

LOUISIANA DEPARTMENT
OF VETERANS AFFAIRS



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JANUARY 18, 2017

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Department of Veterans Affairs

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Audit Control # 80160058

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.

Mission. The mission of the Department of Veterans Affairs is to aid all residents of the state of Louisiana who served in the military forces of the United States during any war, combat, campaign, or any special periods of service during peacetime, along with their dependents and beneficiaries, in order to obtain any and all benefits to which they may be entitled under the laws of the United States or the states thereof.

Veteran Homes. LDVA operates five war 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.

Veteran Services Offices. LDVA maintains Veteran Services Offices across the state that are responsible for advising and assisting veterans in obtaining state and federal benefits. These offices assist in submitting and monitoring claims for Veterans Affairs benefits. LDVA operates four veteran cemeteries in the state of Louisiana offering a variety of burial options for veterans and their families. LDVA also offers programs to provide assistance to veterans such as the Military Assistance fund, which helps members of the Louisiana National Guard

Exhibit 1
LDVA Veteran Homes



Source: Created by legislative auditor's staff using information from <http://www.vetaffairs.la.gov/VeteransHomesMain.cfm>.

and Louisiana Military Reserves and their families address financial hardships they may encounter when they are placed on active-duty status.

Results of Our Procedures

We evaluated LDVA's operations and system of internal controls 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, we performed procedures on selected controls and transactions relating to pharmacy inventory, meals for patients and guests, Care and Maintenance Fees, funds of discharged/deceased residents, resident receivable balances, LaCarte purchasing cards, travel expenses, and vendor invoices. The weaknesses we identified in these areas and recommendations to assist LDVA management in correcting these issues are discussed throughout the remainder of this report.

Pharmacy Inventory

The Pharmacy Department of Southeast Louisiana Veterans Home serves as a pharmacy for all other Veterans Homes as well as their residents. This was done to allow the homes to acquire medicine at cheaper rates for residents who do not have insurance plans to cover prescriptions or for prescriptions not paid for by U.S. Department of Veterans Affairs. The Pharmacy Department uses the QS1 system to manage the pharmacy inventory and medication disbursements to residents.

We reviewed the policies and procedures regarding pharmacy inventory at the Southeast Louisiana Veterans Home. **Based on the results of our procedures, we determined that the home does not have adequate controls in place to ensure that the recording and reporting of medications and medical supplies are complete, accurate, and verifiable.**

Our procedures revealed the following:

- According to the licensed pharmacist at the home, the inventory recorded in the pharmacy's QS1 Prime Care system is generally understood to be inaccurate. The primary reason is because patient-specific prescriptions received directly from external pharmacies or from the U.S. Department of Veteran Affairs are not entered into the system upon receipt while disbursements of the medications to residents are logged. Thus, the quantities-at-hand of those medications in the QS1 system are understated, or even reduced to a negative number.

In addition, the inventory quantities with negative values are usually zeroed out in the system before printing out the inventory list for the annual inventory. The negative inventory quantities are not adjusted to the actual at-hand inventory

count and therefore the inventory lists continue to show negative quantities with zero-dollar values.

Basic controls over inventory include verifying and recording all medications that are received. The absence of these controls increases the risk of theft and errors and prevents management from properly managing and monitoring inventory levels. Since medications for residents are essential, any measure to ensure proper levels are maintained and accurately reported should be considered.

- According to the Southeast Louisiana Veterans Home pharmacy information manual, “For pharmacy inventory control purposes, a bi-annual inventory is completed and an audit is conducted by the facility Accounting Department.” However, there was no evidence that this process was occurring at the home.

No supporting documentation for the annual inventory stock-taking at the Southeast Louisiana Veterans Home pharmacy was available for review, as the pharmacy staff stated they do not believe they are required to retain those supporting working papers and notes especially since the documents are not reviewed by anyone else. The Chief Financial Officer (CFO) records the annual inventory by transferring the total amount, reported on a single summary page submitted by the pharmacist, to the financial statements. There is no review of supporting documents. The lack of an adequate physical inventory increases the risk that inventory records will not be adjusted to ensure medications are ordered for the residents as needed and increases the risk of error or fraud.

- The return of expired or unused medications at the Southeast Louisiana Veterans Home to a pharmaceutical returns company is not closely monitored or reconciled to the actual receiving report from the company. Management does not maintain a list of medications that have been sent to the company that handles these returns. The refunds or credits from the return of expired or unused medications, whether from the company or directly from pharmaceutical wholesalers who supply the Southeast Louisiana Veterans Home with medical supplies, are also not tracked or reconciled. Without the proper procedures established to reconcile the refunds or credits, the home cannot ensure it is getting what it is owed.

Recommendation 1: LDVA management should implement a process to ensure that all incoming pharmacy inventory items are verified and properly recorded. In addition, when inventory records show as negative inventory on hand, management should consider investigating that item due to the high likelihood that an error has occurred.

Recommendation 2: LDVA management should monitor the Southeast Louisiana Veterans Home to ensure it is following its pharmacy information manual regarding inventory control and retaining all supporting documentation of the inventory count and review.

Recommendation 3: LDVA management should implement a process to track and reconcile the credits or refunds received from the return of expired or unused medications.

Summary of Management's Response: LDVA concurred with the weaknesses over pharmacy inventory and provided a corrective action plan (see Appendix A, pages 1-2).

Meals at Southeast Louisiana Veterans Home

We performed procedures to determine the processes and procedures in place at the Southeast Louisiana Veterans Home over the Dietary Department. **Our procedures revealed meals that were inappropriately provided to some employees at no cost, poor accounting practices over meals served to non-residents to actual tickets sold for such meals, and a significant increase in meal cost not justified by records at the Southeast Louisiana Veterans Home.**

- “Free meals” were being provided for the Administrator, Director of Nursing, and dietary staff/kitchen personnel at the Southeast Louisiana Veterans Home. No documentation authorizing this practice is available. The Human Resources department is not aware of “free meals” as an official employment benefit. According to Article 7, Section 14(A) of the Louisiana Constitution, except as otherwise provided by the constitution, the funds, credit, property, or things of value of the State or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.
- Meal tickets collected at the cafeteria for non-resident meals served are not being reconciled to meal tickets sold. Inaccurate accounting of non-resident meals paid and the free meals to certain staff, as noted above, may result in these meals being subsidized by the cost of food for resident meals.
- Management of the home was also unable to provide satisfactory explanations for a significant increase in cost of food purchases in December 2015 (161% of average monthly food costs or daily meal costs). The explanation provided was, “The variance is due to extra orders placed during the holidays of Thanksgiving and Christmas, since more meals are required for visiting family members.” However, the number of veterans per the census and the number of meals served reported by the Dietary Department for December 2015 do not vary significantly from the average of other homes. Therefore, there is a significant amount of unaccounted food cost.

Recommendation 4: LDVA management should remind its employees about the policy requiring all non-residents to purchase meal tickets to eat from the cafeteria and monitor to ensure the policy is followed.

Recommendation 5: LDVA management should implement policies and procedures to ensure all meal tickets collected in the cafeterias are being reconciled to those purchased and all meals served are documented as either going to a resident or to a non-resident with a meal ticket.

Summary of Management's Response: LDVA concurred with the weaknesses over meals and provided a corrective action plan (see Appendix A, page 2).

Care and Maintenance Fees

Louisiana Revised Statute (R.S.) 29:383 allows LDVA to establish a monthly Care and Maintenance charge for all veterans capable of paying for the use of the facilities. In fiscal years 2015 and 2016, the maximum Care and Maintenance Fee was determined by LDVA to be \$1,788 per month per veteran. According to Louisiana Administrative Code (LAC), there are certain allowances and deductions that will reduce the total amount of Care and Maintenance Fees charged each month, such as a personal spending allowance of \$90 or family income deductions up to \$300 per month for a spouse and up to \$150 per month for each dependent child.

For each veterans home, we reviewed selected residents to determine if the Care and Maintenance Fees were being monitored and correctly calculated and charged. **Based on our procedures, we found instances where management is not assessing the fees in accordance with state law and is not verifying the income of residents to ensure the correct fee amounts are being assessed.**

- The Southeast Louisiana Veterans Home continued to charge a resident the full rate of the Care and Maintenance Fee from October 2012 through fiscal year 2016 without evidence of the home reviewing the resident's bank account balance. Based on our review of the resident's file, the resident was admitted in 2010 and charged the full rate of \$1,644 even though he should have been charged \$746 based on income; and he has been charged the full rate through fiscal year 2016. When we presented this issue to the home, Southeast Louisiana Veterans Home personnel indicated this resident was charged the higher rate because the resident had additional funds in a bank account that exceeded \$500.¹ However, documentation provided to the auditors showed that the last resident's bank balance obtained by the home was from September 2012.
- When comparing data at the Southeast Louisiana Veterans Home to other homes, we noticed amounts charged at the Southeast home were usually the maximum amount, which was not consistent with other homes. After reviewing the December 31, 2015, Care and Maintenance Net Billed Report, we identified that none of the charges appear to have been adjusted for a personal spending

¹According to the LAC Title 4, Part VII, SubChapter C, § 951, if the Care and Maintenance Fee is less than the maximum monthly amount, and the resident has an accumulation of funds in excess of \$500, the resident will be assessed an amount that would bring their Care and Maintenance Fee up to the maximum allowable per month until their funds are reduced to the \$500.

allowance. According to the Southeast Louisiana Veterans Home personnel, personal spending allowances are not given across the board, and the allowance is only used when calculating the Care and Maintenance Fee if the combined income of the veteran and his spouse is less than the resident's pension. This is not consistent with, LAC Title 4, Part VII, Chapter 9, Subchapter C, which requires patients will be allowed to retain the first \$90 per month for personal spending and appropriate deduction(s) for any legal dependent(s).

- A resident at the Louisiana Veterans Home was overcharged \$2,937 in Care and Maintenance Fees while in the Skilled Nursing Unit during October and November 2015. The resident was refunded these fees on April 25, 2016, after the auditor reviewed the account. According to department policy, residents' Care and Maintenance Fees should be reimbursed on days for which the resident is in the Skilled Nursing Unit, as those costs are billed to Medicare.
- A resident at the Louisiana Veterans Home had more than \$500 in their resident fiduciary fund consistently for a 10-month period (June 2015 to March 2016); however, the resident continued to be undercharged, paying \$1,698 per month instead of the full Care and Maintenance Fee of \$1,788.
- In December 2013, a resident at the Louisiana Veterans Home received a deferment of \$105 per month related to monthly medical insurance payments he was required to make allowing the resident to pay only \$1,563 of the full Care and Maintenance Fee of \$1,758. Although deferments should be reassessed annually, this deferment had not been reassessed by the home since it was received in 2013. In addition, if the deferment had been re-evaluated annually as required, the home likely would have identified that the maximum amount, which increased to \$1,788 in January 2015, had not been adjusted. Subsequent to our procedures, the home retroactively adjusted back to January 2016 to correct the maximum.
- The Louisiana Veterans Home and the Southeast Louisiana Veterans Home do not have a formal process in place to ensure that residents' incomes are being verified periodically, specifically those residents paying less than the maximum Care and Maintenance Fee. Louisiana Veterans Home personnel send out Income Verification Forms yearly; however, there was no formal process in place to ensure the forms were returned. The Southeast Louisiana Veterans Home personnel indicated that reassessments are required only for veterans requesting and granted deferment.

Recommendation 6: LDVA management should ensure that all veteran homes have policies and procedures in place, including the periodic verification of resident income, to ensure the accurate calculation of residents' Care and Maintenance Fees.

Summary of Management's Response: LDVA concurred with the weaknesses over Care and Maintenance Fees and provided a corrective action plan (see Appendix A, page 2).

Balances of Discharged/Deceased Residents

According to LDVA Accounting Policies and Procedures, when a resident passes away the resident's account is balanced to ensure all activity has been posted to the account and there are no outstanding bills needing to be paid. A check will be issued for any remaining funds to the spouse or as declared by the Last Will and Testament. If there is no one to claim the funds, in accordance with R.S. 29:385(A) the funds can be transferred to the facility's Recreation and Welfare Account after five years.

When a resident is discharged from the facility, the resident's account is balanced to ensure all activity has been posted to the account and that there are no outstanding bills needing to be paid. If the resident is being discharged with a Curator or Power of Attorney involved, a check is issued payable to them to close the account; otherwise, the check is issued to the resident.

We performed procedures to determine if Resident Fiduciary Accounts (RFA) are being refunded for discharged/deceased residents and that abandoned funds were being handled properly. **Based on our procedures, we found that three of the five LDVA Veterans Homes had discharged/deceased residents who continued to have RFA balances five years after their discharge/deceased date.**

- Three former residents at the Louisiana Veterans Home with discharge dates more than five years old still had RFA balances totaling \$12,432 as of March 9, 2016.
- Three former residents at the Northeast Louisiana Veterans Home had RFA balances with a discharge date of 1900, which is a system default date. Per the CFO, these residents were discharged before Pioneer, LDVA's current computer system, began in 2012. All three of these account balances were past the five year mark and totaled \$3,082.
- The Southeast Louisiana Veteran Home failed to close out a RFA after the resident transferred to another facility. The home continued to accept deposits and make disbursements from the resident's account after his transfer date. The resident was formally discharged from the home on November 12, 2014, later transferring to a private nursing home. However, the home accepted seven U.S. Veterans Affairs deposits totaling \$8,102 that were dated from December 1, 2014, through February 27, 2015. In addition, the home kept receiving hospital, therapy, and pharmacy invoices billed to the former resident and paid them from the RFA account until November 2015, when the money in the RFA ran out. Deposits plus remaining undistributed funds in the RFA were used to pay 14 bills totaling \$16,364 from February 9, 2015, through November 5, 2015.
- One former resident at the Southeast Louisiana War Veterans Home who passed away 7.5 years ago still had a RFA balance of \$311. There had been no follow-up to properly account for the funds since receiving a commitment from the resident's family in February 2012 to donate the funds to the home.

Recommendation 7: LDVA management should ensure that all veteran homes are following department Accounting Policies and Procedures in regards to the RFA balances for discharged/deceased residents.

Summary of Management's Response: LDVA concurred with the weaknesses over resident's balances and provided a corrective action plan (see Appendix A, pages 2-3).

Accounts Receivable

We obtained a basic understanding of the policies and procedures over accounts receivable at the five homes. The accounts receivable balance at December 31, 2015, for the five homes totaled approximately \$8.7 million, while three homes had balances exceeding \$800,000 that were 180 days past due.

Residents are billed monthly for the services they receive through the Pioneer system, which records all resident billing and collection information. Resident information for all homes was moved to the Pioneer system by 2014 from the previous system, Integrated Health Network (IHN).

Based on our procedures, we identified balances that were not properly transferred to Pioneer and a lack of reconciliation of account balances between IHN and Pioneer. The lack of regular reconciliation and follow-up procedures to clear up outstanding balances and system generated errors have allowed inaccurate and aged balances to remain on residents' accounts. Failure to establish adequate procedures 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.

The following are examples that were noted during our procedures:

- Four residents at the Louisiana Veterans Home had incorrect charges totaling \$343,500 on their resident accounts. These residents were correctly charged and paid the monthly \$4,500 private pay rate. However, Pioneer also automatically generated a \$7,500 or \$7,750 charge depending on the number of days in the month for private pay residents. These errors began in January 2014 after the implementation of Pioneer.
- Four residents at the Louisiana Veterans Home had incorrect balances as a result of carryover errors when the home switched from IHN to Pioneer. Three credit balances totaling \$35,829 were still in Pioneer, as the charges were not brought over from IHN to match the payments in Pioneer. The fourth balance showed an amount owed of \$8,470, but further research identified a payment in April 2012 had occurred but was not applied to the account.

- Four residents at the Louisiana Veterans Home had account balances totaling approximately \$140,000 that should have been adjusted to zero because the balance was uncollectible or in error.
- Four residents at Northwest Louisiana Veterans Home had credit balances totaling \$35,064 on their accounts in Pioneer. These credits were the result of the residents having outstanding balances in the previous accounting system, IHN, which were not properly matched against payments that were subsequently received and entered into Pioneer.
- Six residents at Southeast Louisiana Veterans Home had credit balances totaling \$23,941 as a result of system errors, while two residents' accounts were overstated by \$4,367 because of system calculation errors. Home personnel noted that these credit balances are appearing back on the receivable reports after adjustments to correct the balances have been made in the Pioneer system.
- One resident's account balance at the Southeast Louisiana Veterans Home had an outstanding balance of \$5,676 from January 2015 that the resident does not owe. The charge is due to a coding error in Pioneer that the home's personnel are unable to correct; therefore, the amount remains on the resident's account each month, and the family is instructed to not pay the amount.

Recommendation 8: LDVA management should ensure that all homes have established procedures to ensure 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 reconcile the outstanding balances in IHN to the balances in Pioneer.

Recommendation 9: LDVA management should continue to work to resolve system-generated errors.

Summary of Management's Response: LDVA concurred with the weaknesses over accounts receivable and provided a corrective action plan (see Appendix A, page 3).

LaCarte Purchasing Card

LaCarte is a Visa card issued by Bank of America for the State of Louisiana that enables employees to purchase items with the convenience of a credit card. **Based on our review of LDVA's compliance with state and departmental LaCarte card policies, we identified multiple policy violations at LDVA Headquarters, the Louisiana Veterans Home, the Northeast Louisiana Veterans Home, and the Southeast Louisiana Veterans Home. The majority of the violations were at LDVA Headquarters.** The violations are detailed below.

- From July 2014 through February 2016, multiple State Purchasing LaCarte Card Policy violations were discovered at the LDVA Headquarters, the Louisiana

Veterans Home, the Northeast Louisiana Veterans Home, and the Southeast Louisiana Veterans Home. These violations included missing support documentation, missing approvals, exceeding established credit limits, and taxes being charged on items. Exhibit 2 summarizes these State Purchasing LaCarte Card Policy violations and the amount associated with each.

Exhibit 2 LaCarte Procurement Card Exceptions July 2014 – February 2016			
Policy Violation	Description	Amount**	Exceptions*
No or Improper Documentation	Missing documentation includes receipts and purchase logs not being included as support for the purchases and taxes charged.	\$5,871	22
Charges Exceeded Maximum Credit Limits	Exception includes charges exceeding the maximum allowable credit limits listed on the Bank of America monthly statement.	2,947	1
Proper Approval not Provided	Included appropriate approvals missing; incorrect supervisors or reviewers approving for items purchased.	6,930	3
Charge to Wrong Vendor	Vendor that performed service did not have the capability to accept credit cards, therefore placed the credit card charge on another one of the vendor's companies that accepted credit card transactions.	2,675	1
Total		\$18,423	27
<p>*Noted 27 policy violations with the State Purchasing LaCarte Card Policy; however, some of the transactions had violations in multiple categories. **Amounts include the total transaction amount; some amounts listed above may contain the same transaction cost for multiple policy violations. Total Transactions Tested: Headquarters – 25 (17 exceptions noted); Louisiana Veterans Home – 42 (6 exceptions noted); Southeast Louisiana Veterans Home – 20 (3 exceptions noted); Northeast Louisiana Veterans Home – 20 (one exception noted); no violations were detected at the remaining two homes. Source: Prepared by legislative auditor's staff using information from the fiscal year 2015 and 2016 State Purchasing LaCarte Card Policy and the results of LaCarte transaction testing.</p>			

- LDVA was not in compliance with the State Purchasing LaCarte Policy regarding employee certifications and cardholder/approver/program agreement forms at LDVA Headquarters and the Louisiana Veterans Home. An agreement form is required to be annually signed by a program administrator, cardholder, and cardholder approver that acknowledges they have received required training; completed the state's certification requirement and received a passing score of at least 90; understands the LaCarte Policies, both state and agency; and accepts responsibility for compliance with all policies and procedures. Exhibit 3

summarizes the State Purchasing LaCarte Card Policy violations regarding employee certifications and cardholder/approver/program forms.

Exhibit 3 LaCarte Procurement Card – Certification and Cardholder/Approver/Program Agreement Form Exceptions July 2014 – February 2016		
Policy Violation	Description	Exceptions*
No Agreement Form	Each cardholder, approver, and program administrator is required to initial and sign an Agreement form annually.	5
No Completed Online Certification Class	Each cardholder, approver, and program administrator is required to complete an online certification class annually.	4
Approver Without Agreement Form/ Certification Approving Transactions	Approver without an updated or no agreement form approved transactions of cardholders.	10
Total		19
<p>*While there were 19 State Purchasing LaCarte Card Policy violations, some cardholders and approvers had violations in multiple categories.</p> <p>Total Cardholders and Approvers Tested: Headquarters – 20; Louisiana Veterans Home – 14. LDVA Headquarters had 18 of the 19 exceptions identified, while the Louisiana Veterans Home had one exception. No violations were detected at the other four homes.</p> <p>Source: Prepared by legislative auditor’s staff using information from the fiscal year 2015 and 2016 State Purchasing LaCarte Card Policy and the results of LaCarte transaction testing.</p>		

- According to the Accounting Policy and Procedures for LDVA, an Enrollment Form must be completed and signed by the Agency LaCarte Administrator for each prospective cardholder. The Enrollment Form initiates the LaCarte process for the cardholder. At LDVA Headquarters, seven of the 13 cardholder files reviewed did not have an Enrollment Form. Although the other six cardholders had an Enrollment Form, the forms were not properly completed or approved. Currently, at the Louisiana Veterans Home none of the nine cardholders reviewed had an Enrollment Form, and this policy/procedure is not being followed.

Recommendation 10: LDVA management should ensure that there are policies and procedures in place to detect and prevent policy violations with the State Purchasing LaCarte Card Policy.

Summary of Management’s Response: LDVA concurred with the weaknesses over LaCarte purchasing cards and provided a corrective action plan (see Appendix A, page 3).

Travel Expenses – LDVA Headquarters

The Louisiana Legislative Auditor and the Louisiana Office of State Inspector General issued a joint report on January 27, 2016, that included exceptions relating to LDVA employees improperly authorizing, advancing, and/or reimbursing travel expenses. Based on that report and our understanding of controls and related laws, we performed procedures on selected controls and transactions relating to travel.

We found multiple types of Louisiana Travel Guide (PPM-49) violations at the LDVA Headquarters for both in-state and out-of-state travel from July 2014 through February 2016. These violations included ineligible travel advances being awarded, lodging charges exceeding maximum allowable limits, missing or improper documentation, Hotel Planner not being used when required, improperly canceled hotel reservations, and lack of approvals. The total amount of these transactions totaled \$25,396.

Examples include one instance where an entire Centralized Business Account file's supporting documentation totaling \$3,360 for July 6, 2014, through August 5, 2014, could not be provided. There was another instance where no approval or proper documentation (invoices) was provided to support expenses totaling \$1,045 for five employees that made trips to Slidell and West Monroe. Also, the maximum allowable per night amount for lodging was not enforced, as seven of the nine exceptions identified relating to this rule exceeded the maximum by at least \$28 per night, with the largest variance being \$51 per night. Exhibit 4 summarizes Louisiana Travel Guide violations and the amount associated with each.

Exhibit 4			
Louisiana Travel Guide Violations			
July 2014 – February 2016			
Policy Violation	Description	Amount**	Exceptions*
Travel Advances Given to Ineligible Employees	Travel advances were given to four employees who did not meet any of the 10 requirements to be eligible to receive a travel advance.	\$9,427	5
Lodging Charges Exceeding Maximum Allowable Limits	Examples include employees being reimbursed for hotels being used that were over the allowable lodging rates set forth through the Louisiana Travel Guides.	7,089	9
Missing Documentation	Missing documentation included no receipts or any other support to ensure travel charges were appropriate.	4,405	2
Hotel Planner not Used	Hotel Planner is required to be used when booking hotel reservations for specific time frames per the Louisiana Travel Guides.	2,092	3
Improperly Cancelled Hotel Reservations	Includes items such as lodging charges that were not cancelled correctly and resulted in amounts not being refunded to the agency.	1,337	2
Improper Documentation/ Approval of Travel not Provided	The State's travel authorization form (GF-4) must be completed with an estimate of travel expenses, the purpose of the trip, and written approval by the employee's supervisor prior to the trip being taken. For reimbursement, a form BA-12 must be filled out and approved.	1,046	1
Total		\$25,396	22
*Noted 22 travel policy violations for in-state and out-of-state travel; however, some of the violations were for the same trip.			
**Amounts listed above may contain the same trip cost for multiple policy violations.			
Source: Prepared by legislative auditor's staff using information from the fiscal year 2015 and 2016 Louisiana Travel Guides, and LDVA travel records and results of our travel transaction testing.			

Recommendation 11: LDVA management should implement adequate controls to ensure that employees adhere to the Louisiana Travel Guide and all approvers are aware of the policies contained in the guide.

Summary of Management's Response: LDVA concurred with the weaknesses over travel expenses and provided a corrective action plan (see Appendix A, page 3).

Payments to Employee

During our review of vendor invoices, we identified that during fiscal years 2015 and 2016 the Southeast Louisiana Veterans Home made four payments totaling \$16,000 to an employee of the home to decorate the facility for the holidays.

According to R.S. 42:1113A(1)(a), no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

Furthermore, R.S. 42:1111 A(1)(a) provides, in relevant part, no public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position.

Recommendation 12: LDVA management should monitor vendor payments to ensure that the veterans homes do not enter into transactions with employees that violate state law.

Summary of Management's Response: LDVA concurred with the violation of state law and provided a corrective action plan (see Appendix A, page 4).

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JPT:BH:EFS:aa

LDVA 2016

APPENDIX A: MANAGEMENT'S RESPONSE

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



JOEY STRICKLAND
SECRETARY

Louisiana Department of Veterans Affairs

December 21, 2016

Mr. Daryl Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 N. Third Street
Baton Rouge, La 70804

Re: December 2016 Financial Audit Services Procedural Report

Dear Mr. Purpera:

The following serves as the official response from the Louisiana Department of Veterans Affairs to the Louisiana Legislative Auditor's December 2016 Financial Audit Services Procedural Report. Please note that LDVA agrees with all findings. As more specifically described herein, LDVA made similar observations as part of our internal review of operational procedures. With the assistance of your staff, we leveraged our combined audit resources in an attempt to thoroughly analyze all of the LDVA procedures used by the previous administration in hope of discovering and correcting all weaknesses in LDVA operational procedures. More specifically, LDVA provides you with the following details in regard to modifications made in order to eliminate the observed findings.

Pharmacy Inventory

LDVA is in agreement with Pharmacy Inventory findings. Unfortunately, the previous administration did not properly evaluate the fiscal and operational impact of pharmacy closures in four (4) of our State Veterans Homes and centralizing pharmacy operations at Southeast Louisiana Veterans Home. This was part of the "streamlining of state budget" initiative. As a result of pharmacy centralization, our pharmaceutical buying power was reduced from the Federal VA contract pricing to lower discounts adding to our expenses. We are in the process of contacting Pharmacy's specific QS1 Prime Care System representative to work on a computer program in order to set up separate and specific categories allowing entry of medications received and disbursed enabling to maintain a correct inventory count for each specific category in the system. The Southeast Pharmacist and facility CFO have begun the audit process for inventory control. Once reconciled, the audit process will be conducted on a bi-annual basis (January and July) as stated in policy. At present, the SE Pharmacy and four (4) additional

veterans' homes log in all non-controlled, discontinued and expired medications. Credits or refunds received from our service vendor are in bulk form and not specifically listed per medication. Additionally, part of the medications are donated to charitable organizations with a provisional pharmacy.

The LDVA Pharmacy Consultant will assist in implementation of ongoing processes and updates to policy and procedure. Furthermore, pharmacy inventory audits will be conducted routinely to insure future practices comply with policy.

Meals at Southeast Louisiana Veterans Home

As a result of your staff's efforts, LDVA learned that employees of a veteran home inappropriately received meals free of charge. LDVA immediately instructed the home to eliminate the practice and advised all other homes that the practice violated LDVA policy. LDVA also reviewed expenditures and learned that food inventory purchases were not made in a consistent manner to eliminate waste and insure that the appropriate inventory was maintained. Staff had a practice of "waiting to purchase until the last minute" and then over buying to make up for past delays. LDVA provided instructions and guidance on this issue. Furthermore, LDVA modified its IT system to give state office the ability to review each veterans' home's fiscal operations at any time. LDVA also moved all of the CFO's at the veterans' homes from the home administrator's chain of command to state office's chain of command. This consolidation of both work review and authority strengthens the accountability the CFOs have to the state office and increases the likelihood that mistakes will be quickly observed and addressed.

Care and Maintenance Fees

LDVA performed an internal audit of this operation in each veterans' home during the Spring of 2016. LDVA made similar findings in regard to management failing to assess appropriate care and maintained fee. LDVA addressed this issue with a combination of training, creating a process for additional state office review and changing LDVA rules to allow for a waiver of care and maintenance fees by the Secretary upon submission of documentation that indicates the veterans meets the financial circumstances required by the new rule. State office now has the ability through IT system changes to review these balances at any time. LDVA also moved all of the CFO's at the veterans' homes from the home administrator's chain of command to state office's chain of command. This consolidation of both work review and authority strengthens the accountability the CFOs have to the state office and increases the likelihood that mistakes will be quickly observed. The change in LDVA rules and additional training on the new rule and existing policies should eliminate any barriers in both knowledge or circumstances to allow for care and maintenance fees to be waived without legal authority or criteria for same.

Balances of Discharged/Deceased Residents

In the early summer of 2016 LDVA internally audited this area and performed a review of existing policies. LDVA observed that the previous administration failed to update policies in order to conform to changes that occurred in the federal regulations governing the resident accounts, including the process used to handle balances in accounts of deceased veterans. LDVA updated all policies to comply with federal regulatory changes. Following same, LDVA

conducted intensive training with both the veterans' homes' administrators and CFOs to educate them on the policy changes and appropriate process. This occurred in the late summer. Since this time, LDVA made IT changes which allows state office personnel to review at any time these accounts to ensure that the veterans homes are complying with the policy changes.

Accounts Receivable

In the early Spring of 2016 LDVA conducted an internal audit of account receivables at each veterans' home. LDVA made similar findings in regard to the failure to timely collect balances owed to it for services provided. LDVA made structural changes to the chain of command for those responsible for this issue, modified IT systems to allow state office the ability to review the financial records of the veterans' homes at any time and required the veterans home to provide state office with weekly reports detailing all account receivables. LDVA believes that these changes create more accountability to state office and allows executive management to quickly reconcile accounts and provide direct instruction or support to the veterans' homes' CFOs if problems are observed.

LaCarte Purchasing Cards

In the summer of 2016 LDVA conducted the first ever internal audit of LaCarte cards. LDVA learned that several hundred cards were issued to employees to did not need them in order to perform the job duties and that many of the card limits exceeded the needs of LDVA. As a result, LDVA immediately reduced the number of LaCarte cards issued to staff and consolidating purchasing authority into a small group of program and state office managers. These employees have been provided with additional training to insure the proper documentation of purchases made and controls instituted in order to protect against fraud or improper documentation. LDVA further requested that its internal audit staff perform an annual audit of LaCarte cards in order to insure compliance with existing policy.

Travel Expenses

Upon receipt of the joint LLA and OIG investigation report released in January 2016, LDVA executive management reviewed existing travel policies and what, if any, training and processes were in place to insure compliance with same. Unfortunately, LDVA found, as did your staff, that the entire travel policy and practice lacked accountability and appropriate controls. LDVA began to address this issue by making policy changes in the Spring of 2016 in order to insure both its policy and practices complied with DOA instructions. The changes included the elimination of the practice of granting "advances" for travel. Furthermore, policy now requires state office fiscal staff to reject all travel requests that are not made within the specific time frame provided in policy or otherwise do not comply with it. LDVA required all state office staff to participate in a multi-hour in person training session conducted by DOA regarding the travel policy. LDVA then issued a "pocket policy" to all LDVA staff and required employees to acknowledge in writing that it received and understood the travel policy requirements. This document is maintained in every employees' official personnel file.

Payments to Employee

As a result of your staff's efforts, LDVA learned that an employee of a veteran home received additional payment for preformism work on behalf of the home. Note that LDVA no longer employs the employee and it issued disciplinary action to the veterans' home administrator that participated in the action. In an effort to prevent similar instances from occurring in the future, LDVA HR staff reviewed all personnel records to make sure that all employees performed the required annual Ethics Code training. Likewise, LDVA instructed the administrator in question to undergo both additional ethics and supervisory (CPTP) training to strengthen his decision-making skills. LDVA modified its IT system to give state office the ability to review each veterans' home's fiscal operations at any time. LDVA also moved all of the CFO's at the veterans' homes from the home administrator's chain of command to state office's chain of command. This consolidation of both work review and authority strengthens the accountability the CFOs have to the state office and increases the likelihood that mistakes will be quickly observed and addressed.

Again, thank you for your support and assistance in helping our staff identify areas of concern and providing guidance on how to strengthen practices and controls in our department. We look forward to continuing our working relationship with your office and improving the effective and efficient delivery of services to the great veterans of Louisiana

Sincerely,



Homer F. Rodgers
Undersecretary

cc Joey Strickland, Secretary-LDVA
Matt Farlow, Deputy Undersecretary-LDVA
Lisa Bruhl, Deputy Assistant Secretary-LDVA
Charlie Dirks, Executive Counsel-LDVA
English Josey, Internal Audit Manager-LDVA

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Department of Veterans Affairs (LDVA) for the period from July 1, 2014, through June 30, 2016. Our objective was to evaluate certain internal controls that management uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall 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 LDVA's Annual Fiscal Reports, and accordingly, we do not express opinions on those reports. 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 the 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 pharmacy inventory, meals for patients and guests, Care and Maintenance Fees, funds of discharged/deceased residents, resident receivable balances, LaCarte purchasing cards, travel expenses, and vendor invoices.
- 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 management for significant variances.

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 purposes.