

# STATE OF CONNECTICUT



**AUDITORS' REPORT  
DEPARTMENT OF VETERANS' AFFAIRS  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2011, 2012 AND 2013**

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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210 Capitol Avenue  
Hartford, Connecticut 06106-1559

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September 15, 2014

### **AUDITORS' REPORT DEPARTMENT OF VETERANS' AFFAIRS FOR THE FISCAL YEARS ENDED JUNE 30, 2011, 2012 and 2013**

We have audited certain operations of the Department of Veterans' Affairs in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Six deficiencies in internal controls;
2. No apparent noncompliance with legal provisions; and
3. No need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Veterans' Affairs.

## COMMENTS

### FOREWORD

The Department of Veterans' Affairs operates under the provisions of Title 27, Chapter 506, Parts I and Ia, Sections 27-102l through 27-137 of the General Statutes and provides comprehensive health, social, and rehabilitative services to veterans in the State of Connecticut. The department operates the Veterans' Home in Rocky Hill, which includes a 125-bed hospital and 488-bed domicile for eligible veterans. The health care facility receives annual inspections by the United States Department of Veterans' Affairs and biennial inspections by the state Department of Public Health. The health care facility is licensed as a chronic disease hospital and is certified to participate in the Medicaid and Medicare programs in accordance with the state Department of Social Services' criteria. The residential facility provides room and board programs for veterans. In addition to providing assistance with shelter, food and clothing, the department offers a continuum of rehabilitation services designed to prepare veterans for independent living in the community. The department also operates the Office of Advocacy and Assistance, which maintains offices throughout the state and assists veterans and their families in accessing federal, state, and local benefits and entitlements.

Linda S. Schwartz continued to serve as commissioner during the audited period.

Under the provisions of Section 27-102n of the General Statutes, there is a board of trustees established to advise and assist the commissioner in operating the department. The board consists of the commissioner and sixteen members appointed by the governor. The board members are not compensated for their services but may receive reimbursement for reasonable expenses in the performance of their duties. As of June 30, 2013, the following persons served on the board:

John G. Casey	Frederick P. Leaf	Judith A. Torpey
Col. John G. Chiarella, Sr.	Joseph Perkins	Richard Twilley
Hasty Foreman	William F. L. Rodgers	Robert A. Wamester
Lenell Kittlitz	Thomas R. Stough	

Anthony Gaunichaux, Sr.      Paul Tarbox

There were two vacancies as of June 30, 2013. William Benson, Angelo Fusco, John J. March Jr., Shane Matthews, Sherri Vogt, and department employees Maria Cheney, Michael Clark, Briana Palmer, and Tammy Marzik, also served during the audited period.

## RÉSUMÉ OF OPERATIONS

The department's operations are accounted for within the General Fund, a special revenue fund, and two local accounts administered by the department; the Institutional General Welfare Fund (IGWF) and Activity Fund. Recoveries for the care and treatment of veterans are initially deposited into the IGWF and transferred to a restricted account within the special revenue fund to finance part of the department's operating costs. Similar transfers may be made from the Activity Fund to a restricted account within the special revenue fund when excess cash is available.

### General Fund

#### Revenues and Receipts

A summary of General Fund revenues and receipts during the audited period and the preceding year is presented below:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Medicare Reimbursements	\$77,823	\$50,084	\$67,689	\$44,086
Federal Aid for Veterans	7,995,329	7,318,850	8,031,123	8,786,209
Federal Aid-Miscellaneous	108,300	125,700	239,700	239,324
All Other Revenues and Receipts	(1,759)	27,346	8,485	6,760
<b>Total Revenues and Receipts</b>	<b><u>\$8,179,693</u></b>	<b><u>\$7,521,980</u></b>	<b><u>\$8,346,997</u></b>	<b><u>\$9,076,379</u></b>

#### Expenditures

A summary of General Fund expenditures during the audited period and the preceding year is presented below:

Personal Services and Employee Benefits	<u>\$20,358,249</u>	<u>\$20,691,144</u>	<u>\$21,035,848</u>	<u>\$19,985,801</u>
Purchased and Contracted Services:				
Premises and Property Expenses	2,579,797	2,632,536	2,482,524	2,174,031
Purchased Commodities	2,538,892	2,300,736	2,163,628	2,269,597
Payments to Clients	1,687,489	1,591,161	778,968	1,391,899
All Other	<u>1,588,021</u>	<u>1,272,491</u>	<u>1,830,923</u>	<u>1,670,163</u>
Total Purchases and Contracted Services	8,394,199	7,796,924	7,256,043	7,505,690
<b>Total Expenditures</b>	<b><u>\$28,752,448</u></b>	<b><u>\$28,488,068</u></b>	<b><u>\$28,291,891</u></b>	<b><u>\$27,491,491</u></b>

The department's General Fund expenditures decreased by \$800,400, or three percent, for the 2012-2013 fiscal year. The decrease in personal services was due to the number of pay periods in the fiscal year, 27 for the 2011-2012 fiscal year and 26 for the 2012-2013 fiscal year. Also, due to the statewide fiscal reduction, the department was not able to fill vacant positions.

Payments to clients decreased in the 2011-2012 fiscal year due to a change in funding. As a result of the statewide budget reductions to veteran services during the 2011-2012 fiscal year, six months of the Patient Worker Program expenditures were absorbed by the IGWF. Total payments to clients from both the General Fund and the IGWF were \$1,466,417 for the 2011-2012 fiscal year.

### **Special Revenue Fund – Federal and Other Restricted Accounts**

#### Revenues and Receipts

Special revenue fund receipts totaled \$4,707,294, \$4,328,448 and \$784,708 for the 2010-2011, 2011-2012, and 2012-2013 fiscal years, respectively. The receipts were primarily federal and non-federal restricted aid that was used for the renovation of the veterans' domiciles. The decrease in revenues for the 2012-2013 fiscal year corresponds to the near completion of the renovation project.

#### Expenditures

A summary of the department's special revenue fund expenditures during the audited period as compared with the preceding year follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Adult Care Facility	\$704,203	\$129,025		
Severe Storm FEMA Disaster				\$41,971
ARRA Projects	316,882	3,596,755	\$2,001,617	39,048
Institutional General Welfare Fund	1,560,825	1,430,902	1,654,367	847,314
Activity Fund	33,751	26,178	20,805	17,519
<b>Total Expenditures</b>	<b><u>\$2,615,661</u></b>	<b><u>\$5,182,860</u></b>	<b><u>\$3,676,789</u></b>	<b><u>\$945,852</u></b>

The decrease in the Adult Care Facility expenditures is attributed to the completion of the upgrade project in the 2010-2011 fiscal year. The increase in the American Recovery and Reinvestment Act (ARRA) Projects during the 2010-2011 fiscal year was due to reimbursements to the Department of Administrative Services, Division of Construction Services (formerly Department of Public Works) for the Domicile Upgrades Project construction expenditures.

The decrease in expenditures during the 2012-2013 fiscal year reflects a decreased need to supplement the department's operating costs with monies from the IGWF.

### **Institutional General Welfare Fund**

The IGWF operates under the provisions of subsections (b) and (c) of Section 27-106 and subsection (e) of Section 27-108 of the General Statutes and is available to finance operations of

the Veterans' Home. The department has been using this fund to supplement its General Fund appropriations.

As shown below, most of the revenue for the IGWF comes from veteran billings. Under Section 27-108 subsection (d) of the General Statutes, veterans who are able to pay for their care, in whole or in part, shall receive a monthly bill for services rendered by the department. The department has a billing system to collect payments for services.

The IGWF also receives funds from estate collections. This is permitted under subsection (f) of Section 27-108 of the General Statutes, which states that in the event a veteran dies still owing money for services rendered by the Department of Veterans' Affairs, the department may submit a claim against such veteran's estate.

### Revenues and Receipts

A summary of the Institutional General Welfare Fund's revenue and receipts transactions follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Patient Billings	\$2,517,401	\$2,525,172	\$2,892,731	\$2,607,809
Estate Collections	43,693	200	20,771	81,593
All Other	180,039	219,707	210,252	153,116
<b>Total Revenues and Transfers</b>	<b><u><u>\$2,741,133</u></u></b>	<b><u><u>\$2,745,079</u></u></b>	<b><u><u>\$3,123,754</u></u></b>	<b><u><u>\$2,842,518</u></u></b>

### Expenditures

Expenditures amounted to \$1,558,604, \$1,749,486 and \$958,731 for the 2010-2011, 2011-2012 and 2012-2013 fiscal years, respectively. These expenditures were mainly for the general operations of the department out of the special revenue fund.

### **Activity Fund**

The Activity Fund operates under the provisions of Sections 4-52 through 4-55 of the General Statutes for the benefit of residents and patients of the Department of Veterans' Affairs. The major sources of fund receipts were sales of soda and ice cream at the Winner's Circle canteen. Revenues for the Activity Fund totaled \$30,584, \$22,225 and \$15,903 for the 2010-2011, 2011-2012, and 2012-2013 fiscal years, respectively.

As previously noted, monies from the Activity Fund may be transferred to the special revenue fund; however, there were no such transfers during the audited period. According to the department's financial statements, the fund's cash and cash equivalents balance was \$49,668 as of June 30, 2013.

### **Fitch Fund**

The Fitch Fund, governed by Section 3-38 of the General Statutes, is a long-standing permanent trust fund whose assets are in the custody of the State Treasurer. The balance of the

fund was \$34,134 as of June 30, 2013. Interest earned by the fund is to be used for the benefit of the department's clients through transfers to the IGWF. In the 2011-2012 fiscal year, the department transferred \$7,185 to the IGWF and earned a total of \$206 in interest for the audited period.

**Per Capita Costs**

Annually, the State Comptroller computes the daily per capita cost of maintaining the residents and patients at the Veterans' Home. Included in these computations are IGWF expenditures, which are considered proper costs of maintaining the institution. Per capita daily costs, not including federal reimbursement, during the audited period as compared with the preceding year follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Domicile (Outpatients)	\$107	\$89	\$98	\$106
Hospital (Inpatients)	803	751	762	717

**Daily Census**

A daily census is produced of the veterans residing at the Veterans' Home. The census as of June 30, 2013 was as follows:

	<u>Total</u>	<u>Domicile</u>	<u>Hospital</u>
World War II	30	1	29
Berlin Airlift	1	1	0
Korean War	35	7	28
Vietnam	205	160	45
Operation Earnest Will	2	1	1
Operation Desert Storm	14	12	2
Invasion of Grenada	2	2	0
Lebanon Conflict	4	4	0
Peace Keeping Mission in Lebanon	59	51	8
Operation Freedom	6	6	0
Total	<u>358</u>	<u>245</u>	<u>113</u>

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of the financial records of the Department of Veterans' Affairs revealed certain areas warranting attention that are discussed in the following findings.

### **Accounts Receivable System**

*Criteria:* Chapter 12, Section 3.1 of the State Accounting Manual recommends accounts receivable records be accurate, complete, and maintained in a manner to indicate the length of time the debt has been outstanding.

Sound internal control dictates that monthly billing statements should be assigned individual identification numbers and provide clear and sufficient information on account activity.

*Condition:* 1. Aging schedule – The billing system is unable to generate a reliable aging schedule of receivables for veterans in the health care facility.

2. Inactive accounts – The billing system does not accurately reflect the number of veteran accounts. As of June 30, 2013, the system contained 3,140 accounts, of which an estimated 932, or 30 percent, appeared to be active. Of the remaining 2,208 accounts, an estimated 524 had no activity for more than ten years and 1,684 carried a zero-dollar balance. The billing system should only include accounts that are actively billed or collected.

3. Monthly billing statements – The billing system produces inadequately designed monthly statements. The statements are not assigned individual identification numbers, which would improve control over invoicing and cash collections. Also, there is insufficient information on account activity to allow for the verification of account balances and amounts due by those receiving the invoices. For example, there is no information on the length of stay in the health care facility, the billing rates charged, or details on credit and debit adjustments.

*Effect:* 1. Aging schedule – The lack of an aging schedule prevents the department from conducting analytical reviews of its accounts receivable, such as identifying cash flow problems and estimating uncollectible receivables.

2. Inactive accounts – The maintenance of a large number of inactive accounts on the department’s accounts receivable records creates unnecessary work and increases the risk of posting errors.

3. Monthly billing statements – The lack of adequate monthly billing statements increases the risk of incorrect or untimely payments.

*Cause:* As disclosed in prior audits, the billing system was poorly designed and, despite the department’s recent efforts, is still in need of improvement.

*Recommendation:* The Department of Veterans’ Affairs should modify its billing system to generate reports essential for the analytical review of accounts receivable, maintain accurate billing records, and produce adequate monthly billing statements. (See Recommendation 1.)

*Agency Response:* “The agency has received funding from the State IT Investment Fund to replace the agency’s legacy Patient Care System and Billing System in July 2013. The project is in the planning stage. Once the new enterprise-wide Electronic Health Record (EHR) system is implemented, the additional features that the Auditor brought up can be further improved. However, the agency also would like to point out that there is a report on the current Patient Billing System that accurately reflects all accounts that are actively billed. The report is titled “Monthly Patient Billing Statements – non Agency Power of Attorney (APOA)”. The report is a master list of all the statements generated broken down by domicile (DOM) and health care facility (HCF). It has the case number, patient name, billing period, prior balance, current month charges, payments and current balance due.

Currently, there is a procedure in place whereby all inactive accounts for deceased accounts are annually written off as approved by the Office of Policy and Management (OPM) (with a two year look back period). The remaining inactive accounts are for discharged DOM residents. It has not been unheard of for a veteran that discharged from DVA 10 years ago to return either to the domicile or to the health care facility or someone who received respite care five years ago to return as a permanent resident. It should also be noted that an attempt was made by the agency to write-off uncollectible debt for the healthcare facility on 5/25/10 totaling \$9,332,055.49 and OPM denied the request. This number has been dwindling down as the veterans expire.

The monthly billing statements are in accordance with DVA regulations which states: “The billing statement shall contain (1) name of veteran; (2) case number (3) period of billing (4) date prepared (5) payment due date (6) all transactions, including charges, credits and receipts, including advance payments if any; (7) minimum payment due now and (8) Delinquent Accounts Receivable (DAR).” DVA’s monthly billing statement contains all of the required information.

The DVA case number is a uniquely assigned individual identification number.

“Length of stay in the health care facility” is not required per DVA regulations, nor does it affect charges as it is not a per diem rate, nor is the account charged the Medicaid per diem amount.

Billing Rates Charged: For HCF: The billing rate is the monthly DSS determined Applied Income amount if they are Medicaid active. The remaining cost is on the DAR side of the bill for which DVA expects to get reimbursed by Medicaid. As a Medicaid payment is received, the credit is also posted on the DAR side of the bill. If not yet on Medicaid, then the bill defaults to total monthly charges. The DOM only has two levels which are both a flat monthly “billing rate” rate of either \$0 or \$200 depending on the billing level they are in based on length of stay.

In doing the monthly close, the DOM & HCF are integrated and the entire set of bills for both DOM & HCF are run at the same time. The bill generated is billed based on “location”. Since the current billing system is so old/ antiquated, there are limitations as to what can be programmed. The agency is in the process of updating and getting a new EHR system that will integrate the business processes enterprise wide.

NOTE: If the veteran is not here (i.e. they are discharged to an outside hospital, then there is no bill generated, nor are the account charges to hold an “empty bed.”) Account Activity on the Left side of the bill are “Payment Calculations” which lists “past due balance” the new “charges and debits” or if it is a “diversion charge” and then has “payments and credits” and recently updated to show if the payment is going towards a “diversion payment”. The remainder is the “new balance” and is listed as “payment now due.” The bottom of the bill has in a red box “Please pay this amount” and in another red box “Payment Due Date.” Therefore all monthly activity (debits and credits) are listed on the bill. This

issue will be resolved once we install the new EHR System over the next twelve months.”

*Auditors Concluding  
Comments:*

Although the Department’s monthly statements are in accordance with agency regulations, our recommendation seeks to improve internal control over accounts receivable and provide a clearer, more understandable statement for patients.

**Expenditures**

*Criteria:*

1. Competitive procurement – Section 4a-57 of the General Statutes requires purchases of goods and services to be based, when possible, on competitive bids or competitive negotiation. The Department of Administrative Services (DAS) is responsible for contracting for all supplies, materials, equipment, and services required by any state agency. DAS General Letter 71 permits minor recurring purchases of goods and services costing less than \$50,000 to be made without prior approval from DAS.

2. Untimely payments – Section 4a-71 of the General Statutes stipulates that payment shall be timely if made within 45 days of receipt of a properly completed claim or receipt of goods and services, whichever is later.

3. Untimely billings – Sound internal controls dictate that vendor invoices be obtained and reviewed in a timely manner to ensure errors are promptly noted and corrected and funds are available at time of payment.

*Condition:*

1. Competitive procurement – Eight of the forty transactions tested were for medical transportation services provided by a single vendor. During the audited period, there were 3,329 individual payments to the vendor totaling \$659,879. While the department has a recurring need for medical transportation services and expends more than the \$50,000 permitted by DAS General Letter 71 each year, the department has not attempted to competitively procure such services.

2. Untimely payments – Our audit revealed two untimely payments totaling \$426 made to a vendor providing medical transportation services. Upon further review, we found that of the 3,329 individual payments made to the vendor during the audited period, 564, or 17 percent, of the payments were made more than

45 days after an invoice was received by the department. The payments ranged from one to 128 days late and totaled \$115,044.

3. Untimely billings – Our additional testing of six invoices received from a vendor providing optometry services revealed that three of the invoices totaling \$2,381 were submitted in an untimely manner. Further review showed that, of the 67 invoices received by the department during the audited period, 22, or 33 percent, were submitted to the department more than 90 days after services were rendered. The untimely invoices totaled \$15,156.

*Effect:*

1. Competitive procurement – The lack of competitive procurement may result in overpaying for services or the unavailability of services.

2. Untimely payments – Untimely payments could result in the department incurring late fees.

3. Untimely billings – The submission of invoices in an untimely manner hinders the department’s ability to ensure that sufficient funding will be available to meet its obligations. It also inhibits the tracking of services, thereby increasing the risk of undetected errors.

*Cause:*

1. Competitive procurement – The department has not considered competitively procuring medical transportation services because the frequency and levels of care are determined and authorized by the Health Care Facility and is therefore not a function of fiscal services. Additionally, because the maximum allowable rates for ambulance services are set by the Commissioner of the Department of Public Health annually, in accordance with Section 19a-177 of the General Statutes, the department feels that obtaining independent pricing is not necessary.

2. Untimely payments – The department explained that the payment process for vendor invoices is a lengthy but necessary, process. Invoices are validated by health care staff then reviewed by business office staff to determine whether the department is responsible for the transportation costs. Despite repeated requests by the business office, the turnaround time for health care staff continues to be lengthy.

3. Untimely billings – In the prior audit, the department informed us that the vendor providing optometry services has a tendency of billing the department in an untimely manner. Since then, the department has continued to work with the vendor to ensure timely submission of invoices. Improvement has been made, with the average invoice remittance time decreasing from 84 days to 77 days to 56 days in the 2010-2011, 2011-2012, and 2012-2013 fiscal years, respectively.

*Recommendation:* The Department of Veterans’ Affairs should seek competitive bids for goods and services whenever possible, review current procedures for efficiency, and continue to work with the vendors to improve billing remittance times. (See Recommendation 2.)

*Agency Response:* “The agency accepts the recommendation of the DAS Director of Procurement in seeking competitive bids for medical transportation. However, the agency will ensure that the proposed bid process captures as criteria multiple medical transport savings/reimbursement options that are currently available to the agency and that current savings realized by DVA’s two step invoice review process will not inflate the cost of contracting out medical transport services as per the audit recommendations – currently the DVA remains the payer of last resort for our veteran clients that use medical transportation services.

While the agency agrees and strives to make timely payments as Standard Operating Protocol (SOP) for the Business Office (B/O), a counter balance must be struck to ensure that DVA remains the payer of last resort and has first exhausted all payment methods available – thereby passing along those savings in CT taxpayer dollars by seeking reimbursement first from primary payers such as Medicaid, Medicare, Federal VA, private insurance, etc... for qualifying medical transportation services.

The agency’s position is that the cost savings captured by performing its two step invoice review process outweighs the occasional untimely payment. To comply with the audit recommendation, as part of our internal controls in the B/O we will flag invoices to prompt a more timely fiscal review process.

Fiscal staff has and continues to work with Healthcare (HCF) staff to improve efficiencies in the turnaround time to perform the current due diligence required for HCF’s validation of medical transportation invoices.

Also, it must be noted that the Auditor only noted the # of transactions that the DVA paid after following the two-step validation process. There were many invoices (as highlighted below in our HCF utilization charts) that were returned/denied due to other coverage/payment options; for example, Medicaid, Medicare, VA, private insurance, etc. Note: The Business Office verifies the insurance coverage and the medical transport rates and tracks the invoice on our Invoice Tracking System.

To reiterate, DVA takes the position that the agency should be the payer of the last resort and ensures other benefits are utilized before the agency remits payment. For example, Medicaid will pay for routine medical appointments if prescheduled with the DSS contracted vendor. Medicaid will also pay for emergency transportation if the patients have Medicaid. Medicare pays for emergency transportation in certain circumstances. VA also pays for transportation for certain service connected disabled (SCD) veterans depending on their percentage of SCD.

Below are the DVA HCF Statistic Reports for the total transportation utilizations based upon the actual number of trips for the year. When comparing the total number of invoices paid in FY11, 12, 13, (1,142, 1,262, and 925) the agency using our current two-step validation process vetted out/eliminated/saved the Connecticut taxpayer's bottom line and shows a positive trend towards cutting cost."

## **Cell Phone Monitoring**

*Criteria:* The DAS Bureau of Enterprise Systems & Technology (BEST), formerly the Department of Information Technology, provides each agency with a detailed monthly agency report and individual usage reports. BEST telecommunication policies and procedures require that both the individual and the agency verify the accuracy of the bill, confirm the usage to be appropriate, and promptly report any discrepancies.

*Condition:* Nine of the nine monthly agency statements tested were not reviewed or signed by a department official. We noted five instances in which employees did not date their signature when signing off on monthly charges. We also found 11 instances in which supervisors did not review the employee's statement timely; delays ranged up to 50 days.

- Effect:* The department did not adequately review all statements to ensure that charges were appropriate and for business purposes.
- Cause:* This appears to be a result of a lack of managerial oversight of cell phone monitoring.
- Recommendation:* The Department of Veterans' Affairs should consistently review all agency and individual statements to ensure that charges are appropriate and for business purposes. (See Recommendation 3.)
- Agency Response:* "There is generally a 2-3 months lag time from when the actual month end cell phone report/ bill is available for the agency to download. Since the last audit, the agency had the review process in place for each cell phone user to be responsible for reviewing and signing his/her portion of bills, then forward to agency telecommunication dispatcher for final review and collection of charges for any personal calls made by the user. The telecommunication dispatcher then reconciles the bills and the checks collected with the agency accountant. However, the agency acknowledges that the summary review page of the phone report was not signed and filed as part of the established protocol. Since the Auditor pointed out this gap in our internal controls, this required step in the review and signature process has been added to our SOP."

## **Board of Trustees**

- Criteria:* Section 27-102n(b) requires the board of trustees to meet at least quarterly, with a majority of the members constituting a quorum.
- Section 1-225 of the General Statutes requires that meeting schedules and minutes be made available for public inspection and posted on the department's website. In addition, agencies are required to file the schedule of regular meetings with the Secretary of the State not later than January 31<sup>st</sup> of each year.
- Condition:* During the three-year audited period, the board did not hold meetings for six of the 12 quarters. Also, for two of the six meetings held, the board failed to meet the quorum.
- Meeting schedules and minutes are not posted on the department's website, nor are meeting schedules filed with the Secretary of the State.

*Effect:* The board is not in compliance with Sections 27-102n and 1-225 of the General Statutes.

*Cause:* It appears that the board has not been able to hold meetings in accordance with the General Statutes due to member absenteeism and difficulties in finding committed members to fill the sixteen positions.

The lack of compliance with reporting requirements appears to have been a managerial oversight.

*Recommendation:* The Department of Veterans' Affairs board of trustee meetings should be held in accordance with Section 27-102n of the General Statutes and meeting schedules and minutes should be made available for public inspection in accordance with Section 1-225 of the General Statutes. (See Recommendation 4.)

*Agency Response:* "Appointment to the board of trustees is dictated by CGA 27-103. This agency only has one (1) seat and that is the commissioner. By law the Governor has ten (10) slots followed by the Majority and Minority Leaders of the Senate and House. These composition and number of members is fixed by statute. If no one is appointed to the position, then the position is vacant. In order to conduct a meeting with votes you need a quorum of 15. Members of the board of trustees cannot be compelled to attend meetings, therefore following the spirit and intent of the CGS and Roberts Rules of Order we have conducted the meetings when we have people in attendance, we have had conference calls. There is no statute or regulation which makes any stipulation of removal of board members who do not attend meetings."

## **Payroll / Personnel**

*Criteria:* 1. Medical certificates – The Department of Administrative Services (DAS) sets forth procedures for requesting leave under the Family and Medical Leave Act (FMLA). The required forms and submission deadlines can be found on the DAS website.

State personnel regulations and bargaining unit agreements dictate when a medical certificate must be submitted to substantiate a period of sick leave, generally when an employee is on sick leave for more than five consecutive work days.

2. Overtime – Overtime should only be earned for hours worked in excess of the employee's normal schedule.

- Condition:*
1. Medical certificates – Documentation supporting leave taken under FMLA was either missing or incomplete for eight out of 14 employees. We also noted two instances in which a medical certificate was not on file for two employees using more than five consecutive days of sick leave. Additionally, two employees did not return to work when they were approved for full duty.
  2. Overtime – We noted two nursing employees changed their schedules so they could have regularly scheduled days off, which resulted in them inadvertently earning \$268 in overtime on their regular work hours. Further review revealed that this occurred 88 times during the audited period and cost the department an additional \$10,827 in overtime.
- Effect:*
1. Medical certificates – Adequate documentation was not on file to support employee absences or the ability to return to work after an illness.
  2. Overtime – Allowing employees to switch their regular schedules cost the department additional overtime pay.
- Cause:*
1. Medical certificates – The missing documentation appears to have been a clerical oversight or the failure of the employee’s immediate supervisors to request them.
  2. Overtime – Changes in schedules were permitted by the former Director of Nursing. The payroll office automatically input the time as overtime because the employees worked more than eight hours in a day without ever questioning whether overtime should be earned on regular work hours.
- Recommendation:*
- The Department of Veterans’ Affairs should maintain medical certificates on file to ensure that absences are supported in accordance with DAS requirements and bargaining unit agreements. Also, the Department of Veterans’ Affairs should review its scheduling and overtime policies and ensure that such policies are not contributing to inflated overtime costs. (See Recommendation 5.)
- Agency Response:*
- “1. All current and new FMLA files will be reviewed on a monthly basis to ensure proper documentation is in employee FMLA folders.
  2. The practice of allowing employees to switch schedules has been used sometimes as part of the Nursing scheduling methods when they need to adjust staffing plans. The requests were not

generated from the employees in order to have an extra regular day off but were initiated by Nursing Administration in an attempt to cover scheduling gaps within a 24/7 healthcare operation. The past payroll practice of paying “half time OT” has been in place since the inception of Core-CT payroll (October 2003). Subsequently, in the current 1199 union contract Article 13, Section IV. DVA’s past practice followed the second sentence “nothing in this Article shall be construed to alter the current practices where they exist with respect to payment of time and a one-half after eight (8) hours per day”. However, after the Auditor brought this issue to the agency’s attention and with clarification received from OLR (Office of Labor Relation), the agency has since discontinued the practice of paying half time overtime “OTHT” for hours over 8.00 a day when employees work two (2) regular shifts in one (1) day effective pay period 05/02/14-05/15/14.

Effective pay period 05/16/14-05/29/14, the agency discontinued the practice of paying time and a half overtime “OT15” code for hours worked over 8.00 a day for overtime.”

## **Revenue / Receipts**

- Criteria:* The State Activity and Welfare Fund Manual states that any excess monies not needed for ongoing operations should be placed in the State Treasurer’s Short Term Investment Fund (STIF). Bank account balances are insured by the FDIC only up to \$250,000.
- Condition:* Our review of the department’s IGWF savings account showed that, from July 1, 2010 through June 30, 2013, eight of the 36 months had daily balances over \$250,000. Excessive and uninsured balances ranged from \$1,000 to \$221,000 and remained over the FDIC limit for one to 12 days.
- Effect:* Cash balances kept at levels considerably over that which is needed for ongoing operations reduces interest income, as returns are better in STIF. Bank balances above \$250,000 are not FDIC insured.
- Cause:* It appears monitoring of this balance was not performed routinely.
- Recommendation:* The Department of Veterans’ Affairs should closely monitor the bank account balance of the IGWF to ensure that it does not routinely exceed an amount needed for ongoing operations. (See Recommendation 6.)

*Agency Response:* “We agree with the recommendation. However, the agency receives deposits from its patients ‘Power of Attorney’ accounts in excess of \$100,000 regularly that will cause the account to exceed the FDIC insured amount. The agency will train additional staff to daily monitor the account and work with the bank to set up a “balance alert” feature that will notify the agency when in excess of \$200,000 daily.”

## RECOMMENDATIONS

Our prior report on the Department of Veterans' Affairs covered the fiscal years ended June 30, 2009 and 2010 and contained seven recommendations, of which three will be repeated. The following is a summary of those recommendations and the actions taken by the department.

### *Status of Prior Audit Recommendations:*

- The department's patient billing system should be modified to generate essential reports, maintain accurate billing records, and improve the design of its monthly statements. This recommendation is repeated to reflect our current findings. (See Recommendation 1.)
- The department should improve its property control records. We did not note any current findings in our review of property control; therefore this recommendation will not be repeated.
- The department should seek competitive bidding for goods and services whenever possible and seek alternative sources for services when a provider fails to bill in a timely manner. Although some improvement was noted, we are repeating this recommendation to reflect our current findings. (See Recommendation 2.)
- The department should consistently review all agency and individual cell phone statements to ensure that charges are appropriate and for business purposes. This recommendation will be repeated. (See Recommendation 3.)
- The department should periodically review part-time employee accruals to ensure their accuracy, reach an agreement with the District 1199 union to prevent excessive overtime and have monitoring procedures in place to address the potential abuse of sick leave. The department took corrective action; therefore this recommendation will not be repeated.
- The department should exercise due diligence in monitoring and approving Medicaid reimbursement claims. The department stopped processing reimbursement claims as of the quarter ended December 31, 2011; therefore this recommendation is no longer relevant.
- The department should ensure that financial statements accurately reflect the balance of restricted donations, detailed ledgers agree with financial statements, and all reports required by state law are on file. We did not note any exceptions during our current review; therefore this recommendation will not be repeated.

*Current Audit Recommendations*

- 1. The Department of Veterans' Affairs should modify its billing system to generate reports essential for the analytical review of accounts receivable, maintain accurate billing records, and produce adequate monthly billing statements.**

Comment:

The billing system is unable to generate a reliable aging schedule of receivables for veterans in the department's health care facility, does not accurately reflect the number of veteran accounts, and produces inadequately designed monthly statements.

- 2. The Department of Veterans' Affairs should seek competitive bids for goods and services whenever possible, review current procedures for efficiency, and continue to work with vendors to improve billing remittance times.**

Comment:

The department has not attempted to competitively procure medical transportation services. We also found untimely payments to vendors and untimely submission of bills by the vendor providing optometry services.

- 3. The Department of Veterans' Affairs should consistently review all agency and individual cell phone statements to ensure that charges are appropriate and for business purposes.**

Comment:

Our review of monthly agency cell phone statements showed a continued lack of monitoring. Monthly agency statements were neither reviewed nor signed by a department official. We also noted employees did not date their signatures indicating timely review and supervisors did not review the employee's statements timely.

- 4. The Department of Veterans' Affairs board of trustee meetings should be held in accordance with Section 27-102n of the General Statutes and meeting schedules and minutes should be made available for public inspection as required by Section 1-225 of the General Statutes.**

Comment:

The board did not hold meetings for six of the 12 quarters reviewed and there was no quorum for two of the six meetings held. Also, meeting schedules and minutes were not posted on the department's website and meeting schedules were not filed with the Secretary of the State.

- 5. The Department of Veterans' Affairs should maintain medical certificates on file to ensure that absences are supported in accordance with DAS requirements and bargaining unit agreements. Also, the Department of Veterans' Affairs should review its scheduling and overtime policies and ensure that such policies are not contributing to inflated overtime costs.**

Comment:

Documentation was either missing or incomplete for ten out of 14 employees taking medical leave and two employees did not return to work after being cleared for full duty. In our review of overtime, we found two employees who earned additional pay as a result of being allowed to change their regular scheduled days off.

- 6. The Department of Veterans' Affairs should closely monitor the bank account balance of the Institutional General Welfare Fund to ensure it does not routinely exceed an amount needed for ongoing operations.**

Comment:

Eight of the 36 months reviewed had daily balances over the \$250,000 FDIC insured limit. Balances ranged from \$1,000 to \$221,000 and remained over the limit for one to 12 days.

**CONCLUSION**

We wish to express our appreciation for the cooperation and courtesies extended our representatives by the officials and staff of the Department of Veterans' Affairs during the examination.



Rebecca Balkun  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts