitted only 10 of the 32 files within 30 days of death or discharge. Hollidaysburg did not indicate the date of submission for one deceased resident and did not timely submit the remaining 21 files. More specifically, the 21 late submissions averaged 57 days, and ranged from 31 to 266 days, after the deaths or discharges.

We recommended that Hollidaysburg management enforce the Department of Military and Veterans Affairs' policy and procedures for estate recovery. We also recommended that management adopt the necessary measures to ensure that the facility submits estate recovery files to the DMVA's Office of Chief Counsel within 30 days of a resident's death or discharge.

On February 1, 2012, officials from the DMVA provided the following response to our finding and recommendations:

*The revenue department will submit all estate recovery files in its possession to the [Department of Military and Veterans Affairs] DMVA Office of Chief Counsel within 30 days of the death of a resident. Changes in DMVA billing and monthly statement policy and procedures will assist in making this possible within the allotted time frame.*

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<sup>61</sup> Office of the Deputy Adjutant General for Veterans' Affairs Policy, Department of Military and Veterans Affairs, Policy Number 02-2008, "Estate Recovery Operating Procedures," issued October 9, 2007.

<sup>62</sup> Department of Military and Veterans Affairs, Office of Veterans Affairs, Policy Information Memorandum Number 37, "Estate Recovery Program Operating Policy and Procedure," issued January 28, 2013.

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#### **Current Status**

To follow up on the prior finding and recommendations, we reviewed the facility's written response to an audit information request about the estate recovery process, the DMVA's policy and procedures for estate recovery, and internally-prepared spreadsheets that listed the identification numbers, date of death or discharge, and status of the accounts for the 207 residents who died and the 93 residents who were discharged during the audit period from July 1, 2011, to June 30, 2013. From the spreadsheet listings of the 300 residents who died or were discharged during our audit period, we selected and then examined the estate recovery records for 40 residents.

According to management's written response to our audit inquiry as well as our review of facility records, the facility's revenue officer maintains the records used in the estate recovery process and documents the dates that the estate recovery files are submitted to the DMVA's Office of Chief Counsel. The revenue officer also prepares and maintains a spreadsheet of the status of all estate billings.

Our review of the estate recovery records for 40 of the 300 residents who died or were discharged between July 1, 2011, and June 30, 2013, revealed that Hollidaysburg sent the estate recovery files for 38 of the 40 residents to the DMVA's Office of Chief Counsel within the required 30-day period. Hollidaysburg submitted the file for one resident 53 days after discharge and the file for another resident 80 days after discharge. On average, Hollidaysburg submitted the 40 files to the Office of Chief Counsel 13 days after death or discharge.

We conclude that Hollidaysburg complied with the prior report's recommendations.

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### Prior Finding IV-2

### Purchasing Office employees could perform incompatible duties. (Resolved)

Our two preceding audits reported that the facility's purchasing office employees could perform incompatible duties. The audit for the period from July 1, 2001, to June 27, 2003, reported that Hollidaysburg assigned two purchasing agents, its warehouse manager, and two of three stock clerks the ability to create a purchase order and receive goods in the facility's procurement software system. Our audit for the period from July 1, 2005, to December 31, 2008 (and released in November 2011) reported that the facility's purchasing agent was assigned the incompatible roles of purchaser and receiver in the commonwealth's Integrated Enterprise System (IES) and, as a result, still possessed the ability to purchase and receive items valued at \$5,000 or less. Hollidaysburg did not obtain approval for the purchasing agent to possess conflicting procurement role assignments or implement additional internal controls over purchasing to compensate for the lack of segregation of duties for its purchasing personnel.

We recommended that Hollidaysburg evaluate the IES roles assigned to its purchasing agent and remove any conflicting roles. If conflicting roles are necessary to perform essential functions, we recommended that Hollidaysburg request the appropriate waiver and develop compensating controls.

On February 1, 2012, officials from the DMVA provided the following response to our findings and recommendations:

*The facility received waivers on 1/09/2009 for the IES roles.*

### Current Status

To follow up on the deficiencies noted in the prior report, we interviewed Hollidaysburg purchasing personnel and the director of the DMVA Bureau of Office Services. We reviewed the commonwealth management directive regarding procurement role assignments, security, and internal control maintenance,<sup>63</sup> as well as the master roles document on the commonwealth's IES website.<sup>64</sup> We also examined a summary of the procurement roles assigned to the facility's purchasing agent as well as a November 6, 2014, memorandum prepared by the director of the DMVA Bureau of Budget and Finance. Finally, we reviewed Hollidaysburg's written response to an audit information request about the above-

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<sup>63</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," issued June 13, 2005, and amended March 25, 2013.

<sup>64</sup> [http://oaess.state.pa.us/MasterRolesDoc/Procurement\\_Roles.htm](http://oaess.state.pa.us/MasterRolesDoc/Procurement_Roles.htm), accessed November 10, 2014.

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mentioned January 9, 2009, waiver and the facility's current internal controls that compensate for the lack of segregation of duties for purchasing personnel.

The current audit disclosed that the facility's purchasing agent was still assigned the roles of purchaser and receiver in the commonwealth's IES procurement system. According to IES role mapping rules, these two roles are incompatible.<sup>65</sup> Further, the January 9, 2009, waiver (noted in the DMVA's February 1, 2012, response to our prior audit recommendations) addressed various other inventory management roles but did not address the above-mentioned role conflict for the purchasing agent. However, in accordance with the commonwealth's management directive regarding role assignments, security, and internal control maintenance, Hollidaysburg and the DMVA developed "mitigating control(s) to deter and detect errors and inappropriate transactions"<sup>66</sup> associated with the above role conflict.

According to Hollidaysburg's written response to our request for information as well as our interview of the director of the DMVA Bureau of Office Services, Hollidaysburg typically initiates the purchasing process through the use of requisitions. The requisitions are approved by the appropriate department head at Hollidaysburg and/or DMVA procurement personnel. According to the director of the DMVA Bureau of Office Services, after the requisition is approved, DMVA procurement staff or Hollidaysburg's purchasing agent prepare the corresponding purchase order. Hollidaysburg's purchasing agent also has the ability to create a purchase order without a requisition. However, the DMVA has developed controls to deter and detect any inappropriate purchasing transactions. The DMVA regularly prepares and reviews reports of any open commitments (i.e., purchase orders) for the six veterans' homes. According to our interview, DMVA staff would investigate any questionable purchase order or any spike in the number of purchase orders from any single veterans' home.

On November 6, 2014, the director of the DMVA Bureau of Budget and Finance sent the director of the DMVA Bureau of Office Services a memorandum that noted that the DMVA Director for Administration approved a waiver for the above role conflict.

We conclude that Hollidaysburg complied with the prior report's recommendations.

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<sup>65</sup> Ibid.

<sup>66</sup> Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," issued June 13, 2005, and amended March 25, 2013.

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