

**Department of Veterans Services Plan of Correction for
Auditor of Public Accounts Audit Report
for the Period January 1, 2005 through March 31, 2006
February 13, 2007 Status Update**

Introduction

Listed below is the current status on the original Department of Veterans (DVS) Service Plan of Correction submitted August 15, 2006. Those actions that have been completed show what actions have been taken. Current status and actions taken to date are given for those points that have not been completely corrected.

The consolidation of the financial staff into one building was completed on December 18, 2006. On January 10, 2007, the vacant Financial Manager position for the Virginia Veterans Care Center (VVCC) was filled by a person with more than ten years of state experience with a state agency that provides health care related services. That experience has allowed the Financial Manager to quickly realize and implement needed changes to existing operations which, in turn, will improve the agency's overall performance and compliance with existing rules and regulations. In addition, since the last status update, most of the technical problems relating to gaining access to the Financial Management System (FMS) through the Virginia Information Technologies Agency (VITA) network have been resolved. Accordingly, preparations are being made to go live with the system on March 1, 2007. Continuous review of financial operations is ongoing, and more changes are anticipated as DVS moves along with the implementation of the FMS.

A quick reference procurement user's guide is in the final stages of development and, once completed, a one-day training session will be held with appropriate staff to review current policies and procedures governing procurement and contracting activities.

The former Information Technology (IT) Director retired on December 31, 2006 and the position was filled on January 25, 2007. Since coming on board, the new IT Director has been concentrating efforts on procuring a new client information/patient billing system, which is needed prior to the anticipated July 2007 opening of the Sitter-Barfoot Veterans Care Center (SBVCC) in Richmond. The IT Director also is working on two new projects related to operations of the Benefits Services program, i.e., TurboVet and document imaging. Both of these projects will enhance services to Virginia's veterans. The IT Director position formerly was based in Roanoke, but now will be based in Richmond. The IT Director will perform an overall assessment and review of current DVS IT operations and make changes, as needed, to comply with VITA's and other governing bodies' policies and procedures.

Findings and Corrective Action Plans

Ensure Accurate Time and Leave Reporting

Changes in time sheets have been implemented and now are being reviewed monthly by supervisory staff. New leave slip policies have been implemented and are being monitored. The

use of a time clock for Central Administration staff at the VVCC has been discontinued, and time accounted for consistently with that of Central Administration staff located in the Poff Building. The consolidation of staff into one location was completed on December 18, 2006. This action has improved the communication level among staff, improved the processing time for approval and payment of invoices, and increased the level of checks and balances needed to properly manage a finance office.

Completed Date: December 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Human Resource Manager

Strengthen Controls Over the Small Purchase Charge Program

New policies and procedures identified in the August 15 response are still in place and are being monitored closely. Requested August 2006 on-site review of the purchasing process for DVS by the Department of General Services (DGS) was cancelled due to the resignation of DGS staff who was to conduct the review. No future date for a review was established; however, DVS has hired part-time procurement contract staff, who has CPPB and VCO certification. This staff works twenty hours per week; is improving the procurement work flow; and is giving the DVS Procurement Assistant hands-on training on both contracting and procurement issues. In addition, the administrative staff at the VVCC who is extremely proficient with the small purchase charge program policies and procedures has been assigned the role of assisting other DVS charge card users with problems and questions relating to charge card purchases. A draft of a quick reference user's guide has been developed, reviewed and should be ready for distribution to all appropriate staff within the next forty-five days. Once the user guide is completed, a one-day training/refresher session will be held with all appropriate staff.

Completed Date: October 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration

Improve Petty Cash Controls

New procedures have been developed and implemented to ensure accountability and compliance with DVS and Department of Accounts (DOA) policies, prior to any check being written and issued. DVS staff have been informed on sales tax exemption requirements for state purchases. Petty cash balances and expenditures are being reconciled monthly by the VVCC Financial Manager and approved by the Director of Finance and Administration.

Completed Date: August 2006

Primary Responsible Staff for Corrective Action: VVCC Finance Manager and Director of Finance and Administration

Properly Report Construction in Process

Construction in Progress was included on financial statements for fiscal year 2006. FAACS files still need to be updated to reflect proper information. The new VVCC Financial Manager is coordinating this process.

Completion Date: November 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and VVCC Financial Manager

Establish and Implement Adequate Policies and Procedures for the Veterans Services Foundation

A draft policy and procedure document was presented to the Veterans Services Foundation Board of Trustees (VSF) in July, detailing new policies and procedures governing the handling and disbursement of donated funds. The new policy and changes in procedures were well received by the VSF. Recommendations for edits and changes from the VSF were made and scheduled to be presented to the VSF at its October, 2006 meeting; however, that meeting was cancelled. A revised draft was presented to the VSF in December, 2006 and the VSF requested further changes to proposed policy. The requested changes relate to VSF oversight and control of budgets and expenditures.

Completion Date: July 2007

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Director of Policy and Planning

Establish Process for Determining Negotiated Rates

Procedures have been established and implemented to determine negotiated room and board rates, based on an assisted living facility applicant's ability to pay, taking into account their other recurring expenses. All requests and calculations will be reviewed and approved, as appropriate, by the VVCC Financial Manager and the VVCC Administrator. These procedures will ensure consistency and equity in determining negotiated rates for assisted living residents.

Completed Date: August 2006

Primary Responsible Staff for Corrective Action: Chief Operating Officer, VVCC Administrator and VVCC Financial Manager

Appropriately Allocate Administrative Costs for the VVCC

Changes have been implemented in order to allocate administrative staff time and costs that are directly associated with the VVCC. This will improve the accuracy of costs charged to the VVCC and reduce the risk of receiving inappropriate reimbursements for indirect costs. A more comprehensive department-wide administrative cost allocation review is necessary to assure uniform and accurate cost allocations. It has been determined that sufficient General Fund appropriation is not available in program 499 (Administrative and Support Services) to cover all of the expenditures anticipated for Fiscal Year 2007. A budget amendment requesting an additional \$400,000 in General Funds was submitted to cover this shortfall for Fiscal Year 2008. However, Special Funds generated by the VVCC operations still will have to be used to cover

this shortfall, as well as the \$468,300 FMS Special Fund appropriation identified for program 467 (Veterans Benefits Services) for Fiscal Year 2007.

Completion Date: July 2007

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and DVS finance office

Improve Voucher Documentation and Compliance with Procurement and Payment Policies

Processing procedures have been implemented to conform and comply with current policies and procedures governing procurement and payment practices. The part-time procurement/contract staff continues to review and update procedures relating to procurement practices. A procurement user's quick reference guide is being developed and will be distributed within the next forty-five days. A new VVCC Financial Manager began work on January 10, 2007 and is implementing changes that will increase the level of review and approval of all transactions prior to actual payment of invoices.

Completion Date: July 2007

Primary Responsible Staff for Corrective: Director of Finance and Administration and Virginia Veterans Care Center Financial Manager

Information Systems Security Assurance

Access to systems for unauthorized employees identified at the time of the audit has been terminated. A departmental policy was distributed in May 2006, relating to client data and the off-site use of personal or lap top computers. In general, the overall assurance for increased security and development of comprehensive policies and procedures for an agency as small as DVS must come from VITA. The 2006-2007 agency contract with VITA has been amended to include the provision of additional information systems security assistance on infrastructure devices and risk analysis, and to deploy the appropriate controls and or appropriate corrective action plans. The IT Director retired on December 31, 2006, and the position was filled on January 25, 2007 with an employee with specific qualifications to focus on improving policies, procedures and internal IT technology. Since coming on board, the new IT Director has been working to replace the client information/patient billing system, along with several other DVS initiatives.

Completion Date: July 2008

Primary Responsible Staff for Corrective Action: DVS IT Manager, Director of Finance and Administration, VITA

Improve Petty Cash Records and Compliance Requirements

New procedures have been developed and implemented to ensure accountability, compliance with DVS and DOA policies and accuracy prior to any check being written and issued. DVS staff have been informed on sales tax exemption requirements for state purchases. Petty cash

balances and expenditures are being reconciled monthly by the VVCC Financial Manager and approved by the Director of Finance and Administration.

Completed Date: August 2006

Primary Responsible Staff for Corrective Action: VVCC Financial Manager and Director of Finance and Administration

Comply with Commonwealth Human Resource Overtime Standards

Changes in procedures and employee practices have been implemented to restrict earning overtime and compensatory time to those specified in Department of Human Resource regulations. Fair Labor Standards Act training was conducted in August, 2006 for further education of staff on the earning and reporting of overtime and compensatory time.

Completed Date: August 2006

Primary Responsible Staff for Corrective Action: Human Resources Director

Implement and Monitor Procedures to Ensure Proper Use of Funds

Changes in the classification of Federal VA subsidy funds from non-general funds to Federal Trust in the Commonwealth Accounting and Reporting System (CARS) and the state budgeting process were implemented at the beginning of Fiscal Year 06-07 or July 1, 2006. Financial Statements for Fiscal Year 06 will be noted and adjusted to address the proper classification of these funds, as well as in the Schedule of Expenditures of Federal Awards. The usage and budgeting of the VA subsidy has been the subject of internal study since February 2006, and DVS staff identified the incorrect classification of these funds internally before the APA audit was conducted. A plan is being developed for utilization of these funds as part of the operating and capital budget for the care centers, as well as for providing financial assistance to veterans that may have inadequate resources to fully meet the charge rates. Final implementation of the budget and policy changes relating to the use of these funds may include policy recommendations by the Board of Veterans Services and action by the state legislature. Appropriations adjustments to show Federal Trust as a funding source for care center operations have been processed by DPB and are reflected on CARS documents.

Completion Date: July 2007

Primary Responsible Staff for Corrective Action: Director of Finance and Administration, VVCC Director and VVCC Financial Manager

Improve Bad Debt Collection Efforts and Account Write-Offs

New debt collection procedures are being formulated to ensure timely action and follow-up on delinquent accounts. Accounts will be properly classified according to payment source. Supporting documentation will be maintained on all correspondence and collection issues. Accounts receivables will be reviewed no less than quarterly to determine problems or anomalies that need attention.

Completed Date: November 2006

Primary Responsible Staff for Corrective Action: VVCC Financial Manager

Establish a Memorandum of Understanding with the Department of General Services

A formal agreement for support from DGS for Capital Construction and Procurement Assistance was developed and executed.

Completed Date: October 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and DGS staff

Properly Manage Fixed Assets

The FAACS system is being updated monthly. The new VVCC Financial Manager has determined that much of the information currently in the system needs to be reviewed and updated in accordance with current guidelines governing fixed assets.

Estimated Completion Date: July 2007

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Virginia Veterans Care Center Financial Manager