



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
Room 525 Health and Welfare Building
Harrisburg, Pennsylvania 17105-2675

KEVIN M. FRIEL
DIRECTOR

FEB - 4 2010

TELEPHONE NUMBER
(717) 772-2231
FAX NUMBER
(717) 705-9094

Mr. Gerald Gillingham, Division Leader
Office of Administration
Bureau of Administrative Services
Health and Welfare Building, Room 627
Harrisburg, Pennsylvania 17105

Dear Mr. Gillingham:

I am enclosing the final report of the Norristown State Hospital Guardian Office that was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

I would like to extend my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Edwina Downs in expediting the audit process.

The final report will be forwarded to the Bureau of Financial Operations, Audit Resolution Section (ARS) to begin the Department's resolution process concerning the report contents. The staff from the ARS may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Alexander Matolyak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

A handwritten signature in cursive script that reads "Kevin M. Friel".

Kevin Friel

c: Mr. Ted Dallas
Ms. Nadine Compinski



COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
 Room 525 Health and Welfare Building
 Harrisburg, Pennsylvania 17105-2675

KEVIN M. FRIEL
 DIRECTOR

FEB - 4 2010

TELEPHONE NUMBER
 (717) 772-2231
 FAX NUMBER
 (717) 705-9094

Mr. Ted Dallas
 Executive Deputy Secretary
 Health and Welfare Building, Room 333
 Harrisburg, Pennsylvania 17120

Dear Mr. Dallas:

In response to a request from the Office of Administration (OA), the Bureau of Financial Operations (BFO) has completed an audit of Norristown State Hospital Guardian Office (NSH-GO). The audit was requested to evaluate the procedures in place to assure the proper handling and safeguarding of client funds. The audit period was April 1, 2009 through August 31, 2009.

The report is currently in final form and therefore contains NSH-GO's views on the reported findings, conclusions or recommendations. The data used to prepare the report findings were discussed with NSH-GO's management at a closing conference held on November 18, 2009.

Norristown State Hospital-Guardian Office
Executive Summary

The NSH-GO's primary function is to serve as representative payee and/or legal guardian for incapacitated individuals who reside at the hospital. Guardian Offices operate independently within the state hospitals and mental retardation system for the purpose of managing financial affairs of clients when no family or outside agency is available. As of September 30, 2009, NSH-GO served 43 clients.

The report findings and recommendations for corrective action are summarized below:

FINDINGS	SUMMARY
<p><i>Finding No. 1-Funds Continue To Be Held More Than 90 Days After Clients Have Been Discharged</i></p>	<p>The NSH-GO had 75 open accounts for clients that have been discharged for more than 90 days. As of June 30, 2009, the total amount of funds in the 75 accounts was \$55,240.</p>

Norristown State Hospital Guardian Office (NSH-GO)
April 1, 2009 through August 31, 2009

HIGHLIGHTS OF RECOMMENDATIONS

NSH-GO should:

- Review discharged client account status every three months.
- Close accounts within 90 days of the clients discharge date. For those clients or family members that are unreachable after three attempts, the funds should be transferred to an escheat account after 24 months.
- Update client profiles annually to help ensure accurate contact information upon discharge.

FINDINGS	SUMMARY
Finding No. 2 – <i>Internal Controls Over Cash Should Be Strengthened</i>	Internal control issues are as follows: <ul style="list-style-type: none"> • At times there is no segregation of duties in the posting and disbursement of cash. • No systematic method to account for funds presented for client usage during weekends exists. As such, the funds are at risk of misappropriation.

HIGHLIGHTS OF RECOMMENDATIONS

The NSH-GO should:

- Separate the duties involving cash postings, withdrawals and disbursements.
- Have two people present when preparing and disbursing client weekly cash allowances.
- Establish procedures specific to the process of how and when client funds should be safeguarded during the Guardian Office's off hours.

HIGHLIGHTS OF OBSERVATIONS

- Changes to department procedures are not updated timely.
- Guidelines to the NSH-GO manual needs to be strengthened.

Background

The Division of Guardianship Programs Central Office issues all policy and procedural directives¹ for compliance with Chapter 4310 of Client Liability State MH/MR Facilities. The Division of Guardianship Programs administers a program that provides guardianship, representative payee, agency and advocacy services to individuals in Mental Health Hospitals, Mental Retardation Centers and the South Mountain Restoration Center. The program consists of 15 facility guardian offices, three area management offices and a central office management and support staff.

¹ The Guardian Office Manual 2005

Norristown State Hospital Guardian Office (NSH-GO)
April 1, 2009 through August 31, 2009

NSH-GO is an independent entity located on the campus of the Norristown State Hospital located at 1001 Sterigere Street, Norristown, Pennsylvania. The NSH-GO is responsible to insure that all financial affairs are handled in the best interest of the clients. Additionally, NSH-GO has the obligation to protect the legal rights of the clients in fiscal matters and when reasonable, the office shall request abatement modification or discharge of the clients assessed liabilities.

Further, NSH-GO with the consent of competent clients will assist in managing their financial affairs.²

Objective, Scope and Methodology

The audit objectives, developed in concurrence with OA were:

- To review Client Account Withdrawal Orders (CAWOs) to determine the effectiveness of internal controls in the handling and safeguarding client funds.
- To review NSH-GO daily cash transactions to determine appropriateness and effectiveness of policy, procedures and verify the accuracy of cash balances.

In pursuing these objectives, the BFO interviewed NSH-GO management and staff. We also reviewed accounting and financial records, selected receipts, disbursements and other pertinent data necessary to complete our objectives.

We conducted this performance audit in accordance with generally accepted government audit 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.

Government auditing standards require we obtain an understanding of management controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of these controls. Based on our understanding of the controls, some material deficiencies came to our attention. Areas where we noted an opportunity for improvement in internal and procedural controls are addressed in the findings of this report.

Fieldwork for this audit took place between September 29, 2009, and October 16, 2009. This report, when presented in its final form, will be available for public inspection.

Results of Fieldwork

Based on our review of the CAWOs and other financial data, it appears that NSH-GO adheres to the practice of maintaining fiscal integrity in the handling and safeguarding of client funds and the methodology used in daily activities complies with DPW guidelines.

² Pa code Title 55 chapter 11

Norristown State Hospital Guardian Office (NSH-GO)
April 1, 2009 through August 31, 2009

As a result of our review, the following findings and observations have been identified:

Finding No. 1 – Funds Continue To Be Held More than 90 Days After Clients Have Been Discharged

As of June 30, 2009, there were 75 open accounts for discharged clients that were more than 90 days past the discharged date. The balance that remained on the clients' accounts range from as low as \$0.60 to as high as \$19,832.42. As of June 30, 2009, the total dollar amount of all the accounts that remain open is \$55,240. Funds that remain on accounts of clients who are discharged, overstate the total availability of client funds.

Accounts of this nature are not subject to the customary scrutiny that active accounts would be. While no evidence of any wrong doing came to our attention, inactive accounts invite potential issues.

NSH-GO management acknowledges the number of open accounts and has begun to transfer these accounts to the proper parties.

Recommendations

The BFO recommends that the NSH-GO should review account status every 3 months, close accounts within 90 days of clients' discharged dates, and update client profiles annually to help ensure that accurate contact information is available upon clients discharge. For those clients or family members that remain unreachable after three attempts, the funds should be transferred to an escheat account after twenty-four months.

Finding No. 2 – Internal Controls Over Cash Should Be Strengthened

Internal control issues that were observed during the audit of NSH-GO are as follows:

- At times during the audit period there was no segregation of duties. During these periods, the checks prepared for withdrawal of client funds and the disbursements of client weekly cash allowances were handled by one employee.

NSH-GO management acknowledges that the segregation of duties should be implemented and plans to re-define the duties of Guardian Officer and Fiscal Assistant accordingly.

- Funds that are presented to NSH staff for clients during the weekends are not immediately forwarded to the NSH-GO.

NSH-GO management acknowledges that procedures regarding funds being presented to NSH staff during the weekend should be implemented; therefore, management plans to discuss the matter with NSH management.

Norristown State Hospital Guardian Office (NSH-GO)
April 1, 2009 through August 31, 2009

Recommendations

The BFO recommends that at least two employees verify the receipt and disbursement of cash. When the availability of two employees is not possible, the area manager should be contacted so that a verification of the cash withdrawal and distribution to clients can be conducted on the next visit to NSH-GO.

The BFO also recommends that the employee who prepares the check for client cash allowances is not the same employee that counts and distributes the funds to the unit.

The BFO further recommends that NSH-GO establish and utilize procedures for both visitors and staff to follow regarding the drop off of funds to clients over the weekend.

Observations

The following observations pertaining to the guarding office procedures were noted:

- Changes to department procedures are not updated timely.

The NSH-GO acknowledges and plans to make efforts to update department procedures timely.

- Guidelines for the NSH-GO Manual need to be strengthened.

The NSH-GO acknowledges and plans to issue an updated Guardian Office Manual in January 2010.

Exit Conference

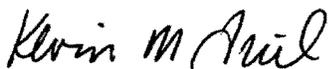
The Division of Guardianship Programs did not request an Exit Conference. The response to the audit findings is included as an Appendix.

In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@state.pa.us

The response to each recommendation should indicate your office's concurrence or non-concurrence, the corrective action to be taken, the staff from your office responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Sincerely,



Kevin M. Friel

NSH-GO RESPONSE TO THE DRAFT REPORT
APPENDIX



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF ADMINISTRATIVE SERVICES
DIVISION OF GUARDIANSHIP PROGRAMS
P.O. Box 2675
Harrisburg, PA 17105

Gerald A. S. Gillingham
Director

Telephone Number
(717) 787-1109

January 29, 2010

Mr. Daniel Higgins, Audit Manager
Division of Audit Review
Bureau of Financial Operations
Department of Public Welfare
801 Market Street, Suite 5040
Philadelphia, Pennsylvania 19107-3126

Dear Mr. Higgins,

Below is the Division of Guardianship Programs response to the findings issued by the Bureau of Financial Operation's audit of the Norristown State Hospital Guardian Office for the period April 1, 2009 through August 31, 2009:

Finding No. 1: Funds continue to be held more than 90 days after clients have been discharged.

Recommendations:

- A. Review discharged client account status every three months.
- B.
- C. Close accounts within 90 days of the clients discharge date. For those clients or family members that are unreachable after three attempts, the funds should be transferred to an escheat account after 24 months.
- D. Update client profiles annually to help ensure accurate contact information upon discharge.

Response:

The Division of Guardianship Programs agrees with this finding. We have proactively implemented the above recommendations (A, B, and C) through improved training to ensure timely and proper disbursement of client funds upon the client's discharge.

Funding No. 2: Internal Controls over cash should be strengthened.

Recommendations:

- A. Separate the duties involving cash postings, withdrawals, and disbursements.
- B. Have two people present when preparing and disbursing client weekly cash allowances.
- C. Establish procedures specific to the process of how and when client funds should be safeguarded during the Guardian Office hours.

Response:

The Division of Guardianship Programs agrees with this finding. We will improve the segregation of duties as stated in Recommendation A whenever possible. There may be instances when staff may be reduced to one employee. In addition, we will ensure that two employees are present when preparing and disbursing client weekly cash allowances as stated in recommendation B whenever possible. Finally, new procedures have been established and implemented effective December 16, 2009 that include specific instructions for safeguarding client funds during office hours as stated in recommendation C.

I want to thank the Bureau of Financial Operations for conducting the audit of the Norristown State Hospital Guardian Office.

Sincerely,



Gerald A. S. Gillingham

C: Mr. Glenn Williams
Ms. Nadine Compinski