

**Department of Veterans Services Plan of Correction for  
Auditor of Public Accounts Audit Report  
for the Period January 1, 2005 through March 31, 2006  
May 15, 2007 Status Update**

**Introduction**

Listed below is the current status on the original Department of Veterans Service (DVS) Plan of Correction submitted on August 15, 2006. What was done and when is indicated for audit points that have been completely corrected. 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 care center was filled by a person with ten plus years state experience with another state agency which provided health care services. That experience has allowed 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. Also, since the last 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. It was indicated in the previous status report that plans were to go live with FMS on March 1, 2007 and that was accomplished. This system currently is being run parallel with the Commonwealth Accounting and Reporting System (CARS); however, it is anticipated that by June 1, 2007 only FMS will be used to interface with CARS. Continuous review of financial operations is ongoing, and more changes are anticipated as DVS moves along with the implementation of the financial management system.

Due to a couple of critical procurement projects (a new clinical billing/patient information system, and the TurboVet benefits information system), the issuance of the quick reference procurement user's guide has been delayed. A new timetable for completion of the guide and the dates of training will be established soon.

As indicated previously, the new Information Technology (IT) Manager has been concentrating efforts on procuring a new client information/patient billing system for care center operations, as well as the TurboVet system and the document imaging project for Benefits Services information. The IT Manager also has been busy with the coordination of the VITA hardware transformation project, as well as associated inventorying and pricing of related services.

A Memorandum of Understanding for Architectural and Engineering Services between DVS and the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) has been executed. The years of experience possessed by DMHMRSAS staff, combined with their knowledge of facilities similar to those operated by DVS, will greatly enhance DVS's ability to identify and manage its capital needs and projects.

## **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 located in the Care Center has been discontinued and time is being accounted for consistently with that of Central Administration staff located in the Salem VA Medical Center. Scheduled 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.

**Completion Date: December 2006**

**Primary Staff Responsible 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 report 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 been cancelled due, to the resignation of the DGS staff who was to conduct the review. No future date for a review was established; however, DVS has hired a part-time procurement/contract staff person who has Certified Professional Public Buyer (CPPB) and Virginia Contract Officer (VCO) certification. This individual is working twenty hours per week, and has improved the work flow and given the DVS Procurement Assistant hands-on training on both contracting and procurement issues. In addition, the administrative staff person at the Care Center who is extremely proficient with 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. This staff person just attended and passed the Virginia Contract Assistant course in April 2007. The completion of the quick reference guide and associated training has been delayed; however, it is anticipated that the project will be completed within the next 60 days.

**Completion Date: October 2006**

**Primary Staff Responsible 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 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 Virginia Veterans Care Center (VVCC) Financial Manager and approved by the Director of Finance and Administration.

**Completion 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. Fixed Asset Accounting and Control System (FACCS) files still need to be updated to reflect proper information. The VVCC Financial Manager is coordinating this process.

**Completion Date: November 2006**

**Primary Staff Responsible 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 (Trustees) in July 2006, 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 Trustees. Recommendations for edits and changes from the Board were made and were scheduled to be presented to the Trustees at the October 2006; however, that meeting was cancelled. The revised draft was presented to the Trustees in December 2006 and they again requested further changes to proposed policy. The requested changes relate to the Trustees' oversight and control of budgets and expenditures. The additional requested changes were made and presented to the Trustees in March 2007, at which time, the Trustees again requested more changes. The latest requested changes relate to the solicitation of funds by care center staff. An opinion by the Office of the Attorney General has been requested on this issue.

**Completion Date: July 2007**

**Primary Staff Responsible 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.

**Completion Date: August 2006**

**Primary Staff Responsible 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. These changes 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 anticipated expenditures for Fiscal Year 2007. A budget amendment requesting an additional \$400,000 in General Funds was submitted to cover this shortfall in FY 2008. However, Special Funds generated by 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 FY 2007. The FY 2007 General Assembly Session approved the \$400,000 General Fund request. An analysis of actual time allocation for FY 2007 currently is being preformed to determine if current allocation percentages are consistent with actual time consumed to perform services.

**Completion Date: July 2007**

**Primary Staff Responsible for Corrective Acton: Director of Finance and Administration and DVS Finance Office Staff**

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 manager is continuing to review and update procedures relating to procurement practices. Review and changes still are being made as the implementation and use of the Financial Management System is increasing.

**Completion Date: July 2007**

**Primary Staff Responsible for Corrective Action: Director of Finance and Administration and VVCC 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 previous IT Manager retired on December 31, 2006 and the position was filled on January 25, 2007 with a staff person who has specific qualifications to focus on improving policies, procedures and internal IT technology. Since coming on board, the new IT Manager has been working on replacing the client information/patient billing system, along with several other departmental initiatives.

**Completion Date: July 2008**

**Primary Staff Responsible 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 accuracy, accountability and compliance with DVS and DOA policies prior to any check being written and issued. DVS staff has 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.

**Completion Date: August 2006****Primary Staff Responsible 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 DHRM 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.

**Completion Date: August 2006****Primary Staff Responsible 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 CARS, and the state budgeting process were implemented at the beginning of FY 07, or July 1, 2006. Financial Statements for FY 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 Auditor of Public Accounts (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 the Department of Planning and Budget (DPB) and are reflected on CARS documents.

**Completion Date: July 2007****Primary Staff Responsible 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 which need attention.

**Completion Date: November 2006**

**Primary Staff Responsible 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.

**Completion Date: October 2006**

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

Properly Manage Fixed Assets

FAACS systems are 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 Staff Responsible for Corrective Action: Director of Finance and Administration and VVCC Financial Manager**