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MINNESOTA VETERANS HOMES
FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD APRIL 1, 1984
THROUGH JUNE 30, 1987

JUNE 1988

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

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Audit Scope

We have completed a financial and compliance audit of the Minnesota Veterans Homes for the period April 1, 1984 through June 30, 1987. Section I includes a brief description of the Minnesota Veterans Homes activities and finances. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on April 29, 1988.

The objectives of the audit were to:

- study and evaluate internal control systems of the homes, including receipts, payroll, fixed assets, and administrative disbursements as of February 1, 1988;

- verify that financial transactions were made in accordance with applicable laws, regulations and policies including Minn. Stat. Chapter 198 and other finance-related laws and regulations; and

- evaluate the recording and reporting of financial transactions on the statewide accounting system.

Management Responsibilities

The management of the Minnesota Veterans Homes has changed significantly over the past several years. Both homes have had several administrators and managers. As reported in the Department of Administration's Management Study of the Minnesota Veterans Homes, there has been ineffective supervision, poor communication, and unclear responsibilities which have affected the employees morale and attitude. While management styles have differed, the accounting system and staffing have not changed significantly during our audit period.

The Department of Veterans Affairs was responsible for administration of the Minnesota Veterans Homes during most of our audit period. The Department of Human Services is responsible for management of the homes until the Minnesota Veterans Homes Board has obtained licenses to manage the homes. This report is addressed to the Minnesota Veterans Homes Board because this board will be responsible for ensuring that the recommendations made in this report are implemented.

The management of the Minnesota Veterans Homes is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the Minnesota Veterans Homes is also responsible for the Homes' compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by the Minnesota Veterans Homes. The purpose of our testing of transactions was to obtain reasonable assurance that the Minnesota Veterans Homes had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Scope Limitations

We were unable to audit certain fiscal years 1985, 1986, and 1987 imprest cash, designated contributions, and canteen transactions of the Minnesota Veterans Homes because bank statements, cancelled checks, and other supporting documentation could not be located. These records are necessary to verify that transactions are appropriate.

Conclusions

Our study and evaluation disclosed the issues raised in Section II, findings 1-8, 10-11, 13-14, 16, 18-19, and 21-26, concerning the Minnesota Veterans Homes system of internal accounting control, in effect on February 1, 1988, which, in our opinion, result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial activities of the board may occur and not be detected within a timely period.

In our opinion, except for the issues raised in Section II, findings 3, 9-10, 12, 15-17, and 20, and subject to the fiscal years 1985, 1986, and 1987 imprest cash, designated contriubtions, and canteen transactions which we were unable to verify as described in the Scope Limitation section of this letter, for the period April 1, 1984 through June 30, 1987, the Minnesota Veterans Homes administered its programs in compliance, in all material respects, with Minn. Stat. Chapter 198 and other applicable finance-related laws and regulations.

In our opinion, subject to the fiscal years 1985, 1986, and 1987 imprest cash, designated contriubtions, and canteen transactions which we were unable to verify as described in the Scope Limitation section of this letter, for the period April 1, 1984 through June 30, 1987, the Minnesota Veterans Homes properly recorded, in all material respects, its financial transactions on the statewide accounting system.

The recommendations included in this report are presented to assist the Minnesota Veterans Homes in resolving the audit findings and in improving accounting procedures and controls. We will be monitoring and reviewing the Minnesota Veterans Homes' progress on resolving these findings during the upcoming months. A summary of the progress made on all audit recommendations discussed in our last follow-up audit report covering the period October 1, 1984 through May 10, 1985, dated August 7, 1985, is shown in Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the Minnesota Veterans Homes staff for their cooperation during this audit.

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

June 27, 1988

MINNESOTA VETERANS HOMES

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EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following representatives of the Minnesota Veterans Homes on June 16, 1988:

James Sieben	Chair, Minnesota Veterans Homes Board
John Grimley	Acting Administrator
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MINNESOTA VETERANS HOMES

I. INTRODUCTION

The Minneapolis Veterans home was founded in 1887. It is currently licensed to serve 346 nursing care and 194 domiciliary residents. The Hastings Home was opened in 1978, and is licensed for 200 domiciliary residents. Their purpose is to provide a home for veterans and their spouses, surviving spouses, and parents who meet eligibility and admission requirements.

The homes were under the general management and control of the Commissioner of Veterans Affairs (Central Office) and the immediate supervision of an administrator appointed by the commissioner. On July 30, 1987, the Governor temporarily transferred control of the homes from the Department of Veterans Affairs to the Department of Human Services due to health violations cited in a Department of Health report. On April 28, 1988, the Governor signed a bill placing the homes under the direct management of a board. The board consists of nine voting members appointed by the Governor. The chair is designated by the Governor. Three public members and five members of veterans organizations have professional experience in health care delivery. The Commissioner of Veterans Affairs services as a nonvoting member of the board as do the chairs of the senate veterans affairs committee and the house committee on general legislation, veterans affairs, and gaming. The board may appoint a deputy commissioner for veterans health care who serves as the administrative head of the veterans homes.

The Minneapolis and Hastings Homes received $8,056,000 and $2,268,500 respectively, in appropriations for fiscal year 1987. Following is a summary of the homes' cash basis receipts and disbursements for fiscal year 1987:

	Minneapolis	Hastings
Receipts:		
Maintenance fees	$ 4,441,600	$ 485,300
Federal	2,408,500	494,200
Gifts and Donations	151,500	Reported in Mpls.
Resident Deposits	687,300	159,900
Other	268,000	217,300
Total	$ 7,956,900	$ 1,356,700
Disbursements:		
Payroll	$ 7,276,500	$ 1,583,700
Administrative Expenditures	2,682,859	921,600
Capital Outlay	59,241	38,900
Other	200	100
Total	$10,018,800	$ 2,544,300

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. <u>The administrative and internal controls over the Minnesota Veterans Homes programs are inadequate</u>.

Both our 1980 and 1984 audit reports included many specific findings and recommendations relating to administrative and accounting controls. The 1985 review indicated that policies were developed and improvements had been made. We now believe that the recommendations made in the 1984 report were not fully implemented. Policies and procedures had been written for many of the areas. However, the procedures were not followed for most of our audit period. This has subjected the homes to an abnormally high risk of errors and irregularities.

Some of the problems encountered appear to be the result of poor training. Staff duties had been reassigned during our audit period without providing proper training. As a result, some duties were not performed and some records were not maintained. This may have been part of the reason for the discrepancy in the residents' accounts in 1984. (See finding 6 for additional information.) The accounts receivable supervisor duties were reassigned in 1984. The new supervisor discontinued use of the resident account control card and therefore could not perform monthly reconciliations of the individual resident cards to the control card and to the bank account and statewide accounting records. Also, the interest income was not transferred to the designated contribution account timely.

The Department of Veterans Affairs financial management director was responsible for both the central office and the homes' financial activities. Most of the financial transactions were processed at the Minneapolis Home. The director's duties and time were divided between the central office and the homes. This did not provide the home accounting staff with sufficient supervision and oversight. In addition, rules and polices have not been finalized which would provide staff with additional guidance. The Minneapolis Home has recently hired an accounting supervisor who will be responsible for the accounts payable, accounts receivable, purchasing, and inventory sections at both homes. This individual will report directly to an assistant administrator.

RECOMMENDATION

- All employees responsible for accounting-related duties should be provided with the necessary guidance and instruction to ensure that administrative and accounting controls are adequate.

Cost of Care

The homes define cost of care as the total costs of operations less any revenue received from the sale of meal tickets or the lease of space by an outside agency. Each home determines the cost of care every six months for the prior 12 months of activity. The costs are assigned to either the domiciliary or nursing care operations as appropriate. The calculation is determined using the total expenditures for the period, subtracting any revenue generated and dividing by the total days of care for the period. The days of care refers to the total number of days the home actually provided care for the residents. This calculated amount is the actual amount needed to charge each resident to cover all costs of operation or the maximum maintenance charge. The maximum maintenance charge is the maximum amount a resident will pay regardless of income. The actual maintenance charge is calculated by excluding the first $85 of income and charging 95 percent of the remaining income up to the maximum allowed. However, if a resident's net worth exceeds $3,000 he is assessed the maximum amount until his net worth is reduced below $2,500. Then the standard calculation is applied.

The Commissioner of Veterans Affairs had proposed Agency Rules addressing the admittance and discharge of residents. However, during this time the homes were placed under the authority of the Department of Human Services (DHS) and the rules have not been submitted for approval.

We identified the following problems associated with cost of care:

- The maintenance fee calculation is not always consistently applied or documented.
- Accounts receivable balances at the homes appears unreasonably high.
- Written procedures are needed for some aspects of the cost of care process.
- Duties are not properly segregated.

2. <u>Maintenance fee calculation procedures need improvement</u>.

During the admission process the resident completes a statement of income and net worth which discloses all of the resident's income and assets. This statement is the basis for the maintenance calculation. At the Minneapolis Home the resident signs various waivers that allows the home's staff to verify certain income amounts such as Social Security and Veteran's Administration pensions as well as bank account balances. The procedure is the same at the Hastings Home except that they do not obtain authority to verify the bank accounts.

The maintenance fee is calculated based on the resident's statement at the time of admission. There are no procedures to prevent the resident from liquidating his entire estate immediately preceding admission to the home. This could result in disclosing a minimal amount of income and worth resulting in a maintenance fee well below the maximum allowed. Other similar state facilities have "spend down" regulations which prevent a person from dispensing their assets for a certain time period prior to admission. The resident would be charged on his income and worth prior to liquidation resulting in a higher and more equitable maintenance charge.

While the homes do some income verification, a more effective means of verification would be to require the residents to submit prior years' tax returns as part of the admission process. This would assure the homes that all of the resident's financial information is disclosed. This would also inform the homes if the resident had been liquidating assets in anticipation of admission to the home.

Some of the calculations at the Hastings Home were not well documented and may have been made incorrectly. We found one example where the resident disclosed a bank account containing $14,000 which earned $56 per month interest. The resident should have been charged the maximum amount (approximately $24 per day) until his net worth fell below the $3,000 limit, instead of the $16 per day he was charged. The home did not verify the amount with the bank, but included the $56 amount in the calculation and ignored the principal amount. In another instance a resident disclosed a net worth of $25,000 but again was not charged the maximum fee. There was no documentation indicating that the home verified this amount.

Another example of where the maintenance fee may have been miscalculated involves a resident who listed his net worth on the financial statement as "under $3,000 per guardian." While the statement infers that the net worth is below the $3,000 limit the home did not determine the exact amount. The net worth limit of a resident under the guardianship of another person is reduced to $1,500 for purposes of charging the maximum amount.

The final situation where a fee could be miscalculated involves the worksheet used to calculate the fee. The worksheet, "Income and Maintenance Rate," identifies each source of income and deductions separately before arriving at a net amount which is used for the calculation. The problem occurs when only the final amount is shown. There is no way to verify the accuracy of the net amount because the various components are not disclosed.

The Minneapolis Home does not always document adjustments to the resident's maintenance charges. A sample of 20 residents disclosed that two adjustments were not documented. The adjustments were made on the "Maintenance Adjustment Sheets," but there was no reason listed or documentation presented to support the adjustment. Without the proper documentation to support the adjustments, the home is unable to provide reasonable explanations for changes in the resident's fees.

RECOMMENDATIONS

- The homes should review their maintenance fee procedures and consider "spend down" regulations for liquidation of assets prior to admission.

- The homes should require prospective residents to submit their tax returns as part of the admission process to better determine the resident's financial situation.

- The Hastings Home should have the residents sign a waiver allowing them the ability to verify bank accounts as well as other financial information.

- The Hastings Home should review the residents' net worth disclosures and make the appropriate adjustments when the net worth exceeds the applicable limit.

- The Hastings Home should identify each source of income and expenditures separately when calculating a resident's maintenance fee.

- The Minneapolis Home should properly document adjustments made to the residents' maintenance fees.

3. <u>The accounts receivable balances for the maintenance fee account at both homes is unusually high</u>.

The accounts receivable balances on February 29, 1988 for the Minneapolis and Hastings Homes were $298,515.50 and $43,559.55, respectively. The problem does not exist with just residents who have left the home and still owe money. A review of outstanding balances on February 29, 1988 at the Minneapolis Home showed that five residents owed a total of $98,974. The high balances are the result of several factors.

The collection procedures for outstanding balances need improvement. Currently, the homes perform limited follow-up on these accounts including additional billings and telephone inquiries. However, these procedures have not been effective in collecting overdue accounts. In addition, the homes have done little from a legal standpoint to collect outstanding balances. They have attempted to use Revenue Recapture on a limited basis but have had little success. They do not forward uncollectible accounts to the Attorney General's Office for collections and have not filed claims against the estates of deceased residents for monies owed the homes.

As previously discussed, there are residents at the homes, particularly at Minneapolis, who are unwilling to pay their cost of care and have not been discharged. The current admission agreement states that, "Failure by any resident to . . . pay the maintenance fee may subject the resident to discharge." This procedure was attempted to be enforced against one resident. As a result, the home was sued and a court order prohibits further involuntary discharges until rules have been established. As stated earlier, rules have been proposed but not submitted for approval, to specifically address the discharging of a resident.

The homes have not written off old uncollectible accounts. Minn. Stat. Sections 10.12 and 10.15 allow for the write-off of uncollectible accounts after approval by the Attorney General and the Executive Council for amounts over $100. The Commissioner has the authority to write off amounts under $100 as uncollectible. In August 1987, both homes prepared appropriate lists of uncollectible accounts to be written off and submitted them to the central office for appropriate action. As of February 1, 1988, these accounts had not been written off. The listing submitted by the Minneapolis Home contained numerous outstanding accounts that were identified as uncollectible during our 1984 audit. These accounts date back to 1969. Uncollectible accounts should be written-off so that only valid accounts receivable are maintained on the accounting records.

RECOMMENDATIONS

- The homes should develop stronger collection procedures to ensure that they collect all the money due.
- The homes should pursue the implementation of the proposed discharge policy.
- The homes should develop procedures for the referral of overdue accounts to the Attorney General's Office for legal action.
- Uncollectible accounts should be submitted annually to the Executive Council or the Commissioner for cancellation.

4. PRIOR FINDING PARTIALLY RESOLVED. Written procedures are needed for some areas of cost of care.

Adequate accounting control over transactions and assets includes the establishment and maintenance of relevant, up-to-date, written procedures. These procedures would establish the processing mechanics for operations at the homes, defining which position is responsible for each task and exactly how the task is to be completed. Documenting methods of completing tasks strengthens internal control by providing reasonable assurance that those tasks are completed consistently and in accordance with all applicable statutes and policies. The procedures would outline the process management feels is necessary to conduct operations and make well-founded decisions. Cost of care procedures are not adequate to ensure proper operations.

The cost of care calculation is not documented. The calculation involves the use of statewide accounting system (SWA) reports and daily census records. Various expenditure accounts are summarized and then apportioned between direct and indirect care for the types of care, based on the percentage of use. The final amounts are then divided by the days of care provided by Medical Records. Because of the number of calculations, decisions, and judgments involved, written procedures are necessary to ensure consistency from one cost of care calculation to the next.

RECOMMENDATION

- The homes should develop written procedures for the cost of care calculations.

5. <u>Maintenance fee responsibilities are not adequately segregated at the Hastings Home</u>.

The Hastings cashier is responsible for resident maintenance charges. The monthly maintenance charge for each resident is calculated by the cashier and posted to the resident's ledger card. The cashier receives the payment, issues the resident a receipt, posts the amount received to the resident's card, makes any adjustments to the monthly charge, deposits the receipts to the local bank, and reconciles the account. This concentration of duties results in an unacceptable risk that errors or irregularities could exist without being detected.

The segregation of incompatible functions is an essential element of accounting control. Incompatible functions are ones that if performed by one person would allow that person to make and conceal an irregularity or an error. When incompatible functions are not segregated, the likelihood that irregularities could occur without being detected increases greatly. Although our audit showed no evidence of any material irregularities, it is important that the Hastings Home maintain controls to prevent or detect such occurrences in order to demonstrate to the Legislature, the residents of the home, and the public in general that state and resident assets are properly safeguarded. Segregation of duties will also help prevent errors that occur in the normal course of business by providing a review of each transaction by more than one person.

Duties could be adequately segregated if the cashier prepared the maintenance calculations and adjustments, received the payments from the residents and made the deposit. The accounts receivable supervisor could approve the calculations and adjustments. Another individual who has no access to the receipt of money should post to the residents' cards. The reconciliations to the accounts could be done by the accounts receivable section clerks at the Minneapolis Home.

RECOMMENDATION

- Duties at the Hastings Home should be segregated so that the cashier does not have complete control of the maintenance fee process.

Residents' Accounts

Residents' accounts are maintained by the home for all of the residents. The resident account balance is maintained on the statewide accounting system. In addition, there is a $25,000 imprest cash fund in Minneapolis and $10,000 in Hastings used for the residents' immediate needs. The

Minneapolis imprest cash fund is comprised of an $18,000 checking account and a $7,000 drawer balance in the cashier's office. Hastings has a $7,000 checking account and $3,000 in the cash drawer. Residents may make deposits to their accounts and cash or check withdrawals. All transactions are recorded on the daily transaction log by the cashier. At the end of each day, each individual transaction is posted to the respective resident account. The total withdrawals and the total deposits for each day are posted to the control card. Problems exist in the following areas:

- -- The resident accounts are not being reconciled to SWA regularly.
- -- Duties are not properly segregated.
- -- The cash drawer balance in Hastings is excessive.
- -- Residents are not signing interest waivers in Hastings.
- -- Unclaimed property is not being disposed of properly.

6. <u>PRIOR FINDING PARTIALLY RESOLVED. Resident account reconciliations were not completed during fiscal years 1985 and 1986</u>.

A three step rconciliation is necessary to account for all resident funds. First, a monthly reconciliation of the member's depository bank account to the appropriate imprest cash balance should be completed. At this time, any old outstanding checks should be noted. Once the bank account has been reconciled, all the resident account balances should be totaled and compared to the control card. Theoretically, the total of the resident accounts should always be equal to the control card. The control card balance should then be reconciled to the total account balance on SWA.

During fiscal years 1985 and 1986, the resident account reconciliations were not completed. Reconciliations of the resident accounts were completed for fiscal year 1987; however, the reconciliations were not dated or initialed. Since December 1987, reconciliations have not been completed in a timely manner. The January 1988 reconciliation was not completed at all and the February 1988 reconciliation was not completed until March 22, 1988.

The resident account reconciliations should be done in a timely manner in order to detect errors and irregularities. For example, in February 1985, the residents account was reconciled for the period February 8, 1984 through February 5, 1985. A cash shortage of about $3,400 was discovered during the reconciliation. This cash shortage was reported to the accounting supervisor and the home's administrator. The Department of Veterans Affairs did not investigate the possible cash shortage, nor did they notify the Legislative Auditor as required. So that the cash balance would agree with the control records, $3,400 of interest income which should have been transferred to designated contributions was retained in the resident's account.

We reviewed the information prepared by the cashier and accounting officer, bank deposits, and cashier's logs, and also interviewed staff responsible for the funds at that time. We compared the checks received per the daily log to the amounts deposited per the bank statements for the period August 21, 1984 through September 27, 1984. During this period, the deposits were not made daily and the amount deposited did not equal the daily receipts. Prior to August 21 and after September 27, deposits were made daily and equalled receipts. Our review showed that $4,246 more was received than deposited for the period August 21 through September 27, 1984. We were not able to determine the reason for the difference. If the resident cards had been reconciled to the control each month, the errors would have been detected at the time they occurred. Also, the reconciliation should be initialed and dated to determine who completed the reconciliation and that the reconciliation is completed in a timely manner.

Monthly interest earnings from the bank accounts were not transferred to designated contributions during calendar year 1984. In addition, interest earnings on funds invested with the State Board of Investment (SBI) were also transferred erroneously or delinquently. The home has not been able to substantiate the correct balance of funds invested by SBI as recommended in our last audit report.

RECOMMENDATIONS

- Resident account reconciliations should be performed monthly.
- All discrepancies should be investigated and any cash shortages reported promptly to the Legislative Auditor's Office.
- The home should work with SBI and the Department of Finance to determine the correct investment balance.
- All interest earnings should be transferred to designated contributions when the correct investment balance has been determined. All future transfers should be made monthly.

7. <u>Duties are not properly separated</u>.

Receipts are processed by three individuals at Minneapolis. The cashier and a clerk receive, sort, list, and distribute checks received through the mail. The cashier also deposits and withdraws cash and checks from residents in person, while the clerk is responsible for posting to the residents' accounts. A third person is involved in reconciling the subsidiary account balances to a control ledger. The cashier currently reconciles the daily log to the deposit slips. At Hastings, these duties are all performed by one individual.

The segregation of incompatible functions is an essential element of accounting controls. Incompatible functions are ones that if performed by one person, would allow that person to make and conceal an irregularity or an error that would not be detected. Segregation of duties will also help prevent errors that occur in the normal course of business by providing a review of each transaction by more than one person.

To separate duties more effectively in Hastings, an individual who has no access to the receipt and disbursement of money should be doing the posting of the daily transactions to the resident accounts and the control. In Minneapolis, an individual who has no access to the posting process should make a listing of all mail receipts. The total of individual accounts and the control account should be compared to the cash log and deposit slips by someone other than the cashier. This would provide for an independent reconciliation, which is also needed at Hastings.

RECOMMENDATION

- Incompatible functions of receiving, posting, and reconciling should be handled by separate individuals at both homes.

8. <u>The drawer balance is excessive at Hastings</u>.

The cashier at Hastings has $3,000 on hand. The cash is used for resident withdrawals from their accounts. This balance appears to be excessive for the total amount of daily activity. For example during February 1988, total daily cash withdrawals only exceeded $500 five times.

In order to maintain proper cash management, the cash on hand should be the minimum necessary to meet the daily withdrawal demand. Also, investment income is lost by maintaining a high drawer balance.

RECOMMENDATION

- The drawer balance at Hastings should be lowered.

9. <u>Residents at Hastings are not signing interest waivers</u>.

The homes may accept residents' money for safekeeping purposes. The residents' money is deposited to an account in the state treasury which is invested by the State Board of Investment. Interest earned from these investments is to be used only for the direct benefit of the home residents. Minn. Stat. Section 198.265 states that "Residents' monies on deposit in this account may be placed in this account only after the member has signed an agreement that the resident is willing to have the money in an account that does not draw interest directly to the resident personally." The residents at the Hastings Veterans Home are not signing these interest waivers.

RECOMMENDATION

- Residents at Hastings should sign interest waivers before their money is accepted for deposit to the resident account.

10. Unclaimed property is not being disposed of properly.

Each resident is allowed to keep some personal property in storage at the Mpls. Veterans Home. If the resident leaves the home, two staff members will pack, inventory the valuables, and store all of the resident's property. The valuables are placed in a storage closet on the resident floors with the inventory listing. All property that is not considered valuable is sent to building seven for storage. This property is only inventoried by the number of boxes belonging to an individual. Property that is not claimed within one year of the resident's departure or death is considered unclaimed property.

Minn. Stat. Sections 198.23 and 198.231 provide that property that has remained unclaimed for one year should be inventoried, appraised, and sold, and the proceeds placed in the designated contributions fund if the proceeds are from property of a resident who has died. The proceeds from an individual's property who has been discharged should be placed in a state account.

The following problems exist with the unclaimed property:

-- Resident property that is stored on the floors includes cash, watches, and televisions. The cash and watches are placed in a locked cabinet within the closet. The nurse who is considered the officer of the day has a key to the storage room. Also, the inventory listing is kept with the items.

-- Televisions not claimed within one year are placed in a common area for all residents to use.

-- Resident property that is placed in storage while the individual is still residing at the home is not inventoried and is accessable by other residents.

-- Detailed inventory lists of each individuals's property who has left the home are not kept.

-- Dates that discharged resident property is placed in storage are not recorded; therefore, it cannot be determined when property becomes unclaimed and should be disposed of.

The Veterans Homes should keep detailed inventory lists of all property placed in storage. This list should include the resident's name, date the resident was discharged or died, detail listing of all resident property and the storage location. This inventory list should be kept in a separate location. Also, one individual should be responsible for the resident property and have access to the storage area. The key should not be available to several individuals. Cash should be deposited and not placed into storage. Unclaimed property should not be used by the residents. Rather, it should be disposed of in accordance with Minnesota Statutes.

Another weakness noted dealt with unclaimed monies from discharged or deceased residents at the Hastings Home. The cashier is maintaining a number of resident accounts in which the resident has not resided at the home for at least a year. This property is also governed by Minn. Stat. Sections 198.23 and 198.231 and should be transferred to the proper state account.

RECOMMENDATIONS

- All resident property that is placed in storage should be inventoried.
- Access to stored items should be limited.
- All cash should be properly deposited with the cashier in a timely manner.
- Unclaimed property and cash should be disposed of according to Minn. Stat. Sections 198.23 and 198.231.

Designated Contributions

The Minneapolis and Hastings Veterans Homes have been authorized to accept any donations, gifts, grants, and bequests on behalf of the homes and their residents. These donations are to be deposited to the state treasury and credited to the Minnesota Veterans Home Designated Contributions Fund. These donations are to be administered as directed by the donor unless the commissioner feels it is not within the homes or the residents best interest. In this case, the commissioner reserves the right to reject or return a donation. Any monies not for a particular purpose are to be used for the direct benefit of the homes and their residents.

Funds deposited to the designated contributions account are also derived from two other sources. These include: interest earned from the investment of residents' monies on deposit in the member's depository account, and profits transferred from the canteen account. The designated contributions fund is subject to regulations set forth in Minnesota statutes which identify procedures for the use and maintenance of these funds. As of September 29, 1987, the fund had a balance of $174,000. We have identified the following problems associated with designated contributions:

-- Controls over designated contributions are inadequate.

-- Designated Contribution funds have been inappropriately used.

-- Controls over the Imprest Cash account established for designated contributions need improvement.

11. Controls over designated contributions are inadequate.

Duties are not adequately segregated at the Minneapolis and Hastings Homes for designated contributions. Contributions made to the homes are received for processing by various activity managers throughout the home. The activity manager completes a deposit memo stating which sub-account the funds are to be deposited to and also authorizes disbursements from the accounts. Sometimes the cashier's office will directly receive funds pertaining to designated contributions. These are then either forwarded to the activity manager who is responsible for processing the particular contribution, or if this can not be adequately determined they are sent to volunteer services. Once the funds have been forwarded, a deposit memo is completed and the funds are sent back to the cashier's office for deposit. No documentation is kept showing the amount of funds being forwarded or who the funds are being forwarded to.

For duties to be adequately segregated at the Minneapolis Home the receipt of designated contributions should be maintained in one central location. Access and handling of these funds should be limited to the individual responsible for the receipt and deposit of these funds. This person should prepare the designated contributions receipt form showing the amount received and the purpose of the donation. This form should then be given to the activity administrator. Payments could then be processed by the accounts payable section in order to further segregate duties.

RECOMMENDATIONS

- Designated contributions should be received and deposited by the cashiers unit.

- Payments for designated contributions should be processed by the accounts payable section.

12. Designated contribution funds may have been inappropriately used.

As prescribed by policies and procedures established by the Department of Veterans Affairs, if the original donation was not in the homes or the residents best interest, or if sufficient funds were not provided to meet the donor's request, the commissioner may reject the donation or contact the donor to determine whether he/she would like the donation to be used for something else. If there are funds remaining after the expenditure for a particular purpose has been made, these funds will be considered to be non-specified funds and may be transferred to the general contribution sub-account to be used for the benefit of all residents.

As stated earlier, contributions received for a specific purpose are to be expended in accordance with the donor's wishes. Those contributions that have not been specified for a particular purpose are to be used for the direct benefit of the homes and its residents. The following transactions have occurred which are not in compliance with the intended purposes of the Designated Contribution Fund as set forth in Minnesota statutes:

-- Donations received by the Protestant Chapel are being used to support other charities. Deposits to the chapel account consist of donations and offerings received by the chapel. Funds expended from the account during the period October 1987 through February 1988 were made exclusively to outside charitable organizations such as Christian Radio and for support of the poor and needy. This may not have been an appropriate use of chapel donations.

-- Contributions that have been deposited to a specific designated contributions sub-account are being transferred to other subaccounts assigned for a particular purpose. Examples include transferring donations for volunteer services to a Hastings activities account and the Ely fishing trip account. This causes monies that have been earmarked for a particular use to be expended for other than their intended purpose.

-- General contribution funds were used to pay invoices for an outside committee called the Centennial Committee. The Centennial Committee sold items such as pins and shirts to raise funds for the bicentennial celebration. Approximately $4,000 of designated contributions were used to start the project. The project then transferred to an American Legion, and donations were sent to the homes from the profits of items sold. They anticipate receiving a settlement for these start-up funds. However, using donations for a project to generate more donations may not be appropriate.

RECOMMENDATIONS

- Contributions received by the chapels at the veterans homes should only be expended on items or activities that directly benefit the residents of the home unless otherwise specified.

- Contributions earmarked for a specific item or activity should be expended for that item or activity or returned to the donor if not in the best interests of the residents.

- Transfers between designated contributions sub-accounts should not be made unless authorized by the donor or funds remaining after the initial expenditure.

- Contributions earmarked for a general purpose should be used for the direct benefit of all residents. These funds should not be used to operate activities outside of the homes.

13. Controls over the imprest cash account established for designated contributions need improvement.

The Minneapolis Veterans Home maintains an imprest cash account of $2,500 for designated contributions, authorized by the Department of Finance. The purpose of the account is to provide a convenient method to pay specified expenses which cannot readily be paid through the statewide accounting (SWA) system. The use of this imprest cash account is subject to policies and regulations of both the veterans home and the Department of Finance. These policies identify the types of payments which can be made from imprest cash and the procedures to be followed when utilizing the account.

The $2,500 imprest cash account limit is insufficient to handle the volume and size of disbursements made from this account. This is partially the result of purchasing items such as boat repairs and print shop supplies through the imprest cash account instead of through SWA. The checkbook register often showed a negative balance, and reimbursement requests submitted to the Department of Finance are being prepared almost daily. A review of reimbursement requests submitted during fiscal years 1986 and 1987 showed a total of 58 and 92 requests on file for the year, respectively. Of these requests, a total of 11 requests were for more than the authorized level. Moreover, the home was maintaining the imprest cash account at a fund level of $7,500 for a period of about two months during fiscal year 1986. A reimbursement of funds was requested from the Department of Finance for a fireworks display prior to paying the vendor. These funds, in the amount of $5,000, were deposited to the imprest cash account and were not used for two months, at which time the invoice was paid and a late payment charge of $75 was incurred.

Documentation is inadequate to support the use of imprest cash funds. When a funding request is made from the designated contributions imprest cash account, the requestor will list what subsidiary account the money is coming from and what it will be used for. However, receipts and other documentation supporting the purchase of various items or the completion of an activity are often not submitted following the disbursement. The funding request form is usually the only documentation kept that the funds were used as described.

For larger orders of supplies or merchandise a purchase order will be attached with an invoice, but a substantial percentage of disbursements from the imprest cash account arise out of resident activities. Individuals sponsoring these activities will request cash to be used by the residents to buy treats or souvenirs, to play poker or bingo, etc. In these cases, the person making a funding request will estimate how much cash will be needed. Once the activity is over, an expenditure report is supposed to be completed by the sponsors. This form shows the amount actually expended with the appropriate receipts to be attached. Other activities, such as the purchase of tickets for concerts, shows, sports events, and charges for parking (excluding metered) should also have the proper invoices or receipts attached. Despite this requirement, sponsors do not complete an expenditure report or submit receipts.

Requiring adequate documentation, such as invoices and receipts, when using the imprest cash account helps prevent misuse of imprest funds. Also, due to the homes issuing a large quantity of cash from the imprest cash account for resident activities, controls over the designated contributions imprest account need to be even stronger. The issuance of cash is a sensitive area and the potential of theft, loss, or misuse of funds is increased.

Record retention of imprest cash documentation is also inadequate. There were various documents and records pertaining to the designated contributions imprest cash account that could not be located by the Minneapolis Veterans Home staff. Bank reconciliations for the designated contributions imprest cash account for all of fiscal year 1985 and one-half of fiscal year 1987 could not be located. Monthly fund level reconciliations could not be located prior to the current fiscal year. Monthly checkbook activity reports could not be located for all months in which they were issued. Various designated contribution deposits and imprest cash reimbursement requests could also not be located.

Proper record retention is important to be able to document and verify activities performed by state agencies. Records should be retained according to Department of Administration record retention schedules, and record storage areas should be adequately maintained so that documentation for transactions occurring at the Minneapolis Veterans Home can be located by staff members responsible for these records.

RECOMMENDATIONS

- Payments should be made through SWA whenever possible.
- The Minneapolis Veterans Home should review the use of the imprest cash account and determine whether the authorized limit is sufficient.
- Adequate documentation should be kept to support disbursements made from the designated contributions imprest cash account.
- Records pertaining to designated contributions should be kept according to Department of Administration record retention schedules.

Canteen Activities

Minnesota Stat. Section 198.261 provides for the operation of canteen activities at the Minnesota Veterans Homes. This includes a convenience store called the Shop-N-Round, coffee shop, and stamp vending services at both homes. The Minneapolis Home also sells beer. All profits derived from these operations are to be utilized for the benefit of residents. During fiscal year 1987, canteen profits of $19,338 and $2,904 were transferred to designated contributions from the Minneapolis and Hastings Homes, respectively.

Until August 1986, the Financial Management Division had sole responsibility for both canteen operations. Since that time, the Financial Management Division has continued responsibility for procuring appropriate vendor contracts, and recording transactions on the statewide accounting system. However, each home's canteen is managed by a residential activities supervisor. Each supervisor submits financial information to fiscal services for the preparation of profit or loss statements and purchase goods for resale.

In each home we identified the following problems:

- Internal controls need improvement.
- Department of Administration purchasing procedures are not followed.

14. PRIOR FINDING NOT RESOLVED. Internal controls over the canteens are inadequate.

Effective internal controls provide assurance that activities are accurately reported and assets protected against loss or misuse. An internal control system should establish that incompatible functions be segregated, adequate documentation be maintained, and assets be safeguarded.

The Minneapolis gift shop has a cash register equipped with a reset key. This key allows access to a control total within the machine, and is used primarily for verifying the proper collection of all receipts. At present, this cash register is operated by a store manager who also has access to the reset key. Because the store manager has the ability to adjust control totals, the integrity of cash register receipts cannot be assured. These incompatable functions should not be performed by the same individual.

Documentation was not always available at the canteens. Seven of the fourteen Hastings canteen cash register tapes, and the corresponding cash reconciliations selected for testing, could not be located. Therefore, the accuracy of recorded canteen receipts could not be determined. Also, the canteen imprest cash has been reduced from $300 to $200. Sixty dollars were used to establish over/short accounts for canteen operations. However, there is no documentation to show the disposition of the remaining $40 since monthly reconciliations were not being performed.

Inventory records are not adequately maintained at either the Hastings or the Minneapolis canteen. Inventory records provide a basis for determining if amounts consumed are reasonable. When goods are sold, it is also important to compare the amounts sold to the receipts collected to ensure that transactions are performed correctly, and reported accurately. Without these controls, errors or irregularities in the sale of canteen goods could go undetected. Additionally, the Quarterly Profit or Loss Statements are affected by the determination of inventory balances and cost of goods sold. Because we were unable to determine the accuracy of inventories reported, we cannot be assured of the accuracy of the Quarterly Profit or Loss Statements.

Finally, in accordance with 1986 Minnesota Laws Chapter 396, Section 4, businesses within the city of Minneapolis are required to charge an additional one-half of one percent sales tax. Prior to April 1, 1988, the cashier of the Minneapolis Shop-N-Round manually calculated the sales tax based on the day's receipts. Since that time, procedures were changed to require the city sales tax to be charged on each sale of the Shop-N-Round. To date, the cash register has not been programmed to calculate the additional sales tax. Therefore, the home is not collecting and submitting the proper amount of sales tax as required by law.

RECOMMENDATIONS

- The cash register reset key should not be available to cash register operators.
- Documentation of inventory counts, reconciliations, and register tapes should be retained to support the amounts reported on the Quarterly Profit or Loss statements.
- The authorized limit of $300 should be accounted for and reconciled on a monthly basis. Any adjustments should be reported to the Department of Finance.
- Hastings canteen sales should be compared to inventory usage.
- The Shop-N-Round cash register should be programmed to charge city sales tax.

15. <u>Purchasing procedures are not in compliance with required policies and procedures</u>.

The Department of Administration (DOA) provides purchasing guidelines in Procurement Bulletin 7-206. These procedures were established to insure that material purchases are procured through DOA unless addressed by an agency's approved Local Purchase Authority (LPA). Purchases made by agencies under LPA must meet competitive bidding requirements. While the homes have received expanded approval to make independent purchases up to $1,500, they have not complied with bidding requirements, nor is the process of making disbursements adequate to ensure that bids are competitive or appropriate.

The purchasing process for the canteen activities is inadequate. Currently, the Resident Activities supervisor prepares a list of the items needed and places a telephone order. The shipments are received at the loading dock or at the location needed. The invoice/receiving report is signed by the person receiving the goods and sent to the accounts payable section where a purchase order is prepared and the payment made. Requisitions are not used in this process; purchase orders are prepared from the invoices by the person making the payments, and the invoices are not approved by an authorized individual. The Resident Activities supervisor should prepare a purchase requisition and sent it to the purchasing section. The purchasing section should then prepare a purchase order and forward a copy to the accounts payable section. Upon receipt of goods, the invoice should be approved by the Resident Activities supervisor and sent to the accounts payable section where it is compared to the purchase order and paid.

The Minneapolis home did not follow proper bidding procedures for the Shop-N-Round candy and tobacco contract. No security deposits were received from the bidders and the tabulation sheets were not adequate. Department of Administration Bulletin 7-206 requires that, "Each bid invitation shall set forth the bid security required by the division. Such bid security shall be made payable to the State of Minnesota and shall guarantee that in the event the bidder's offer is accepted, the bidder shall enter into contract in accordance with the proposal." Approximately four suppliers routinely bid on the contract which is for candy and tobacco. Each bidder submitted their price lists which includes all items they carry. The home arbitrarily selected nine items for comparison. The contract decision should be based on all of the items that will be purchased to achieve a more accurate result.

Once the bid was awarded, the home merely started to purchase exclusively from them. There was no formal contract negotiated which would include both parties' signatures, as well as the Commissioners of Finance and Administration and the Attorney General. Without a formal contract, there is no means to hold the parties liable under the agreed upon terms. Also, the purchase price of goods ordered under the Shop-N-Round candy and tobacco contract cannot be verified to the contract price list. Currently, the purchase process does not allow for price verification. The purchasing division should have a contract price list and verify that the goods are purchased at the prescribed prices.

The canteen makes repeated small purchases without evidence of securing bids. DOA Bulletin 7-206, section II, division 2.2 requires that, "any purchase estimated to be $5,000 or less may be made upon competitive bids or in the open market, but in either case will be based on three competitive bids, so far as practicable."

The Shop-N-Round has one main contract for their candy and tobacco. There is one additional significant commodity sold in the store--toiletries. Payments to one vendor for the first nine months of 1988 totalled $5,634.78, exceeding the limit of $5,000 which requires sealed bids under DOA Bulletin 7-206. Failure to follow proper competitive bidding procedures can result in higher costs to the home.

Additionally, Minn. Stat. Section 16A.124 requires that agencies pay vendor invoices promptly within 30 days. The prompt payment of invoices ensures that potential discounts are received. The Hastings Veterans Home has not submitted vendor invoices for payment on a timely basis. Of 40 invoices reviewed, 19 had not been paid within 30 days. Further, some of these invoices remained delinquent as much as five months. In some cases the vendor had to contact the homes to ensure that payment would be received.

RECOMMENDATIONS

- The purchasing process should be improved so that requisitions are used, purchase orders are prepared from the requisitions, and invoices are approved for payment by an authorized individual.
- The homes should follow the provisions of Procurement Bulletin 7-206 when purchasing canteen supplies.
- Competitive bids should be obtained as required by Procurement Bulletin 7-206.
- Documentation supporting bids should be retained to support the vendor selected.
- Contract purchases should be verified to a contract price list to ensure accurate prices.
- Hastings canteen expenses should be paid within 30 days.

Receipts

Receipts are received at various locations for both homes, and then processed by the home cashier. Each cashier is responsible for depositing the receipts into either a local bank account or a state depository, depending on the type of receipt. As discussed previously, duties are not adequately segregated for resident accounts and cost of care receipts. The internal controls over collection of various receipts at each home is weak and is discussed in the following section.

16. PRIOR FINDING PARTIALLY RESOLVED. Internal controls over receipts collected at the Veterans Homes should be strengthened.

The homes collect various types of receipts, such as resident accounts, designated contributions, cost of care, canteen sales, meal tickets, and several miscellaneous areas. During fiscal years 1985, 1986, and 1987, the total receipts collected amounted to $6,989,734, $8,970,658, and $9,313,601, respectively.

Each home currently maintains a log of most mail receipts. This log is used to establish control over receipts and should be reconciled to the deposit slips and receipts actually deposited to verify that all funds received have been accounted for. Currently, this log is not used for reconciliation purposes, nor does it contain all types of receipts received through the mail.

A three-part receipt form is used to record most receipts received in person (not through the mail). These slips are required by DVA Policy No.

02:05:01, and are used in the reconciliation process to verify that all funds have been accounted for. However, receipt slips were not issued for various types of canteen receipts. In order to perform a complete reconciliation, the receipt form should be used for all receipts.

All funds received should be reconciled to funds actually deposited according to SWA Policy and Procedure 06:06:03. Reconciliations are performed monthly for the resident accounts and designated contribution receipts. However, reconciliations are not performed for any other receipt areas. Without this reconciliation, errors in deposits may occur and go undetected.

Meal tickets issued and sold are not reconciled to receipts deposited for meal tickets at either home. This reconciliation is essential to account for all meal ticket activity.

Receipts in excess of $250 are required to be deposited daily in accordance with Minn. Stat. Section 16A.275. Delays of up to five days were cited for canteen sales and miscellaneous areas at the Minneapolis Home when the cashier is processing pension and VA checks. However, we believe the canteen and other miscellaneous receipts could be deposited timely with minimal additional effort.

RECOMMENDATIONS

- A log should be used to record all types of mail receipts for both homes. This log should be reconciled to amounts deposited.
- A three-part receipt form should be used to record all types of over-the-counter receipts for both homes.
- All funds received should be reconciled to SWA monthly.
- Meal ticket issuances should be reconciled to receipts deposited on a periodical basis at both homes.
- All receipts in excess of $250 should be deposited daily at the Minneapolis Home.

Disbursements

In July 1984, the accounting functions of the Minneapolis and Hastings Veterans Homes were reorganized. General disbursement processing was centrally for both Homes at the Minneapolis Home. Central office general disbursements were also processed at the Minneapolis Home. Payroll disbursements were processed for both homes at Minneapolis, however, central office payroll was handled by central office.

We have identified the following problems with disbursements:

-- Contract requirements are not complied with.

-- Contract billing reviews need improvement.

-- Documentation to support vendor payments is inadequate.

-- The authority for local purchase was exceeded.

-- Department Field Purchase Orders are not used.

-- Adequate resident payroll documentation is not maintained.

17. Department of Administration contract requirements were not complied with.

The Department of Administration's Contract Management Division has established Policy and Procedure Statement ADM-188 governing contracts for professional/technical and purchased services. The Department of Finance has also established Statewide Accounting (SWA) Policy and Procedure No. 06:04:05 for contractual services. Both procedures require that vendors receiving $500 or more in a fiscal year be covered under a written contract. Vendors receiving under $500 a year can be covered under the agency's Annual Spending Plan.

Contracts were not developed for ten of the vendors for fiscal year 1985, six for fiscal year 1986, and four for fiscal year 1987. Without a written contract, the business office cannot properly monitor contractual services for compliance with ADM-188 and SWA Procedure No. 06:04:05. These procedures are essential since they establish an approval process both before an agency enters into a contract and after the contract has expired. Without written contracts, the approval process is also circumvented, thereby reducing the controls established by the regulating departments.

When contracts are developed for a vendor, the agency is required to evaluate the vendor's performance. This requirement is stated in ADM-188, and is to be done within 30 days of the end of the contract. Evaluations were late for all vendors under a contract in fiscal year 1987, one vendor in 1986, and two vendors in 1985.

RECOMMENDATIONS

- Written contracts should be established for all vendors receiving over $500 in one fiscal year.

- Evaluations should be completed within 30 days after the contract expiration date.

18. <u>Reviews of contractor billings need improvement</u>.

Vendor invoices are submitted to the accounts payable section for payment. These invoices are to be compared with the proper supporting documentation. The following list of weaknesses were noted in the review process followed by the accounts payable section:

-- Contract maximums were exceeded. -- The contract limit was exceeded for three vendors in fiscal year 1986 and four vendors in 1985. As an example, the dental contract was exceeded by about $8,000 in fiscal year 1985 and $2,000 in fiscal year 1986. Amendments should be submitted when the original contract amount has run out and the vendors services are still needed.

-- Supporting documentation is not available. -- A log recording the hours worked by professional/technical contractors is no longer maintained. Professional staff should sign in/out on a log so that these records can be compared against the vendor billings received by accounts payable.

-- Ambulance services were overpaid. -- Ambulance services were paid at rates higher than those allowed in the contract, and for services not allowable according to the contract. Overpayments were the result of incorrect vendor billings and erroneous notations on the "Request for Medical Treatment" form submitted by DVA medical staff. Overpayments total approximately $3,117 for fiscal years 1985-1987.

-- Medicare reimbursements have not been submitted. -- Reimbursement for ambulance services paid by the home for the resident have not been submitted since July 1, 1986. According to the home and federal policy, ambulance services are not to be paid until reimbursement has been received from Medicare. The home has been paying for ambulance services without requesting reimbursement since not all residents are eligible for Medicare. This has resulted in a loss of funds to the home.

Supporting documentation is needed so that transactions may be examined for their propriety by the accounts payable section. When vendor billings are not compared to contracts and supporting documentation, overpayments and underpayments may occur as noted earlier.

RECOMMENDATIONS

- Contractor billings should be reviewed for compliance with contract terms.

- Sign in/out logs should be maintained for professional/technical contractors and submitted periodically to accounts payable.

- Reimbursement for overpaid ambulance services should be requested.

- Reimbursement for ambulance services should be requested from Medicare.

- Reimbursement from Medicare should be received prior to payment of ambulance claims for all current transactions.

19. <u>Documentation to support vendor payments is inadequate</u>.

The Department of Veterans Affairs (DVA) has established polices and procedures to regulate purchases made by the Minneapolis and Hastings Veterans homes (homes). The homes were not complying with established procedures in the following instances:

-- Employee expense reports. -- The required documentation to support employee expense reports was absent or insufficient as noted below.

  * Airline ticket stubs were missing to support reimbursement for airfare.
  * Personal phone calls over the allowable number were reimbursed without notation to explain if they were for a business purpose.
  * Tuition reimbursements were not supported by paid fee statements and canceled checks. Grade transcripts were used which do not support the amount paid.

-- Special expense reports. -- The authorized signature of the department head was not obtained in advance on two occasions as required by DVA and state policy.

-- Purchase requisitions. -- A requisition form is required to request any purchase and should contain the employee's signature and the supervisor authorizing the purchase. The form currently used to request warehouse purchases does not contain either of these signatures. In addition, requisitions were not on file for four out of six other purchases tested.

-- Emergency purchases. -- Emergency purchases are to be approved verbally by the Department of Administration's Procurement Division and then authorized in writing after the fact. Written authorization was never obtained and the definition of emergency purchase used is questionable. For example, a decision to replace rather than repair a compressor was treated as an emergency purchase even though the compressor was still operable. A laundry cart cover was also purchased in order to comply with a Department of Health audit report citation. Although these issues may require significant concern, they do not meet the definition of an emergency purchase.

-- Bids for services. -- Agencies with expanded purchase authority are required to obtain a minimum of three bids for purchases of $100 - $1,500. Bids were not noted on the purchase order, as required by state policy, for five out of six purchases tested.

-- Receiving reports. -- Receiving reports were not always dated and initialled by the person receiving the goods. The date and initials are critical to establish responsibility for verifying accuracy of the shipment received.

-- Conference/Registration fees. -- Fees paid in advance were not supported with paid fee statements and attendance confirmation slips to support the amount paid.

Without the required supporting documentation, payments to vendors cannot be scrutinized for improprieties or errors.

RECOMMENDATIONS

- Employee expense reports should be properly supported with the required documentation or notation.
- Special expense reports should be signed in advance by the department head.
- Purchase requisitions should be signed and dated for all purchase transactions.
- Emergency purchases should be supported by written authorization from Procurement.
- Bids should be obtained and noted on the purchase order for all goods purchased between $100 and $1,500.
- Receiving reports should be dated and initialled to indicate the receipt of goods.
- Conference/Registration fees paid in advance should be supported by paid fee statements and attendance confirmation slips.

20. <u>The authority for local purchase was exceeded</u>.

The authority for local purchases (ALP) at most state agencies is $100. The Veterans Homes had their authority expanded to $1,500 during fiscal years 1984 through 1988 except for a three month period. From December 1, 1986 through February 13, 1987, the ALP limit was reduced to $100 for apparent failure to meet the Department of Administration's guidelines for expanded authority.

The ALP limit was exceeded by DVA on four occasions. Three of these occurred when the $100 limit was in effect and one occurred after the $1,500 limit was restored. The number of occurrences and dollar amounts involved are relatively small. The amounts paid were about $115, $199, $235, and $2,259. However, the effect of these transactions is significant since centralized controls are essentially circumvented.

Purchases exceeding the ALP limit must be handled centrally through the Department of Administration's Procurement Division. This division bids out and establishes state contracts centrally for all agencies. When an agency circumvents these procedures, they may receive a poor quality of goods or pay a higher price, since Procurement usually receives a bulk quantity or volume discount type of contract price. The agency may also be liable to the state contract vendor if the contract required all agencies to purchase goods over the ALP limit through that particular vendor.

RECOMMENDATION

- All purchases exceeding the agency's ALP limit should be made through Procurement.

21. Department Field Purchase Orders (DFPO) are not used.

Agencies are required to use purchase orders for making direct purchases from vendors according to Bulletin Number 7-206. A department purchase order (DPO) is used for most purchases for more than one item. This form permits back orders, partial deliveries, and the submission of more than one invoice. All other direct purchases should be made with a department field purchase order (DFPO). DFPO's are used to make over-the-counter purchases in which the order is completely filled.

DFPO's are not used by the homes. Instead, employees are allowed to charge items at a vendor's place of business. Since charge cards are not used, the vendor simply takes the word of the employee and bills the Veterans Home. Currently, only a few vendors offer this service to the home. This practice subjects the home to a high degree of risk because the employee may not be authorized to make a purchase or may be making the purchase for personal use. If DFPO's were used, the vendor would have an authorized signature to rely on.

RECOMMENDATION

- DFPO's should be used for all over-the-counter purchases.

22. The Minnesota Veterans Homes do not maintain adequate resident payroll documentation.

Residents may become involved in a therapeutic work program upon approval by medical and individual care teams. These approvals provide information on the resident's job capabilities, and document the authorization for work. Evaluations of the resident's condition are to be completed after the third and the sixth month of the program and thereafter on a yearly basis.

Of 28 Minneapolis resident work files reviewed, 8 were not supported by work evaluations or care team referrals. Correspondingly, of 35 Hastings resident work files reviewed, 21 had no files available, and 14 were not supported by work evaluations. These records are important to ensure that residents' involvement in the work program is appropriate and authorized.

RECOMMENDATION

- The Minneapolis and Hastings Homes should maintain documentation for residents involved in the work therapy program.

Imprest Cash - Business Account

The Veterans Homes maintain a $1,000 imprest cash account authorized by the Department of Finance. Minn. Stat. Section 15.191 states that, "Imprest cash funds for the purpose of making minor disbursements, providing for change, and providing employees with a portion or all of their payroll warrant where the warrant has not been received through the payroll system, may be established by state departments or agencies from existing appropriations in the manner prescribed by this section."

The cashier receives expenditure requests and prepares a check. The check and request are presented to two authorized check signers who review the request and sign the check. The cashier retains the requests and the check register. When the balance is reduced to about $200 he prepares a SWA reimbursement request and subsequently prepares the deposit. The reimbursement and expenditure requests are forward to the accounts payable section for processing. The account is reconciled monthly by the accounts receivable supervisor.

We identified the following problems concerning use of the imprest cash account:

-- Missing bank statements, cancelled checks, and deposit slips.

-- Inappropriate use of the account.

23. <u>Bank statements, cancelled checks, and deposit slips could not be located for portions of our audit period</u>.

During fiscal years 1986 and 1987, 13 of the 24 months bank statements, cancelled checks, and deposit slips could not be located. We requested copies of three months bank statements and cancelled checks from the bank.

However, this prevented us from adequately auditing the account by reviewing the monthly reconciliations and verifying the authorized signatures.

An adequate records management system requires that records be properly retained and readily accessible. The lack of such a system results in lost or misplaced records. Enough supporting documentation should be kept on file so that an independent person could reconstruct the transaction and review its propriety.

RECOMMENDATION

- Imprest cash bank statements and supporting documentation should be properly retained and filed.

24. <u>The imprest cash account has been used for inappropriate expenses</u>.

During fiscal years 1985, 1986, and 1987, the homes have used the account to pay for expenses such as postage, subscriptions, memberships, and registrations which can and should be paid through SWA. Of the 15 items we reviewed, nine should have been paid through SWA. These included two $700 checks for postage and payment of a dental bill of about $300 for a resident who refused to pay his maintenance fee. The dental bill resulted from an agreement between the home and the resident whereby the home agreed to pay the $334 dental bill if he paid his $1,937 maintenance fee. This arrangement resulted in an unauthorized use of the account. The home should not enter into such financial arrangements and should consider recovering the dental bill payment from the resident. Only expenses that cannot otherwise be paid through SWA should be paid through the imprest cash account. A Department of Finance review of the account conducted in January 1988, cited the homes for similar violations. The homes responded to the Department of Finance review tih a corrective action proposal.

RECOMMENDATION

- The homes should review their use of the imprest cash account and only use it for its intended purpose.

Inventories

Consumable inventories are maintained in various locations throughout the Hastings and Minneapolis Homes. The majority of office and nursing supplies are held in Hastings, while the pharmacy is located in Minneapolis. Each home has a food service, as well as vending machines. Additionally, the Hastings Veterans Home has a supply of gasoline used primarily for the transportation of residents.

Fixed asset inventory records for both homes and the Central Office are maintained by the homes' purchasing supervisor. Once the inventory records are brought up to date, the Hastings Home and the Central Office will perform the recordkeeping functions for their own assets. Meanwhile, the purchasing supervisor in Minneapolis is responsible for updating all the Fixed Asset Record Management System files, whether an asset is a new purchase or a transferred item. He is also responsible for taking complete inventory counts agencywide.

Effective internal controls provide assurance that inventories are properly safeguarded, and accurately recorded. Without these controls inventories may be misused, misplaced, or stolen without detection. Three common deficiencies were noted over the homes' inventories.

-- Duties are not adequately separated.

-- Inventory records are not adequately maintained.

25. <u>Duties over inventories are not adequately separated</u>.

Physical counts and purchases should be made by someone other than the individual in custody of inventory. Without this separation of incompatible functions, the custodian could be in a position to conceal both intentional and unintentional errors without detection by another employee. Inadequate separation of duties were noted in the following areas:

-- In each of the homes, one individual maintains food inventories. Responsibilities include taking counts, placing orders with vendors and comparing shipments with amounts ordered.

-- Another individual in each home maintains beverage inventories for vending machines, taking quarterly inventory counts and determining amounts to be ordered.

-- An employee of the Hastings Veterans Home has custody of nondietary consumable inventory and keeps perpetual records.

In each case there is a need to separate the incompatible functions. Such control provides some assurance that errors and irregularities will be detected in the normal course of business.

RECOMMENDATION

- Someone independent of the custodial function should verify physical inventory counts. Additionally, the functions of purchasing and perpetual record maintenance should be performed independently for all inventories.

26. <u>Inventory Records are not adequately maintained</u>.

Inventory records not only represent the consumption of inventories, but also document that a systematic approach has been used to control inventories. By taking and documenting physical inventory counts, then making a comparison to periodic or perpetual records, normal usage may be identified, as well as unusual consumption isolated for investigation.

Initially, the existence of inventories must be verified by conducting and documenting inventory counts. As assurance that all inventory items have been accounted for, these counts would then be compared to perpetual or periodic inventory records. The inventory records as well as documentation of the physical counts taken, must be retained as a basis for investigating any possible current or future discrepancies.

While there are plans initiated to review current fixed asset records and complete a physical inventory count, a comprehensive fixed asset inventory has not been completed at the homes in over three years. Current fixed asset records are not accurate. Also, sensitive assets have not been identified by the home. Transfers of assets have occurred without proper documentation. There is no policy reflecting treatment of sensitive items. Although assets purchased during fiscal year 1988 appear to be accurately reported, not one of nine fixed asset purchases tested for fiscal years 1985 to 1987 had been recorded on the inventory system. Without an adequate inventory record system, assets become susceptible to misplacement and/or theft.

Orders for the dietary services at the homes are determined based on the menus prepared for the week. Before placing an order, it is necessary to determine inventories already on hand. While the Minneapolis Home has maintained documentation since February 1987, Hastings has not established any kind of inventory record system. These records are necessary to support the determination of amounts ordered, and aid in prevention of overstocks and spoilage. Additionally, the Hastings food service does not compare goods ordered to the amounts actually received. Such comparison provides assurance that the home pays only for those goods received.

In other inventory areas, a record system exists, however record retention policies need to be established. This includes record of vending machine inventories at both homes, as well as gasoline supplies in Hastings. The records kept for gasoline supplies consist of invoices which represent purchases, and log sheets representing actual usage. These records have not been compared to verify that all gasoline usage is reported. Without this reconciliation, inappropriate gasoline usage and inaccurate recording of existing inventories may go undetected.

Lastly, perpetual pharmaceutical records need to be compared to amounts actually dispensed to residents. Many of the drugs dispensed are not available without a doctor's prescription, and are extremely vulnerable to misuse or abuse. In a review of inventory records for one month, a summary of residents' files reported usage of 475 tablets of the barbiturate valium while inventory records reported usage of only 275 tablets. Thus 200 tablets of this control drug were issued without being recorded on the inventory system.

The maintenance and comparison of records to appropriate documentation is necessary to ensure that misuse or deterioration of overstocked inventories may not occur without timely detection.

RECOMMENDATIONS

- A comprehensive physical inventory of fixed assets should be completed, and reconciled to fixed asset inventory records.
- A policy for recording sensitive items not meeting fixed asset criteria should be established.
- Supporting documentation of fixed asset transfers and retirements should be maintained and updated to the Fixed Asset Records Management System.
- Inventory records should be maintained for dietary and beverage vending inventories in both homes, as well as gasoline supplies in Hastings.
- The following reconciliations should be performed periodically:
    * inventory counts should be compared to perpetual records for beverage vending in both homes;
    * dietary records in the Hastings Home should be compared to supplies ordered;
    * gasoline records should be compared to the log of gasoline consumed; and
    * drugs dispensed to residents should be compared to pharmacy perpetual inventory records.

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS AND PROGRESS TOWARD IMPLEMENTATION

(Only the recommendations pertaining to the Minneapolis and Hastings Veterans homes are addressed here. Recommendations 9-10 and 12-14 are addressed in the Department of Veterans Affairs Central Office report.)

MVH is not adequately safeguarding their assets.

1. MVH, Hastings should use an over/short account in the store and canteen areas.

RECOMMENDATION IMPLEMENTED. An account was established in fiscal year 1987.

2. MVH, Hastings should maintain documentation showing that receipts are reconciled to the SWA reports.

RECOMMENDATION NOT IMPLEMENTED. See current finding #16.

3. MVH, Mpls. should reconcile all receipts to either the SWA Receipts by Deposit or Receipts by Appropriation report on a timely basis.

RECOMMENDATION PARTIALLY IMPLEMENTED. See current finding #16.

4. MVH, Mpls. should work with the State Board of Investment and the Department of Finance to verify the accurate investment balance for their Social Welfare account.

RECOMMENDATION NOT IMPLEMENTED. See current finding #6.

5. MVH, Mpls. should reconcile the residents account cards balance to the total social welfare assets.

RECOMMENDATION PARTIALLY IMPLEMENTED. See current finding #6.

6. A daily listing of all receipts should be completed by the cashier's unit at MVH, Mpls.

RECOMMENDATION PARTIALLY IMPLEMENTED. See current finding #16.

Procedures at MVH are not updated periodically or available for reference.

7. Procedures should be developed and distributed for the following areas:

   -- processing of the VA reimbursement checks by the cashier's unit;

- balancing the resident and maintenance account cards to the respective control card;
- using the VA Estate Limitation when calculating the maintenance fees;
- documenting the specific steps to be performed when completing the federal reimbursement reports; and
- calculating the 2.0 hours of nursing care per patient per 24 hours ratio.

RECOMMENDATION PARTIALLY IMPLEMENTED. See current finding #4.

Accurate financial statements were not prepared for the canteen operations.

8. The MVH, Mpls. business office should take special care to ensure that the ending inventory is accurate on the quarterly financial statements.

RECOMMENDATION NOT IMPLEMENTED. See current finding #14.

Control over fixed asset inventory at the DVA Central Office needs to be improved.

11. DVA should conduct a complete physical inventory of fixed assets and update the SPI listing accordingly.

RECOMMENDATION NOT IMPLEMENTED. See current finding #26.

SF-00006-03

DEPARTMENT

STATE OF MINNESOTA

Office Memorandum

TO: Margaret Jenniges
Audit Manager
Office of Legislative Auditor

DATE: June 27, 1988

FROM: John Grimley, Administrator

PHONE:

SUBJECT:

This is in response to your audit here at the Minnesota Veterans Homes and the exit interview held at the Minneapolis Home on Thursday, June 16, 1988.

The attached listing of our responses indicate the actions we have or will be taking to implement your recommendations.

Thank you for the efforts of your team during the audit. If you have further questions on the responses, please contact Rebecca Leschner, Accounting Supervisor. We will also keep you advised as we implment your recommendations.

John Grimley

JG/db

cc: James Sieben, Chairman of Veterans Home Board
Charles Schultz, Dep. Comm., D.H.S.

FINDINGS

In January, 1988, the Accounts Receivable and Accounts Payable Supervisors switched areas of responsibilities. In February, the new Accounts Payable Supervisor transferred to another department.

Recommendation is accepted. Training is now being scheduled for accounting personnel.

As we discussed in the exit conference, the change in policy will need Board approval. The Board met for the first time in June.

As discussed at the exit conference, the Hastings Home has added this interest waiver form to the admissions packet. The Hastings Residents account information is due to be automated in the near future. A check of each resident's file will be performed and any files missing the interest waiver form will be completed. However, the resident has the right to refuse to sign this waiver.

Revised procedures will be written for both homes to determine, document, and verify resident's net worth.

Prior to the change in responsiblity (Department of Veterans Affairs to the Department of Human Services) the write off of outstanding accounts of less than $100 was initiated. This process is again being initiated and will completed.

The Homes have utilized the Revenue Recapture Act to recover outstanding balances. However, the success of Revenue Recapture depends on tax refunds due to the ex-resident.

The homes are looking into strengthen collection procedures.

The homes had written procedures on cost of care calculations. These procedures will be reviewed and elaborated on as necessary.

The Hastings Home Resident Accounts are due to be automated. This will segregate the cashier's duties. Please refer to response to finding #2.

Historically we need to go back and verify amounts transferred between funds (Resident Accounts and Designated Contributions) per M.S. 198.265. The interest earned is not clearly documented and therefore could be the source of the variance.

Also a review completed during the period ending February, 1985, revealed a transaction done by the Department of Finance in regards to an investment purchase, was in error. The amount transferred was based on the value of the investment at maturity and not for the cost of the investment. This error was corrected the following month by the Department of Finance.

Designated Contributions. This account receives interest earned on the resident account, however, we need to take into consideration the financial activity involving the Designated Contributions account.

Also, as we discussed in the exit conference, the Minnesota Department of Veterans Affairs, the State Board of Investment, and the Department of Finance did verify the principle investment balance.

Transfers of interest is and was at the time of the audit being accomplished monthly.

A historical review will be accomplished.

7. As stated in the response to Findings #2 and #5, the Hastings Home Resident Accounts will be automated, and this will segregate duties.

8. The level of funds was approved by the Department of Finance and was not exceeded.

The Hastings Veterans Home does need sufficient cash on hand to satisfy resident needs for check cashing. The majority of residents receive their checks during a ten day period. During this ten day period the Cash on Hand at the Hastings Veterans Home does need to be $3,000. However, for the remaining 20 days of the month, we will request that the cash on hand be reduced.

9. As stated in the response to Finding #2, the interest waiver has been added to the admission packet, and when Resident Accounts are automated, the files will be checked to insure that a signed waiver is on file.

10. Restricted access to items was accomplished at the time of the audit.

An automated inventory system will be created. This system will include an aging system for items inventoried.

All residents are encouraged to deposit funds rather than to keep funds in their rooms. When residents are transferred to the Veterans Hospital, these funds will be deposited for the resident.

Procedural changes are being implemented so that R.N. Supervisors will notify Accounting when residents are keeping excess cash in their rooms. Accounting will encourage residents to deposit funds.

11. A meeting was held with Activity Managers last year informing them to use the Statewide Accounting System to record the receipt of all contributions. Another meeting will be scheduled for the near future to again remind Activity Managers to utilize Statewide Accounting to record the receipt of funds.

The checkbook will be removed from the Accounts Receivable unit, thereby segregating the receipt and payment functions.

12. The chaplain is the Activity Manager for the chapel account. The donations were utilized for activites approved by the chaplain and the resident committee. However, the chaplain will be instructed that in the future, when the collection plate is passed, and the funds are going to be used for a specific purposed to instruct the congregaton

of this.

In regards to the Ely Fishing trip using funds received for other uses. As we discussed at the exit conference, these funds were funds remaining after the purpose of the donation had been accomplished. As stated on page 13, "If there are funds remaining after the expenditure for a particular purpose has been made, these funds will be considered to be non-specified funds and may be transferred to the general contribution sub-account to be used for the benefit of all residents."

13. Please refer to the response to Finding #11, the accounts receivable function will be segregated from the accounts payable function.

Activity Managers can request cash for some activities. In the instance of poker, let us clarify (as we did at the exit conference) that this is penny-anti poker. The residents play penny-anti poker to sharpen mental abilities and not as a means of supplementing monthly income. The poker games are played with coins, hence penny-anti poker.

As stated in the response to Finding #11, Activity Managers were told to utilize Statewide Accounting for receipts to and payments from the Designated Contributions accounts. Another meeting is scheduled to further clarify the reasons why this is and should continue to be done.

Again, the imprest cash fund levels are set by the Department of Finance. The imprest cash fund will be monitored and a request to raise this limit will be made. However, the change is subject to the approval of the Department of Finance.

A records retention specialist will be reviewing our records retention schedules in the near future. This specialist will assist the Homes in cataloging records and revising the Records Retention Schedule.

More complete documentatoin will be kept to support disbursements from the designated contributions account.

14. Restricted access the cash register key was implemented during the audit.

Inventory documentation will be kept.

Reconciliation will be accomplished and a review of cash in the canteen will be done.

The cash register will be programmed to charge city sales tax.

15. Prompt payment for both Veterans Homes has been between 97% - 100%. The Prompt Payment Report for May, 1988, shows that both Homes achieved the 100% goal of payment to vendors within 30 days.

The incidents referred to in the Hastings Canteen involving the Resident Canteen Supervisor. The Resident Canteen Supervisor is now forwarding all invoices/bills received by him to the Accounts Payable

Unit for prompt payment.

Purchasing procedures will be strengthened. All bid information will now be kept with the Department Purchase Orders.

The findings refer to Department of Administration Bulletin #7-206. This Bulletin is dated July, 1979, and there have been changes to this Bulletin. I have requested a copy of this Bulletin from the Department of Administration with all changes.

16. As referenced in our response to Finding #2, #5, #9, and #11, the Hastings resident accounts are due to be automated. When the automation is completed, the postings to the accounts for both homes will be done in Minneapolis.

The log created during the audit has been expanded from just a date log to include dollar amounts.

The receipt procedures will be strengthened. Reconciliations will be accomplished on a timely basis and in compliance with SWA Policy and Procedure 06:06:03.

17. Point of clarification, the vendors referenced are primarily ambulance companies and local hospitals. A contract was established by Department of Administration, Procurement Division for Basic Life Support transport and NOT Advanced Life Support transport. The determination of whether Basic or Advanced Life Support is necessary is made by the ambulance company, and the call to 911 is made

While no contract was established for hospital services (usually involving non-veterans), the rate at which payment was determined was consistent with the Department of Human Services fee schedule.

The contract evaluations were delayed in 1987 due to the re-organization of the Veterans Homes from the Department of Veterans Affairs to the Department of Human Services. All evaluations have been submitted.

18. The recommendation is accepted. Contracts are being more closely monitored and amendment are being done when necessary. But it should be noted that residents were not denied medical services pending contract amendments.

As discussed at the Exit Conference, logs are being maintained for professional/technical contractors.

Reimbursements are being and will be requested from Medicare. However, we will be in violation of prompt payment procedures if we hold ambulance bills until Medicare reimbursement is received.

19. The two airline tickets were ordered and paid by Department Purchase Order procedures, not on a travel expense report. The two tickets were for personnel to attend a national conference in preparation of the Homes hosting the next national conference.

The personal phone calls highlighted pertain to the Field Services Director and the Commissioner of Veterans Affairs. While the purpose of the calls was not noted on the travel expense report, all indications are that the calls were business related.

In the single case of tuition reimbursement not being supported by a fees paid statement, the individual has been contacted and stated that all necessary documentation had been submitted but that they will resubmit the documentation.

As discussed at the Exit Conference, the two special expense reports were signed after the fact.

In regards to the Emergency Purchases. The determination was made at the time of purchase for the two incidents sited that it was an "immediate need" purchase as covered under Procurement Bulletin 7-206 not an emergency purchase.

As stated in the response to Finding #15, bid information will be attaced to the Department Purchase Order and retained for future verification of our bidding process.

The Homes are buildings a centralized warehouse. Items will not be entered into the inventory systems by the same personnel that receives the items. Receiving reports will be dated and initialized.

When conference/registration fees are prepaid, the attendess do not usually receive a fee paid statement. However, in the future the employee travel expense account will be referenced in the Department Purchase Order file for verification of attendance.

0. The authority for local purchase was reduced from December 1, 1986 through February 13, 1987, to $100 due to minority purchase targets not being met. However, after meeting with the Department of Administration and demonstrating that the Homes were meeting the minority purchase guideline, the expanded authority limit of $1,500 was reinstated. For the quarter following the restoration, the Homes exceeded the goal by 10%.

Purchases that exceed the expanded authority will be placed through Procurement.

. The Homes did, place Department Purchase Orders (usually with a $50 limit)with specific local places of business which Home employees would utilize for specific items (nuts, screws, etc.). The local place of business knew which employees were to be allowed to pick up items. These items were placed on the DPO. When the DPO reached its limit (usually $50), the local business would then bill the Home. However, the Homes will discontinue this practice and instead issue DFPO's for each purchase.

2. This recommendation has to do with Nursing Care. However, the Homes will create a automated resident payroll system with checks and balances to insure that all procedures are followed.

3. As stated in the response to finding #13, a Records Retention

Specialist will be reviewing the Homes records, and Records Retention Schedules. This will insure that in the future no records will be misplaced and records will not be destroyed until retention schedules and procedures are met.

1. As stated in the audit report, a residents dental bill was paid out of this fund. However, it should be noted that the incident was resolved to the satisfaction of the Department of Finance.

As stated in the response to Finding #10, the payable function will be removed from the Accounts Receivable section.

25. As stated in the response to Finding # 19, the Homes are building a centralized warehouse, this will insure the seperation of duties.

An employee was performing spot checks of canteen, food, and non-dietary inventory for the Hastings Homes.

5. A comprehensive physical inventory of fixed assets was just completed. The reconciliation of fixed assets to recorded fixed assets is in the final stages.

As stated in the response to Finding #19 and #25, the new centralized warehouse will be built. A inventory system will be created to track all inventory items.

The drug inconsistency was probably caused by the following scenario. When a resident is discharged from the hospital, he returns to the Home with medications dispensed at the hospital. These drugs are not added to the inventory at the Home, as the Home did not purchase the medication. However, the medication is dispensed by the nurses/pharmacy in accordance to doctor's orders.

Control drug refills are no longer being requested through the VA. Residents are now only returning with sufficient quantity to be dispensed until normal pharmacy hours.

The State Board of Pharmacy has not questioned our inventory methods. This Board does an annual review.