

## MEMORANDUM

**TO: RICHARD W. TOWCIMAK  
BEAVER COUNTY CONTROLLER**

**FR: WILLIAM R. JUBECK  
ADMINISTRATOR - BVGC**

**DA: OCTOBER 15, 1999**

**RE: BVGC PURCHASING AUDIT**

Thank you for the opportunity to comment on the recently completed purchasing audit at the Center. I appreciate your interest in providing accuracy, balance, context and perspective in the final report. This will insure that the work of many conscientious, diligent staff is not discredited resulting in widespread employee demoralization.

The following are the Center's recommendations to achieve the above-described objectives.

**PAGE 3**

**Following first sentence of first paragraph insert:**

**The facility operates in a heavily regulated environment annually providing care to over 800 residents with multiple medical conditions and varying degrees of physical and mental incapacity. In recent years, it, as other like facilities, has been subject to many changes due to federal and state legislation.**

**Following first paragraph insert:**

**The Geriatric Center's 1998 expenditures were near \$32 million. Its budget is several times larger than that of the typical county agency, and it is more than twice as large as the one nearest to it in size. It's major funding source is the Pennsylvania Medicaid Program, a mix of federal and state monies. Consequently, its operations and spending are annually reviewed by entities representing both of those levels of government.**

**The Geriatric Center has not required any local county operating subsidy since 1995. During the five year period ended in 1995, its annual operating subsidies ranged from \$1.3 to \$2.4 million.**

**During 1998, there were more than 7,000 purchasing transactions executed at the Center with total volume exceeding \$12 million.**

**Following final bullet of Finding #1 insert:  
Overall compliance with the selected sample of 1018 orders  
was in excess of 95%.**

**PAGE 4**

**Substitute "incomplete" in place of "inadequate" in Finding #2 and #3.**

**Restate bullet #7 as follows:**

**"A contract specification with Nutrition Management Services was modified without documentation".**

**PAGE 5**

**Substitute "incomplete" in place of "inadequate" in Finding #4.**

**Restate Finding #5 as follows:**

**"There were instances of insufficient segregation of duties".**

**Restate first bullet of Finding #6 insert:**

**"fully" before verified.**

**PAGE 6**

**In first observation, substitute "did not strictly observe" in place of "did not follow" and note that food service supervisors relied on professional judgement and past experience with and knowledge of vendor's reputations in determining qualification.**

**PAGE 7**

**Substitute "limitations" for "weaknesses" in initial statement and all bold headings.**

**Under Inventory, substitute "Few controls" for "No controls".**

**Under Receiving, substitute "limited" for "weak".**

**Under Budgeting insert: "Some" before each observation.**

**Under Cash Control restate first bullet as follows:**

**"Documentation of general petty cash fund disbursements was incomplete".**

**PAGE 9**

**Strike second paragraph - sole source letter dated July 10, 1997 given to Bob Marzano on October 13.**

**PAGE 10**

**Substitute "incomplete" for "inadequate" in Finding #2.**

**PAGE 12**

**Substitute "incomplete" for "inadequate" in Finding #3.**

**Insert statement following contract listing as follows:**

**"These change orders represented 7.4% of total construction cost".**

**Restate second bullet as follows: "The BVGC paid \$120,811.02 in 1998 for services without formal, written agreements.**

**PAGE 13**

**Restate third and fourth sentences of Reno Brothers paragraph to read: "82% of the invoices reviewed did not have the work order attached, although they may have been elsewhere filed. Of the work orders reviewed, it could not be easily determined specifically what was repaired nor could the Maintenance Department readily provide significantly more information than what was reflected on the purchase order and invoice.**

**Restate first bullet point as follows: "The BVGC paid \$80,155.20 for products and services at prices extended by vendors from previously expired contracts".**

**Restate concluding sentence as follows: "A total of \$80,155.20 was paid to vendors in 1998 for products and services at prices extended from previously expired contracts upon departmental approval".**

**PAGE 14**

**Restate first bullet point as follows: "The BVGC paid \$101,964.07 in 1998 for products and services for which agreements were not located."**

**Add to final sentence of next to last paragraph: "while reviewing it for reasonableness".**

**PAGE 16**

**Add the following sentence to the end of the second paragraph: "The Center negotiated the addition of this dietitian on a trial basis to better comply with regulatory mandates.**

**The Center maintains that the incentive payments were appropriate because the over-budget condition was for unforeseen reasons beyond the contractor's control. i.e. occupancy levels, new regulatory mandates and negotiated unbudgeted wage increases. The monthly family survey was substituted for the quarterly standards review as a more objective and independent measure of satisfactory performance.**

**PAGE 19**

**Strike "without independent verification of merchandise receipt" from second paragraph as charges are distributed to nursing units and reviewed by nursing supervisors.**

**Strike "pricing" from same sentence and substitute "documentation of price review".**

**PAGE 21**

**Substitute "incomplete" for "inadequate" in Finding #4.**

**PAGE 25**

**Restate Finding #5 as follows: "There were instances of insufficient segregation of duties"**

**PAGE 27**

**Strike paragraph 3 and 4 - not applicable.**

**PAGE 33**

**Substitute "Accounts Payable Limitations" for "Accounts Payable Weaknesses".**

**PAGE 35**

**Substitute "Inventory Limitations" for "Inventory Weaknesses".**

**PAGE 36**

**Substitute "Receiving Limitations" for "Receiving Weaknesses".**

**PAGE 37**

**Substitute "Budgeting Limitations" for "Budgeting Weaknesses".**

**PAGE 39**

**Substitute "Cash Control Limitations" for "Cash Control Weaknesses".**

**Thank you again for the opportunity to offer recommendations and comment on the audit report. As you must be aware, the limited time available to perform this task prohibits the Center's review and response from being exhaustive.**

**I and others at the Center will be pleased to further discuss any of these matters with you.**

**/jf**

**cc: Bob Marzano**