Office of the Auditor General
Performance Audit Report

Grand Rapids Home for Veterans
Michigan Veterans Affairs Agency
Department of Military and Veterans Affairs

February 2016

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

511-0170-15

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution

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Report Summary

Performance Audit

Grand Rapids Home for Veterans

Michigan Veterans Affairs Agency
Department of Military and Veterans Affairs

Report Number:
511-0170-15

Released:
February 2016

The Grand Rapids Home for Veterans provides nursing care and domiciliary services to military veterans and widows, widowers, spouses, former spouses, and parents of State veterans. The mission of the Home is to provide compassionate, quality, interdisciplinary care for the members to achieve their highest potential of independence, self-worth, wellness, and dignity. As of August 31, 2015, the Home had 389 members receiving nursing care, 43 members residing in the domiciliary units, and 601 State and contract employees. The Home expended $49.1 million for fiscal year 2015 ($14.5 million from State funding, $19.5 million from federal funding, and $15.1 million from member assessments and private donations).

Audit Objective			Conclusion
Objective #1: To assess the sufficiency of the Home's provision of member care services.			Not sufficient
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
We confirmed via surveillance video that 43% of the member location checks and 33% of the fall alarm checks in our samples did not occur. However, the Home provided documentation as if the checks occurred 100% and 96% of the time, respectively. Further, supervisory staff certified 17 of the 25 location check sheets for checks that did not actually occur (Finding #1).	X		Agrees
The contractor did not meet the required staffing needs 81% of the time during 4 sampled months. Shortages were as much as 22 staff on a given day (Finding #2).	X		Agrees
The Home did not properly administer nonnarcotic pharmaceuticals prescribed to members, causing insurance reimbursement inefficiencies and potential quality of care issues. During the 23-month period reviewed, 39% of the nonnarcotic prescriptions were refilled late or more than 5 days early (Finding #3).	X		Agrees
The Home did not effectively develop, execute, and monitor all comprehensive care plans. The Home did not timely complete 25% of the Minimum Data Set assessments and did not timely and sufficiently complete 25% and 59% of the comprehensive care plans, respectively (Finding #4).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of the Home's administration of pharmaceuticals.			Moderately effective
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
The Home had not established adequate controls over its nonnarcotic pharmaceuticals, valued at an estimated $5.2 million for the 23-month period reviewed, to ensure that they were properly accounted for and protected against loss and misuse (Finding #5).	X		Agrees
The Home did not bill members' insurance companies for all eligible prescriptions dispensed and did not follow up prescriptions billed to and rejected by members' insurance companies. The Home is at risk of losing eligible insurance reimbursements of up to $883,700 for the 23-month period reviewed (Finding #6).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of the Home's management of complaints and incidents regarding member care.			Moderately effective
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
The Home did not track or properly investigate or respond to member complaints, including allegations of abuse and neglect. The Home forwarded all 91 complaints documented during the 23-month period reviewed to the manager of the department against whom the complaints were filed and did not forward 9 of 10 complaints alleging abuse or neglect to the director of nursing (Finding #7).	X		Agrees

Audit Objective			Conclusion
Objective #4: To assess the sufficiency of the Home's controls over collection of assessments, donations, and member funds.			Sufficient with exceptions
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
The Home had not implemented sufficient controls over the disbursement of deceased or discharged members' funds and may not have disbursed up to $167,700 of members' funds in a timely manner (Finding #8).		X	Agrees
The Home did not effectively document and resolve past due member assessments, leaving at least $248,800 of past due member assessments outstanding for up to 3 years (Finding #9).		X	Agrees

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.audgen.michigan.gov

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February 19, 2016

Major General Gregory J. Vadnais, Director
Department of Military and Veterans Affairs
3411 North Martin Luther King Jr. Boulevard
Lansing, Michigan
and
Mr. Jeffrey S. Barnes, Director
Michigan Veterans Affairs Agency
222 North Washington Square
Lansing, Michigan
and
Mr. Robert L. Johnson, Chair
Michigan Veterans Facilities Board of Managers
Grand Rapids Home for Veterans
Grand Rapids, Michigan

Dear General Vadnais, Mr. Barnes, and Mr. Johnson:

I am pleased to provide this performance audit report on the Grand Rapids Home for Veterans, Michigan Veterans Affairs Agency, Department of Military and Veterans Affairs.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

PROVISION OF MEMBER CARE SERVICES

BACKGROUND

The Grand Rapids Home for Veterans, operated by the Michigan Veterans Affairs Agency (MVAA), is responsible for providing care for its members in a manner and in an environment that promotes maintenance or enhancement of each member's quality of life. The Home uses the Minimum Data Set (MDS) assessment tool, care area assessments (CAAs), and domiciliary nursing summaries to develop a comprehensive care assessment of each member's functional capabilities. The assessment process includes member evaluation by a physician, a social worker, a nurse, an activities aide, a dietitian, and a physical therapist to determine the member's abilities and disabilities. The Home uses information obtained from the assessment process to develop comprehensive care plans documenting services to be provided to attain or maintain each member's physical, mental, and psychosocial well-being.

The Home provides the following services to accomplish the comprehensive care plans:

- Skilled nursing care for members with disabilities requiring continuous nursing care and supervision.
- Special needs units for members with Alzheimer's disease or other diseases of aging.
- Domiciliary units for members who do not need nursing care but have some limitations that require a structured environment.
- Professional services for members who need rehabilitation therapy, pharmacy, social interventions, physician, dental, and vision services.

All of the Home's employees, including physicians, nurses, contracted nursing assistants, therapists, and administrative personnel, were collectively responsible for providing member care services.

AUDIT OBJECTIVE

To assess the sufficiency of the Home's provision of member care services.

CONCLUSION

Not sufficient.

FACTORS IMPACTING CONCLUSION

- Material condition* related to not completing, yet documenting the completion of, member accountability and safety services.
- Material condition related to the contractor not meeting the required contractual staffing needs 81% of the time.
- Material condition related to administering nonnarcotic pharmaceuticals, resulting in 39% of prescriptions being refilled late or more than 5 days early.
- Reportable condition* related to the need to improve the development, execution, and monitoring of comprehensive care plans.
- The Home appropriately verified the accuracy of the 21 contractor staffing invoices that we reviewed. The Home was not billed and did not pay for staffing shortages for the four months reviewed.
- The Home appropriately verified the 30 contractor staff qualifications that we tested.

** See glossary at end of report for definition.*

FINDING #1

Improvements are needed for completing and properly documenting member accountability and safety checks.

The Home's contracted caregivers did not conduct all necessary member location and fall alarm checks intended to ensure that members were accounted for and safe. Compounding the severity of this situation, the Home produced documentation indicating that these checks occurred, including supervisory certification.

Home policy 11-05-V1 requires that caregivers document the presence or absence of members on the member location sheet either hourly or bihourly, as applicable, and that nursing staff sign the sheets to certify that they were reviewed. Also, the Home's contract for caregiver services states that the Home must provide written notice of a breach and a time period for corrective action.

Fall alarm checks provide assurance that the fall alarms are properly activated for members with identified fall risks, further ensuring the safety of these members. The Home stated that, at the beginning of each shift, caregivers are instructed to complete the fall alarm check sheets every four hours.

We reviewed member location sheets, fall alarm check sheets, and surveillance video for five judgmentally selected nights for three judgmentally selected units. The night shift was reviewed because members should have been in their rooms; the checks could have been easily conducted; and fewer employees would have been in the immediate vicinity for member assistance, making the night shift higher risk. The nights were selected from the most recent month because the Home maintained video footage for only 30 days.

Caregivers did not conduct 43% and 33% of the necessary member location and fall alarm checks, respectively, but completed documentation indicating they had.

Our review of member location sheets and fall alarm check sheets disclosed that caregivers documented that they conducted:

- 100% of the 621 required member location checks.
- 132 (96%) of the 138 required fall alarm checks.

However, our review of surveillance video for the three units during the five evenings disclosed that caregivers did not conduct:

- 230 (47%) of the 490 required hourly and 35 (27%) of the 131 required bihourly location checks.
- 45 (33%) of the 138 fall alarm checks at the required time.

Also, we noted that the nursing staff certified 17 of the 25 erroneously documented location check sheets.

Although we could not project the results of our testing into the remaining population of nights and units, we believe that the

results are representative of the care being provided at the Home during the night shift.

We informed the Home's management of these conditions during the course of our audit for immediate corrective action. The Home indicated that it reviewed the video footage with the contractor, has discussed the issues with the staff, and will continue to monitor video footage for compliance with these requirements.

RECOMMENDATIONS

We recommend that the Home ensure that its contracted caregivers complete and properly document all member location and fall alarm checks.

We also recommend that MVAA pursue appropriate corrective action with its contractor for these irregularities.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply and notes that no members were harmed as a result of the issues noted in the finding.

The Home counseled staff regarding completion and proper documentation of member location checks and also reinforced expectations with the contractor. The Home also conducted a subsequent review of member location checks and found proper completion and documentation. The Assistant Director of Nursing will review all activity monthly to ensure that member location checks are completed according to policy. The Home will also review and update the member location policy to reflect best practice standards.

The Home will discontinue use of fall alarms because of the associated risks and will educate staff, members, and families regarding the risks. Upon reviewing evidence-based studies published by the Centers for Medicare and Medicaid Services and the Pioneer Network, risks of using fall alarms include higher rates of falling, overlooking positioning techniques related to pressure, and limiting mobility.

FINDING #2

Contractor staffing levels need to improve.

The Home's caregiving services contractor did not provide the Home with the required number of staff on a routine basis. One member of the Home who did not receive the ordered one-on-one care fell, resulting in injury requiring medical care at a local hospital. Also, staffing shortages may have been responsible, at least in part, for not conducting the necessary member location and fall alarm checks noted in Finding #1.

Section 1.021 of the caregiving services contract states that the contractor will provide staff in accordance with the varying needs of the Home. The Home indicated that it determines the required staffing levels based on the number of members and their respective levels of care, the required caregiver to member ratio, and scheduled appointments.

As of June 30, 2015, 434 members resided at the Home, including 390 members requiring nursing care services. Our review of the Home's staffing requirements and contractor invoices for October 2014, December 2014, April 2015, and June 2015 disclosed:

Contractor did not meet the required staffing needs 81% of the time during 4 sampled months, ranging up to 22 staff per day.

- The Home required a daily average of 125.9 staff.
- The contractor provided a daily average of 121.3 staff.
- For 99 (81%) of the 122 days, the contractor did not meet the staffing requirements by an average of 5.8 staff, ranging from 0.5 to 22 staff per day, and totaling 570.3 staff.

Between March 19, 2014 and October 16, 2015, MVAA filed four performance complaints against the contractor for failure to provide required staffing levels. The fourth complaint included a formal 30-day cure period, beginning November 1, 2015. The contractor provided a response to the first three complaints indicating that it would take corrective action. In response to the fourth complaint, the contractor has filed a breach of contract against the State.

RECOMMENDATION

We recommend that the Home continue to work with the contractor to ensure that proper staffing levels are met and assess the feasibility of entering into a new contract for caregiving services.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

Upon review of the contract, the Home's staff found that while the contractor was not meeting the minimum staffing according to the contract, the Home was exceeding the

United States Department of Veterans Affairs (USDVA) staffing level standard of 2.5 nursing hours per veteran per day. The Home's staff are working with the contractor management to ensure that future staffing meets members' needs and continues to exceed USDVA standards.

FINDING #3

Improvements needed to administer pharmaceuticals as prescribed.

The Home did not properly administer nonnarcotic pharmaceuticals prescribed to members, causing insurance reimbursement inefficiencies and potential quality of care issues for members whose health is dependent upon timely receiving medications.

Not properly administering member medications brings into question whether members appropriately received their medications and exposes the medications to misuse.

The Home filled 119,335 nonnarcotic prescription orders, including prescriptions for schizophrenia, seizures, and bipolar disorders, during the period October 1, 2013 through August 31, 2015 as follows:

	Nonnarcotic Prescriptions Filled	
	Number	Percentage
Initial prescription	30,174	25%
On-time prescription refill	10,843	9%
Early prescription refills:		
5 days or less	31,501	
6 to 10 days	2,657	
10 days or more	2,386	
Total early prescription refills	36,544	31%
Late prescription refills:		
5 days or less	27,205	
6 to 10 days	5,751	
10 days or more	8,818	
Total late prescription refills	41,774	35%
Total prescriptions	119,335	100%

39% of nonnarcotic prescriptions refilled late or more than 5 days early.

Because the Home refilled 5,043 (4%) prescriptions more than 5 days early and refilled 41,774 (35%) prescriptions late, the Home could not ensure that it administered members' medications appropriately. Also, our review of the timeliness of nonnarcotic prescription refills noted:

a. The Home could not bill members' insurance companies for prescriptions that were refilled more than 5 days early. We used the Medicaid reimbursement rates identified in the Community Health Automated Medicaid Processing System (CHAMPS) and estimated that the value of nonnarcotic prescriptions refilled more than 5 days early was $186,000.

b. The Home did not properly document justification for early refills. Our review of 25 early refill request forms noted that 16 (64%) did not provide sufficient justification and were not signed by all required individuals and that another 7 (28%), although signed

by all required individuals, did not provide sufficient justification. Home policy 08-05-T1 requires that all requests for prescription refill that are more than 5 days early must be accompanied by the early refill request form with justification for the early refill and that the form must be signed by the medication nurse, director of nursing, medical director, and pharmacist.

Staff indicated that nursing staff administered members' prescribed medication to other members who had a prescription for the same medication and dosage.

RECOMMENDATION

We recommend that the Home properly administer nonnarcotic pharmaceuticals prescribed to members.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The policy has been revised and pharmacists have refrained from filling early refills that do not have appropriate approval and justification from the Nurse Manager. Controls have been implemented to ensure that staff administer member medications in accordance with the policy.

FINDING #4

Improvements are needed in developing, executing, and monitoring member comprehensive care plans.

The Home did not effectively develop, execute, and monitor all comprehensive care plans. As a result, the Home could not ensure that it identified members' medical needs and provided the appropriate services in a timely manner.

Using the MDS assessment tool, CAAs, and domiciliary nursing summaries, the Home assesses members upon admission and each year thereafter to identify members' physical, mental, and psychosocial needs and develop individualized comprehensive care plans. These care plans identify the members' functional problems, associated goals for improving the problems, and planned interventions that are designed to achieve the care plan goal.

Our review of 22 member assessments and associated comprehensive care plans disclosed:

a. The Home did not complete 3 (25%) of the 12 applicable comprehensive MDS assessments within 14 days after admission, ranging from 6 to 13 days late, and did not document the completion date for 3 other assessments. Title 38, Part 51, section 110(b)(2)(i) of the *Code of Federal Regulations** (*CFR*) requires that a comprehensive MDS assessment be completed within the first 14 days of admission.

b. The Home did not complete 3 (25%) of the 12 applicable comprehensive care plans timely and did not incorporate all identified CAA risks in 2 (9%) of the 22 applicable comprehensive care plans. Federal regulation 38 *CFR* 51.110(e)(2)(i) requires that a comprehensive care plan be developed within 7 days after the completion of the comprehensive assessment. Also, according to the Home's practice, all identified CAA risks must be included in the comprehensive care plans.

25% and 59% of comprehensive care plans not completed timely and sufficiently, respectively.

c. The Home did not complete all of the periodic narratives in 13 (59%) of the 22 applicable comprehensive care plans necessary for assessing the ongoing appropriateness of goals and recommending suitable changes. The Home's policies require that staff complete quarterly and, in some cases, monthly summaries of a member's progress toward goals.

The Home's contractual staffing shortages, as identified in Finding #2, may have contributed to the untimely assessments and the lack of documentation.

We noted a similar condition related to the development, execution, and monitoring of the comprehensive care plans in

* *See glossary at end of report for definition.*

our prior audit. The Department of Military and Veterans Affairs (DMVA) agreed with the recommendation and indicated that it had implemented a monitoring system to improve compliance for comprehensive care plans, that it was working to identify proper staffing levels necessary to comply with the recommendation, and that the future implementation of the electronic medical records would improve the monitoring of the comprehensive care plans.

RECOMMENDATION

We again recommend that the Home effectively develop, execute, and monitor all comprehensive care plans.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The Home hired an MDS coordinator who will monitor timely and proper completion of MDS assessments and comprehensive care plans. The Home is also implementing electronic medical records to assist with monitoring. Corrective action will occur in the appropriate discipline if MDS or care plans are incomplete or late.

ADMINISTRATION OF PHARMACEUTICALS

BACKGROUND

The Home provides pharmaceutical services to members, including storage, maintenance, and disposition of all medications.

For the period October 1, 2013 through August 31, 2015, the Home issued 128,934 nonnarcotic pharmaceutical prescriptions valued at an estimated $5.2 million and 18,600 narcotic pharmaceutical prescriptions valued at an estimated $0.4 million. All values were estimated based on the Medicaid reimbursement rates identified in CHAMPS.

AUDIT OBJECTIVE

To assess the effectiveness* of the Home's administration of pharmaceuticals.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- The Home properly inventoried and segregated duties for narcotic pharmaceuticals.
- Discarded nonnarcotic pharmaceuticals were minimal for the three weeks reviewed, and the estimated annual value decreased 83% from the prior audit.
- Reportable condition related to the need to improve the billing and collection efforts of dispensed prescriptions, risking the loss of insurance reimbursements of up to $883,700.
- Material condition related to the need to improve controls over nonnarcotic pharmaceuticals valued at $2.7 million annually.
- Material condition related to administering nonnarcotic pharmaceuticals, resulting in 39% of prescriptions being refilled late or more than 5 days early (reported in Finding #3 within Objective #1).

** See glossary at end of report for definition.*

FINDING #5

Improved controls over nonnarcotic pharmaceuticals needed.

The Home had not established adequate controls over its nonnarcotic pharmaceuticals to ensure that they were properly accounted for and protected against loss and misuse.

The State of Michigan Financial Management Guide (Part II, Chapter 12, Section 100) requires State agencies to implement and maintain an inventory accounting system that provides adequate internal control*. Also, the Guide (Part II, Chapter 1, Section 700) indicates that control activities include the segregation of duties among staff to reduce the risk of error or fraudulent actions. In addition, Home policy 08-05-T1 requires the pharmacy to complete an annual inventory of stock and segregate pharmacy duties for ordering and receiving medications.

Our review of the Home's controls over its nonnarcotic pharmaceuticals disclosed:

No inventory system to account for an estimated $2.7 million of nonnarcotic pharmaceuticals dispensed annually.

a. The Home had not implemented an inventory system to account for nonnarcotic pharmaceuticals.

b. The Home had not segregated the duties among pharmacy staff who ordered, received, dispensed, and disposed of nonnarcotic pharmaceuticals.

The Home indicated that its attempts to perform physical inventory counts had been too time consuming and that it did not have sufficient staff to properly segregate the duties.

We noted a similar condition related to the pharmaceutical controls in our prior audit. DMVA indicated that it agreed with the recommendation and that it had developed and implemented a new policy to properly segregate duties related to pharmaceuticals and would be purchasing a Pyxis Medstation® system to allow the Home to continuously monitor pharmaceutical inventories by computer. During this audit, the Home indicated that it has experienced delays in purchasing the Pyxis Medstation® system.

RECOMMENDATION

We recommend that the Home establish adequate controls over its nonnarcotic pharmaceuticals.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The Home has segregated the duties among pharmacy staff who order, receive, dispense, and dispose of nonnarcotic

* *See glossary at end of report for definition.*

pharmaceuticals. The Home will also review best practices for inventory of nonnarcotic pharmaceuticals in the pharmacy that are susceptible to theft and abuse and establish a policy and procedure regarding this after review.

FINDING #6

Prescription billing practices need to be improved.

The Home did not bill members' insurance companies for all eligible prescriptions dispensed from the pharmacy. Also, the Home did not follow up prescriptions that were billed to and rejected by members' insurance companies. We estimated that the Home is at risk of losing eligible insurance reimbursements of up to $883,700 for the 23-month period reviewed.

Sound business practice requires that the Home pursue reimbursement of eligible prescription costs where possible to help ensure that State revenue is maximized.

Our review of the Home's pharmaceutical data for the period October 1, 2013 through August 31, 2015 disclosed:

a. The Home had not followed up 3,756 claims, totaling $425,500, that had been billed to and rejected by members' insurance companies.

$425,500 of rejected claims not followed up and $458,200 of dispensed pharmaceuticals not billed to members' insurance companies.

b. The Home had not billed members' insurance companies for narcotic pharmaceuticals dispensed. Based on the Medicaid reimbursement rates, the percent of members not covered by the U.S. Department of Veterans Affairs (USDVA), and the percent of members with insurance, we estimated the value of the approximately 396,600 medications dispensed as floor stock at $336,700.

c. From November 1, 2014 through August 31, 2015, the Home had not billed members' insurance companies for 5,607 nonnarcotic prescriptions administered to 378 members who had insurance. We used the Medicaid reimbursement rates for the 4,127 prescriptions that we could locate in CHAMPS and estimated the value of these 4,127 prescriptions at $121,500.

The Home stated that it did not have the resources to bill all eligible insurance companies for reimbursement or to follow up rejected claims.

RECOMMENDATIONS

We recommend that the Home bill members' insurance companies for all eligible prescriptions dispensed from the pharmacy.

We also recommend that the Home follow up prescriptions that members' insurance companies reject.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The Home hired a staff person who will bill insurance companies for all eligible prescriptions dispensed from the pharmacy and follow up on rejected claims. The Pharmacy Director and the Chief Operating Officer will monitor the Home's prescription billing practices.

MANAGEMENT OF COMPLAINTS AND INCIDENTS REGARDING MEMBER CARE

BACKGROUND

Members and their families can submit complaints in writing. The Home is required to investigate and respond to all complaints received within 10 business days. The Home also documents and follows up member-related incidents, medication-related incidents, and allegations of abuse or neglect.

AUDIT OBJECTIVE

To assess the effectiveness of the Home's management of complaints and incidents regarding member care.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- The Home properly documented, reviewed, and followed up member-related and medication-related incident reports.
- Material condition related to the need to improve the Home's member complaint process, including allegations of abuse and neglect.

FINDING #7

Improvements are needed to the Home's member complaint process.

The Home did not track or properly investigate and respond to member complaints, including allegations of abuse and neglect.

Home policy 01-02-F1 indicates that the Home will log all complaints and provide a written response to the complainant within 10 business days. Also, Home policy 01-02-A4 requires that all suspicions of abuse or neglect, as defined by the Home, be reported to the director of nursing for investigation.

The Home provided us with documentation of 91 complaints received during the 23-month period, including 38 complaints that, based on the Home's definition, contained an allegation of abuse or neglect. Our review of the Home's follow-up of these complaints noted:

All complaints forwarded to the manager of the department against whom complaints were filed.

a. The Home forwarded all 91 complaints to the manager of the department against whom the complaints were filed, thus severely compromising the controls inherent within an effective complaint process.

9 complaints alleging abuse or neglect not investigated by the director of nursing.

b. For 10 of the 38 complaints alleging abuse or neglect, although the complaints were followed up by the manager of the department against whom the complaints were filed, 9 complaints had not been forwarded to or investigated by the director of nursing.

c. The Home did not maintain a tracking log or copies of the complaints upon receipt. As a result, the Home could not ensure that it documented and responded to all complaints.

d. The Home responded to 22 (24%) of the 91 documented complaints 7 days late on average, ranging from 1 to 27 days late.

RECOMMENDATION

We recommend that the Home track and properly investigate and respond to all member complaints.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The Home reviewed and revised its complaint policy to ensure that member issues are addressed quickly with the appropriate discipline addressing issues. The process has been revised to require a manager outside the discipline to review the complaint and investigation. The complaint coordinator within the Home's Social Services Department has a new tracking log and will routinely review for timely completion with Chief Operating Officer.

The Vice President of Social Services will review all complaints on a monthly basis to ensure that follow-up has been completed by the Director of Nursing. The policy was revised to require all complaints are brought to the quarterly Quality Assurance meeting.

CONTROLS OVER COLLECTION OF ASSESSMENTS, DONATIONS, AND MEMBER FUNDS

BACKGROUND

The Michigan Veterans Facilities Board of Managers annually establishes a monthly fee assessment* rate for each type of member to cover a portion of the Home's cost of services provided to its members. The types of members include veterans and nonveterans who receive nursing care and veterans and nonveterans who reside in the domiciliary units.

Members who do not have a 70% to 100% service-connected disability pay a monthly maintenance assessment* based on their financial circumstances, up to the monthly fee assessment rate established by the Board of Managers.

The Home receives, sorts, and distributes donated goods, including T-shirts, pants, shoes, hats, movies, games, etc. The Home also receives and tracks donated funds and ensures that the funds are expended in accordance with donor restrictions.

The Home receives members' personal funds from pensions, social security benefits, and other sources. A portion of these funds are maintained at the Home to provide members with access to personal spending money. The remainder of the funds are maintained at a local bank.

During the 23-month audit period, the Home collected $19.4 million of member assessments, received $502,000 in donations, and expended $751,000 of donated funds. As of August 31, 2015, the Home held approximately $284,000 in member funds.

AUDIT OBJECTIVE

To assess the sufficiency of the Home's controls over collection of assessments, donations, and member funds.

CONCLUSION

Sufficient with exceptions.

FACTORS IMPACTING CONCLUSION

- The 25 sampled member assessments were accurately calculated.
- The Home properly recorded and expended the 109 monetary donations that we reviewed.
- The Home maintained documentation of donated goods through a perpetual inventory system.

** See glossary at end of report for definition.*

- During the audit period, the Home enhanced the physical security over member funds maintained at the Home; required approved documentation for member withdrawals; and issued quarterly financial statements to members, conservators, and durable powers of attorney.

- Reportable condition related to the need for improved controls over the disbursement of deceased or discharged members' funds.

- Reportable condition related to the need to improve the Home's process for resolving past due member assessments.

FINDING #8

Controls over disbursement of deceased or discharged members' funds need improvement.

The Home had not implemented sufficient controls over the disbursement of deceased or discharged members' funds. As a result, the Home may not have disbursed up to $167,700 of members' funds in a timely manner.

Section 36.11(3) of the *Michigan Compiled Laws* allows the Board of Managers to require that, as a condition of admission, all applicants assign any accumulated balance to the Board of Managers upon the death of the applicant and that all such sums shall first be expended to pay the members' residual maintenance costs. Also, Home policy 03-02-F1 indicates that the Home should provide the balance and disposition of the member account within 30 days of a member's death. The policy also indicates that the Home should return any remaining funds to discharged members within 3 business days upon leaving the Home. In addition, Board of Managers policy BP-022 and Home policy 03-01-E1 require that the Home obtain a sworn affidavit, attesting that the individual is the decedent's successor, prior to releasing assets of deceased members.

During our audit period, 42 members were deceased or discharged from the Home with balances in their accounts totaling approximately $168,000. Our review of the accounts of 10 of these members (9 deceased and 1 discharged) disclosed:

The Home did not provide the balance and disposition of the members' funds to the responsible parties in 4 of 10 instances.

a. The Home routinely applies any balance of money in the deceased members' accounts to the members' residual maintenance costs; however, the Board of Managers has not formally made this a condition of admission.

b. In 4 instances, the Home did not provide the balance and disposition of the members' funds to the responsible parties.

The Home took up to 7 months to provide the balance and disposition of the members' funds.

c. In 4 instances, the Home took 60 to 217 days after the members' death to provide the balance and disposition or disbursement of the members' funds to the responsible parties.

d. In 1 instance, the Home took 162 days to return the member's funds to the member after leaving the Home.

e. In 1 instance, the Home did not document that it received an affidavit prior to releasing the balance of the member's funds.

The Home's antiquated internal accounting system made it difficult to properly track the disbursement of discharged member accounts.

We noted a similar condition related to the discharge of member funds in our prior audit. DMVA agreed with the recommendation and indicated that it was in the process of reviewing and revising its policies to coincide with USDVA guidelines.

RECOMMENDATION

We recommend that the Home implement sufficient controls over the disbursement of deceased or discharged members' funds.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The Home will review and revise its policies and procedures involving the disbursement of deceased or discharged members' funds to implement sufficient notifications and timely disbursement. The Department of Technology, Management, and Budget is assisting the Home with corrective action. MVAA's Vice President of Health System will meet monthly with the Business Services Manager and Chief Operating Officer to review proper notifications and the status of deceased and discharged members' funds.

FINDING #9

Process to resolve past due member assessments needs improvement.

The Home did not effectively document and resolve past due member assessments. Accordingly, the Home had not collected at least $248,800 of past due member assessments that had been outstanding for up to three years.

Section 36.11(1) of the *Michigan Compiled Laws* requires members to pay a monthly assessment according to their ability to pay. For members or other responsible parties who do not pay the monthly assessment, Board of Managers policy BP-005 requires the Home to send a past due notice, reduce the member's $100 personal spending allowance, or discharge and refer the member to the Department of Attorney General for collection.

No collection efforts documented for 83% of past due assessments.

We estimated that 481 (69%) of the 701 members who resided at the Home at some time during the audit period had past due assessments totaling $1.5 million. Our review of 18 members' past due assessments, totaling $248,800, disclosed that the Home had not documented any efforts to collect the past due assessments during our audit period for 15 (83%) of the 18 members and had not fully resolved 17 (94%) of the 18 past due assessments as of August 31, 2015.

94% of past due assessments not fully resolved.

The Home used a cumbersome manual process to track past due member assessments.

We noted a similar condition related to addressing past due member assessments in our prior audit. DMVA agreed with the recommendation and indicated that it was pursuing an electronic medical records (EMR) system that would include a financial software component with the ability to identify and automatically bill past due accounts. Depending on the availability of funding, DMVA hoped to implement the EMR system in fiscal year 2014.

RECOMMENDATION

We again recommend that the Home effectively document and resolve past due member assessments.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

The Home agrees and has taken steps to comply.

The Home has implemented a new accounting system with the capability to report, track, and document all collection efforts of past due assessments. The Home will also create and implement new policies and procedures that address collecting past due assessments and writing off uncollectible debts.

AGENCY DESCRIPTION

The Grand Rapids Home for Veterans has been in operation since 1886, is approved by the USDVA, and operates under Sections 36.1 - 36.71 of the *Michigan Compiled Laws*. The Home provides nursing care and domiciliary services to military veterans and widows, widowers, spouses, former spouses, and parents of State veterans. The USDVA provides financial assistance to the Home on a per diem basis and ensures that quality care is provided through an annual inspection, audit, and reconciliation of records.

The Home is operated by MVAA. The Michigan Veterans Facilities Board of Managers plays a general advisory role, establishes some operating policies for the Home, and is composed of seven veterans who are appointed by the Governor for a term of three years.

The mission* of the Home is to provide compassionate, quality, interdisciplinary care for the members to achieve their highest potential of independence, self-worth, wellness, and dignity. The Home is a symbol of America's promise to her veterans that, in return for their sacrifices and call to duty, they would be cared for in their time of need.

The Home receives a full per diem reimbursement from the USDVA for members who have a 70% to 100% service-connected disability and partial per diem reimbursement for the other members. Also, the other members pay a monthly maintenance assessment based on their ability to pay, up to the monthly fee assessment rate established by the Board of Managers.

For fiscal year 2015, the Home expended $49.1 million ($14.5 million from State funding, $19.5 million from federal funding, and $15.1 million from member assessments and private donations). The Home has the capacity to accommodate 519 members. As of August 31, 2015, the Home had 389 members receiving nursing care, 43 members residing in the domiciliary units, and 601 State and contract employees.

** See glossary at end of report for definition.*

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the program and other records of the Home. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2013 through August 31, 2015.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of the Home's operations and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed the Home's management and staff regarding their functions and responsibilities.
- Observed the Home's operations and activities.
- Reviewed applicable State laws, federal regulations, and the Home's policies and procedures.
- Reviewed USDVA inspection reports of the Home.
- Reviewed the State Board of Pharmacy's report of the Home.

OBJECTIVE #1

To assess the sufficiency of the Home's provision of member care services.

To accomplish our first objective, we:

- Reviewed member location sheets, fall alarm check sheets, and surveillance video for five judgmentally selected nights for three judgmentally selected units. The night shift was reviewed because members should have been in their rooms; the checks could have been easily conducted; and fewer employees would have been in the immediate vicinity for member assistance,

* *See glossary at end of report for definition.*

making the night shift higher risk. The nights were selected from the most recent month because the Home maintained video footage for only 30 days. Although we could not project the results of our testing into the remaining population of nights and units, we believe that the results are representative of the care being provided at the Home during the night shift.

- Compared staffing levels provided by the caregiving services contractor with those required by the Home for four months. Also, we reviewed the 21 invoices that the Home received from the contracted caregiving services company that covered these four months. We randomly selected the months reviewed to eliminate bias and to enable us to project the results to the entire population.

- Analyzed the timeliness of nonnarcotic prescriptions issued during the audit period.

- Reviewed 25 early refill request forms for the 5,043 prescriptions refilled more than 5 days early for proper documentation. Our sample items were randomly and haphazardly selected because of the way the forms were filed. Therefore, we could not project our results into the entire population.

- Reviewed member medical files for 22 of the 701 members residing at the Home during the audit period to determine if the Home effectively developed, executed, and monitored comprehensive care plans. We randomly and judgmentally selected the 22 members to ensure that we reviewed members receiving both nursing care and domiciliary care services. Therefore, we could not project errors into the population.

- Reviewed the Home's verification of the staffing qualifications for 30 of the 290 contracted staff. We randomly and judgmentally selected the 30 contracted staff to ensure that we reviewed both caregivers and supervisors. Therefore, we could not project errors into the population.

OBJECTIVE #2

To assess the effectiveness of the Home's administration of pharmaceuticals.

To accomplish our second objective, we:

- Analyzed the timeliness of nonnarcotic prescriptions issued during the audit period.

- Reviewed 25 early refill request forms for the 5,043 prescriptions refilled more than 5 days early for proper documentation. Our sample items were randomly and haphazardly selected because of the way the forms

were filed. Therefore, we could not project our results into the entire population.

- Reviewed nonnarcotic pharmaceuticals returned to the pharmacy for three weeks during our audit period. The weeks were judgmentally selected based on our ability to physically observe the return of the medications to the pharmacy. Therefore, we could not project our results into the entire population.

- Obtained and analyzed the prescriptions dispensed during the audit period that had not been billed to, or had been rejected by, the members' insurance companies.

- Reviewed the physical controls over the pharmaceutical inventory.

- Observed the delivery processes of both narcotic and nonnarcotic prescriptions on one occasion.

OBJECTIVE #3

To assess the effectiveness of the Home's management of complaints and incidents regarding member care.

To accomplish our third objective, we:

- Reviewed 25 of the 3,141 member-related incident reports for proper documentation.

- Reviewed 25 of the 579 medication-related incident reports for proper documentation.

- Reviewed all 91 member complaint forms, maintained by the Home, for appropriate and timely investigation.

- Reviewed 10 of the 38 member complaints alleging abuse or neglect and 6 of the 51 other documented allegations of abuse or neglect for appropriate investigation.

We randomly selected our samples to eliminate bias and to enable us to project the results into the entire population.

OBJECTIVE #4

To assess the sufficiency of the Home's controls over collection of assessments, donations, and member funds.

To accomplish our fourth objective, we:

- Reviewed the Home's calculation of member assessments for 25 of the 701 members residing in the Home during the audit period. We judgmentally selected one member to ensure that we reviewed at least one member who had a 70% to 100% service-connected disability; all others were randomly selected to reduce

bias and to enable us to project the results into the entire population.

- Reviewed the Home's documentation of its collection efforts for 18 of the 481 members with past due balances. We judgmentally selected the 5 members with the highest past due balances. The other 13 members were randomly selected to reduce bias. Therefore, we could not project our results into the population.

- Reviewed all 109 monetary donations and the related expenditure transactions for one randomly selected month within the audit period. We determined that reviewing one month's worth of transactions would be most efficient based on how the documentation was filed. We randomly selected our sample to eliminate bias and to enable us to project the results into the entire population.

- Reviewed the Home's documentation of and process for receiving and allocating donated goods.

- Reviewed the Home's documentation of its efforts to disperse funds for 10 of the 42 deceased or discharged members. We judgmentally selected the 3 members whose balances represented 93% of the total. The other 7 members were randomly selected to reduce bias. Therefore, we could not project our results into the population.

- Reviewed the physical security of the Home's banking operation.

CONCLUSIONS

We base our conclusions on our audit efforts and the resulting material conditions and reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 9 findings and 11 corresponding recommendations. MVAA's preliminary response indicates that it agrees with all 11 recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and submit it within

60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

PRIOR AUDIT FOLLOW-UP

We released our prior performance audit of the Grand Rapids Home for Veterans, Department of Military and Veterans Affairs (511-0170-12L), in April 2013. DMVA complied with 5 of the 9 prior audit recommendations. We repeated 2 prior recommendations in Findings #4 and #9 of this audit report and rewrote the other 2 prior recommendations for inclusion in Findings #5 and #8 of this audit report.

GLOSSARY OF ABBREVIATIONS AND TERMS

CAA	care area assessment.
CHAMPS	Community Health Automated Medicaid Processing System.
***Code of Federal Regulations* (*CFR*)**	The codification of the general and permanent rules published by the departments and agencies of the federal government.
DMVA	Department of Military and Veterans Affairs.
effectiveness	Success in achieving mission and goals.
EMR	electronic medical records.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MDS	Minimum Data Set.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
monthly fee assessment	An annual rate established by the Michigan Veterans Facilities Board of Managers to cover a portion of the Home's cost of services. The Board of Managers establishes a separate rate for each type of member, including veterans and nonveterans who receive nursing care and veterans and nonveterans who reside in the domiciliary units.

monthly maintenance assessment	The portion of the monthly fee assessment that the Home charges to members who do not have a 70% to 100% service-connected disability. The Home calculates the maintenance assessment based on the member's financial circumstances. Based on the Home's calculation, the member may pay none of, a portion of, or the entire amount of the monthly fee assessment.
MVAA	Michigan Veterans Affairs Agency.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
USDVA	U.S. Department of Veterans Affairs.