

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF VETERANS' AFFAIRS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND 2015*

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

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November 8, 2017

AUDITORS' REPORT DEPARTMENT OF VETERANS AFFAIRS FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2015

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, 2014 and 2015. 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. 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, 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 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.

Linda S. Schwartz served as commissioner until October 1, 2014. Joseph Perkins served as acting commissioner from October 1st, 2014 until his retirement on March 1st, 2015. Sean M. Connolly served as commissioner from March 16th, 2015, until October 5, 2017. Thomas J. Saadi began serving as acting commissioner on October 5, 2017, and continues to serve in that capacity.

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 16 members appointed by the governor. As of June 30, 2015, the following persons served on the board:

Richard Benson	Steven M. Harris	Paul Tarbox
John G. Casey, Jr.	Lenell Kittlitz	Judith A. Torpey
Col. John G. Chiarella, Sr.	Frederick P. Leaf	Richard Twilley
Hasty Foreman	William F. L. Rodgers	Robert A. Wamester
Anthony Gaunichaux, Sr.	Thomas R. Stough	Rebecca Wareing

There was one vacancy as of June 30, 2015.

RÉSUMÉ OF OPERATIONS

General Fund

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

	2012-2013	2013-2014	2014-2015
Federal Aid for Veterans	\$ 8,786,209	\$ 9,325,670	\$ 8,915,673
Federal Aid - Miscellaneous	239,324	184,866	409,578
Medicare Reimbursements	44,086	27,472	4,973
All Other Revenue and Receipts	6,760	7,613	7,651
Total Revenues and Receipts	\$ 9,076,379	\$ 9,545,621	\$ 9,337,875

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

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

	2012-2013	2013-2014	2014-2015
Personal Services	\$ 19,985,801	\$ 20,331,332	\$ 21,248,163
Premises and Property Expenses	2,174,031	1,842,365	1,842,633
Purchased Commodities	2,269,597	2,542,620	1,988,432
Payments to Clients	1,391,899	1,314,552	777,875
All Other	1,670,163	2,010,856	2,388,680
Total Expenditures	\$ 27,491,491	\$ 28,041,725	\$ 28,245,783

Increases in total expenditures in the 2013-2014 fiscal year were mainly attributable to increased overtime costs associated with higher inpatient admissions during the period. Increases in total expenditures in the 2014-2015 fiscal year were attributable to general wage increases, the filling of vacant positions, and increases in temporary services for nursing and other professional services. It should be noted that as a result of the statewide budgetary

reductions during the 2014-2015 fiscal year, payments to clients and purchased commodities expenditures were partially absorbed by the Institutional General Welfare Fund (IGWF).

Special Revenue Fund – Federal and Other Restricted Accounts

A summary of special revenue fund revenues and receipts during the audited period and the preceding fiscal year follows:

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Institutional General Welfare Fund	\$ 681,830	\$ 1,052,079	\$ 2,193,476
Activity Fund	19,870	25,000	-
Federal Aid	83,008	-	-
Total Revenue and Receipts	<u>\$ 784,708</u>	<u>\$ 1,077,079</u>	<u>\$ 2,193,476</u>

Recoveries for the care and treatment of veterans are initially deposited into the IGWF and are subsequently transferred to the special revenue fund as needed to fund a portion of operating costs. Increases in receipts from the IGWF over the audited period reflect an increasing reliance on cost recoveries to fund operations. Federal aid was received primarily for the renovation of the veterans’ residential facilities, which was completed in the 2012-2013 fiscal year.

A summary of special revenue fund expenditures during the audited period and the preceding fiscal year follows:

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Professional and Other Services	\$ 584,729	\$ 659,146	\$ 655,008
Client Services	197,829	192,396	217,828
Payments to Inmates/Clients	-	-	488,862
Purchased Commodities	83,538	31,307	558,137
All Other	77,474	33,562	139,323
Total Expenditures	<u>\$ 943,570</u>	<u>\$ 916,411</u>	<u>\$ 2,059,158</u>

Increased expenditures in the 2014-2015 fiscal year reflect an increased need to supplement the department’s operating costs with IGWF funds. IGWF funds were predominantly used to fund the patient worker program and for purchased commodities. IGWF activity is discussed further below.

Institutional General Welfare Fund

The 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 the Institutional General Welfare Fund revenue and receipts during the audited period and the preceding fiscal year follows:

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Patient Billings	\$ 2,607,809	\$ 2,757,699	\$ 2,491,067
Estate Collections	81,593	10,722	3,976
All Other	153,116	132,059	109,844
Total Revenues and Transfers	<u>\$ 2,842,518</u>	<u>\$ 2,900,480</u>	<u>\$ 2,604,887</u>

Section 27-108 subsection (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 revenues collected by the IGWF and fluctuate as a result of the number of patients served and the ability of the patients to pay for their care. In addition, the IGWF also collects funds from estate collections under the provisions of Section 27-108 subsection (f) of the General Statutes.

Expenditures totaled \$1,001,144 and \$2,126,672 for the 2013-2014 and 2014-2015 fiscal years, respectively, and consisted almost entirely of transfers to the special revenue fund for the general operations of the department during the audited period. Special revenue fund revenues from the IGWF, as presented above, reflect the total funds transferred to the special revenue fund from the IGWF.

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 \$15,903, \$16,688, and \$27,869 for the 2012-2013, 2013-2014 and 2014-2015 fiscal years, respectively. The major sources of revenue were sales of food items at the Winner's Circle canteen.

As previously noted, monies from the Activity Fund may be transferred 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 \$69,008, as of June 30, 2015.

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 \$34,230 as of June 30, 2015. 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, no transfers were made out of the fund and a total of \$100 in interest was earned.

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. 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>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Residential (Outpatients)	\$106	\$102	\$136
Hospital (Inpatients)	717	705	730

Daily Census

The department conducts a daily census of the veterans residing at the Veterans' Home. The census as of June 30, 2015 follows:

	<u>Total</u>	<u>Residential</u>	<u>Hospital</u>
World War II	21	1	20
Korean War	38	10	28
Vietnam	187	136	51
Operation Earnest Will	2	1	1
Operation Desert Storm	8	6	2
Invasion of Grenada	1	1	0
Lebanon Conflict	5	4	1
Peace Keeping Mission in Lebanon	40	31	9
Operation Freedom	3	3	0
Peace Time	23	22	1
Persian Gulf	9	7	2
Total	<u>337</u>	<u>222</u>	<u>115</u>

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

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

Deficiencies Related to Activity and Welfare Fund Disbursements

Criteria: Section 27-106(b) of the General Statutes stipulates that expenditures made from the Institutional General Welfare Fund (IGWF) must directly benefit veterans or the Veteran's Home.

Good business practice dictates that staff should document and retain adequate support for disbursements, including proof of receipt substantiated by veteran signatures.

The Department of Veterans' Affairs policy requires that all requests for use of donated funds be made on a Request for the Use of Donations Fund form. This form must be approved by the requesting department manager, then verified by the fiscal/business office before being sent to the commissioner for final authorization and subsequent disbursement.

Condition: Our review of 34 disbursements from the department's IGWF and Activity Fund disclosed the following:

1. We noted that 3 employee appreciation expenditures, totaling \$4,074, were made out of the agency's IGWF donations account. One transaction, totaling \$1,340, was charged to a donation account intended for employee use. However, 2 transactions, totaling \$2,734, were charged to donation accounts intended for veterans' activities.

Agency personnel informed us that employee appreciation expenditures were funded by a donation received in July 2005, which was to be used for said purpose, but the agency was unable to provide documentation for the \$25,000 donation to support the assertion that employee appreciation was the intended use.

2. In each of the audited years, the department purchased 235 gift cards, valued at \$25 each, to be distributed to veterans in the residential facility for the holiday season, as well as 1 gift card valued at \$100 for a special appreciation gift. Our review noted that in the 2014-2015 fiscal year, the department did not maintain any certification of the receipt of gift cards by

veterans or for the special appreciation gift. In addition, 9 gift cards from the 2013-2014 fiscal year and 12 gift cards from the 2014-2015 fiscal year were documented as returned to the business office. However, we were unable to verify the disposition of 9 of the 21 returned gift cards.

3. Of the 34 disbursements selected for testing, 21 transactions did not have documented dates of approval, 5 transactions were approved by the commissioner after disbursements were made, and 1 transaction lacked the commissioner's approval.

Effect:

1. The agency is not in compliance with Section 27-106(b) of the General Statutes. The comingling of purported employee appreciation donations and donations intended for veterans increases the risk of misappropriation of funds. We were unable to verify that funds used for employee appreciation activities were donated for that purpose.
2. There is risk that gift cards were not received by the intended recipients.
3. The processing of disbursements without proper authorization increases the risk of misappropriation of funds. Without documented approval dates, we are unable to verify proper authorization.

Cause:

The charging of funds intended for veterans for employee-related activities is attributable to the comingling of employee and veteran monies in a single fund and clerical errors. The other conditions appear to be due to managerial oversight.

Recommendation:

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. (See Recommendation 1.)

Agency Response:

"The source document regarding the use of donated funds for employee appreciation provided by the agency was an email from the former commissioner dated 11/26/2008 to establish an employee appreciation fund based upon the donor's intent to recognize the contribution of DVA staff regarding the level of care they provided Veteran clients during their stay at the Rocky Hill Facility. In compliance with the Auditor's recommendation, the agency will separate from "donations", the remaining balance of the employee appreciation fund and establish a separate account

with internal policies outlining criteria for use under the current commissioner's administration.

With regard to gift cards, all gift cards returned to the Business Office are kept in a safe located in the Business Office. Going forward the agency will account for, disburse and accept returned cards with the appropriate level of documentation/approval consistent with the Auditor's recommendations. Updated internal controls and policies have been established for the utilization/distribution of gift cards to veterans. When the Residential Facility Staff distributes gift cards to any veteran resident residing at the Connecticut Department of Veterans Affairs for a special event, holiday, or any other program-related achievement or appreciation, his or her signature will be required for verification and audit compliance. This will create a record of the distribution and receipt of all gift cards. The original copy of the signature receipt form will be given to the Business Office and a copy will be retained in the Residential Office. Any gift cards not distributed will be returned to the Business Office and accounted for accordingly.

Additionally, to strengthen agency internal controls, the "Request for the Use of Donations Fund" form has been revised to include the date field to address the Auditor's recommendation."

Deficiencies in Controls over Cash Receipts

Criteria: The State Accounting Manual requires that agencies establish proper internal controls over receipts to minimize the risk of loss. All receipts should be recorded either in a bound journal or on prenumbered receipt forms, in duplicate. Adequate segregation of duties should exist to enhance controls over the receipt process.

The agency's Donation Policy and Procedures provide that the manager of community advocacy will acknowledge in writing and keep a file of all donations received for the agency's records prior to forwarding financial donations to the business office for deposit.

Condition: Our review noted that donation receipts were not recorded in a bound journal or on prenumbered receipt forms. In addition, donation receipts are received by both the manager of community advocacy and the business office. As a result, there is no single record of donation receipts.

- Effect:* The agency is not in compliance with State Accounting Manual requirements and its own internal control procedures. Multiple separate receipt records lessen assurance that all receipts are accounted for, increasing the risk of loss or misappropriation.
- Cause:* Agency procedures were not adequately designed to address recording of receipts in an appropriate receipts journal.
- Recommendation:* 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. (See Recommendation 2.)
- Agency Response:* "Following this audit period but prior to the audit, DVA designated the Manager of Community Advocacy as the single access point for all incoming donations and established a mechanism to track and record monetary donations before forwarding them to the Business Office for deposit. Establishing a single access point for donations will strengthen internal controls and provide segregation of duties."

Weaknesses in Payroll Time Reporting and Overtime Approvals

- Criteria:* Timesheets should be approved by the employee and supervisor in a timely manner at the end of each pay period to ensure that hours included are accurate and reflect actual hours worked.
- Per NP-2 Bargaining Unit Agreement, Article 28, Section 2, no employee will carry over, without agency permission, more than 10 days of vacation leave to the next year, except in extraordinary situations and with the permission of the agency.
- Agency procedures require that all overtime worked must have prior supervisory approval. In emergency situations, in which prior written approval is not practical, documentation of prior verbal approval should be on file.
- Condition:*
1. We reviewed 20 employee timesheets submitted during the audited period and found that 11 were completed from 1 to 25 days prior to the end of the pay period.
 2. Our review noted 2 NP-2 employees who carried over more than 10 days of vacation leave to the following year with no documentation of extraordinary situations or agency permissions.

3. A review of overtime worked by 10 employees during a selected pay period revealed 6 instances in which overtime approval requests were missing and 7 instances in which overtime approval requests were either approved late or not dated. In addition, we noted 4 instances in which shifts were initially denied and documentation of a verbal approval due to an emergency situation was not on file.

Effect:

1. The completion of timesheets in advance increases the risk that employees are paid for hours not worked or that leave time taken is not charged to leave accruals.
2. Employees were allowed to retain vacation time in excess of what is allowed by the NP-2 contract.
3. By not following established overtime procedures, there is increased risk that unauthorized overtime is worked or that overtime is paid that was not actually worked.

Cause:

The completion of timesheets in advance and excess vacation carryover were due to a lack of agency oversight. Missing, incomplete, and late approvals of overtime requests were again due to a lack of agency oversight and the need to maintain adequate staffing without proper agency follow up.

Recommendation:

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. (See Recommendation 3.)

Agency Response:

"The agency conducted numerous training sessions for agency employees when the self-service feature for timesheets was implemented in 2013. Subsequent education and communication were provided to supervisors and employees. The agency will send out additional communication and provide training to bring awareness and compliance on the need for timely submission of timesheets. The agency will also run quarterly reports to identify employees that violate the timesheet submission timeframe and remind them of the proper procedure.

The agency will reach out to the CORE team for reporting assistance. When the appropriate accrual report is available, the agency will take a proactive role and run the report to identify employees in violation of the maximum vacation carryover. These employees will be notified. At the beginning of the year, the

accrual report will be run again and any adjustment needed will be performed.

The agency has a strict overtime policy that requires overtime be pre-approved or approved on the next business day in the event of an emergency. The overtime violation outlined in the audit was brought to the attention of nursing administration; consequently, updated review and control measures including updated overtime approval forms have been implemented. Supervising nurses and the director of nursing now review daily schedule runs to ensure overtime slips are obtained. This new protocol was discussed and communicated in a recent Nursing Leadership meeting.”

Late Issuance of Purchase Orders

Criteria: Section 4-98 Subsection (a) of the General Statutes states, in part, that no budgeted agency or any agent thereof shall incur any obligation, by order, contract, or otherwise, except by the issue of a purchase order or any other documentation approved by the Comptroller.

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

Condition: A review of 5 payments of purchasing card invoices disclosed that purchase orders were not issued and approved until the purchasing card statements were received, or after the goods were received or services were rendered.

Effect: The department is not in compliance with Section 4-98 of the General Statutes and the State Purchasing Card Coordinator Manual. In addition, a lack of the proper commitment of funds increases the risk that funding may no longer be available to make timely payments to vendors.

Cause: The agency does not have procedures in place to establish a purchase order prior to a new billing cycle.

Recommendation: The Department of Veterans’ Affairs should comply with Section 4-98 of the General Statutes and the State Purchasing Card Coordinator Manual by ensuring commitments are in place prior to incurring obligations. (See Recommendation 4.)

Agency Response: “Corrective action has been implemented. Purchase orders will be issued before the billing month.”

Inadequate Billing and Accounts Receivable Reporting

Criteria: The State Accounting Manual states that accounts receivable records must 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: The department maintains a billing and accounts receivable system to record and track billings to veterans for the cost of care provided by the department. A review of that system disclosed:

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 receivables. As of June 30, 2015, the system contained 3,212 accounts, of which an estimated 1,728, or 54%, 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 incomplete 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 healthcare 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 in 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 5.)

Agency Response: “The agency is implementing a new enterprise-wide Electronic Health Record (EHR) system that includes a patient billing and accounts module. The new billing system will address the following conditions as outlined by the Auditors:

1. Aging schedule – The new billing system generates aging reports.
2. Only active accounts and accounts discharged within the last two years were ported over to the new system.
3. New monthly statements have more transaction detail with the veteran account aging information at the bottom of the billing statement.”

Late Payment of Expenditure Invoices

Criteria: Section 4a-71 of the General Statutes stipulates that payments made by state departments shall be timely if made by the specified due date or within 45 days of receipt of a properly completed claim or receipt of goods and services, whichever is later.

Condition: Our review of payments made to a vendor providing medical transportation services disclosed that out of 530 individual payments made to the vendor during the audited period, 160, or 30%, were made more than 45 days after an invoice was received by the department. The payments ranged from 1 to 160 days late and totaled \$49,952.

Effect: The agency is not in compliance with Section 4a-71 of the General Statutes. Untimely payments could result in the department incurring late fees.

Cause: The department explained that the payment process for vendor invoices is a lengthy but necessary process. Invoices are validated by health care staff and then reviewed by the business office 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.

Recommendation: 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. (See Recommendation 6.)

Agency Response: "While the agency agrees and strives to make timely payments, the agency also wants to ensure that it is the payer of last resort for the transportation invoices, after Medicaid, Medicare, U.S. Department of Veterans Affairs, private insurance and all other pay sources have been exhausted. This fiscal due diligence has resulted in cost savings to the agency and the state. However, the agency will review the process again in an effort to make earlier payments.

Therefore, the agency is currently reviewing its verification process to be in compliance with the auditor's recommendation.

Deficiencies in Controls over Cell Phone Monitoring

Criteria: Section 3-117(c) of the General Statutes requires the chief information officer to charge the appropriation of any state agency for telecommunication services without certification that such services were received. However, not later than 30 days following notification to state agencies of such charges, agencies are required to certify to the chief information officer that such services were provided to the agency.

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

- Conditions:*
1. Out of 2 agency-wide monthly billing statements selected for review, 1 could not be located by the agency and 1 was not reviewed and certified by an agency official.
 2. A review of 10 individual monthly statements disclosed the following exceptions:
 - a. Six supervisory reviews were completed from 6 to 37 days late.
 - b. The timeliness of a supervisory review could not be verified in 1 case due to a missing date.
 - c. Supervisory reviews were not conducted in 2 cases.
 - d. Three employee reviews were completed 6 days late.
 - e. The timeliness of employee reviews could not be verified in 3 cases due to missing dates.
- Effect:* The agency was not in compliance with state procedures and statutory requirements concerning telecommunication services. Weaknesses in verifying cell phone billings increase the risk that abuse and loss can occur and not be detected in a timely manner.
- Cause:* Late, missing, and undocumented dates of review appear to be the result of a lack of managerial oversight over cell phone monitoring.
- Recommendation:* 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. (See Recommendation 7.)
- Agency Response:* "To establish managerial oversight, the Director of Safety and Security, who currently oversees telecommunications, will now review the monthly cell phone bills and sign off for the cell phone charges. The agency will also establish backup roles for these managerial duties in the event that the primary manager is absent."

Lack of Required Board of Trustees Meetings and Disclosures

Criteria: Section 27-102n(b) of the General Statutes 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 31st of each year.

Condition: During the audited period, the board did not hold meetings during 3 of the 8 quarters. Also, for 2 of the 6 meetings held, the board failed to have the required quorum.

Meeting schedules and minutes are not posted on the department’s website and meeting schedules are not 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 finding committed members to fill the 16 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(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. (See Recommendation 8.)

Agency Response: “The agency has been in compliance with the condition cited by the auditor since appointment of the new Board of Trustees pursuant to P.A. 15-197. The Board of Trustee meetings have been scheduled and held quarterly as follows:

- May 31, 2016 – meeting held
- Sept 20, 2016 – meeting held
- Dec 1, 2016 – meeting scheduled
- March 21, 2017 – meeting scheduled

Meeting notices for May and Sept 2016 were emailed to the Secretary of the State. The meeting notices are posted on the DVA website (<http://www.ct.gov/ctva/cwp/view.asp?a=1992&q=581136>) along with the Minutes of the May meeting. September minutes will be posted upon adoption by the Board of Trustees. ”

Unapproved Establishment of New Bank Accounts

- Criteria:* The State Accounting Manual requires that agencies receive written permission from both the State Treasurer and State Comptroller before opening new bank accounts.
- Condition:* The agency established 2 new bank accounts during the month of December 2014 prior to obtaining approval from the State Treasurer and the State Comptroller. One account was related to the IGWF while the other was related to power of attorney accounts. Subsequent to our inquiries, the account related to the IGWF was approved in May 2016. The account related to power of attorney accounts remained unapproved at the time of our review in June 2016.
- Effect:* The agency is not in compliance with the State Accounting Manual. Bank accounts not on record with the offices of the State Treasurer and State Comptroller are at increased risk of going unreported on reports used to compile the state’s Comprehensive Annual Financial Report.
- Cause:* The agency submitted requests for approval of the new accounts in October 2014, but moved forward with establishing the accounts in December 2014, despite not having received approval.
- Recommendation:* 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. (See Recommendation 9.)
- Agency Response:* “The agency has followed the process to request opening bank accounts with the State Treasurer and the State Comptroller. Going forward, the agency will await official approval from the State Treasurer and the State Comptroller before opening bank accounts.”

RECOMMENDATIONS

Our prior report on the Department of Veterans' Affairs covered the fiscal years ended June 30, 2011, 2012, and 2013 and contained 6 recommendations, of which 4 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 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.** Weaknesses in the department's billing system continued to exist; therefore this recommendation is being repeated. (See Recommendation 5.)
- **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.** Our current review noted continued weaknesses in billing remittance times; therefore, this recommendation is being repeated in modified form. (See Recommendation 6.)
- **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.** Weaknesses in verifying cell phone activity continued to exist; therefore, this recommendation is being repeated. (See Recommendation 7.)
- **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.** Our current review noted continued weaknesses related to board of trustee meetings; therefore, this recommendation will be repeated. (See Recommendation 8.)
- **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.** We did not note any exceptions in these areas during our current review; therefore, this recommendation is not being repeated.
- **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.** Our current review noted improvements in the monitoring of bank account balances; therefore, this recommendation is not being repeated.

Current Audit Recommendations

- 1. 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.**

Comment:

Our review of expenditures of donated funds noted employee appreciation expenditures which were miscoded to donation accounts intended for the benefit of veterans, and missing or inadequate documentation related to gift cards distributed to veterans. In addition, we noted requests for use of donated funds which were missing approval, approved late, or missing approval dates.

- 2. 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.**

Comment:

Our review noted that the initial recording of donation receipts was inconsistent with the requirements of the State Accounting Manual and good business practice.

- 3. 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.**

Comment:

Our review noted timesheets submitted from 1 to 25 days before the pay period end date, and overtime approval requests that were missing, late, or not dated. In addition, we noted that 2 employees were permitted to carry over vacation leave in excess of the 10 days allowed by union contract.

- 4. 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.**

Comment:

Our review noted that purchase orders were not processed for purchases made on purchasing cards until after monthly statements were received by the agency.

- 5. 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:

Our review noted that the department's billing system is unable to generate a reliable aging schedule of receivables for veterans in the department's healthcare facility, does not accurately reflect the number of veteran accounts, and produces incomplete monthly statements.

- 6. 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.**

Comment:

Our review of payments to a vendor for medical transportation services noted payments made from 1 to 160 days after the 45-day deadline for payment set by Section 4a-71 of the General Statutes.

- 7. 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.**

Comment:

Our review noted 1 agency-wide cell phone billing statement that was not reviewed, and a second that could not be located. In addition, we noted employee and supervisory reviews of individual statements that were completed from 6 to 37 days late, or in which timeliness of the reviews could not be verified.

- 8. 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.**

Comment:

Our review of board of trustees meeting activity noted instances in which the board did not hold required meetings or lacked a required quorum in 2 meetings. In addition, meeting schedules and minutes were not posted on the department's website and meeting schedules were not filed with the Secretary of the State.

- 9. 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.**

Comment:

Our review of agency bank accounts noted that 2 new accounts were established prior to the department receiving required approvals from the offices of the State Comptroller and State Treasurer.

CONCLUSION

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



Douglas Stratoudakis
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert J. Kane
Auditor of Public Accounts