

DEPARTMENT OF VETERANS' AFFAIRS

Operational Audit

July 2006 through February 2008
and Selected Actions Through June 2008



EXECUTIVE DIRECTOR OF THE DEPARTMENT OF VETERANS' AFFAIRS

Section 20.37, Florida Statutes, creates the Department of Veterans' Affairs. The head of the Department is the Governor and Cabinet. The Executive Director of the Department is appointed by the Governor with the approval of three members of the Cabinet and is subject to confirmation by the Senate. The Executive Directors who served the Department during the audit period are shown below.

Executive Director	Dates of Service
Warren R. "Rocky" McPherson	January 28, 2003, through January 17, 2007
LeRoy Collins, Jr.	From January 18, 2007

The audit was supervised by Janice Priolo, CPA. Please address inquiries regarding this report to Sherrill Norman, CPA, Audit Manager, by e-mail at sherrillnorman@audit.state.fl.us or by telephone at (850) 487-9043.

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DEPARTMENT OF VETERANS' AFFAIRS

SUMMARY

This operational audit of the Department of Veterans' Affairs (Department) focused on resident cost-of-care billings and collections, Residents' Deposits Trust Fund accounts, construction project accounting, selected Department expenditures, and personnel management. Our audit covered the period July 2006 through February 2008 and selected actions through June 2008, and included a follow-up on prior audit findings.

Resident Cost-of-Care Billings and Collections

SIMS NURSING HOME – RESIDENT CONTRIBUTION DETERMINATIONS

Finding No. 1: Sims Nursing Home staff did not always accurately determine or adequately document the amount of contribution required from residents for the cost of their care.

THIRD-PARTY REIMBURSEMENT FILINGS

Finding No. 2: Department nursing home staff did not always timely submit, or did not always document the timely submission of, the documents and claim information required for third-party reimbursement.

COST-OF-CARE COLLECTIONS

Finding No. 3: Department nursing home collections procedures need improvement to ensure that collections are timely received and adequately safeguarded.

SIMS NURSING HOME – RESIDENTS' COST-OF-CARE ACCOUNT LEDGER MAINTENANCE

Finding No. 4: Resident account ledgers at the Sims Nursing Home were not always accurately maintained.

ACCOUNTING RECORDS RECONCILIATION

Finding No. 5: The Department did not consistently reconcile revenues recorded in the ULTRACare System to those recorded in the State's accounting system.

Residents' Deposits Trust Funds

RESIDENTS' DEPOSITS TRUST FUND PROCEDURES

Finding No. 6: Department control procedures over the Residents' Deposits Trust Funds need enhancement.

SIMS NURSING HOME – RESIDENT ACCOUNT CLOSE-OUT PROCESS

Finding No. 7: At the Sims Nursing Home, not all resident accounts were properly and timely closed out upon a resident's discharge or death.

Construction Activities

FIXED CAPITAL OUTLAY PROJECT MANAGEMENT

Finding No. 8: The Department needs to strengthen procedures for construction project accounts to ensure the continued availability of obligated fixed capital outlay funding and the accuracy of related accounting records.

TIMELINESS OF VENDOR PAYMENTS

Finding No. 9: Contrary to Section 215.422, Florida Statutes, the Department did not timely process construction payment vouchers.

BACKGROUND

The Department is a cabinet agency created pursuant to Section 20.37, Florida Statutes, to assist all former, present, and future members of the Armed Forces of the United States and their dependents in preparing claims for and securing compensation, hospitalization, career training, and other benefits or privileges to which such persons are (or may become) entitled to under Federal or State law or regulation as a result of their service in the Armed Forces.¹ Pursuant to State law² the Department operates a Domiciliary and five nursing homes for honorably discharged veterans. State law³ requires the Department to operate the nursing homes under the State provisions for licensed health care facilities.⁴

Table 1
Veterans' Domiciliary and Nursing Homes

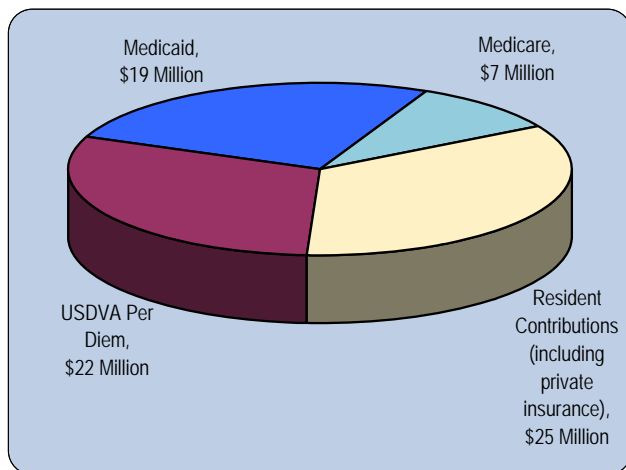
Facility	Location
Robert H. Jenkins, Jr. Veterans' Domiciliary Home (Domiciliary)	Lake City (Columbia County)
Emory L. Bennett State Veterans' Nursing Home (Bennett Nursing Home)	Daytona Beach (Volusia County)
Douglas T. Jacobson State Veterans' Nursing Home (Jacobson Nursing Home)	Port Charlotte (Charlotte County)
Baldomero Lopez State Veterans' Nursing Home (Lopez Nursing Home)	Land O' Lakes (Pasco County)
Alexander "Sandy" Nininger State Veterans' Nursing Home (Nininger Nursing Home)	Pembroke Pines (Broward County)
Clifford Chester Sims State Veterans' Nursing Home (Sims Nursing Home)	Springfield (Bay County)

Table 1 shows the names and locations of the Department-operated Domiciliary and nursing homes.

FINDINGS AND RECOMMENDATIONS

Resident Cost-of-Care Billings and Collections

Chart 1
Revenues for Resident Care
July 2006 Through February 2008



Source: Department accounting records.

Domiciliary and nursing home residents are required by law to contribute to the cost of their care based upon their level of income.⁵ The nursing homes and Domiciliary also receive per diem payments, based on the facility's occupancy, from the United States Department of Veterans Affairs (USDVA) and, for eligible residents, payments from third-party sources including private insurance, Medicare, and Medicaid. Department facilities use the ULTRACare System to record cost-of-care billings and collections. **Chart 1** shows the sources of Department revenues related to residents' care totaling \$73 million during the audit period.

We evaluated certain nursing home processes for the assessment, recording, and collection of contributions for the cost of resident care at four of the State's veterans'

¹ Section 292.05(1), Florida Statutes.

² Chapter 296, Florida Statutes.

³ Section 296.33(4), Florida Statutes.

⁴ Chapter 400, Part II, Florida Statutes.

⁵ Sections 296.10 and 296.37, Florida Statutes, require that the total amounts of the residents' contributions be to the fullest extent possible, but in no case shall exceed, the actual cost of operating and maintaining the home.

nursing homes: the Bennett Nursing Home, the Lopez Nursing Home, the Nininger Nursing Home, and the Sims Nursing Home. Our audit procedures were designed to include a follow-up on the findings disclosed in our report No. 2007-049.

Our tests again disclosed that, while the Department had established nursing home processes for determining the resident contribution amounts, identifying and documenting available resident resources (e.g., bank accounts, pension plans, and Medicaid), filing requests for third-party reimbursements, and timely obtaining and safeguarding collections, these processes could be improved.

Finding No. 1: Sims Nursing Home – Resident Contribution Determinations

Department rules⁶ require that every nursing home resident who receives income from any source, including pension, compensation, or gratuity from the United States Government of more than \$35 per month, contribute to his or her cost of care to the fullest extent possible. The nursing home administrator is to determine the amount of the required resident contribution based on the daily cost of care in the home.

We tested resident contribution determinations at the Sims Nursing Home for 20 residents and, as similarly disclosed in report No. 2007-049, we noted that for 9 residents the contribution amount billed was incorrect or not adequately supported. Specifically:

- For 3 residents, Sims Nursing Home staff did not properly consider the residents' Medicaid benefits and, as a result, the residents were overcharged amounts ranging from \$589 to \$679 per month.
- For 6 residents, documentation of income included in the residents' files did not support the contribution amount determined by Sims Nursing Home staff. Specifically, the documentation was not dated or was not current. Department staff indicated that, effective July 1, 2007, contribution documentation should be signed and dated by the resident or the resident's representative; however, Department staff are not required to sign or date the documentation to indicate verification or approval. Based upon available documentation, 4 of the 6 residents were overcharged in amounts ranging from \$73 to \$1,063 per month and the other 2 residents were undercharged \$75 and \$104 per month.

Absent effective resident contribution determination processes that include controls and procedures designed to accurately bill residents, there is an increased risk that resident contributions may not be determined as required by governing laws and rules.

Recommendation: We recommend that the Department appropriately adjust the accounts of residents who were improperly charged. In addition, the Department should review and monitor the resident contribution determination procedures as implemented by Sims Nursing Home staff. Proper procedures should ensure that:

- Residents' contributions to the costs of their care are appropriately determined in accordance with governing laws and rules.
 - Each resident's contribution is based on the resident's verified income and consideration of available benefits from third-party sources.
 - Documentation of the contribution determination process, including the date of the determination be retained.
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Finding No. 2: Third-Party Reimbursement Filings

As previously mentioned, the nursing homes and Domiciliary receive per diem payments, based on the facility's occupancy, from USDVA and, for eligible residents, payments from third-party sources including private insurance,

⁶ Department of Veterans' Affairs Rule 55-12.006, Florida Administrative Code.

Medicare, and Medicaid. In order for the facilities to receive this funding, nursing home and Domiciliary staff must file appropriate documents and claim information. We reviewed the third-party filing process at the nursing homes included in our testing and noted that nursing home staff did not always timely file the documents or information necessary to receive reimbursement or, in some instances, document the dates the claims were filed. Specifically, we noted:

- In July 2007, the Department implemented a system designed to electronically upload Medicare and Medicaid billings. Due to conversion problems, the processing of Medicaid claims was delayed for several months. For example, at the Bennett Nursing Home, Medicaid claims with benefits totaling \$353,717 for the months of August, September, and October 2007 were not filed until November 5, 2007.
- Although requested, Sims Nursing Home staff were not always able to provide documentation of Medicare and Medicaid filings prepared during the audit period. Specifically:
 - Medicare filing documentation was not available for the months of July 2006 through February 2008.
 - Medicaid filing documentation was not available for the months of July 2006 through June 2007, January 2008, and February 2008.

Nursing Home staff indicated that the filing documentation was missing due to staff turnover in the business office. As indicated in Finding No. 3, reimbursements remaining due from Medicare and Medicaid for the cost of care provided during the audit period totaled \$576,875 and \$744,977, respectively.

- Although requested, the Sims Nursing Home was unable to provide documentation of the VA per diem reimbursement filing dates for the months of January through October 2007. As a result, Nursing Home staff could not demonstrate that claims were timely filed. We did note that the VA per diem reimbursement for January 2007, in the amount of \$205,987, was received 264 days after month-end.

Absent effective procedures designed to reasonably assure the accurate and timely filing of third-party reimbursement claims, there is an increased risk that sufficient funding may not be readily available for the operation and maintenance of the State's veterans' nursing homes.

Recommendation: To ensure that requests for third-party reimbursements are timely filed and that documentation of the filings is properly maintained, the Department should review and monitor the timeliness of third-party filings for reimbursement of costs related to nursing home residents' care.

Finding No. 3: Cost-of-Care Collections

For the nursing homes included in our testing, we examined the effectiveness of cost-of-care collection procedures for a total of 60 residents. Fifty of the 60 residents were required to privately contribute to their cost-of-care and third-party reimbursements were available for 37 of the residents. Our audit disclosed that although the Department had drafted and disseminated applicable procedures to the nursing homes, those procedures were not always timely executed. As a consequence, as similarly disclosed in report No. 2007-049, we noted that unpaid amounts were not always timely collected or otherwise resolved. Specifically:

Contributions Due From Residents

- At the Nininger Nursing Home, 8 of the 18 resident contributions tested were not received within 30 days of the ULTRACare billing date. For 5 of these residents, payments totaling \$5,609 were received from 31 to 288 days after the billing date. As of May 31, 2008, contributions due totaling \$6,573 from 3 residents were totally or partially outstanding although 480 to 664 days had elapsed since the billing date. Nursing Home staff indicated delays in collecting the resident contributions were generally due to the resident's inability to pay.
- At the Bennett Nursing Home, 2 of the 12 resident contributions tested were not received within 30 days of the ULTRACare billing date. These two payments totaling \$1,986 were received 76 and 119 days after the ULTRACare billing dates. In addition, the Nursing Home did not collect a \$340 pharmacy charge from one resident until 77 days after the ULTRACare billing date.

- At the Sims Nursing Home, 8 of the 20 resident contributions tested were not received within 30 days after the ULTRACare billing date. For 5 of these contributions, the payments totaling \$9,015 were received between 45 and 353 days after the billing date. The other 3 contributions due, totaling \$3,177 and related to November 2007 billings, were still outstanding as of May 12, 2008. In addition, for 6 of the 20 residents, Sims Nursing Home staff did not timely collect ancillary charges totaling \$7,832.⁷

Reimbursements Due From Third Parties

- At the Bennett Nursing Home, reimbursements were not timely received for one of 15 residents included in our test of reimbursements due from third parties. For this resident, a private insurance billing and a Medicare billing were not collected until 102 and 77 days, respectively, after the billing dates. The 2 billings totaled \$12,820.
- Based on an analysis prepared by Department staff, the Sims Nursing Home billed Medicaid \$2,795,141 during the audit period; however, the home had only collected \$2,050,164 as of May 12, 2008. In response to audit inquiry, Department staff indicated that billings for the remaining balance of \$744,977 would be resubmitted to Medicaid. The Department's analysis also indicated that Medicare claims totaling \$576,875 were outstanding as of May 12, 2008.

Safeguarding of Collections

Appropriate safeguards for money collected are essential for the prevention or timely detection of theft or loss. We evaluated Department actions to correct the control deficiencies disclosed in report No. 2007-049 related to the safeguarding of collections at the Sims Nursing Home. We again noted that Sims Nursing Home staff did not always adequately safeguard the moneys collected.

- Sims Nursing Home staff did not always restrictively endorse checks upon receipt to limit the negotiability of the checks should they become lost or diverted and to help deter theft.
- When utilizing a courier service to assist with banking, Sims Nursing Home staff did not always timely obtain evidence from the bank that moneys were appropriately deposited into the Home's bank account.

Recommendation: The Department should review and monitor the collection procedures implemented at the facilities noted above. Proper procedures should ensure that any unpaid amounts are timely pursued and appropriately resolved, that all checks are restrictively endorsed immediately upon receipt, and that validated deposit tickets or other documentation evidencing that funds were deposited intact be timely obtained from the bank.

Finding No. 4: Sims Nursing Home – Residents' Cost-of-Care Account Ledger Maintenance

At the Sims Nursing Home, we tested 20 residents' ULTRACare cost-of-care account ledgers to determine whether the account balances were accurate and adequately supported by billing records, including nursing records and pharmacy detail listings; payment receipts; and documentation authorizing any adjustments. Our testing disclosed the following deficiencies:

- Sims Nursing Home staff did not provide written justification or explanations for credit adjustments totaling \$4,343 that were made to 5 resident account ledgers for room and board or ancillary charges.
- Residents who are eligible for either Medicaid or Aid and Attendance⁸ are not responsible for ancillary charges; however, 2 account ledgers for eligible residents contained outstanding ancillary charges totaling \$1,083.
- To identify the appropriate parties to be billed for a resident's cost-of-care, nursing home staff classify each resident according to the resident's applicable payment sources (e.g., private pay, Medicaid,⁹ Hospice Medicaid,

⁷ Ancillary charges include personal care and grooming items, transportation fees, beauty and barber charges, and special supplies.

⁸ Aid and Attendance is a pension benefit provided by the USDVA to wartime veterans and their surviving spouses. The benefit amount is based on the veteran's (or surviving spouse's) physical and financial needs.

⁹ Residents who are eligible for Medicaid will generally be required to provide a co-payment for a portion of their cost-of-care.

or Medicare). Our tests disclosed that, in some instances, the resident’s payment classification in the Sims Nursing Home records was incorrect. For example,

- Nursing Home records classified one resident as private pay when the resident had been determined eligible for Hospice Medicaid. As a result, the Nursing Home overcharged the resident and had not billed Hospice Medicaid for charges totaling \$3,145.
 - For another resident with Medicare coverage, the Nursing Home incorrectly assessed November 2007 charges to and collected payment of \$1,112 from the resident rather than Medicare. The Nursing Home later credited the resident’s account ledger for the amount incorrectly assessed and collected but did not apply the credit to the resident’s outstanding ancillary charges.
- For 5 residents, Sims Nursing Home staff did not include charges in the applicable resident account ledger for medications shown by the Home’s nursing records as administered to the residents.
- For one resident, Sims Nursing Home staff made numerous errors and adjustments when recording charges to the resident’s account ledger. The errors and adjustments appeared to result from changes in the resident’s eligibility for third-party benefits. Specifically, Nursing Home staff did not timely record the appropriate charges in the resident’s account ledger and did not bill Hospice for costs of care totaling \$3,180.

Record accuracy and completeness is critical as resident account ledgers provide a means for capturing the amounts billed, collected, and outstanding for the care of each nursing home resident. Also, record accuracy and completeness is important because account ledgers function as subsidiary records to support the accounts receivable reported by the Department.

Recommendation: The Department should require that Sims Nursing Home procedures be enhanced to ensure that resident account ledgers are accurately maintained. In addition, Department management should closely monitor the adherence of Sims Nursing Home staff to those procedures.

Finding No. 5: Accounting Records Reconciliation

As previously mentioned, the Department used the ULTRACare System to account for resident room and board and ancillary charges, including pharmacy charges, and the associated collections. During the audit period, the Department did not consistently reconcile nursing home revenues recorded in the ULTRACare System to the revenues recorded in the State’s accounting system, the Florida Accounting Information Resource Subsystem (FLAIR).

Absent periodic reconciliation of the data in the ULTRACare System to that in FLAIR, management has reduced assurance of the accuracy and completeness of Department records. In response to audit inquiry, Department staff stated that personnel were hired effective August 11, 2008, to perform this reconciliation.

Recommendation: The Department should establish and implement procedures to ensure that data recorded in the ULTRACare System are periodically reconciled to related information in FLAIR.

Residents’ Deposits Trust Funds

Pursuant to State law,¹⁰ the Department administers Residents’ Deposits Trust Funds in separate local bank accounts for the Domiciliary and each nursing home. Using their personal moneys, residents in the Domiciliary and nursing homes may voluntarily make deposits to and withdrawals from the Trust Funds. The financial managers at the Domiciliary and nursing homes are to account for each resident’s balance in the Trust Funds and ensure that interest is properly accrued and allocated. For the Domiciliary and the four nursing homes included in our testing, during the

¹⁰ Sections 296.12(1) and 296.38(3), Florida Statutes.

audit period, the average balance in the Trust Funds ranged from \$49,817 (Lopez Nursing Home) to \$86,930 (Domiciliary).

Finding No. 6: Residents' Deposits Trust Funds Procedures

In report No. 2007-049, we noted that the Department had not implemented effective procedures for administering the Residents' Deposits Trust Funds, thus limiting accountability for resident moneys. During the current audit, we performed audit procedures at the Domiciliary and four nursing homes to determine whether corrective actions had been taken and again noted deficiencies at the four nursing homes. Details of these deficiencies are presented in Exhibit A. In summary:

- Sims Nursing Home staff did not adequately or timely perform bank reconciliations.
- Sims Nursing Home staff with access to resident money and account ledgers performed incompatible duties.
- Lopez and Sims Nursing Home staff did not consistently obtain or maintain appropriate documentation authorizing disbursements from resident accounts.
- Bennett, Lopez, Nininger, and Sims Nursing Home staff did not timely research or stop payment on outstanding checks.
- Bennett Nursing Home staff did not properly allocate interest earnings to resident accounts.
- Nininger and Sims Nursing Home staff did not adequately control and account for collections.
- Bennett Nursing Home staff did not timely update the authorized signatures for the bank account.
- Sims Nursing Home staff did not adequately control cash transactions.

In June 2008, the Department's Office of Inspector General issued report No. IA-0802 that addressed some of the issues we noted in our report No. 2007-049. The Inspector General's report indicated that the deficiencies were due to insufficient monitoring to ensure full compliance with standards and procedures.

Recommendation: We again recommend that the Department enhance control procedures over the Residents' Deposits Trust Funds. In addition, Department management should monitor Domiciliary and nursing home staff implementation of and adherence to such procedures.

Finding No. 7: Sims Nursing Home – Resident Account Close-Out Process

To ensure accountability and compliance with State law,¹¹ timely close-out of the resident's trust fund account upon the resident's discharge or death is essential. To determine whether Sims Nursing Home staff had taken actions to correct the deficiencies noted in report No. 2007-049 related to the residents' trust fund account close-out process, we performed follow-up procedures at the Sims Nursing Home.

As similarly noted in report No. 2007-049, our tests of the resident account close-out process performed by Sims Nursing Home staff for 15 discharged or deceased residents disclosed deficiencies. Specifically:

- For 9 Nursing Home residents, staff disbursed funds to the resident, or the resident's heirs or representative, upon the resident's discharge or death. However, Nursing Home staff had not audited or reviewed 6 of the 9 residents' account balances prior to disbursing funds.
- For one resident, Nursing Home staff were unable to provide documentation supporting an adjustment for \$1,811 that increased the resident's account balance. Upon close-out, the amount disbursed by the Nursing Home to the resident's heirs included the unsupported amount.

¹¹ Section 400.022(1)(h)4., Florida Statutes, states that, upon the death of a resident with personal funds deposited with the facility, the facility must convey within 30 days the resident's funds, including interest, and a final accounting of those funds, to the designated representative.

- For 12 of the 15 residents, the accounts reviewed were not timely closed out. Delays for 11 of the 12 accounts ranged from 58 to 337 days. The other resident’s account had not been closed out as of May 2, 2008, and a balance of \$74 had remained in the account since the resident’s discharge on August 23, 2007.

The Department’s Office of the Inspector General report No. IA-0802 also noted problems with the close-out of resident accounts at all the nursing homes, including the Sims Nursing Home.

Effective March 1, 2008, the Department issued expanded procedures regarding the Residents’ Deposits Trust Funds. The new procedures required that nursing home staff conduct a review of a resident’s trust fund account within 15 days of the resident’s discharge or death and that documentation of the completed review be forwarded to the Regional Business Manager for audit. The procedures also required a final statement, after audit of the account by the Regional Business Manager, be provided to the resident or the resident’s heirs within 30 days of the resident’s discharge or death.

Recommendation: To ensure that resident Trust Fund accounts are timely closed out and that any amounts paid are accurate, we recommend that Department management monitor nursing home and Department staff implementation of the expanded resident accounts close-out procedures.

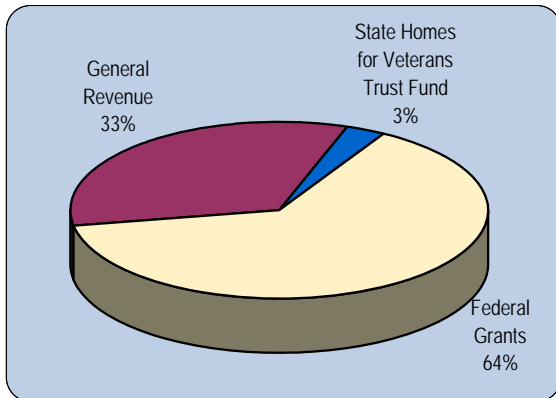
Construction Activities

Finding No. 8: Fixed Capital Outlay Project Management

To ensure the continuing safety and availability of nursing home beds, the Department assesses the need for new nursing homes or renovations to existing nursing homes. With the assistance of the Department of Management Services (DMS), the Department manages renovation and construction projects.

General Appropriations Acts provide legislative authorization for the expenditure of funds, including fixed capital outlay (FCO) for renovation and construction projects. Pursuant to State law,¹² FCO appropriations that are expended, contracted, or committed may be approved for continuation if the agency head certifies to the Executive Office of the Governor that the funds are obligated and provides detailed information regarding the obligation. FCO appropriation amounts that are not expended, contracted, or committed to be expended prior to February 1 of the second fiscal year of the appropriation are to be reverted.

Chart 2
FCO Funding Sources
2005-06, 2006-07, and 2007-08 Fiscal Years



Source: General Appropriations Acts.

FCO appropriations to the Department for the 2005-06 through 2007-08 fiscal years included approximately \$29 million for the planning and construction of a new nursing home and approximately \$9 million for additions and improvements to the existing veterans’ homes. **Chart 2** shows the funding sources for the FCO appropriations.

During the audit period, there were four Department construction projects at various stages of completion. To determine whether the Department properly accounted for the funding and expenditures related to its construction projects, we reviewed documentation related to two of the four projects. We noted that the Department had created project accounts to track project-related appropriations and expenditures; however, we

¹² Section 216.301(2), Florida Statutes.

also noted the following:

- The Department budgeted \$1 million for the first phase of renovations at the Bennett Nursing Home. In its Capital Improvement Program (CIP) Legislative Budget Request (LBR) for the 2005-06 fiscal year (dated September 2004), the Department requested \$350,000 in State funds for the project and noted that, per Title 38, Section 59, Code of Federal Regulations, the \$650,000 balance of the project costs would be funded by the USDVA. For the 2005-06 fiscal year, the Legislature appropriated FCO funding of \$300,000 from the State Homes for Veterans Trust Fund and \$650,000 from the Federal Grants Trust Fund.¹³ In July 2005, the Department entered into an agreement with DMS for project management; however, the Department did not certify to the Executive Office of the Governor at the end of the 2005-06 fiscal year that the State funds needed for the project had been obligated or were planned to be expended, contracted, or committed by February 2007. Therefore, the \$240,859 unexpended balance of the \$300,000 appropriation from the State Homes for Veterans Trust Fund reverted on September 1, 2006.
- According to Department project records, the actual costs of the first phase of the Bennett Nursing Home renovations totaled \$959,119. Of this amount, \$504,849 was charged to the second phase of renovations at the Domiciliary rather than the first phase of the Bennett Nursing Home renovations. Department staff indicated that they were working to correct these entries.
- The final payment on the first phase of the Bennett Nursing Home renovations was made on October 31, 2007. However, as of June 25, 2008, the Department had not requested Federal reimbursement for three expenditures made in April, May, and October 2007. These three expenditures totaled \$82,912 (Federal share \$53,893).

Accurate accounting of project funding and expenditures is important to ensure compliance with governing laws, rules, and other applicable guidelines; that authorized funding is appropriately utilized; and that amounts are properly capitalized in Department accounting records at project completion.

Recommendation: The Department should strengthen FCO procedures to ensure that project accounts are accurately maintained, obligated FCO appropriation amounts are timely reported to the Executive Office of the Governor, and Federal reimbursement for allowable expenditures is timely requested.

Finding No. 9: Timeliness of Vendor Payments

Pursuant to State law,¹⁴ vouchers authorizing payment of an invoice submitted to an agency must be filed with the State's Chief Financial Officer no later than 20 days after invoice receipt and receipt, inspection, and approval of the goods and services. The law further requires interest to be paid to vendors when payment is not issued within 40 days.

Our review of 19 construction vendor invoices disclosed that the Department did not submit to the Chief Financial Officer vouchers authorizing payment for 12 of the 19 invoices until 2 to 57 days after the 20-day limit. The amounts for the 12 invoices totaled \$1,022,217. In addition, 6 of the 12 invoices were subject to the payment of interest charges because they were paid from 6 to 37 days after the 40-day limit. We noted similar deficiencies in report No. 2007-049.

Recommendation: To ensure the timely payment of amounts due, we again recommend that Department management monitor the timeliness of vendor payments.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in our report Nos. 2007-049, 2007-076, and 2007-087.

¹³ Chapter 2005-70, Laws of Florida.

¹⁴ Section 215.422, Florida Statutes.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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.

This operational audit focused on resident contribution billings and collections, Residents' Deposits Trust Fund accounts, construction project accounting, selected Department expenditures, personnel management, and included a follow-up on prior audit findings.

The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in report No. 2007-049, and selected applicable findings from report Nos. 2007-076 and 2007-087.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit included examinations of various records and transactions (as well as events and conditions) that occurred during the period July 2006 through February 2008, and selected actions through June 2008. In conducting our audit we:

- Interviewed Department personnel.
- Obtained an understanding of internal controls and tested key processes and procedures related to resident contribution billings and collections, Residents' Deposits Trust Fund accounts, construction project accounting, general expenditures, and personnel management. Specifically, we:
 - Evaluated internal controls over the resident contribution billings and collections at four nursing homes.
 - Tested the resident contribution amounts for 20 residents at the Sims Nursing Home to determine whether the amounts were properly calculated.
 - For three nursing homes, tested a total of 60 residents' cost-of-care collections to determine whether the collections were timely received.
 - Evaluated the actions taken by Sims Nursing Home staff to safeguard money collected.
 - Reviewed Department records related to the new nursing home being constructed in St. Johns County to determine whether the Department had timely filed the required Federal grant documents and was properly accounting for the construction project.
 - Evaluated internal controls over the Resident's Deposits Trust Fund accounts at four nursing homes and the Domiciliary.

- For three nursing homes, tested a total of 52 cash disbursements and 43 disbursements made by check from the Resident's Deposits Trust Fund to determine whether the expenditures were adequately supported and properly authorized.
 - Tested the Resident's Deposits Trust Fund accounts for 15 residents at the Sims Nursing Home to determine whether account close-out procedures were timely processed, adequately supported, and properly authorized.
 - Reviewed construction activity records for two renovation projects to determine whether Department processes included adequate oversight and proper accounting.
 - Tested 19 construction-related invoices to determine whether payments were made to the vendors on a timely basis.
 - Reviewed Department cellular telephone procedures and tested one month of cellular telephone usage charges to determine whether Department staff reviewed the accuracy of the charges and ensured that the charges were incurred for an authorized public purpose.
 - Tested 22 purchasing card transactions to determine whether the cardholders were properly authorized and that transactions were in compliance with applicable laws, rules, and regulations.
 - Tested 30 travel expenditures to determine whether the expenditures were properly authorized and in compliance with applicable laws, rules, and regulations.
- Evaluated the actions taken by Department staff to address the findings disclosed in audit report Nos. 2007-049, 2007-076, and 2007-087. Specifically, in addition to the audit procedures above, we:
- Evaluated Department procedures for monitoring outsourced services.
 - Tested 20 correcting entries related to MyFloridaMarketPlace (MFMP) expenditures to determine whether the corrections were properly authorized, adequately documented, and timely recorded.
 - Tested 60 expenditures initiated through MFMP to determine whether the expenditures were properly and timely authorized; adequately documented; accurately and timely recorded; and in compliance with applicable laws, rules, and regulations.
 - Evaluated the extent of Department utilization of MFMP. The results of our survey of MFMP utilization was disclosed in our operational audit report No. 2009-052 issued on the Department of Management Services.
 - Tested 30 payroll disbursements to determine whether the disbursements were made to appropriate persons and that the amounts were properly authorized, calculated, and supported.
 - For 34 facility staff hired or contracted with during the audit period, verified that Department records included documentation evidencing that the Department verified staff qualifications, obtained the required background screenings, authorized employment, and, as applicable, monitored related contracted employee responsibilities.
 - Evaluated Department records for ten terminated employees to determine whether payments for leave balances were accurate and properly authorized.
 - Tested 20 payroll corrections and warrant cancellations to determine whether the related transactions were properly authorized and adequately documented.
 - Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

In a response letter dated April 3, 2009, the Executive Director of the Department provided responses to our audit findings. The Executive Director's response is included as Exhibit B.

**EXHIBIT A
RESIDENTS' DEPOSITS TRUST FUNDS
DETAIL OF CONTROL DEFICIENCIES**

Deficiency	Nursing Home			
	Bennett	Lopez	Nininger	Sims
Inadequate bank reconciliations				
Bank reconciliations were not performed by Nursing Home staff. The Largo office compared the bank statements to the Trust Fund balance but did not reconcile the amounts to the residents' trust fund account balances.				X
The adjusted bank balance exceeded the Residents' Deposits Trust Fund account summary by amounts ranging from \$1,289 to \$41,761 during the period July 2006 through December 2007.				X
Bank reconciliations had not been completed for the months of January and February 2008 as of April 4, 2008.				X
Incompatible duties assigned				
Accountant II received collections from the cashier, restrictively endorsed checks, prepared deposits, and recorded collections in Department accounting records.				X
Staff who maintained cash also had access to resident account ledgers.				X
Disbursements from resident accounts not adequately supported				
Resident signatures, or if the resident was unable to sign, the required signatures of two witnesses were not evident for 8 of 30 disbursements tested.		X		
Evidence of written authorization by the resident was not available for 7 of 32 disbursements tested.				X
Supporting invoices were not available for 2 of 18 disbursements tested that were made after resident discharge.				X
Outstanding checks not timely researched				
Thirteen checks totaling \$795 had been outstanding for 26 months to more than 8 years as of February 2008.	X			
Five checks totaling \$3,537 had been outstanding for 10 to 32 months as of February 2008.		X		
Eleven checks totaling \$5,718 had been outstanding from 4 to 20 months as of February 2008.			X	
Three checks totaling \$228 had been outstanding from 25 to 34 months as of December 2007.				X
Interest not timely allocated to resident accounts				
Interest earnings for the period July 2006 through February 2008 totaling \$53 had not been allocated to resident accounts.	X			
Lack of transfer receipts for collections				
Transfer receipts were not always utilized when the custody of collections transferred between Nursing Home employees.			X	X
Collection receipts not properly accounted for or used for reconciliations				
Receipts for collections were not adequately accounted for or reconciled to deposit slips or the revenues in the ULTRACare System.				X
Authorized bank account signatures not timely updated				
Authorized signatures for the Trust Fund bank account were not revised after the retirement of two Nursing Home employees.	X			
Cash on hand not adequately controlled				
Cash balance was not maintained on an imprest basis for a set amount; checks written to replenish the cash balance were made payable to "Petty Cash" and, therefore, negotiability was not restricted; and the cash counts and amounts determined necessary to replenish the cash balance were not reviewed or approved by supervisory staff.				X

EXHIBIT B
MANAGEMENT'S RESPONSE



LeRoy Collins, Jr.
Executive Director

State of Florida
DEPARTMENT OF VETERANS' AFFAIRS
Office of the Executive Director
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Largo, FL 33778
(727) 518-3202 fax (727) 518-3316
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Charlie Crist
Governor
Bill McCollum
Attorney General
Alex Sink
Chief Financial Officer
Charles Bronson
Commissioner of Agriculture

3 April 2009

Mr. David Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin,

The report of preliminary and tentative audit findings and recommendations for the Florida Department of Veterans' Affairs (FDVA) Audit for the period July 2006 through February 2008 identified nine areas as having deficiencies. The report has been reviewed with emphasis on documentation, procedures, and practices. Each specific area of concern will be reviewed in light of these findings.

The department's response follows Auditor General format and responds to each finding individually. FDVA considers this review as an opportunity to focus, or refocus as needed, on areas that deserve additional attention.

Finding #1: Sims- Nursing Home – Resident Contribution Determinations

Response: The Department must complete the audits of the accounts identified to ensure accurate refund to the resident/resident family. The procedure for resident contribution FDVA 5040.5-E – Resident Liability, implemented at all facilities in May 2008, defines the process for determining the resident's cost of care according to all applicable State and Federal Regulations. Training has been conducted with the staff at the Sims facility. Follow-up by the Largo office will ensure that determinations are accurate. In addition, verification of income is part of the Admission and Financial agreement process with annual financial updates according to FDVA Standards/Procedures 5040.5-D – Annual Financial Update.

Finding # 2: Third Party Reimbursement Filings

Response: In July 2007, new billing software, SOLACE, was implemented. There was a major problem due to the state system firewall which required significant programming changes. The new system has reduced data entry time and decreased the number of data entry errors. Medicare and Medicaid filings are reviewed and maintained in the Largo office. During the period May 2008 through December 2008, the billing process was centralized in the Largo office which has facilitated the timely reimbursement from Third Parties. United States Veterans Affairs Per Diem filings are completed according to FDVA Standards/Procedures 5040.7-J – VA Per Diem Billing Procedures (implemented in May 2008) and are monitored in the Largo office.

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**EXHIBIT B
MANAGEMENT'S RESPONSE**

Finding #3: Cost-of Care Collections

Response: FDVA Standards/Procedures 5040.7-S – Business Office Procedures for Collections, Adjustments and Write-Offs of Bad Debt, implemented May 2008, provides the step by step process for collections. To ensure compliance, the standards and procedures have been reviewed with facility staff and will be monitored by the Nursing Home Administrators. A monthly report will be completed which will provide a detail of delinquent accounts and the status of collections. The appropriate handling of checks and deposits outlined in FDVA Standards/Procedures FDVA 5040.7-A – Funds Received, was implemented in July 2008 and is currently monitored by the Regional Business Manager.

Finding #4: Sims Nursing Home- Residents' Cost-of Care Account Ledger Maintenance

Response: The Business Office Manager ensures that the resident account ledgers are accurately maintained. FDVA Standards/Procedures FDVA 5040.7-M – Monthly Statements, will be revised to include clear direction in the maintenance of each resident account. This revision will include monitoring by the Regional Business Manager.

Finding #5: Accounting Records Reconciliation

Response: The Department has established procedure FDVA 5040.7-A – Fund Received, implemented July 2008. The Fiscal Office, effective September 2008, is now consistently reconciling nursing home revenues recorded in the ULTRA Care System to the revenues recorded in the State's accounting system, the Florida Information Resource Subsystem (FLAIR).

Finding #6: New Resident Trust Policy

Response: The Department has centralized the Accounts Payable and Billing functions so that the Resident Trust Fund can be a focus of the facility business office staff. All Resident Trust Accounts will be managed according to FDVA Standards/Procedures 5040.6-A – Residents' Trust Fund, implemented July 2008. The Regional Business Office Manager monitors the closing of Resident Trust Accounts on a monthly basis.

Finding #7: Sims Nursing Home- Resident Account Close-out Process

Response: The Department has centralized accounts payable and billing allowing the Business Offices to focus on Resident Trust Accounts. The Department implemented FDVA Standards/Procedures FDVA 5040.6-A - Residents' Trust Fund, in July 2008 providing for the accurate and timely closing of resident accounts. A training session was provided in July 2008 to all Business Office Staff and these Standards/Procedures were reviewed in subsequent facility conference calls.

Finding #8: Fixed Capital Outlay Project Management

Response: The Department has implemented monitoring procedures over all Fixed Capital Outlay (FCO) appropriations and processing of payments. Project subsidiary ledgers will be reconciled to budget appropriations monthly. FCO appropriations that were expended, contracted or committed were properly approved for continuation for the past two fiscal years. Procedures are in place to ensure that all FCO funding is properly certified forward in

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EXHIBIT B
MANAGEMENT'S RESPONSE

accordance with State Law. The first phase of the Daytona Beach Nursing Home renovation has been completed and the final reimbursement request has been submitted to the USDVA.

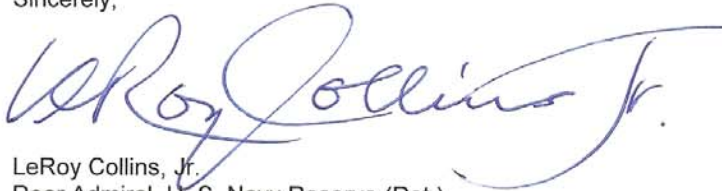
Finding #9: Timeliness of Vendor Payments

Response: Procedures have been improved to alleviate late payments of any Fixed Capital Outlay invoices. The Department of Management Services (DMS) manages FDVA construction and major renovation projects. As such, all invoices are initially submitted by the vendor to DMS for validation. Once validated, DMS forwards the invoices to FDVA's Home Program. The Homes program records the date the invoice was received from DMS and reviews and approves the invoice. The invoice is then forwarded to Fiscal for processing for additional review. The Fiscal Office strives to process the invoice within 5 days of the received date. This should, excluding unforeseen circumstances, remedy any invoices being processed late.

I wish to thank the audit team for a job well done. Their efforts have identified areas where focused attention will improve performance and efficiency, which will provide more effective support of the veterans programs in the state of Florida.

If further information is needed concerning any department responses please contact Ken Oliver, FDVA Inspector General, at (727) 518-3202 x584.

Sincerely,



LeRoy Collins, Jr.
Rear Admiral, U. S. Navy Reserve (Ret.)
Executive Director

"Serving Florida's Veterans"