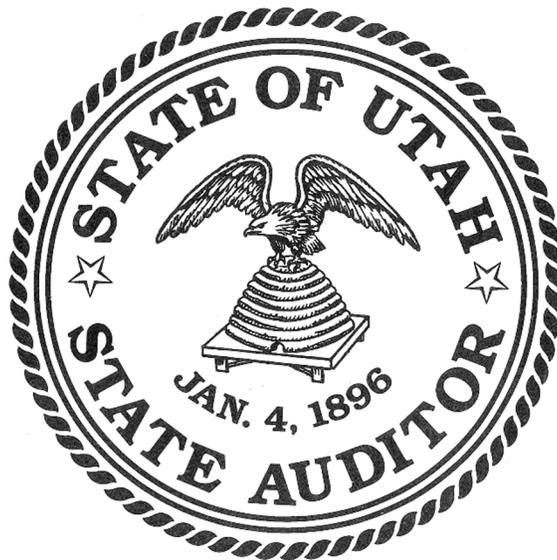


UTAH DEPARTMENT OF VETERANS AND MILITARY AFFAIRS

Single Audit Management Letter
For the Year Ended June 30, 2019

Report No. 19-03



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Ryan Roberts, CPA, Audit Supervisor
Kathryn Hoins, Audit Senior

UTAH DEPARTMENT OF VETERANS AND MILITARY AFFAIRS

Single Audit Management Letter FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

			<u>Page</u>
SINGLE AUDIT MANAGEMENT LETTER			1
FINDINGS AND RECOMMENDATIONS:	<u>Federal Program</u>	<u>Type/ Applicability</u>	
1. Inaccurate State Home Report and Statement of Federal Aid Claimed	Veterans State Nursing Home Care	SD-f; RN-f	3
2. Improper Retention of Eligibility Documentation	Veterans State Nursing Home Care	-	4

<u>Finding Type:</u>	<u>Applicable To:</u>
SD Significant Deficiency of Internal Control	f Federal Program
RN Reportable Noncompliance or Illegal Acts	



OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 19-03

December 10, 2019

Utah Veterans Advisory Council
and
Gary Harter, Executive Director
Department of Veterans and Military Affairs

This management letter is issued as a result of the Utah Department of Veterans and Military Affairs' (UDVMA's) portion of the statewide single audit for the year ended June 30, 2019. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is issued under separate cover. We tested the following federal program at the UDVMA:

- CFDA #64.015 Veterans State Nursing Home Care

In planning and performing our compliance audit of the program listed above, we considered the UDVMA's compliance with the types of compliance requirements subject to audit as described in the *OMB Compliance Supplement* for the year ended June 30, 2019. We also considered the UDVMA's internal control over compliance with the types of requirements described above that could have a direct and material effect on the program tested in order to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the UDVMA's internal control over compliance to the Veterans Nursing Home Care program.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to be reported under Uniform Guidance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material

weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the UDVMA's internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance (Finding 1) that we consider to be a significant deficiency.

We also identified Finding 1 as an instance of noncompliance which we are required to report under the Uniform Guidance.

In addition, during our audit, we became aware of a deficiency in internal control that is reported as an opportunity for strengthening internal controls and operating efficiencies (Finding 2).

The UDVMA's written responses to and Corrective Action Plans for the accompanying findings were not subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

We appreciate the courtesy and assistance extended to us by the personnel of the UDVMA during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Ryan Roberts, CPA
Audit Supervisor
801-671-5808
ryanroberts@utah.gov

cc: Dennis N. McFall, Deputy Director
Jeff Hanson, State Officer – Central Utah Veterans' Home
Jacqueline Peterson, State Officer – Ogden Veterans' Home
Berni Davis, State Officer – SLC Veterans' Home
Tony Moore, State Officer – Southern Utah Veterans' Home
Raitos Archuleta, Financial Manager

FINDINGS AND RECOMMENDATIONS

1. INACCURATE STATE HOME REPORT AND STATEMENT OF FEDERAL AID CLAIMED

Federal Agency: **Department of Veterans Affairs**

CFDA Number and Title: **64.015 Veterans State Nursing Home Care**

Federal Award Numbers: **UT660DV, UT6602, UT6603, UT6604**

Questioned Costs: \$0

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

We tested eight *State Home Report and Statement of Federal Aid Claimed* reports (VA Form 10-5588) prepared by the nursing homes overseen by the Utah Department of Veterans and Military Affairs (UDVMA). Four of the eight reports tested had inaccurate amounts on several line items as follows:

- Line 22C, *Direct and Indirect Cost*, and 22D, *Daily Cost of Care for the Month*: Incorrect indirect costs were used on all four reports, and incorrect direct costs were used on two of the reports. Per the form instructions, Line 22D is calculated using the amounts in line 22C; thus, the four reports with errors on line 22C also contained errors on Line 22D. The errors ranged from an understatement of \$16,135 to an overstatement of \$3,791.
- Line 22B, *Average Daily Census*: An error was noted in the Average Daily Census value for one submitted report. The value was adjusted on several lines of the report and the report was resubmitted; however, this value was not correctly adjusted on Line 22B. As a result, the value reported on Line 22B was incorrect by one person.
- Line 17B, *Total Non-Eligible Veterans and Civilian Residents Remaining at the End of the Month*: The value on Line 17B of two reports tested did not match the resident rosters and was incorrectly reported by one resident on one report and two residents on the other report.
- Line 20B, *Total Days of Care Furnished to Non-eligible Veterans and Civilians*: The value on Line 20B of one report tested did not match the resident rosters and was incorrectly reported by 24 days.
- Line 19B, *Female Veterans Residents Remaining at the End of the Month*: The value on Line 19B of one of the reports tested did not match the resident rosters and was incorrect by one resident.

The UDVMA should develop a sound methodology for use by the nursing homes in preparing VA Form 10-5588 to ensure that all information presented on the form matches the supporting documents. The errors above occurred due to improper design and implementation of controls and a lack of understanding by the various nursing homes on how to complete the forms. These type of errors can result in questioned costs and loss of future federal funding. Because the errors noted did not change the amount that UDVMA requested for reimbursement, we have not questioned any costs.

Recommendations:

We recommend the UDVMA:

- **Adopt a formal methodology for calculating direct and indirect costs that adheres to the VA Form 10-5588 instructions.**
- **Ensure that all UDVMA nursing homes receive training on completing the VA Form 10-5588 using the adopted methodology.**
- **Develop and put into place stronger controls for identifying reporting errors.**

UDVMA's Response:

UDVMA agrees with the finding. As stated in the finding, errors noted did not change the dollar amount that the UDVMA requested from the VA for reimbursement.

Corrective Action Plan:

UDVMA will standardize the method used for calculating direct and indirect cost that adheres to the VA Form 10-5588 instructions. The calculation will be reviewed and updated by the UDVMA annually in September, at the end of the federal fiscal year.

The UDVMA will re-train each State Officer on filling out VA Form 10-5588. To improve accuracy and consistency, supporting forms will be standardized for all state veterans homes.

The Deputy Director, or designee, will monitor the completed forms for accuracy.

Contact Person: Dennis McFall, Deputy Director, (801) 755-8722

Anticipated Correction Date: October 31, 2019

2. IMPROPER RETENTION OF ELIGIBILITY DOCUMENTATION

Federal Agency: **Department of Veterans Affairs**

CFDA Number and Title: **64.015 Veterans State Nursing Home Care**

Federal Award Number: **UT660DV, UT6602, UT6603, UT6604**

Questioned Costs: **\$0**

Pass-through Entity: **N/A**

Prior Year Single Audit Report Finding Number: **N/A**

The UDVMA was unable to provide the determination letter for 3 out of 40 nursing home residents sampled. Before a resident is placed on a roster at one of the veterans nursing homes, the applicable home should receive and maintain confirmation from the U.S. Department of Veterans Affairs that the resident was determined to be eligible and the rate they are eligible for. We were able to verify that these residents were eligible at the correct rate through other means; therefore, we have not questioned any costs. This issue resulted from a lack of sufficient record

keeping on the part of the nursing homes. Without the determination letter, the UDVMA has insufficient documentation to support their reimbursement requests.

Recommendation:

We recommend the UDVMA nursing homes maintain better records supporting eligibility for all current residents.

UDVMA's Response:

UDVMA agrees with the finding. As stated in the finding, errors noted did not change the dollar amount that the UDVMA received from the VA for reimbursement.

Corrective Action Plan:

Eligibility is established by the VA through a formalized application process. A notice of eligibility is provided to the facility by the VA for each veteran. The State Officer will ensure that an electronic file and a hard copy file containing each notice of eligibility is maintained in their respective facility. Contract Provider (Management) will be apprised of the audit findings and the required retention of all records indicated in audit findings.

The Deputy Director, or designee, will periodically review the folders for completeness.

Contact Person: Dennis McFall, Deputy Director, (801) 755-8722

Anticipated Correction Date: October 31, 2019