

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF VETERANS' AFFAIRS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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January 22, 2020

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Department of Veterans Affairs. The objectives of this review were to evaluate the department’s internal controls; compliance with policies and procedures, as well as certain legal provisions; and management practices and operations for the fiscal years ended June 30, 2016 and 2017.

The key findings and recommendations are presented below:

Page 7	The Department of Veterans Affairs does not maintain a perpetual inventory system for all medication. The lack of a perpetual inventory control system for medication increases the risk of potential loss and decreases the ability to properly safeguard state assets. The Department of Veterans Affairs should maintain a perpetual inventory system for all medication purchased and dispensed by the Pharmacy Department. (Recommendation 1.)
Page 8	The Department of Veterans Affairs policy does not clearly define which fund should receive donations without a donor’s specific designation. There is an increased risk that donations may not be used as intended by the donor. The Department of Veterans Affairs should strengthen internal controls to ensure that it complies with its donation receipt procedures. (Recommendation 2.)
Page 10	The Department of Veterans Affairs did not obtain prior supervisory approval for compensatory time earned. The Department of Veterans Affairs should strengthen internal controls over compensatory time to ensure that it is properly earned. (Recommendation 4.)
Page 11	The Department of Veterans Affairs did not maintain proper documentation for workers compensation claims. The Department of Veterans Affairs should improve controls over workers’ compensation payments to ensure compliance with its policies and procedures. (Recommendation 5.)
Page 14	The Department of Veterans Affairs did not issue purchase orders prior to incurring expenditures. The Department of Veterans Affairs should strengthen internal controls to ensure that purchase orders are issued in accordance with Section 4-98 of the General Statutes. (Recommendation 8.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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January 22, 2020

AUDITORS' REPORT DEPARTMENT OF VETERANS AFFAIRS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 and 2017

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, 2016 and 2017. 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 effectiveness, 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, as well as certain external parties; 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 various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. 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, Sections 27-102*l* 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 residential facility 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.

Sean M. Connolly served as commissioner from March 16, 2015 until October 5, 2017. Thomas J. Saadi served as acting commissioner from October 5, 2017 until he was appointed commissioner on March 2, 2018.

SIGNIFICANT LEGISLATION

- Public Act 15-197 – The law increased board membership from 16 to 18 and added two residents of the Veterans Home to the board. The law also made technical changes to

provisions regarding board appointments, the chairperson’s appointment and member resignations.

- Public Act 16-167 – The law changed the agency name from “Department of Veterans' Affairs” to “Department of Veterans Affairs” and changed the title of “Commissioner of Veterans' Affairs” to “Commissioner of Veterans Affairs”. The law also made some minor technical changes.

Board of Trustees

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 is comprised of 18 voting members, including the president of the residential facility’s council, the president of the health care center’s council, and 18 members appointed by the Governor and members of the Senate and House of Representatives. The commissioner serves as a nonvoting, ex-officio member of the board. As of June 30, 2017, the following persons served on the board:

Christopher B. McDavid, Chairman	Brien P. Horan
Paul F. Barry	Frederick Leaf
Richard Benson	Patrick R. Nelligan
Philip Cacciola	Tatiana Quinzi
Robert Cheslock	Paul Tarbox
Amy K. Donahue	Michael Tetrault
Richard P. Dziekan	Michael A. Thomas
Peter Galgano, Jr.	Kjell T. Tollefsen
Steven M. Harris	Vacant

John G. Casey, Jr., Lenell Kittlitz, Judith A. Torpey, Col. John G. Chiarella Sr., Richard Twilley, Hasty Foreman, William F. L. Rodgers, Robert A. Wamester, Anthony Gaunichaux Sr., Thomas R. Stough and Rebecca Wareing also served on the board during the audited period.

RÉSUMÉ OF OPERATIONS

General Fund

The department’s General Fund receipts for the audited period, as compared to the period ended June 30, 2015, are summarized below.

	2014-2015	2015-2016	2016-2017
Federal Aid for Veterans	\$8,915,673	\$9,789,216	\$10,119,847
Federal Aid – Miscellaneous	409,578	354,930	371,737
All Other Revenue & Receipts	12,625	34,096	17,422
Total Receipts	\$9,337,876	\$10,178,242	\$10,509,006

Fluctuations in federal aid for veterans were due to changes in the number of veterans under the department’s care.

The department's General Fund expenditures for the audited period, as compared to the period ended June 30, 2015, are summarized below.

	2014-2015	2015-2016	2016-2017
Personal Services & Employee			
Benefits	\$21,248,163	\$21,698,501	\$20,845,689
Premises & Property Expenses	1,842,633	1,712,812	1,621,053
Purchased Commodities	1,988,432	1,899,668	169,161
Payments to Veterans	777,875	129,813	-
All Other	2,388,680	2,163,669	2,035,373
Total Expenditures	\$28,245,783	\$27,604,463	\$24,671,276

Expenditures for purchased commodities and payments to veterans decreased during the 2015-2016 and 2016-2017 fiscal years because the department moved them to the special revenue fund.

Special Revenue Fund

The department's special revenue fund receipts for the audited period, as compared to the period ended June 30, 2015, are summarized below.

	2014-2015	2015-2016	2016-2017
Institutional General Welfare Fund	\$2,193,476	\$2,340,491	\$4,341,162
Activity Fund	-	\$9,500	3,000
Federal Aid for State Veterans			
Cemetery	-	2,096,372	139,876
Total Receipts	\$2,193,476	\$4,446,363	\$4,484,038

The increase in revenue in federal aid for the state veterans' cemetery during the 2015-2016 fiscal year was due to a federal grant for improvements to the Middletown cemetery. The increase in revenue in the Institutional General Welfare Fund during the 2016-2017 fiscal year was due to improved billing collections and a change in billing for residential housing to an income based fee.

The department's special revenue fund expenditures for the audited period, as compared to the period ended June 30, 2015, are summarized below.

	2014-2015	2015-2016	2016-2017
Professional & Other Services	\$655,009	\$445,422	\$835,484
Veteran Services	217,828	211,844	91,588
Payments to Veterans	488,862	947,436	813,977
Purchased Commodities	558,137	408,555	1,815,043
Grant Transfers – State Agencies	89,504	2,151,010	1,202,948
All Other	52,466	232,273	31,130
Total Expenditures	\$2,061,806	\$4,396,540	\$4,790,170

The increase in payments for purchased commodities and payments to veterans represents the transfer of expenditures from the General Fund to the special revenue fund. The increase in grant transfers was due to the transfer of the Veterans Recovery Center (formerly the Recovery Support Program) to the Department of Mental Health and Addition Services, which now provides services to residents of the Veterans Home.

Institutional General Welfare Fund

The Institutional General Welfare Fund (IGWF) operates under the provisions of Sections 27-106 and 27-108 of the General Statutes. IGWF funds may be expended at the discretion of the commissioner for purposes that directly benefit veterans or the Veterans Home, including funding general operations of the Veterans Home.

A summary of IGWF revenue and receipts for the audited period, as compared to the period ended June 30, 2015, are summarized below.

	2014-2015	2015-2016	2016-2017
Patient Billings	\$2,491,067	\$2,278,995	\$2,855,335
Estate Collections	3,976	12	-
All Other	109,844	405,781	437,154
Total Receipts	\$2,604,887	\$2,684,787	\$3,292,489

Section 27-108 (d) of the General Statutes provides that 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. These patient billings comprise the majority of IGWF revenues and fluctuate as a result of the number of patients served and the ability of patients to pay for their care. In addition, the IGWF collects funds from estates under the provisions of Section 27-108 (f) of the General Statutes.

Expenditures totaled \$2,657,343 and \$4,469,712 for the 2015-2016 and 2016-2017 fiscal years, respectively, and consisted almost entirely of transfers to the special revenue fund for the department’s general operations during the audited period. Special revenue fund revenues from the IGWF, as presented above, reflect the total funds transferred to 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. Revenues for the Activity Fund totaled \$24,983 and \$19,759 for the 2015-2016 and 2016-2017 fiscal years, respectively. The major source of revenue was the sale of food at the Winner’s Circle canteen.

As previously noted, DVA may transfer monies from the Activity Fund to the special revenue fund and are recognized as revenue to the special revenue fund. According to the department’s financial statements, the fund had a cash balance of \$100,671, as of June 30, 2017.

Fitch Fund

The Fitch Fund, governed by Section 3-38 of the General Statutes, is a longstanding permanent trust fund that has its assets in the custody of the State Treasurer. The balance of the fund was \$34,477 as of June 30, 2017. Interest earned by the fund is to be used for the benefit of the department's clients through transfers to the IGWF. During the audited period, there were no transfers out of the fund and it earned \$309 in interest.

Per Capita Costs

Annually, the Office of the State Comptroller computes the daily per capita cost of maintaining the residents and patients at the Veterans Home. These computations include IGWF expenditures, which are considered proper costs of maintaining the institution. Per capita daily costs during the audited period (excluding federal reimbursement) as compared with the preceding year are as follows:

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Residential (Outpatients)	\$136	\$141	\$140
Hospital (Inpatients)	\$730	\$713	\$750

Daily Census

The department conducts a daily census of residents at the Veterans Home. The census as of June 30, 2017 is as follows:

	<u>Health Care Facility</u>	<u>Residential Facility</u>	<u>Total</u>
World War II	16	0	16
Korean War	25	6	31
Vietnam War	60	81	141
Persian Gulf War	5	12	17
Afghanistan War	0	2	2
Iraq War	0	1	1
Peace Time	13	51	64
Total	119	153	272

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of the records of the Department of Veterans Affairs disclosed certain matters requiring attention.

Lack of a Perpetual Inventory System for Pharmaceuticals

Criteria: Section 4-36 of the General Statutes provides that an inventory of property shall be kept in the form prescribed by the Comptroller. The Comptroller's State Property Control Manual requires that a separate perpetual inventory be maintained for all stores and supplies if the value of the entire inventory meets the capitalization threshold. As of July 1, 2015, the manual set the property capitalization threshold at \$5,000.

Condition: Our review determined that the Pharmacy Department does not maintain an inventory system for non-controlled medication (over-the-counter) and only maintains a manual inventory of the controlled (prescription) medication. The department performs an annual inventory of all medication in the pharmacy. As of June 30, 2016, and June 30, 2017, those annual inventories totaled \$64,170 and \$87,680, respectively.

Effect: The lack of a perpetual inventory control system for medication increases the risk of potential loss and decreases the ability to properly safeguard state assets.

Cause: Until recently, the Pharmacy Department did not have a system available to maintain a perpetual inventory of medication.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Veterans Affairs should maintain a perpetual inventory system for all medication purchased and dispensed by the Pharmacy Department. (See Recommendation 1.)

Agency Response: "The DVA maintains a perpetual inventory system for controlled drugs only due to limited DVA staffing resources in the Pharmacy. There are over 1,000 non-controlled medication items that the Pharmacy maintains in its inventory for regular dispensing and ordering for DVA Veteran Patients. When a medication is dispensed, replacement is ordered through McKesson the following day. Copies of invoices are maintained for minimum of three years by the Pharmacy and annual inventories are performed every June.

In July 2017, the DVA implemented an automatic medication dispensing equipment along with the enterprise Electronic Medical Record (EMR) system. The DVA acknowledges the Auditors recommendation to establish a perpetual inventory on non-controlled drugs and will work to incorporate

technological resources within available funding and staffing to implement and maintain a perpetual inventory.”

Deficiencies in Controls over Donation Receipts

Criteria: The Department of Veterans Affairs donation policy has 5 established categories to reflect a donor’s intended purpose. The Office of Community Advocacy (OCA) is responsible for receiving and processing all donations. When DVA receives a monetary donation, it must forward it to OCA with a memorandum identifying the name of the donor, the amount and form of the donation, and the fund to deposit the donation.

Condition: During the fiscal year ended June 30, 2017, the department received 188 monetary donations, totaling \$109,042. Our review of 10 donations, totaling \$63,864, revealed that the department did not document which fund to deposit 4 donations (totaling \$12,140).

The DVA donation policy during the audited period did not allow the department the discretion to deposit donations into the category with the greatest need.

Effect: There is an increased risk that donations may not be used as intended by the donor.

Cause: The lack of compliance with donation receipt procedures appears to be the result of management oversight.

Prior Audit Finding: This finding was previously reported in the last audit report covering the fiscal years ended June 30, 2014 and 2015.

Recommendation: The Department of Veterans Affairs should strengthen internal controls to ensure that it complies with its donation receipt procedures. (See Recommendation 2.)

Agency Response: “There are 5 donation funding categories at DVA. Donors either specify the donation category to which their donation is to be applied or may allow the DVA to determine the category with the greatest need (e.g. Recreational Activities, Holidays, Stand Down, Outreach & Support and Facilities). The category of allocation is also noted on the thank you/acknowledgement letter sent by the DVA to donors.

The following are donations cited in by the Auditors:

DEPCOMP Power, Byram Veterans Assoc. and Central Elementary School’s donations were designated by the donor to be used for our veterans in a manner to be determined by the DVA. A thank you/acknowledgement

letter was sent to all donors noting that their donation would be used to “further enhance the quality of life for Veterans currently residing on campus as well as those Veterans who may choose to utilize our facilities in the future”, which is in the scope of our “Facilities Category” to “enhance the quality of life for Veterans on campus.”

Going forward, the DVA will update the terminology in the Donation Policy description of the “Facility” category to reflect “Facility – Quality of Life Improvement Fund”, which will be utilized to enhance the quality of life by supplementing state and federal funds to improve, renovate and/or expand residential facilities at the Rocky Hill Campus.”

The 4th donation in question was from the American Legion Auxiliary for “Special Hospital Gifts” – American Legion Auxiliary makes this donation annually at their state convention and states that it can be used for recreational activities or holiday gifts for our Veteran Residents at the DVA campus. In the future, the DVA will ask the American Legion Auxiliary to specify allocation to either holiday or recreational in writing to further enhance our internal controls related to donations.”

Auditors’ Concluding

Comments:

The documentation the department provided us did not indicate that donors gave DVA discretion to determine the purpose for their donations.

The DVA donation policy during the audited period did not include a provision allowing the department the discretion to deposit donations into the category with the greatest need. While we recognize that the department notified donors in acknowledgment letters that it selected a donation category, these donors did not designate a fund. Our recommendation seeks to improve internal controls over the collection of donations to ensure they are used for their intended purposes.

Uncollectible Accounts Receivable

Criteria:

The State Accounting Manual requires accounts receivable records to be accurate and complete. Internal controls should provide for the write-off of uncollectible accounts in order to ensure the accurate reporting of accounts receivable balances.

Condition:

As of June 30, 2017, the agency estimated that \$31,460,517, or 78%, of its accounts receivable balance of \$40,438,531 was uncollectible. The agency did not write off any accounts receivable during the fiscal years ended June 30, 2016 and 2017.

- Effect:* The inclusion of uncollectible accounts in the department's records may distort the true condition of its accounts receivable and inhibit the efficient management of accounts receivable.
- Cause:* The department failed to identify and write off uncollectible accounts as a result of personnel changes and limited staffing within the fiscal services office.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Department of Veterans Affairs should develop procedures for the consistent identification, evaluation, and write off of uncollectible accounts. (See Recommendation 3.)
- Agency Response:* "The DVA acknowledges the audit findings related to "uncollectible" accounts receivables (A/R) and offers corrective actions consistent with the previous audit – the migration from an old legacy billing system to a fully integrated Electronic Medical Records and Billing System (ADL) that was implemented in September of 2016 (during the current fiscal year 2017 audit period) – with the data clean-up and conversion completed – the next steps forward will require reviewing and compiling the "uncollectible" accounts by the DVA Associate Accountant for submission to the OPM for approval to write-off the uncollectable A/R."

Improper Approval of Compensatory Time

- Criteria:* Department policy requires employees to receive supervisory approval prior to earning compensatory time. In the event of an emergency outside of normal business hours, employees must receive approval the next business day.
- Condition:* During the audited period, 11 employees earned a total of 1,018 hours of compensatory time. Our review of 40.25 hours of compensatory time earned by 10 employees revealed that 7 employees obtained supervisory approval 1 to 17 days late.
- Effect:* There is an increased risk for compensatory time to be improperly earned and used.
- Cause:* The untimely approval of compensatory time appears to be the result of management oversight.
- Prior Audit Finding:* This finding has not been previously reported.

Recommendation: The Department of Veterans Affairs should strengthen internal controls over compensatory time to ensure that it is properly earned. (See Recommendation 4.)

Agency Response: “DVA has strict internal controls related to the earning of compensatory time which requires pre-approval before comp time is worked. However, the DVA acknowledges that in our Healthcare operations and emergency situations pre-approved comp time protocol/policy needs to be revised to reflect the fact that actual time worked may be different from the approved time and prior approval to hours worked may not be consistent or practical due to the fluctuating nature of patient care and related emergencies.

Of the seven employees cited by the auditors four were medical clinicians (APRNs and physicians) and two were pharmacists working on the migration to an electronic pharmacy system during that period of time/transition. The remaining employee was the Director of Safety and Security working during a Governor’s declared emergency situation and approval to receive comp time was done after the emergency was properly managed.”

Workers’ Compensation

Criteria: According to the Department of Administrative Services Workers’ Compensation Manual, agencies must promptly submit required claim reporting forms that are properly approved.

Condition: Our review of 10 workers’ compensation claims from the audit period, totaling \$396,612, disclosed that various claim reporting forms were missing or not submitted in a timely manner.

- The department could not locate supporting documentation for 4 workers' compensation claims.
- The department did not timely submit supporting documentation for 4 workers' compensation claims. The department submitted the documentation 8 to 105 days late.

Effect: Not following established workers’ compensation procedures increases the risk of inappropriate workers’ compensation payments.

Cause: The lack of documentation to support workers’ compensation incidents appears to be the result of management oversight.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Veterans Affairs should improve controls over workers' compensation payments to ensure compliance with its policies and procedures. (See Recommendation 5.)

Agency Response: "The DVA has been managing the Workers' Compensation with instructions from the Worker Comp Unit at DAS that not every forms was required (like the WC-207 and Medical Certificate) for each claim. The agency will seek further clarification and guidance to ensure compliance."

Inadequate Documentation Supporting Medical Leave

Criteria: According to Section 5-247-11 of the state personnel regulations and most collective bargaining agreements, employees must submit a medical certificate to substantiate sick leave of more than 5 consecutive working days. The statewide Family and Medical Leave Policy sets forth procedures for requesting a leave under the Family and Medical Leave Act (FMLA). The policy outlines the required forms and submission deadlines.

Condition: During our review of 10 medical leaves, we noted that the department could not locate supporting documentation for 4 medical leaves. The missing documentation included a medical certificate and 9 required FMLA forms.

Effect: Inadequate documentation increases the risk for unauthorized leave, which may result in unnecessary costs to the state.

Cause: The lack of documentation to support medical leaves appears to be the result of management oversight.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Veterans Affairs should strengthen internal controls to ensure that it administers medical leave in accordance with collective bargaining agreements and Family and Medical Leave Act guidelines. (See Recommendation 6.)

Agency Response: "The Agency will seek further clarification with the DAS regarding the FMLA guidelines. DVA has been operating based on the DAS instructions that the only requirement to substantiate a period of leave as FMLA is the medical certificate with no other forms "required"."

Weaknesses in Overtime Approvals

Criteria: Agency procedures require that all overtime worked by healthcare facility staff must have prior supervisory approval. When unplanned overtime is worked, employees must obtain and document approval before they conclude their shift.

Condition: Our review of 644.75 hours of overtime by 10 healthcare facility employees identified 16 instances in which 95 hours of overtime was not properly approved during the audited period. Ten overtime requests were not approved, and 6 were not on file.

Effect: The department did not follow established overtime procedures which increased the risk for unauthorized overtime.

Cause: The lack of documentation to support overtime appears to be the result of management oversight.

Prior Audit Finding: This finding was previously reported in the last audit report covering the fiscal years ended June 30, 2014 and 2015.

Recommendation: The Department of Veterans Affairs should improve controls over overtime to ensure compliance with its own policies and procedures. (See Recommendation 7.)

Agency Response: “The HCC Nursing Department spends a lot of time to manage and schedule its 24/7 nursing coverage, which include identify and fill the gaps with overtime based on agency operational needs, union contractual rules, and staff availabilities ensure the proper coverage for the 24/7 patient care operation and to manage the cost.

Currently, the Nursing Department plan and identify “shift coverage gaps” 2-3 months in advance, the needs to fill shifts will be listed on the “Voluntary Needs List” for employees to sign up.

Employees submit their “overtime request form” for the shifts they are interested in working to the Nursing Scheduling Office. Nursing Department will approve/disapprove the request dates based on seniority, number of shifts already worked, etc. The “overtime request form” then sent back to employees and filed in Nursing Office. The non-selected (or disapproved) will be saved for future consideration, if overtime coverage is needed.

As the time gets closer (usually about 10 days out), Nursing Department will run the census shift coverage report to further identify gaps and coverage needs based on time-off requests, census, and patient acuity. Previously non-selected/disapproved overtime requests will be listed for

overtime coverage consideration on needs basis. The overtime shift and needs are listed on the “Unit Schedule report”, which identify the additional staff need to work the overtime.

However, there are incidents in medical emergencies, unexpected last minute absences, no call no shows, and unplanned medical trips requiring an escort, Nursing Department/ Supervisors will give verbal overtime approvals and write them down on the daily “call-in board” for the last minute scrambling of finding staff to work.

The agency will implement the Auditor’s suggestion to further improve its overtime approval process to include a log capturing the last minute/emergency overtime approvals.”

Auditors’ Concluding

Comment: We acknowledge the difficult task of scheduling nursing coverage for a 24/7 facility, but the verbal approval for overtime should be clearly documented. The daily “call-in board” indicates the shifts worked by each nurse, but does not verify the approval of overtime.

Late Issuance of Purchase Orders

Criteria: In accordance with Section 4-98 of the General Statutes, except for emergency purchases, no state agency shall incur any obligation except by the issuance of a purchase order or other encumbrance documentation approved by the State Comptroller.

The State Purchasing Card Coordinator Manual states that purchase orders should be issued prior to using the purchasing card (P-Card) in the new billing cycle to ensure compliance with statutory requirements regarding the encumbrance of funding.

Condition: Our review of 30 expenditure transactions, totaling \$93,875, identified 4 transactions, totaling \$8,443 that DVA did not support with valid purchase orders. The department issued the purchase orders 5, 50, 53, and 75 days after incurring the obligations.

Our review of the 74 issued P-Card purchase orders from January 1, 2017 through June 30, 2018 revealed that the department issued 61 purchase orders 1 to 104 days after the start of the billing cycle.

Effect: There is less assurance that funds will be available for payment when purchase orders are not properly issued.

Cause: The lack of timely purchase orders appears to be an oversight by management.

Prior Audit Finding: This finding was previously reported in the last audit report covering the fiscal years ended June 30, 2014 and 2015.

Recommendation: The Department of Veterans Affairs should strengthen internal controls to ensure that purchase orders are issued in accordance with Section 4-98 of the General Statutes. (See Recommendation 8.)

Agency Response: “The DVA acknowledges the Auditors finding as it relates to P-Cards and corrective action has been implemented. Going forward, internal controls will be implemented to issue purchase orders (POs) prior to the billing month/period of the P-Card usage.”

Deficiencies in Controls over Cell Phone Monitoring

Criteria: Section 3-117(c) of the General Statutes requires the chief information officer to charge any state agency for telecommunication services if it does not certify that it received such services. Within 30 days of notification of such charges, the agency must certify to the chief information officer that it received the services.

The Bureau of Enterprise Systems and Technology’s (BEST) telecommunication policies and procedures require that the user and agency verify the accuracy of billing statements by returning the signed certification sheet noting any exceptions within 30 days.

Condition: During the audited period, cell phone expenditures totaled \$15,364 and \$19,795 for the fiscal years ended June 30, 2016 and 2017, respectively. Our review of 10 monthly cell phone statements identified that none of the statements were properly approved. The user did not sign 4 statements and the employee or supervisor signed all 10 statements 388 to 574 days after the end of the billing period.

Effect: When cell phone invoices are not promptly reviewed, there is increased risk that improper charges will not be detected in a timely manner.

Cause: The improper approval of cell phone statements appears to be the result of management oversight.

Prior Audit Finding: This finding has been previously reported in the last 3 audit reports covering the fiscal years ended June 30, 2009 to 2015.

Recommendation: The Department of Veterans Affairs should consistently review all cell phone statements to ensure that charges are appropriate and for business purposes in accordance with Section 3-117(c) of the General Statutes. (See Recommendation 9.)

Agency Response: “The DVA acknowledges the deficiencies in monitoring cell phone usage and is changing the operational/managerial oversight and our process/procedure to consistently review and print the monthly cell phone bills - performing the timely due diligence required to have the cell phone users sign off on his/her state cell phone bill and the related DVA cell phone use policy.”

Compliance with Statutory Reporting Requirements

Criteria: The Department of Veterans Affairs is required to comply with numerous reporting requirements set forth in Section 27 of the General Statutes.

Condition: Our review of 27 reports from the audited period disclosed that the department did not prepare 4 reports and had no record of submitting 19 reports as follows:

DVA did not submit these reports:

- Board of Trustees Annual Reports required by Section 27-102n(i) of the General Statutes, due 2/15/16 and 2/15/17.
- Annual Report of Veterans Benefits required by Section 27-102p of the General Statutes, due 8/1/16 and 8/1/17.

We could not verify the submission date of these reports:

- Advocacy & Assistance Outreach Plan required by Section 27-102l(b)(4)(A) of the General Statutes, due February 15th annually.
- Advocacy & Assistance Quarterly Reports on Visits to Nursing Homes and Assisted Living Facilities required by Section 27-102l(b)(4)(C) of the General Statutes, for all 8 quarters.
- Advocacy & Assistance Quarterly Reports on Concerns required by Section 27-102l(b)(4)(D) of the General Statutes, for all 8 quarters.
- Institutional General Welfare Fund Planned Expenditures required by Section 27-106(d) of the General Statutes, due 6/30/16 and 6/30/17.

Effect: The intended recipients of these reports may not have current information required to make informed decisions regarding the department and its operations.

Cause: The lack of compliance appears to be the result of management oversight.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Veterans Affairs should strengthen internal controls to ensure compliance with reporting requirements and document the timeliness of all report submissions. (See Recommendation 10.)

Agency Response:

- “1. The DVA acknowledges that the Board of Trustees did not submit annual reports in 2016 and 2017. While the Commissioner does not preside over the Board he worked closely with the Board to remedy this issue and on February 15, 2019, the Board submitted a report retroactive to the first meeting of the new Board in 2016.
2. The DVA acknowledges past noncompliance with this unfunded mandate to compile an Annual Report of all Veterans programs and benefits provided and the number of veterans served, by every municipality and State agency in Connecticut. However, in February 2019, the Commissioner informed all municipalities and State Agencies of the statutory mandate and established a standard reporting protocol for generating the required responses.
3. The DVA acknowledges that in the past the Office of Advocacy and Assistance (OA&A) did not maintain a written Outreach Plan. However, OA&A currently maintains an Outreach Plan and OA&A staff conduct and attend approximately 100 outreach events annually with many upon request and therefore not in an advanced written plan.
4. The DVA acknowledges that the OA&A Nursing Home and Assisted Living Facility quarterly reports were limited to dates and locations of visits. OA&A is adding a new section to the report providing more information on these important program, benefit and pension visits.
5. The DVA acknowledges that OA&A has not consistently included a summary of concerns from community based Veterans in its quarterly reports. While a satisfaction survey is currently mailed to a sample of Veterans at the conclusion of benefits cases, every Veteran will now receive a survey upon the conclusion of a case. Results will be reported to the Commissioner and the DVA Board in the quarterly report.
6. Planned expenditures from the Institutional General Welfare fund are submitted as part of the biennium budget process and the DVA provides a semi-annual report of IGW expenditures to Veteran Residents. The DVA will now forward planned expenditures for the next fiscal year to the General Assembly’s committee of cognizance.”

Lack of Required Board of Trustees Meetings and Disclosures

Criteria: Section 27-102n(b) of the General Statutes requires the Department of Veterans Affairs 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 their schedule of regular meetings with the Secretary of the State not later than January 31st of each year.

Condition: During the audited period, the board of trustees did not hold meetings during 3 of the 8 quarters. Also, for one of the 5 meetings held, the board failed to have the required quorum.

DVA did not post meeting agendas and minutes on its website for 5 and 3 meetings held in 2016 and 2017, respectively. Additionally, the department did not file annual meeting schedules with the Secretary of the State by the required date for 2016 and 2017.

Effect: The department failed to comply with Sections 27-102n and 1-225 of the General Statutes, which increased the risk of the board of trustees failing to meet its intended purpose of advising and assisting the commissioner in the operation of the Veterans Home and hospital.

Cause: The lack of compliance appears to be the result of management oversight.

Prior Audit Finding: This finding has been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2011 to 2015.

Recommendation: The Department of Veterans Affairs Board of Trustee meetings should be held in accordance with Section 27-102n(b) of the General Statutes, and meeting schedules, agendas, and minutes should be made available for public inspection in accordance with Section 1-225 of the General Statutes. (See Recommendation 11.)

Agency Response: "The Board of Trustees has been exceptionally active in fulfilling its duties to Connecticut's Veterans and taxpayers through the advising and oversight of operational issues and policy updates at the DVA as well as in the budgetary and legislative process. The Commissioner provides comprehensive quarterly reports to the Board detailing information on more than a dozen areas of DVA operations.

1. While the Board did not hold meetings for the first 3 of 8 quarters during the audited period this was due to the fact that a quorum of Board members and a Chair were not appointed until the quarter prior to the

May 2016 meeting of the reconstituted Board pursuant to Public Act 15-197. Since then the Board has met quarterly in addition to holding special meetings.

2. There was only one meeting in a three year period during which a quorum was not present. The Board is made up of volunteers, who have jobs, military obligations, families and other personal matter to attend to and as a result, similar to other volunteer boards, a quorum may occasionally not be present.
3. The DVA acknowledges that the Board did not file an annual meeting schedule with Secretary of the State as the Board sets the date for each meeting as the previous quarterly meeting. The DVA has timely filed notice of each Board meeting with the Secretary of the State and posted the same on the DVA website. The Commissioner will recommend that the Board establish regular meeting dates to the extent possible.
4. Board notices, agendas and minutes of meetings are posted on the DVA website and available in hardcopy at the DVA for public inspection. It should be noted that the Board has no staff of its own and DVA staff have taken on the duties of staffing the Board.”

*Auditors’ Concluding
Comment:*

Although the board agendas and minutes are currently posted on the DVA website, the department had not posted this information when we performed our review.

RECOMMENDATIONS

Our prior report on the Department of Veterans Affairs contained 9 recommendations, of which 3 were resolved and 6 have been modified and repeated.

Status of Prior Audit Recommendations

- The Department of Veterans Affairs should strengthen internal controls over the disbursement of donated funds and establish a separate activity fund for employee-related activity. **This recommendation has been resolved.**
- The Department of Veterans Affairs should develop donation receipt procedures that comply with the State Accounting Manual to minimize the risk of misappropriation or loss of donated assets. **This recommendation is being modified and repeated. (See Recommendation 2.)**
- The Department of Veterans Affairs should improve controls over payroll to ensure compliance with its own policies and procedures and the requirements of collective bargaining agreements. **We found that this recommendation was partially implemented. This recommendation is being modified and repeated. (See Recommendation 7.)**
- The Department of Veterans Affairs should comply with Section 4-98 of the General Statutes and the State Purchasing Card Coordinator Manual by ensuring that commitments are in place prior to incurring obligations. **The recommendation is being modified and repeated. (See Recommendation 8.)**
- 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. **We found that this recommendation was partially implemented. This recommendation is being modified and repeated. (See Recommendation 3.)**
- The Department of Veterans Affairs should review current procedures for efficiencies that allow for the proper review of invoices while making timely payments of obligations in accordance with Section 4a-71 of the General Statutes. **This recommendation has been resolved.**
- 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, in accordance with Section 3-117(c) of the General Statutes. **This recommendation is being modified and repeated. (See Recommendation 9.)**
- The Department of Veterans Affairs board of trustee meetings should be held in accordance with Section 27-102n(b) 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. **This recommendation is being modified and repeated. (See Recommendation 11.)**

- The Department of Veterans Affairs should strengthen internal controls to ensure that approval is obtained prior to establishing new bank accounts, in accordance with the State Accounting Manual. **This recommendation has been resolved.**

Current Audit Recommendations

- 1. The Department of Veterans Affairs should maintain a perpetual inventory system for all medication purchased and dispensed by the Pharmacy Department.**

Comment:

Our review determined that the Pharmacy Department does not maintain a perpetual inventory system for the non-controlled (over-the-counter) medication and only maintains a manual perpetual inventory of the controlled (prescription) medication.

- 2. The Department of Veterans Affairs should strengthen internal controls to ensure that it complies with its donation receipt procedures.**

Comment:

Our review noted that the department did not document some donations designating which fund should receive the proceeds. In addition, the DVA donation policy during the audited period did not allow the department the discretion to deposit donations into the category with the greatest need.

- 3. The Department of Veterans Affairs should develop procedures for the consistent identification, evaluation, and write off of uncollectible accounts.**

Comment:

As of June 30, 2017, the agency estimated that \$31,460,517, or 78%, of its accounts receivable balance of \$40,438,531 was uncollectible. The agency should determine and request the write-off of uncollectible accounts receivables each year.

- 4. The Department of Veterans Affairs should strengthen internal controls over compensatory time to ensure that it is properly earned.**

Comment:

Our review of compensatory time earned noted that supervisory approval for compensatory time earned was not always obtained on a timely basis.

- 5. The Department of Veterans Affairs should improve controls over workers' compensation payments to ensure compliance with its policies and procedures.**

Comment:

We noted that various claim reporting forms were missing or not submitted in a timely manner.

- 6. The Department of Veterans Affairs should strengthen internal controls to ensure that it administers medical leave in accordance with collective bargaining agreements and Family and Medical Leave Act guidelines.**

Comment:

We noted that the department could not locate documentation to support some medical leaves.

- 7. The Department of Veterans Affairs should improve controls over overtime to ensure compliance with its own policies and procedures.**

Comment:

Our review of overtime worked by healthcare facility staff identified instances of overtime not being properly approved.

- 8. The Department of Veterans Affairs should strengthen internal controls to ensure that purchase orders are issued in accordance with Section 4-98 of the General Statutes.**

Comment:

We identified transactions that were not supported by valid purchase orders. The department issued some purchase orders after incurring the obligations.

- 9. The Department of Veterans Affairs should consistently review all cell phone statements to ensure that charges are appropriate and for business purposes, in accordance with Section 3-117(c) of the General Statutes.**

Comment:

The department did not properly approve or promptly review monthly cell phone statements.

- 10. The Department of Veterans Affairs should strengthen internal controls to ensure compliance with reporting requirements and document the timeliness of all report submissions.**

Comment:

Our review of 27 reports from the audited period disclosed that the department did not prepare 4 reports and had no record of submitting 19 reports.

- 11. The Department of Veterans Affairs Board of Trustee meetings should be held in accordance with Section 27-102n(b) of the General Statutes, and meeting schedules, agendas, and minutes should be made available for public inspection in accordance with Section 1-225 of the General Statutes.**

Comment:

During the audited period, the board of trustees did not hold all required meetings or post all meeting agendas and minutes to the DVA website. Additionally, the department did not promptly file annual meeting schedules with the Secretary of the State for 2016 and 2017.

ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Audrey Kelliher
Ramiz Mehmedovic
Bruce Vaughan
Kathrien Williams

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Veterans Affairs during the course of our examination.



Bruce Vaughan
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor