



State of Florida
DEPARTMENT OF VETERANS' AFFAIRS

Office of the Inspector General

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Mike Prendergast
Executive Director

February 10, 2014

Mike Prendergast
Colonel, United States Army, Retired
Executive Director
Florida Department of Veterans' Affairs

Dear Colonel Prendergast,

As required by Section 20.055(5)(g) Florida Statutes, I have prepared the status of the corrective actions taken by the Florida Department of Veterans' Affairs for findings and recommendations contained in:

- Auditor General Report 2011-015 FDVA Operational Audit September 2010
- Auditor General Report 2014-007 FDVA Operational Audit August 2013

I will schedule a quarterly meeting for you (or your Deputy if you are not available due to the current legislative session) no later than 31 Mar 14 to provide the FDVA Board of Directors an update of current open items. The office of primary responsibility within the agency for each item will brief the current status during this meeting and provide any recommendations to close items for your approval.

If you have any questions, please feel free to contact me at 727-518-3202 extension 5570.

Sincerely,

//signed/dja/10 Feb 14//
David Alcorn
Inspector General

cc: Auditor General
Joint Legislative Auditing Committee
Auditor General Manager
Office of the Chief Inspector General, Director of Auditing
Deputy Director

Florida Department of Veterans' Affairs
Office of Inspector General

Report Title: Operational Audit

Audit Source: Auditor General

Report#: 2011-015

Date: September 2010

Finding 5: Residents' Deposits Trust Fund Reporting

Recommendation: To promote the accurate financial reporting of the Residents' Deposit Trust Funds balances and activities in accordance to Generally Accepted Accounting Principles, we recommend that the Department properly record Trust Fund activities and balances in FLAIR and implement effective accounting controls, including supervisory review of required fiscal year-end accounting entries.

Management's Initial Response: The department is in the process of implementing policies and procedures to record the Residents' Deposit Trust Fund activities in the Florida Accounting Information Resource (FLAIR) at fiscal year-end.

At fiscal year-end each Business Manager in the state veterans' homes will submit the "Resident Trust Fund Summary" report that is maintained in the ULTRACare to the Accounting Service Administrator and the Headquarters Office. The "Resident Trust Fund Summary" report shows the beginning balance, deposits, withdrawals, and ending balance in each account at fiscal year-end. The Accounting Services Administrator will be responsible for the recording these activities for each Home in FLAIR at fiscal year-end.

The added procedure will be implemented to ensure accurate financial recording of the Residents' Deposit Trust Fund balances and activities in FLAIR in accordance with Generally Accepted Accounting Principles. We anticipate recording the balances for the next fiscal year-end, June 30, 2011.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Fiscal and Billings departments developed standard operating procedures, (SOP) # 50-105 Resident Trust Fund Monthly and Year-End Reporting to Fiscal, on 31 January 2014.
- The Fiscal and Billings departments will be responsible for the notification and training of revised procedures to their staffs.
- The Billings department is compiling monthly reports as of September 2013.
- The Fiscal department now records the transactions in FLAIR at month end.

Estimated Completion Date: 31 Mar 14

Florida Department of Veterans' Affairs
Office of Inspector General

Report Title: Operational Audit

Audit Source: Auditor General

Report#: 2014-007

Date: August 2013

Finding 1: Collection Safeguards

Recommendation: We again recommend that the Department review and monitor the collection policies and procedures implemented at the nursing homes and Domiciliary. Proper collection controls should ensure that all checks are restrictively endorsed and logged at the time of receipt, and that all transfers of collections between employees are documented. In addition, to ensure the completeness of the facilities' accounting records, UltraCare collection records should be periodically reconciled to records of initial collection receipt.

Management's Initial Response: The Department will revise standards and procedures and will implement monitoring activities, no later than December 31, 2013, to ensure compliance and adherence to standards and procedures.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Billings department revised SOP# 2207 Funds Received, with Homes Director's approval on 1 October 2013. The revised procedures include all checks are restrictively endorsed and logged at the time of receipt. In addition, all transfers of collections between employees are documented.
- The Billings department moved a position to the Regional Business Manager to serve as back-up. The Home Administration hired an accountant on 7 Oct 13 and developed a process to audit the Business office two times per year.

Estimated Completion Date: 31 Mar 14

Finding No. 2: Resident Care Assessments

At one nursing home, the amounts charged to residents for services provided and supplies utilized were not supported by the cost records of such services and supplies. At another nursing home, annual financial update information used to verify resident income and determine resident assessments was not always on file or supported by adequate documentation.

Recommendation: We recommend that the department ensure that UltraCare resident account ledgers are updated to reflect applicable charges for all services received and supplies used by residents. Additionally, we recommend that Annual Financial Update (AFU) information be obtained, documented, and recorded in UltraCare in compliance with Department policies and procedures.

Management's Initial Response: The Department will implement monitoring activities, no later than December 31, 2013, to ensure compliance and adherence to standards and procedures.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Billings department with Homes Director's approval revised SOP# 2201 Document Scanning Into ULTRACare System and SOP# 5040.7E. They also moved a position to the Regional Business Manager to serve as back-up to the Homes. Billings also developed a monitoring process that all facilities complete the Yearly Income updates for all applicable residents.
- The Home Administration hired an accountant on 7 Oct 13 and developed a process to audit the Business office two times per year.

Estimated Completion Date: 15 Apr 14

Finding No. 3: Residents' Deposits Trust Fund Procedures

Some nursing homes and the Domiciliary did not effectively implement Department policies and procedures for the administration of the Residents' Deposits Trust Fund.

Recommendation: To ensure the proper administration of the Residents' Deposits Trust Funds, we recommend that Department management continue to monitor Nursing Home and Domiciliary staff adherence to established Residents' Deposits Trust Funds procedures.

Management's Initial Response: The Department will implement monitoring activities, no later than December 31, 2013, to ensure compliance and adherence to standards and procedures.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Billings department revised SOP# 50-001, Resident Trust Fund (RTF) Bank Reconciliation and developed an additional tool to monitor RTF verification of signers.
- The Home Administration will develop monitoring activities to ensure adherence to policies.

Estimated Completion Date: 31 Mar 14

Finding No. 4: Resident Account Close-Out Process

Contrary to Department policy, some resident accounts were not subject to a final review upon a resident's discharge or death.

Recommendation: To ensure the timely and accurate close-out of resident accounts, we recommend that all final resident account reviews be performed and documented in accordance with Department policies and procedures.

Management's Initial Response: The Department will implement monitoring activities, no later than December 31, 2013, to ensure compliance and adherence to standards and procedures

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Billings department revised SOP# 2206-F Death and Discharge of Resident, with Homes Director's approval on 1 October 2013 and communicates with the Home Business Manager on a monthly basis in regard to open accounts after 30 days from discharge.
- The Home Administration will develop monitoring activities to ensure adherence to policies.

Estimated Completion Date: 31 Mar 14

Finding No. 5: Medicaid Asset Limit

The Department had not implemented effective policies and procedures to ensure that resident account balances complied with Medicaid asset limit requirements.

Recommendation: We recommend that the Department ensure that applicable residents are timely and properly informed of potential Medicaid program ineligibility in accordance with Department policies and procedures. We also recommend that the Department further enhance its policies and procedures to define true spending balance, specify the anticipated costs that may be excluded from a resident's true spending balance, and describe the process for notifying the Medicaid program when a resident's assets exceed the Medicaid limit.

Management's Initial Response: The Department will revise standards and procedures and will implement monitoring activities, no later than December 31, 2013, to ensure compliance and adherence to standards and procedures.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Home Administration will revise the standards operating procedures, notify all the Homes on the revisions, and develop monitoring activities to ensure adherence to policies.
- The Home Administration hired an accountant on 7 Oct 13 and developed a process to audit the Business office two times per year.

Estimated Completion Date: 15 Apr 14

Finding No. 6: Contract Monitoring

At some nursing homes, controls were not sufficient to ensure that documentation was maintained to evidence adequate contract monitoring efforts.

Recommendation: We recommend that documentation of contract monitoring efforts be maintained to clearly demonstrate that contractual requirements were met and that any contractor performance deficiencies were appropriated remedied. We also recommend that the Department enhance its policies and procedures to specify contract monitoring documentation retention requirements.

Management's Initial Response: The Department will revise its policies and implement monitoring activities, no later than December 31, 2013, to ensure compliance and adherence to standards and procedures.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Purchasing department will revise SOP# 5030.300 Purchasing and Surplus Policy and Procedure, and will submit to the Board of Directors for approval by 28 February 2014. Once approved, Purchasing will communicate the revised procedures to Agency personnel.
- The Home Administration will develop monitoring activities to ensure adherence to policies.

Estimated Completion Date: 31 Mar 14

Finding No. 7: Tangible Personal Property Controls

The Department had not effectively implemented policies and procedures to ensure the adequate control of attractive property items and did not timely inventory certain tangible personal property items.

Recommendation: We recommend that the Department take appropriate actions to ensure that all attractive items are identified and tracked. We also recommend that the Department enhance its controls to ensure that all tangible personal property is properly accounted for during the physical inventory process.

Management's Initial Response: The Department will revise standard and procedures, no later than March 31, 2014, to ensure that all attractive items are identified and tracked and appropriate controls are in place to accurately account for tangible property during the physical inventory process.

The Florida Accounting Information Resource (FLAIR) does not require items with a cost value of less than \$1,000 to be tracked in the Property Subsystem. To ensure identification and tracking of attractive items outside of FLAIR, the Department developed and implemented a tracking system in May 2012

During FY 2012-13, the Fiscal Property Unit performed physical audits of six (6) locations. Lists of attractive items were created for each of the facilities physically audited with the purpose of creating a base line of attractive items for identification and tracking purposes. During FY 2013-14, the two (2) remaining locations will be subject to a physical audit and the creation of the list of attractive items.

Current Status: **Open**

Six Month Updated Response (10 Feb 14):

- The Fiscal and Fixed Assets departments will revise standard operating procedures by 31 March 2014. The Fiscal department will submit request to the Department of Financial Services for any removal of lost properties.
- The Home Administration will develop monitoring activities to ensure adherence to policies.

Estimated Completion Date: 31 Mar 14

Finding No. 8: Capital Assets

The Department's policies and procedures did not ensure the adequacy and accuracy of Department capital asset records.

Recommendation: We recommend that the Department improve its policies and procedures to ensure that adequate and accurate capital asset subsidiary records are maintained and used for the proper financial reporting of capital assets in accordance with DFS requirements.

Management's Initial Response: The Department will revise standards and procedures, no later than March 31, 2014, to ensure compliance.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- Draft SOP under review.

Estimated Completion Date: 31 Mar 14

Finding No. 9: Residents' Deposits Trust Fund Reporting

The Department's policies and procedures did not ensure that Residents' Deposits Trust Fund deposits and withdrawals were properly posted in the State's accounting records.

Recommendation: To promote the accurate financial reporting of the Residents' Deposits Trust Fund activities in accordance with generally accepted accounting principles, we recommend that the Department properly record activities in FLAIR and implement effective controls for fiscal year-end accounting entries.

Management's Initial Response: The Department will revise standards and procedures, no later than March 31, 2014 to ensure compliance. Current procedures only include the recording in FLAIR of RDTF's ending balance at fiscal year-end. Revised procedures will also include the recording at year-end of deposits and withdrawals in accordance with generally accepted accounting principles.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Fiscal and Billings departments developed SOP # 50-105 Resident Trust Fund Monthly and Year-End Reporting to Fiscal, on 31 January 2014.
- The Fiscal and Billings department will be responsible for the notification and training of revised procedures to their staffs.
- The Billings department is compiling monthly reports as of September 2013.
- The Fiscal department now records the transactions in FLAIR at month end.

Estimated Completion Date: 31 Mar 14

Finding No. 10: Accounts Write-Offs

The Department had not submitted account collection and write-off activities reports to the President of the Senate, Speaker of the House of Representatives, and Chief Financial Officer although required by State law.

Recommendation: We recommend that the Department timely prepare and submit reports detailing account collection and write-off activities to the President of the Senate, Speaker of the House of Representatives, and Chief Financial Officer as required by State law.

Management's Initial Response: The Department is in the process of implementing a Debt Collection Program and developing standards and procedures to ensure timely reporting of account collection and writer-off activities. The target completion date is June 30, 2014.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Billings department revised standards and procedures, SOP# 2209 Collection Procedures for Patient Liability, with the Homes Director's approval.
- The Billings department submitted Collection and Write-Off Activities report on 30 September 2013 per Florida Statutes.

Estimated Completion Date: 31 Mar 14

Finding No. 11: Information Technology Access Controls

The Department did not always timely remove terminated employees' access to the Department's network and the UltraCare database.

Recommendation: To reduce the risks associated with unauthorized access, we recommend that the Department enhance its procedures to define the time frame in which personnel status change information is provided to IT staff and requisite access privilege changes are made.

Management's Initial Response: The Department will revise its procedures and will develop monitoring activities, no later than August 31, 2013, to ensure compliance and adherence to procedures.

Current Status: Open

Six Month Updated Response (10 Feb 14):

- The Human Resources department revised SOP DA-HR-1303 Notification for Deletion of Network Access of Separated Employees, and it was approved 12 August 13.
- The Information Technology Office is now responsible for removing authority immediately and no later than 48 hours (except holidays and weekends).

Estimated Completion Date: 31 Mar 14