

LOUISIANA DEPARTMENT OF VETERANS AFFAIRS
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED FEBRUARY 25, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Department of Veterans Affairs

February 2019

Audit Control # 80180023

Introduction

The primary purpose of our procedures at the Louisiana Department of Veterans Affairs (LDVA) was to evaluate certain controls that LDVA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

LDVA operates five veterans homes across the state, with each home offering a variety of services including long-term and short-term care, rehabilitative therapies, skilled nursing, Alzheimer's and intermediate care, and pharmacy services. Exhibit 1 presents the LDVA Veterans Homes and their locations throughout the state of Louisiana.

Exhibit 1
LDVA Veterans Homes



Source: Created by legislative auditor's staff using information from <https://www.vetaffairs.la.gov/benefit/la-veterans-homes>

Results of Our Procedures

We evaluated LDVA's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of applicable laws and regulations. Based on the documentation of LDVA's controls and our understanding of the related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to the Resident Trust Fund, accounts receivable, pharmacy billing and inventory, meal ticket revenue, Care and Maintenance Fees, contract expenditures, LaCarte purchasing card expenditures, travel expenditures, and Military Family Assistance Program expenditures.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in LDVA's procedural report dated January 18, 2017. We determined that management has resolved the prior-report findings related to pharmacy inventory, care and maintenance fees, travel expenses at LDVA headquarters, and payments to employee. The prior-report findings related to meals at Southeast Louisiana Veterans Home, balances of discharged/deceased residents, accounts receivable, and LaCarte purchasing card have not been resolved and are addressed again in this report.

Current-report Findings

Weaknesses in Controls over the Resident Trust Fund

The Southeast Louisiana Veterans Home and Southwest Louisiana Veterans Home failed to close out individual Resident Trust Fund (RTF) accounts after residents were discharged or deceased. In addition, the Northeast Louisiana Veterans Home failed to maintain evidence to show that disbursements made from the RTF were authorized by the residents or their legal representatives. Failure to close accounts and obtain proper authorization for disbursements increases the risk that funds could be misused or unauthorized disbursements could be made.

The RTF is a facility account used to manage personal funds received from residents and is separate from the facility's operating accounts. Upon written authorization by the resident, the facility accepts responsibility for holding, safeguarding, and accounting for the resident's personal funds. Balances for each resident are tracked separately.

A review of RTF balances and disbursements for individual residents disclosed the following:

- The Southeast Louisiana Veterans Home failed to make an attempt to close out 10 accounts with balances totaling \$25,560 within 30 days of the residents' discharge dates as required by LDVA policy. LDVA policy states that the home shall refund the balance of the residents' personal funds within 30 days of discharge or death.
- Nine former residents at the Southwest Louisiana Veterans Home with discharge dates more than five years old still had RTF balances totaling \$23,769.

Accounts for eight residents had incorrect discharge dates in Pioneer, LDVA's computer system, while the residents had been discharged from six to 11 years. One resident account had the correct discharge date in Pioneer and was three months past the five-year mark. The balances for the nine accounts were transferred to the Recreation and Welfare Account after the auditor requested the report for RTF balances. According to LDVA policy, after a resident passes away or is discharged from the home, the resident's account is balanced to ensure all activity has been posted to the account and all outstanding bills have been paid before any remaining funds are returned to the resident or his legal representative.

If LDVA is unsuccessful in returning the funds and no claim on the funds is initiated within five years of the date of death or discharge, the funds are considered abandoned and are deposited in the home's Recreation and Welfare Account, which is used for the benefit of all residents.

- Seven (18%) of 40 disbursement transactions reviewed at the Northeast Louisiana Veterans Home did not have evidence to show that the residents or their legal representatives authorized purchases made on their behalf by employees of the home. LDVA policy requires that a receipt with the resident's or legal representative's signature be kept for all disbursements from the RTF.

LDVA management should ensure that employees at all homes follow established policies and procedures related to RTF balances and disbursements. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 1-2).

Weaknesses in Controls over Accounts Receivable

LDVA employees did not properly follow up on resident accounts receivable balances and did not follow established write-off procedures for uncollectible accounts. Failure to establish adequate controls over accounts receivable balances increases the risk that errors may occur and not be detected timely and that funds will become uncollectible or residents improperly charged. In addition, inaccurate balances hamper management's ability to monitor cash flow and may cause unnecessary stress on the homes' residents.

We reviewed 100 (20 at each of the five veterans homes) resident accounts receivable balances as of March 31, 2018, that were over 180 days past due. We also reviewed deferrals granted during the period July 1, 2016, through June 30, 2018. Our procedures disclosed the following:

- Eleven (11%) accounts had balances that remained outstanding because LDVA failed to bill timely. LDVA followed up on these balances after the auditor's inquiry. Two balances totaling \$3,491 have been fully collected and one balance of \$583 has been partially collected. Management represented that the remaining eight balances totaling \$86,328 are uncollectible because they are too old to be billed.
- Twenty-two (22%) accounts totaling \$225,291 had inaccurate balances as a result of a billing error or errors generated by the Pioneer system, which records all resident billing and collection information. Similar system generated errors were noted during our previous engagement and were included in the prior-report finding related to accounts receivable.
- Ten (10%) accounts totaling \$86,125 had uncollectible balances that had been outstanding for up to eight years. LDVA policy states that an account is determined to be uncollectible after three attempts to collect have been made and either 120 days or one year has passed, depending upon the type of charge (such as prescriptions or insurance copays). Write-off requests for each of the ten accounts were initiated after the auditor's inquiry.

- Sixteen (16%) accounts totaling \$118,336 had outstanding balances because LDVA did not make adequate efforts to collect the funds timely.
- Seven (7%) accounts totaling \$15,780 had credit balances for which LDVA made no attempt to return the overpayments. Not following up on credit balances increases the risk of misappropriation due to theft.
- LDVA did not properly track care and maintenance fee deferrals granted and did not have information readily available to support the amount deferred for each resident. Residents facing unusual financial hardships may request a deferral of a portion of their care and maintenance fees. Failure to properly track deferrals granted increases the likelihood that LDVA will not collect the funds it is owed.

LDVA management should establish procedures to ensure that at each home accurate monthly charges are being recorded in Pioneer on each resident's account; regular follow-up procedures regarding outstanding balances are being performed to ensure balances are accurate and are being collected timely; and care and maintenance fee deferrals are properly tracked to ensure LDVA collects the funds it is owed. In addition, LDVA management should ensure that established procedures related to the write-off of uncollectible accounts are being adhered to at each home. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 3-6).

Meal Ticket Documentation Not Maintained and Reconciliations Not Performed

In a review of meal ticket sales for five months during fiscal years 2017 and 2018, LDVA employees at the Southeast Louisiana Veterans Home in Reserve did not provide adequate documentation, such as meal ticket logs or bank deposit slips, for meal ticket sales made during October 2016. In addition, employees were unable to locate documentation for meal ticket sales made in March 2017 and the last two weeks of September 2017. Furthermore, employees at the home did not perform daily reconciliations from November 13, 2017, through March 31, 2018, as required by LDVA policy.

At the Louisiana Veterans Home in Jackson, employees failed to reconcile meals purchased on weekends to the revenue collected and submitted to the accounting department for deposit.

LDVA's meal tickets policy, in effect for July 1, 2016, through November 12, 2017, required meal ticket sales to be counted every two to three days and did not require reconciliations to be performed. The policy was revised November 13, 2017, to require that meal ticket sales are counted and reconciled daily.

Failure to maintain documentation and to reconcile meal ticket sales hampers management's ability to ensure that revenue collected has been deposited and increases the risk of errors and/or misappropriation of funds.

Management should ensure that each home performs daily reconciliations, including weekends, as required by policy and maintains adequate documentation to support meal ticket sales.

Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 7-8).

Noncompliance with Contract Regulations at LDVA Headquarters

The LDVA Headquarters procured legal services from a vendor without the initiation of a formal contract. In addition, LDVA Headquarters failed to obtain proper approval for a legal services contract with another vendor and paid the vendor \$20,675 more than the contract amount. Failure to formalize contracts for legal services that include all provisions required by law increases the risk of misunderstandings and/or nonperformance of needed services without any protection, including remedies for default. Failure to obtain proper contract approvals increases the risk for the procurement of fraudulent or unauthorized services.

A review of contracts disclosed the following:

- LDVA Headquarters made payments totaling \$42,615 to a vendor for legal services during the period July 1, 2015, through June 30, 2018, on a contract that ended June 30, 2015. This noncompliance occurred because LDVA Headquarters employees failed to amend the existing contract or initiate a new contract once the contract ended. Louisiana Administrative Code requires a contract for legal services.
- LDVA Headquarters executed a \$25,000 contract for legal services without obtaining Division of Administration, Office of State Procurement (OSP) approval. OSP approval is needed for contracts that exceed LDVA's delegated purchase authority of \$2,000. During the period July 1, 2016, through June 30, 2018, the vendor was paid \$45,675, \$20,675 more than the contract amount.

LDVA management should ensure that state procurement laws and regulations are followed and provide oversight of procurement activities. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 9-11).

Weakness in Controls over LaCarte Expenditures at Southeast Louisiana Veterans Home

LDVA employees at the Southeast Louisiana Veterans Home failed to obtain prior authorization to make purchases using the LaCarte purchasing card. In a review of 20 LaCarte expenditure transactions for the period July 1, 2016, to March 5, 2018, eight (40%) transactions lacked evidence of prior authorization to purchase.

LDVA's LaCarte policy requires employees to obtain necessary approvals to purchase. LDVA personnel represented to us that employees must obtain prior approval on a purchase request form or by email. Failure to obtain proper approvals before purchases are made increases the risk that fraudulent or unauthorized purchases could be made.

Management should ensure that all purchases have been properly approved and employees follow established policies and procedures. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 12).

Resident Trust Fund

We obtained an understanding of LDVA's controls over the Resident Trust Fund (RTF). We reviewed selected transactions at each home for the period July 1, 2016, through March 31, 2018, to determine whether charges to resident accounts were properly authorized. We also reviewed RTF balances as of March 31, 2018, for selected residents to determine whether accounts for discharged and/or deceased residents were handled in accordance with LDVA policy. Based on the results of our procedures, except as noted in the Current-report Findings section, LDVA had adequate controls in place to ensure charges to resident accounts were properly authorized and balances for discharged and/or deceased residents were handled in accordance with LDVA policy.

Accounts Receivable

We obtained an understanding of LDVA's controls over accounts receivable and policies and procedures related to the write off of uncollectible accounts. Monthly billings and collections are posted to resident accounts maintained in the Pioneer system, which has been utilized by LDVA since 2014. We reviewed selected accounts with an outstanding balance of over 180 days at each home. We evaluated the selected balances to determine whether amounts were accurate and collectible. Based on the results of our procedures, we identified discrepancies including inaccurate balances, outstanding balances for which LDVA made untimely or no effort to collect, and uncollectible accounts not written off in accordance with LDVA policies and procedures (see Current-report Findings section).

Pharmacy Billing and Inventory

During fiscal year ended June 30, 2018, the Southwest Louisiana Veterans Home, Northeast Louisiana Veterans Home, and Northwest Louisiana Veterans Home began operating their own in-house pharmacies. Prior to that time, the Southeast Louisiana Veterans Home served as the pharmacy for all five veterans homes and continues to serve as the pharmacy for the Louisiana Veterans Home in Jackson.

We obtained an understanding of LDVA's controls over pharmacy billing at each of the five homes and reviewed selected transactions for fiscal years 2017 and 2018. Based on the results of our procedures, LDVA had adequate controls in place to ensure medications billed to residents and medications billed by the Southeast Louisiana Veterans Home to each of the other homes were accurate and appropriate.

We obtained an understanding of LDVA's controls over pharmacy inventory for the homes operating their own in-house pharmacy and reviewed the physical inventory performed for fiscal year ended June 30, 2018. Based on the results of our procedures, physical inventory was performed in accordance with LDVA policy, and inventory records were maintained.

Meal Tickets

Meal tickets are sold at each home to LDVA employees, volunteers, and visitors. We obtained an understanding of LDVA's controls over meal tickets and performed procedures to determine whether meal ticket sales were adequately supported and properly reconciled in accordance with LDVA policy. Based on the results of our procedures, except as noted in the Current-report Findings section, LDVA had adequate controls in place over meal ticket sales and complied with applicable policies and regulations.

Care and Maintenance Fees

Louisiana Revised Statute 29:383 allows LDVA to establish a monthly Care and Maintenance (C&M) charge for all veterans capable of paying for the use of the facilities. In accordance with the Louisiana Administrative Code, certain allowances, such as personal spending and income considerations, may reduce a resident's C&M fee.

We obtained an understanding of LDVA's controls over C&M fees. For each veterans home, we reviewed C&M fees for selected residents to determine whether the fees were calculated correctly and accurately charged to the resident, and whether LDVA properly verified resident income. Based on the results of our procedures, LDVA had adequate controls in place over C&M fees and complied with applicable policies and regulations.

Contract Expenditures

We obtained an understanding of LDVA's controls over professional services contracts and examined selected contracts for compliance with state law and to ensure that they were properly monitored. Based on the results of our procedures, except as noted in the Current-report Findings section, LDVA had adequate controls in place to ensure that professional services contracts were properly authorized, monitored, and administered in accordance with state law.

LaCarte Purchasing Card Expenditures

LDVA participates in the state of Louisiana's LaCarte purchasing card program. We obtained an understanding of LDVA's controls over LaCarte purchases. We analyzed LaCarte card transaction listings for the period July 1, 2016, through March 5, 2018, and reviewed selected transactions to determine whether LDVA obtained prior approval to purchase, purchases were made for proper business purposes, sufficient documentation was maintained to support purchases, and transactions were properly reviewed and recorded. Based on the results of our procedures, except as noted in the Current-report Findings section, LDVA had adequate controls in place over LaCarte purchases and complied with applicable policies and regulations.

Travel Expenditures

We obtained an understanding of LDVA's controls over travel expenditures. We analyzed travel expenditures for the period July 1, 2016, through March 31, 2018, and reviewed selected transactions to determine whether the expenditures were adequately supported, properly approved and recorded, and made for proper business purposes. Based on the results of our procedures, LDVA had adequate controls in place over travel expenditures and complied with applicable policies and regulations.

Military Family Assistance Program Expenditures

The Military Family Assistance (MFA) Program provides assistance to activated military personnel or an immediate family member of activated military personnel. The MFA program is governed by the Military Family Assistance Board (Board). At its August 29, 2016, meeting, the Board approved assistance to veterans and their families who experienced loss as a result of the March and August 2016 floods. Additional budget authority to award the payments was obtained from the Joint Legislative Committee on the Budget. All flood-related payments were made during fiscal year ended June 30, 2017.

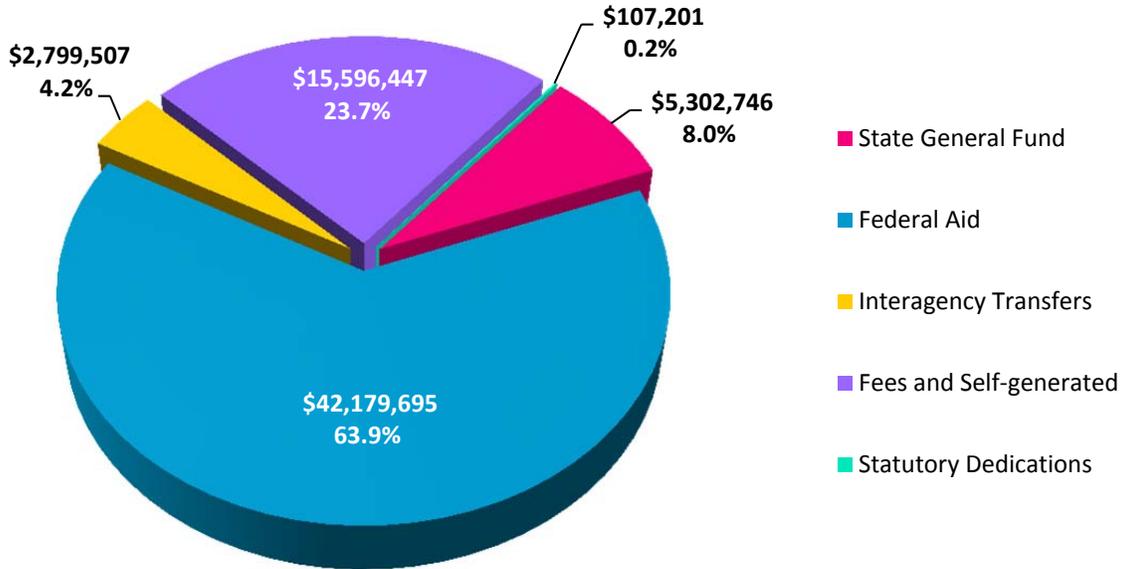
We obtained an understanding of LDVA's controls over the MFA program and reviewed selected flood related payments for the period July 1, 2016, through June 30, 2017. Based on the results of our procedures, LDVA had adequate controls in place over MFA program expenditures to ensure payments were properly approved and adequately supported, recipients were eligible to receive MFA funding, and expenditures complied with applicable policies and regulations.

Trend Analysis

We compared the most current and prior-year financial activity using LDVA's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LDVA's management for any significant variances. We also prepared an analysis of LDVA's fiscal year 2018 revenues and expenditures.

As shown in Exhibit 2, LDVA's main sources of revenue consist of federal aid and fees and self-generated revenue. The majority of federal revenue is received from the United States Department of Veterans Affairs for the Veterans State Nursing Home Care Program.

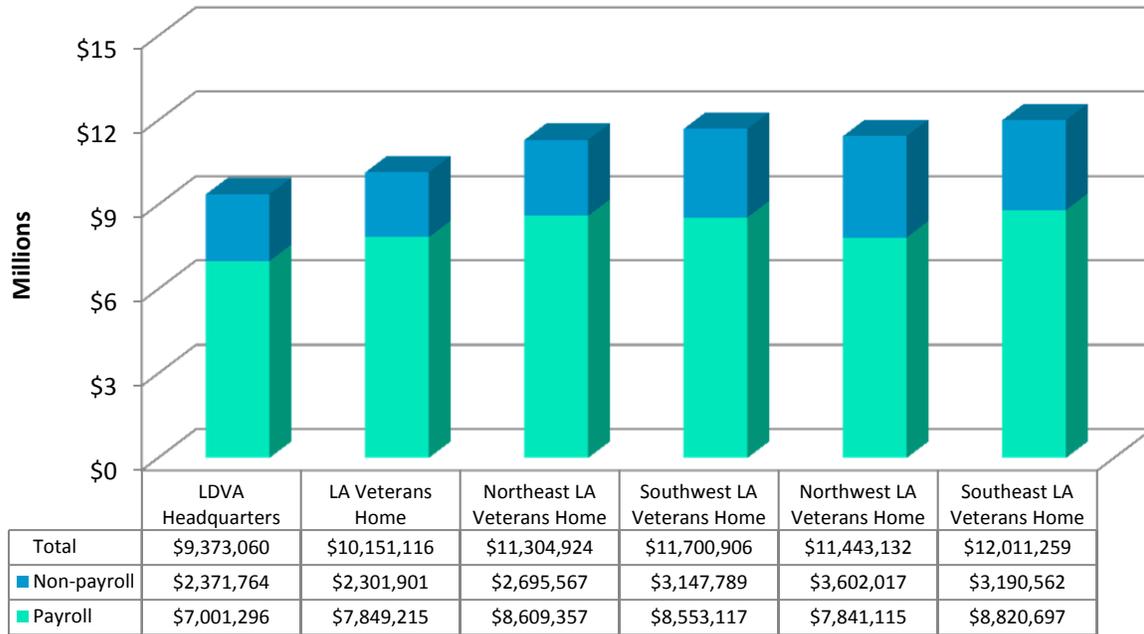
Exhibit 2
Total Fiscal Year 2018 Revenue by Appropriation Type
Total: \$65,985,596



Source: Integrated Statewide Information System Reports

Exhibit 3 shows LDVA’s fiscal year 2018 total expenditures by agency. Payroll expenditures make up approximately \$49 million (74%) of total expenditures.

Exhibit 3
Total Fiscal Year 2018 Expenditures by Agency
Total: \$65,984,397



Source: Integrated Statewide Information System Reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

JP:CRV:RR:EFS:aa

LDVA 2018

APPENDIX A: MANAGEMENT'S RESPONSES

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



JOEY STRICKLAND
SECRETARY

Louisiana Department of Veterans Affairs

January 14, 2019

VIA ELECTRONIC MAIL TO: CVictorian@lla.la.gov

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: *LDVA Response to LLA Finding of Weaknesses in Controls over the Resident Trust Fund*

Dear Mr. Purpera:

With respect to the LLA finding of *Weaknesses in Controls over the Resident Trust Fund*, noting items at three LDVA veteran homes, LDVA concurs with this finding and all three homes are already implementing corrective action plans addressing this finding. These plans are noted below:

Southeast Louisiana Veterans Home concurs with the finding.

Contact Persons Responsible for Corrective Action: Kelly Roche, CFO, and Tricia Vicknair, ACFO

Corrective Action Plan: CFO and/or ACFO will review the discharge report alongside the weekly RTF reconciliation and reconcile the RTF account balances monthly during the Bank Reconciliation process. Within thirty (30) calendar days of discharge or death, the facility will convey any remaining fund balance, along with a final accounting of those funds, to the individual or probate jurisdiction administering the resident's estate. Effective 6/12/18, a new policy revision has addressed the following, "The only balance that may remain in the resident's account from 31 to 90 calendar days beyond the death of the resident is any federal VA benefits amount which is awaiting federal VA reclamation." Quality Assurance monitor monthly for 3 months to assure compliance.

Completion Date: February 1, 2019

Northeast Louisiana Veterans Home concurs with the finding.

Contact Person Responsible for Corrective Action: Karen Evans, CPA, Accountant Supervisor 2.

Corrective Action Plan:

- 1) In-service staff – Finance, Activities, & Social Services of the policy. In addition to the written memo from Social Services requesting checks for the purpose of purchasing items for residents the resident or his legal representative must receive the items in the accounting office and sign the receipt.
- 2) Inform residents of the policy requirement of signing all receipts.
- 3) Quality Assurance monitor monthly for three (3) months to assure compliance.
- 4) Anticipated in-service will be Monday January 14, 2019. Monthly monitoring beginning January 2019 through March 2019 to be conducted by the accountant supervisor 1 or accountant supervisor 2. Residents will be informed at Resident Council Meeting January 17, 2019.

Completion Date: March 29, 2019

Southwest Louisiana Veterans Home concurs with the finding.

Contact Persons Responsible for Corrective Action: Sonya LaCasse, CFO, and Roland Derouen, Jr., ACFO

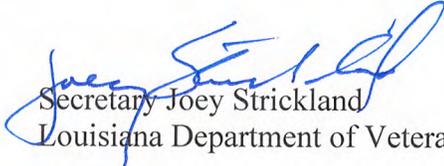
Corrective Action Plan: CFO and/or ACFO will review the discharge report alongside the weekly RTF reconciliation and reconcile the RTF account balances monthly during the Bank Reconciliation process. The Resident Fund Balance report will be monitored to determine if any balances meet the guidelines of abandoned funds and require transfer to the home's Recreation and Welfare Account. Quality Assurance will monitor monthly for three (3) months to assure compliance.

Completion Date: Corrections were completed by April 30, 2018

Lastly, we would note for your reference that LDVA no longer includes the word "war" in front of the term "veteran homes" or the names of our five (5) veteran homes, so if you wanted to remove that term "war" from the report where it is used ahead of "veteran home," that may be more updated terminology.

Thank you again for your assistance.

Very Truly Yours,


Secretary Joey Strickland
Louisiana Department of Veterans Affairs

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



JOEY STRICKLAND
SECRETARY

Louisiana Department of Veterans Affairs

February 15, 2019

VIA ELECTRONIC MAIL TO: CVictorian@lla.la.gov

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: *LDVA Response to LLA Finding of Weaknesses in Controls over Accounts Receivable*

Dear Mr. Purpera:

With respect to the LLA finding of *Weaknesses in Controls over Accounts Receivable* noting six inquiries regarding follow-up on resident accounts receivable balances at LDVA veteran homes, LDVA concurs with this finding and is already implementing corrective action plans at all five homes to address all items raised. LDVA procedures are established and in place to ensure that at each home accurate monthly charges are being recorded in the electronic Pioneer record system on each resident's account. Regular follow-up procedures regarding outstanding balances are being performed from headquarters and at each home to ensure balances are accurate and are being collected timely. Care and maintenance fee deferrals are now being properly tracked to ensure LDVA collects the funds it is owed. LDVA management has put into place established procedures and will conduct in-service trainings as noted below to ensure that each home is adhering to procedures related to writing off uncollectible accounts.

Pertinent to this finding, when this current LDVA administration took office in January 2016, we began immediately taking department-wide action at all five veteran homes to clean up and collect where possible any outstanding balances owed for services rendered to residents. When we began this effort, one home had not yet implemented the Pioneer electronic record system that had been introduced under the prior administration. That home has now been brought into line, and all five homes have now fully implemented Pioneer. While many of these collection process improvements have taken place during the time auditors were reviewing our agency's records, it is important to note that this general approach and concerted effort to clean up and

bring current all outstanding accounts has been a top priority and underway from the time this administration took office.

Importantly, each resident who receives care at our veteran homes may have any of at least eight payor sources for various services received while living in an LDVA veteran home. These payor sources include Medicare, Federal VA, Medicare Part A, Medicare Part A co-insurance, Medicare Part B, Medicare Part B coinsurance, private pay, and private insurance. More than 600 veterans reside within our five veteran homes at any one time. This means that going back to clean up and collect all old accounts with outstanding balances does not simply mean reviewing more than 600 residents' accounts, but includes review of a potential of eight different payor sources within each resident's account – all to be monthly tracked and followed up on. Add to this the new admissions and discharges each home processes each month, and the context becomes clearer as to why it has taken many months to bring these older accounts into line.

Over the past year, LDVA has also added one additional accountant to each home's staff in order to focus on making these improvements. We are greatly encouraged by the level of improvement accomplished to date and remain committed to finishing the remaining work by the completion dates noted below.

Contact Persons Responsible for all Corrective Action Plans outlined below and already underway: Stephanie Smith, LDVA CFO, and Lisa Bruhl, LDVA Deputy Assistant Secretary 2 over Veteran Homes.

Item: 11 accounts where balances remained outstanding because LDVA failed to bill timely

Corrective Action Plan: Of note, all eleven of these accounts noted were owing by a vendor, such as an insurance company, Medicare or other payor source, and not from a private individual who simply was not pursued by LDVA. All five LDVA veteran homes are now billing timely and following collection policy with each payor source. LDVA headquarters' internal auditors create monthly reports on aging accounts for all five homes and both the Deputy Assistant Secretary over Veteran Homes and our CFO are monitoring these reports and timely following up with home fiscal staff if there are any questions.

Completion Date: January 1, 2019

Item: 22 inaccurate balances due to errors generated by the Pioneer system.

Corrective Action Plan: As noted above, despite the Pioneer system being implemented shortly prior to this LDVA administration taking office in January 2016, one home had not fully implemented use of that system by January 2016, so when we began working to fully implement Pioneer across all homes, there was a learning curve with a higher rate of errors on Pioneer during that period. However, Pioneer's accounting record system has now been fully implemented across all five homes and, beyond typical human error that can occur from time to time, these early errors in Pioneer have for the most part all been addressed.

Completion Date: January 1, 2019

Item: 10 uncollectible account balances that had been outstanding for some years, beyond LDVA policy-allowed time period.

Corrective Action Plan: LDVA headquarters' internal auditors create monthly reports on aging accounts and, together with LDVA's CFO and Deputy Assistant Secretary over Veteran Homes, monitor and address with each home's fiscal staff any accounts remaining outstanding or uncollected beyond 90 days. LDVA is working diligently to ensure that any of these older accounts 90 days or more past due are cleared up by nine months from now.

Completion Date: November 15, 2019

Item: 16 balances outstanding, auditors said due to LDVA not making adequate efforts to collect the funds timely.

Corrective Action Plan: Since January 2016, a concerted department-wide effort has certainly been made to timely collect all funds owing. However, due to the vast number of accounts at issue when this administration took office, not all outstanding accounts relating to each resident have been collected and closed yet. Still, through monthly scrutiny from LDVA headquarters (as described above) and with diligent effort by each home's fiscal office to bring all accounts current, LDVA commits to working diligently to ensure that all resident accounts 90 days or more past due will be cleared up by nine months from now. (Under LDVA policy, an account is determine to be uncollectible after three attempts have been made to collect and after the passing of either 120 days or one year, depending on the type of charge.)

Completion Date: November 15, 2019

Item: 7 accounts with credit balances, auditors said LDVA has made no attempt to return the overpayment.

Corrective Action Plan: LDVA notes here that not all accounts with credit balances are necessarily accounts where overpayments are due. Sometimes the credit may represent human posting error or an adjustment made by another payor source. However, LDVA recognizes that certainly any credit balance that is an overpayment must be refunded. LDVA commits to continue working diligently through regular review and reconciliation of old accounts to ensure all accounts showing a credit balance are cleared up by nine months from now.

Completion Date: November 15, 2019

Item: Concern for properly tracking care and maintenance fee deferrals granted, without information readily available to support the amount deferred for each resident.

Corrective Action Plan: LDVA policy allows the LDVA Secretary to make deferrals for up to a year of an amount due on a resident account. Each home needs to track those deferrals so that on each year anniversary, the request is made again on whether the deferral should be continued or not. Each LDVA home fiscal staff has been apprised of how important it is that these deferrals are tracked each month and renewals timely requested. Within the next 90 days, LDVA will conduct additional in-service trainings of all LDVA home fiscal staff to reiterate that this policy be strictly and consistently followed going forward. LDVA's Deputy Assistant Secretary over Veteran Homes and the LDVA CFO will monitor this with home fiscal staff to ensure this policy is being followed.

Completion Date: May 15, 2019

Thank you again for your assistance in these matters. We continue to seek daily to provide all of our Louisiana veterans with the highest quality of comprehensive service and care.

Very Truly Yours,


Secretary Joey Strickland
Louisiana Department of Veterans Affairs

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



JOEY STRICKLAND
SECRETARY

Louisiana Department of Veterans Affairs

January 16, 2019

VIA ELECTRONIC MAIL TO: CVictorian@lla.la.gov

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: *LDVA Response to LLA Finding of Meal Ticket Documentation Not Maintained and Reconciliations Not Performed*

Dear Mr. Purpera:

With respect to the LLA finding of *Weaknesses in Meal Ticket Documentation Not Maintained and Reconciliations Not Performed*, noting items at two LDVA veteran homes, LDVA concurs with this finding and both homes are already implementing corrective action plans addressing this finding. These plans are noted below:

Southeast Louisiana Veterans Home concurs with the finding.

Contact Persons Responsible for Corrective Action: Kelly Roche, CFO, and Lucy Richey, Accounting Technician

Corrective Action Plan:

- (1) Meal tickets sold are numbered consecutively so that the number of meal tickets sold in a fiscal year is readily obtainable for financial reports.
- (2) Meal ticket sales are counted and reconciled daily with documentation to include meal ticket logs.
- (3) Bank deposits will be deposited and maintained on file by month.
- (4) The Quality Assurance and Performance Improvement team will review monthly audits for a period of three (3) months and continue until a threshold of 100% is sustained for three (3) consecutive months.

- (5) The LDVA Internal Audit Division is now reviewing meal ticket sales at all five Veteran Homes statewide on a Semi-Annual basis (2x per year), with the next planned series of audits beginning the week of January 15, 2019.

Completion Date: March 1, 2019

Louisiana Veterans Home concurs with the finding.

Contact Person Responsible for Corrective Action: Traci Rainbow, CFO, and Mattie Tillotson, Accountant Supervisor 1

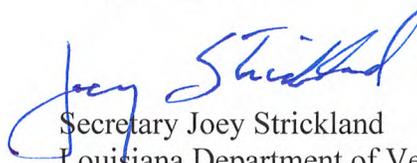
Corrective Action Plan:

- (1) On the first work day following a weekend or state holiday, the Dietary Department Manager will bring the cash collected (from weekend and holiday meals) along with the Dietary Department meal sign-in sheet to the Fiscal Department's Accountant Supervisor 1 or 2. That person will count the cash and verify the dollar amount agreement to the sign-in sheet. (This monitoring procedure began on January 7, 2019).
- (2) Quality Assurance and Performance Improvement Program team will monitor monthly for three (3) months to assure 100% compliance.
- (3) The LDVA Internal Audit Division is now reviewing meal ticket sales at all five Veteran Homes statewide on a Semi-Annual basis (2x per year), with the next planned series of audits beginning the week of January 15, 2019.

Completion Date: April 8, 2019

Thank you again for your assistance.

Very Truly Yours,



Secretary Joey Strickland
Louisiana Department of Veterans Affairs

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



JOEY STRICKLAND
SECRETARY

Louisiana Department of Veterans Affairs

November 20, 2018

VIA ELECTRONIC MAIL TO: cvictorian@lla.la.gov

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: *Fiscal Audit Findings Regarding Contract Regulations at LDVA Headquarters*

Dear Mr. Purpera:

LDVA Response to LLA Finding of Failure to Update a Contract's Effective Dates

The Louisiana Department of Veterans Affairs (LDVA) concurs in part with the LLA finding that LDVA Headquarters “procured legal services from a vendor without the initiation of a formal contract.” The disclosure indicates that LDVA Headquarters made payments totaling \$42,615 to a vendor for legal services during the period July 1, 2015 through June 30, 2018, on a contract that ended June 30, 2015. The disclosure indicates that Headquarters employees failed to amend the existing contract or initiate a new contract once the contract ended.

LDVA concurs with this finding in part, noting that the payments were not made without the initiation of a formal contract, but rather that a formal contract had been initiated, ended under a previous administration when there was no Executive Counsel, and the information that the contract had ended was not passed on to the new administration, during which unfortunately two chief financial officers who would have reviewed these contracts have passed away. The contract's effective dates have since been updated. LDVA importantly notes below the following extenuating circumstances occurring in LDVA as the administrations changed.

This particular contract's effective dates had expired six months prior to the current LDVA administration's coming into office in January 2016 and there had been no Executive Counsel in place at LDVA for several years. Immediately upon taking office in January 2016, the new administration was faced with cleaning up and reshaping a number of areas at once across the department. The previous LDVA Secretary had left office in the fall of 2015 and the LLA and Office of Inspector General were performing extensive audits on LDVA during that year.

In addition to the change of administrations, the head of LDVA's fiscal office in June 2015 (the Deputy Assistant Secretary over Finance) passed away suddenly in 2016. Then his successor, the new Deputy Assistant Secretary over Finance, unfortunately became very ill during early 2017 and, after a short period of illness, passed away as well. Otherwise, LDVA's fiscal office, with additional routine review over the effective dates and dollar limits of contracts, would likely have passed on to the new administration notice that the older contract's effective dates had expired.

LDVA's previous administration had contracted with this vendor to represent the department in a case that began August 2013. The preceding LDVA Executive Counsel had been working to update this contract that ended June 30, 2015, including submitting updated contract drafts to the AG's office for approval of the updates. However, that execution of a final updated contract was delayed for a number of ongoing reasons outside of LDVA, including: (i) the Louisiana's Attorney General's Office refusing to accept some language in executive branch agency contracts for a time and not returning to LDVA an approved contract; and (ii) because this particular case was for some time transferred to Sedgwick (through ORM) to handle possible negotiations. Eventually Sedgwick/ORM returned the case to LDVA under the current administration and LDVA continued to review and approve any incoming legal services invoices through its internal approval process and used the Attorney General's Office approved rate schedules for payments. While this need to update the contract as well as the correspondence with the AG's Office/Sedgwick/ORM was not initially communicated to the current Executive Counsel, we were able to gather and review this information in answering this audit.

CORRECTIVE ACTION PLAN: *In June 2018, LDVA did execute an updated legal services contract with this vendor, effective July 1, 2018 through June 30, 2021. In drafting this contract, LDVA worked with the Louisiana Attorney General's Office for approval and use of the AG's Office most recent approved state agency legal services contract wording. At the request of the LLA, LDVA has also sent this contract to the Division of Administration, Office of State Procurement for approval as well, and will request similar OSP approval going forward for all legal services contracts over \$2000.*

Further, LDVA's Executive Counsel Julie Baxter Payer is now reviewing with the LDVA Accounting Administrator Stephanie Smith at least twice a year (beginning and middle of fiscal year) each active LDVA legal services contract to monitor the total dollar amount of invoices paid since the effective date of that contract, in order to ensure that the dollar cap is not exceeded, and also to ensure that the contract is still within its effective dates and determine when/if it should be renewed.

LDVA Response to LLA Finding of Executing a Legal Services Contract without OSP Approval

The Louisiana Department of Veterans Affairs (LDVA) concurs with the LLA finding that LDVA Headquarters executed a contract for legal services without obtaining Division of Administration, Office of State Procurement (OSP) approval. The disclosure indicates that LDVA Headquarters paid the vendor \$45,675 during the period July 1, 2016, through June 30, 2018, \$20,675 more than the contract amount.

LDVA concurs with this finding, but notes several important extenuating circumstances that led to this miscommunication. Immediately upon taking office in January 2016, the new LDVA administration was faced with cleaning up and reshaping a number of areas across the department at once. LDVA's previous Executive Counsel who had served since March 2016 left state service suddenly in March 2017. In 2016, LDVA's fiscal Deputy Assistant Secretary died suddenly, and then his successor, the new Deputy Assistant Secretary over Finance, unfortunately became very ill in early 2017 and passed away.

In answering this audit inquiry, LDVA ascertained that its previous Executive Counsel had received written approval of the 2016-18 legal services contract from the Louisiana Attorney General's Office in February 2017. As LDVA received legal services invoices from the vendor under this contract, the previous LDVA Executive Counsel would review those invoices, recommend to the LDVA Undersecretary for payment and, if approved, the LDVA accounting staff would issue payment. During this time, an active civil service appeal matter regarding the dismissal of an LDVA employee prompted an increase in legal services needed in a lengthy civil service appeal matter. Just as LDVA's new legal counsel was joining LDVA, LDVA management had previously received the latest invoice with the accumulated legal services bill under this contract and paid the balance of approved legal services invoices owing at that time. When this contract ended in February 2018, LDVA had no need of any further legal services from this vendor and so did not execute any new contract at that time.

In September 2018, a potential civil service matter arose, prompting LDVA's new Executive Counsel to execute a new legal services contract with this same vendor (with a \$25,000 maximum), effective September 2018 through June 2021. In drafting this contract, LDVA again worked with the Louisiana Attorney General's Office for approval and use of the AG's Office most recent approved state agency legal services contract wording.

CORRECTIVE ACTION PLAN: *At the request of LLA, LDVA's Executive Counsel Julie Baxter Payer has also now sent this contract to the Division of Administration, Office of State Procurement for approval as well, and will request similar OSP approval for all legal services contracts over \$2000 going forward.*

Further, LDVA's Executive Counsel is now reviewing with the LDVA Accounting Administrator Stephanie Smith at least twice a year (beginning and middle of fiscal year) each active LDVA legal services contract to monitor the total dollar amount of invoices paid since the effective date of that contract, in order to ensure that the dollar cap is not exceeded, and also to ensure that the contract is still within its effective dates and determine when/if it should be renewed. LDVA's Executive Counsel and Accounting Administrator will now also ensure that each new legal services contract over \$2000 is approved by Division of Administration, Office of State Procurement.

Very Truly Yours,


Secretary Joey Strickland
Louisiana Department of Veterans Affairs

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



JOEY STRICKLAND
SECRETARY

Louisiana Department of Veterans Affairs

November 20, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Purpera,

The Louisiana Department of Veterans Affairs (LDVA) concurs with the Louisiana Legislative Auditors (LLA) finding of a weakness in controls over the LaCarte Expenditures at the Southeast Louisiana Veterans Home, as it has been confirmed that eight purchases were made without prior approval.

The person responsible for the corrective action plan is Brian Fremin, Administrator of the Southeast Louisiana Veterans Home, and the corrective action plan is as follows: all requisitions for supplies or equipment involving LaCarte P-Card are to be initiated on a LDVA-A-24 (3-part) requisition forms and properly authorized prior to making purchases. The respective department head must authenticate requests on the "Requested By" line followed by approval obtained from the Fiscal Department Head for approval of funds, and submitted to the Administrator/designee for authorization of the expenditure. Specialized training was provided by Administrator/CFO on 10/9/2018 and 10/11/2018 to all Card Holders/Approvers on the requirements of receiving proper authorization prior to purchases. In analyzing proficiency with current purchases being properly authorized, the CFO is conducting weekly audits for a 45-day period to end 12/31/2018. The facility's Quality Assurance Performance Improvement (QAPI) committee will monitor the plan for any negative outcomes for a period of three (3) consecutive months of 100% compliance and move to quarterly and/or random sampling thereafter.

If you need any other information, please let me know.

Sincerely,


Joey Strickland
Secretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Department of Veterans Affairs (LDVA) for the period from July 1, 2016, through June 30, 2018. Our objective was to evaluate certain controls LDVA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the LDVA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The LDVA's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LDVA's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LDVA.
- Based on the documentation of LDVA's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to the Resident Trust Fund, accounts receivable, pharmacy billing and inventory, meal ticket revenue, Care and Maintenance Fees, contract expenditures, LaCarte purchasing card expenditures, travel expenditures, and Military Family Assistance Program expenditures.
- We compared the most current and prior-year financial activity using LDVA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LDVA's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at LDVA and not to provide an opinion on the effectiveness of LDVA's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.