DEPARTMENT OF FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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January 11, 2006

Mr. Thomas Johnson, Secretary
California Department of Veterans Affairs
P.O. Box 942895
Sacramento, CA 94295-0001

Dear Mr. Johnson:

Final Report—California Department of Veterans Affairs, Department Headquarters Internal Control Review

Enclosed is our internal control report on the California Department of Veterans Affairs (Department) as of November 7, 2005. The Department of Finance, Office of State Audits and Evaluations (Finance), performed this review in accordance with the Financial Integrity and State Managers' Accountability Act of 1983, to provide the Department with information as to whether controls are established and functioning as intended, to provide Department management with opportunities to correct identified weaknesses, and to improve its operations.

The enclosed report is for your information and use. Your response, along with our evaluation, has been incorporated into the report. In accordance with Finance's policy of increased transparency, a copy of the final report will be placed on Finance's public website.

We appreciate the assistance and cooperation of the Department. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Cheryl Lyon, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Diana L. Ducay

Diana L. Ducay, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Roger Brautigan, Undersecretary, California Department of Veterans Affairs
Mr. John Hanretty, Chief, Administrative Services Division, California Department of Veterans Affairs
Mr. William Pariente, Deputy Director of the Homes, California Department of Veterans Affairs
Ms. Marcella McCormack, Administrator, Yountville Veterans Home, California Department of Veterans Affairs
Mr. Louis Koff, Administrator, Barstow Veterans Home, California Department of Veterans Affairs
Mr. Daniel Murray, Administrator, Chula Vista Veterans Home, California Department of Veterans Affairs

An Internal Control Review

California Department of Veterans Affairs

Prepared By:
Office of State Audits and Evaluations
Department of Finance

068950001

November 2005

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PREFACE

The California Department of Veterans Affairs (Department) has three main objectives: (1) provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) afford California veterans the opportunity of becoming homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

Department management is responsible for the establishment and maintenance of internal and administrative controls. These controls are defined as a process to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting; (b) effectiveness and efficiency of operations; and (c) compliance with applicable laws and regulations. This definition includes five interrelated components.

- *Control environment* sets the tone of an organization, influencing the control consciousness of its staff. It is the foundation for all other internal control components, providing discipline and structure.

- *Risk assessment* is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.

- *Control activities* are the policies and procedures that help ensure management directives are carried out.

- *Information and communication* are the identification, capture, and exchange of information in a form and time frame that enable staff to carry out their responsibilities.

- *Monitoring* is the process that assesses the quality of internal control performance over time.

The objective of our internal control review was to assist the Department in complying with the Financial Integrity and State Managers' Accountability Act of 1983. Specifically, we assisted the Department in determining whether: (1) assets are safeguarded from unauthorized use or disposition; (2) financial transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of reliable financial statements; and (3) financial operations are conducted in accordance with State Administrative Manual guidelines, and certain other state laws and regulations, as well as the Department's policies and procedures.

Our review was restricted to the Department Headquarters, and did not include a review of controls over the Farm and Home Loan program, the Post (Morale) Fund, or the Veterans Homes. Additionally, our review did not include an evaluation of the efficiency or effectiveness of the Department's operations, or the accomplishment of program goals or objectives. However, with respect to the Yountville, Barstow, and Chula Vista Veterans Homes, we performed limited procedures to evaluate controls over information technology, purchasing, contracts, fixed assets, and the status of prior audit findings. We also conducted a service/ benefit comparison among all three Homes and individual budget analysis at the Barstow and Chula Vista Homes.

This report is intended solely for the information and use of Department management, and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

STAFF:

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EXECUTIVE SUMMARY

During our review of the California Department of Veterans Affairs' (Department) internal control as of November 7, 2005, we identified areas where controls were in place and working as intended, and also identified areas where controls could be improved to reduce the risk of errors, irregularities, and material misstatements. Our findings and observations are summarized below; for further analysis refer to the Findings and Recommendations section of this report.

Administrative Controls: The Department has successfully resolved 103 prior audit findings; however, 70 prior audit findings require further attention from Department management. Further, as noted in the cycles below, several areas do not have updated written policies and procedures, and Department management should provide oversight in ensuring the completion of these procedures. See the Findings and Recommendations section and Appendix A—Status of Prior Findings for further analysis.

Information Technology: The Department's information technology controls appear adequate to ensure the overall reliability and integrity of data. We found that the Department maintains adequate separation of duties, physical security and data controls are in place and effective, and the automated tools used to ensure data integrity and network security are comprehensive and well administered. However, we also found that the Information Security Officer does not report directly to the Secretary, there is a lack of written procedures governing access rights to the Meditech system, the maintenance and support services contract with Meditech has lapsed without an alternate service system in place, and the back-up generator in the centralized computer room is not sufficient to handle power outages in excess of 15 minutes. See the Findings and Recommendations section for further analysis.

Budget: The Department's controls over its budget functions appear adequate to ensure the reliability and integrity of data. The policies and procedures over the budget process are documented, and the Department's budget is developed through input and review from various members of Department and Home management, and the Department of Finance Budget Officer. However, the Department still has deficiencies related to two homes, and cash shortfalls.

Cash Receipts: The Department's cash receipts controls are sufficient to ensure assets are properly safeguarded. We observed proper separation of duties, documented policies and procedures, warrants restrictively endorsed upon receipt, updated reconciliations, and timely remittances to the State Treasurer's Office. However, we found that envelopes, not vouchers, are date stamped and not retained; prelistings are not prepared, and transfer receipts are not utilized; checks received are not recorded timely on a collection report; and the uncleared collections account is improperly used. See the Findings and Recommendations section for further analysis.

Receivables: The Department's receivables controls appear adequate to ensure amounts due to the Department are appropriately recorded and collected. We observed proper separation of duties and the implementation of a utilization review process to reduce coding and billing errors for medical services provided. However, we noted inadequate and incomplete policies and procedures regarding receivable collections. See the Findings and Recommendations section for further analysis.

Purchasing: The Department's purchasing controls appear adequate to ensure that purchases are justified, reasonable, consistent with laws and regulations, and that the Department's assets are appropriately safeguarded when received. However, we found open purchase orders not periodically reviewed or researched by the Business Services Department, untimely purchase order processing, and a failure to pay penalties and interest on late payments. See the Findings and Recommendations section for further analysis.

Cash Disbursements: The Department's cash disbursements controls are sufficient to ensure assets are appropriately safeguarded. We observed documented policies and procedures, adequate separation of duties over the cash disbursement process, complete bank reconciliations, and proper recording of cash disbursements in the general ledger. However, we observed a lack of documentation to support the administration and overhead costs allocated by the Department.

Revolving Fund: The Department's revolving fund controls appear adequate to ensure the safeguarding of the state's assets. We observed that the policies and procedures over the revolving fund process are documented and reflect current practices, revolving fund advances are less than three percent of each Home's budget appropriation, the Home's revolving funds have not been consistently overdrawn, and reconciliations are prepared accurately and timely. However, we observed that the Department did not maintain sufficient documentation for salary advances issued and improperly used the revolving fund. See the Findings and Recommendations section for further analysis.

Personnel/Payroll: The Department's controls over the personnel and payroll functions are sufficient to ensure the reliability and integrity of data. We observed that the Department maintains current documented policies and procedures, adequate separation of duties, updated signature card authorizations, properly reviewed and authorized employee attendance summary sheets (timesheets), and adequate processes over new and separating employees. However, we also observed that the Time and Attendance Reports (STD Form 672) were not consistently authorized, and several employees exceeded the maximum vacation/annual leave accrual balances without a written plan of correction in place. Further, at the Yountville, Barstow and Chula Vista Homes, we observed incomplete processing of appointment and separation forms. See the Findings and Recommendations section for further analysis.

Contracts: The Department's contracting controls appear adequate. We observed that the policies and procedures over contracting are documented and reflect current practices, adequate separation of duties exists, contracts are supported by appropriate documentation, and contract administration and monitoring is adequate to ensure achievement of contracting objectives. However, we found that the Department consistently processes contracts untimely. See the Findings and Recommendations section for further analysis.

Fixed Assets: The Department's fixed asset controls are not sufficient to ensure the appropriate safeguarding of state assets. We found that the Department and Homes do not consistently perform monthly reconciliations of the general ledger with their subsidiary property

ledgers, subsidiary property ledgers are incomplete and inaccurate, property survey reports are incomplete, and physical inventory counts are incomplete and/or not performed. See the Findings and Recommendations section for further analysis.

Financial Reporting: The Department's financial reporting controls appear adequate. We observed that required financial statements are properly prepared, certified (except for the Statement of General Fixed Assets), and submitted timely. However, we found that the Department did not perform a review of unliquidated encumbrances at year end to determine disposition for the Barstow and Chula Vista Homes. See the Findings and Recommendations section for further analysis.

Status of Prior Audit Findings
We performed a review of prior audit findings at Headquarters and the Homes. We identified 260 outstanding prior audit findings from various audit reports. Of those findings, we found that 103 were resolved, 70 were unresolved, and 87 were outside the scope of our review and we did not perform procedures to determine the status. See the Status of Prior Findings for further analysis.

Budget Analysis
We investigated the 2004-05 budget deficiencies reported by the Barstow and Chula Vista Homes to determine or attempt to determine the causes of the deficiencies. See the Budget Analysis section for further analysis.

Service/Benefit Comparison
We performed a comparison of services/benefits offered at the three Homes. Our comparison included both general funded services/benefits and those funded through other sources such as the Post Fund. See the Service/Benefit Comparison section for further analysis.

This report is intended to assist Department management in focusing attention on areas of deficiency, strengthening internal control, and improving operations.

DEPARTMENT OF FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR
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AUDITOR'S REPORT

Mr. Thomas Johnson, Secretary
California Department of Veterans Affairs
P.O. Box 942895
Sacramento, CA 94295-0001

We have reviewed the California Department of Veterans Affairs' (Department) internal control as of November 7, 2005, for conformity with Government Code Section 13400 et seq. Our review included obtaining an understanding of the internal control through observations and interviews, testing and evaluating the design and operating effectiveness of the internal control, and performing other procedures we considered necessary.

Department management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with Government Code Section 13400 et seq., includes documenting internal control, communicating requirements to employees, and assuring that the internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control are to provide reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements.
- Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual.

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

In reviewing the Department's internal control as of November 2005, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition that precludes the Department's internal control from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. We believe that none of the reportable conditions is a material weakness. The reportable conditions are described in the *Findings and Recommendations* section of this report.

This report is intended solely for the information and use of Department management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.

Original signed by Diana L. Ducay

Diana L. Ducay, Chief
Office of State Audits and Evaluations
(916) 322-2985

November 7, 2005

FINDINGS AND RECOMMENDATIONS

During our review of the California Department of Veterans Affairs' (Department) internal control as of November 7, 2005, we noted that many controls were functioning as intended. However, we also identified areas where controls are either not in place or functioning as intended, and where corrective action is necessary.

Note: Findings are presented by category, not order of importance.

Administrative Controls

FINDING 1 **Uncorrected Prior Audit Findings**

Condition: We identified 260 prior audit findings requiring corrective action by the Department and Homes. We reviewed the disposition of all the prior findings during our current review and determined that 87 were outside the scope of our review, 103 were resolved (60 percent) and 70, or 40 percent, require further attention from Department and Home management. See Appendix A for a spreadsheet detailing the prior audit findings and the current disposition.

Criteria: The Financial Integrity and State Manager's Accountability Act (FISMA) of 1983 (Government Code Section 13400 et seq.) places responsibility for establishing and maintaining an agency's system of internal accounting and administrative control with the agency head.

State Administrative Manual (SAM) Section 20050 states that a symptom of control deficiencies is identified when detected internal control weaknesses are not acted upon in a timely fashion.

Recommendation: Develop and implement an action plan to promptly resolve the control weaknesses identified in this report, and any unresolved control weaknesses identified in Appendix A. The action plan should be specific as to responsibilities and time frames.

FINDING 2 **Insufficient Documentation of Policies and Procedures**

Condition: During our review, we observed instances where the Department's policies and procedures were either undocumented or incomplete. Failure to adequately document and maintain current practices, policies, and procedures increases the risk of inconsistencies and errors within operational processes as well as diminishes the Department's training

effectiveness should a turnover in staff occur. We identified the following instances of undocumented and/or incomplete policies and procedures:

- ***Lack of Documented Meditech Access Procedures at Headquarters and Homes***
  We observed that the Department does not currently maintain written documentation describing the procedures required for granting user access to the Meditech system, including a review of Meditech access activity on a regular basis, deactivating access for users who are suspended or terminated abruptly, and granting access to member helpers and volunteers. A lack of written policies and procedures increases the risk of users having the ability to access information for which they have no use, and inputting or inappropriately changing information within the system.

  This is a recurring condition from a prior audit.

- ***Failure to Maintain a Cash Disbursement Procedures Manual***
  We observed that the Department does not maintain written procedures documenting its cash disbursement policies and practices. As a result, operational efficiency is hindered and the risk of improper cash disbursements occurring is increased.

- ***Lack of Written Procedures Governing Donated Property***
  The Department does not maintain written procedures governing the treatment of property donated to the Homes. Although the Welfare and Institutions Code specifies that property donated to the Homes belongs to the Post Fund, the Department has not established procedures to ensure the consistent accounting of the assets. As a result, all three Homes account for the assets differently. Further, as noted in Finding 20, we identified instances where the Homes were including Post Fund assets in the general fund subsidiary and general ledgers. Without written policies and procedures, the Department is unable to effectively safeguard the state's, as well as the member residents', assets.

  This is a recurring condition from a prior audit.

- ***Incomplete and Inadequate Collections Procedures***
  We observed that the Department's documented receivables procedures do not include procedures for the collection of salary advances. We observed $14,254 in salary advances that have been outstanding over 120 days as of August 31, 2005.

  Further, we observed that the Department's collection procedures for unpaid Member Fees and Aid and Attendance were inadequate. Specifically, after the Department initiates collections using the delinquency letters, the Department does

not have procedures for the treatment of receivables that remain uncollected. We identified $721,325 in Member Fees and $127,574 in Aid and Attendance that has been outstanding for over 150 days as of August 31, 2005.

Failure to maintain policies and procedures governing the collection of outstanding salary advances and Member Fees and Aid and Attendance results in a loss of state assets and a decrease in the funds available for expenditure by the Department.

This is a recurring condition from a prior audit.

Criteria: SAM Section 20050 provides that an appropriate system of internal control includes a system of authorization and recordkeeping sufficient to safeguard an entity's assets, liabilities, revenues, and expenditures. Additionally, the section details symptoms of control deficiencies, which includes policy and procedures or operational manuals either not currently maintained or nonexistent.

SAM Sections 8776.6 and 8776.7 state that each agency should have written procedures governing the collection of receivables.

Recommendation: Document all Department policies and procedures in writing and ensure implementation by Department staff. Further, periodically review and revise all policies and procedures as necessary.

Information Technology

FINDING 3 **Inappropriate Security Officer Reporting**

Condition: The Information Security Officer inappropriately reports to the Director of Operations. The Information Security Officer should report directly to the Department Secretary, as required by SAM. By not reporting directly to the Secretary, important and necessary information regarding information security issues may not be communicated and thus effective and efficient actions may not be taken.

Criteria: SAM Section 4841.1 states that the Information Security Officer should report directly to the Agency Secretary.

Recommendation: Revise the reporting responsibilities of the Information Security Officer to report directly to the Department Secretary.

FINDING 4 **Lack of a Maintenance and Support Services Contract for the Meditech System**

Condition: The Department's maintenance and support services contract for the Meditech system lapsed as of June 30, 2005. The Meditech system modules are utilized by Department and Home staff to record and monitor the Veterans' medical care. By not having a current maintenance and

support service contract, the Department is not equipped to resolve system issues, and therefore the health and safety of veterans residing in the homes is at increased risk.

Criteria: SAM Section 4800 states that all mission-critical software should be maintained and supported.

Recommendation: Secure a contract with Meditech for maintenance and support services as soon as possible. Ensure that future contracts are renewed or alternate services are in place prior to the existing contract expiration.

FINDING 5 **Inadequate Generator in the Centralized Computer Room**

Condition: We found that the Department does not maintain a generator in the centralized computer room that is equipped to handle power loss in excess of 15 minutes. As a result, the Department is at increased risk of loss of service and/or data should a power outage in excess of 15 minutes occur.

This is a recurring condition from a prior audit.

Criteria: SAM Section 4843 requires that information technology services have a back-up generator to continue services in the case of a power outage.

Recommendation: Ensure the back-up generator maintained in the centralized computer room is equipped to handle power outages in excess of 15 minutes.

FINDING 6 **Inadequate Fire Suppression System for Meditech System Back-Up Server at the Yountville Home**

Condition: We observed that the back-up site for the Meditech computer server at the Yountville Home has an inadequate fire suppression system. Specifically, we observed that the computer room located in Room 1 North of the Yountville Hospital is equipped with a sprinkler system for fire suppression. Should a fire occur, the Meditech back-up server and related electronic hardware, including data, would be destroyed by the water.

This is a recurring condition form a prior audit.

Criteria: SAM Section 4842.1 requires that adequate measures be taken to reduce the risk of loss of data and information system infrastructure.

Recommendation: Replace the sprinkler system with a Halon fire suppression system or similar variety at the Yountville Home back-up site.

Cash Receipts

FINDING 7 **Inadequate Processing of Cash Receipts**

Condition: We observed inadequate processing of cash receipts in the Department's Veterans Home Accounting Unit. We observed that checks received are not recorded in the Collection Report until the deposit is prepared, which could be a couple of days. Thus, the Department is unable to ensure that all checks received are captured and deposited intact. Additionally, the Collection Report prepared at the time of deposit does not include the date the check was received. Further, we also observed that the Department's policy is to date stamp the envelope of mail received; however, the envelopes are not retained with the vouchers as support for the deposits, nor are the checks or vouchers date stamped. As a result, we were unable to determine the timeliness of the Department's deposits. Moreover, the Department is at increased risk of loss or theft of checks received and is prevented from appropriately monitoring its cash receipt and deposit practices.

This is a recurring condition from a prior audit.

Criteria: SAM Section 8092 requires the date of collection be included in a report of collections.

Recommendation: Develop procedures to ensure all cash receipts are date stamped and recorded in the Collection Report timely. Ensure that the date of collection is included in the Report.

FINDING 8 **Failure to Prepare Prelistings or Transfer Receipts**

Condition: We observed that the Department's Veterans Home Accounting Unit does not prepare a prelisting for checks received that are not made payable to the Department. Additionally, transfer receipts are not utilized when the checks are transferred between employees. As a result, the Department is at increased risk of loss or theft of checks received.

This is a recurring condition from a prior audit.

Criteria: SAM Section 8020.1 states that all incoming mail receipts consisting of cash or negotiable instruments not made payable to the state agency will be prelisted by the person opening the mail to localize accountability of these assets.

SAM Section 8021 states that a separate series of transfer receipts will be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

Recommendation: Ensure prelistings are prepared and transfer receipts utilized when cash or negotiable instruments not made payable to the state agency are received by the Department.

FINDING 9 **Inappropriate Use of the Uncleared Collections Account**

Condition: We found that the Department is incorrectly using the Uncleared Collections Account to account for the Department's recycle program at the Yountville and Barstow Homes. As a result, the account is overstated and results in increased staff time to reconcile the account.

Criteria: SAM Section 10452 states that the purpose of the uncleared collections account is to account for cash not readily identifiable or whose accounting treatment is not determinable at the time of receipt.

Recommendation: Record recycle program receipts in the Other Abatement account as recommended by the Department of Finance's Financial Reporting and Consulting Unit.

Purchasing

FINDING 10 **Inadequate Review of Open Purchase Orders**

Condition: We observed that the Business Services Department does not periodically review (i.e., more than once per year) and research open purchase orders. Inadequate review and research of long outstanding purchase orders prohibits the Department from effectively monitoring whether goods or services ordered were received or if partial deliveries are completed. Additionally, the Department is also at risk of improperly encumbering funds.

Criteria: SAM 8422.2 states that to determine whether all goods and services ordered are actually received, the agency shall develop procedures to follow up on open purchase documents/contracts.

Recommendation: Periodically review and research long outstanding purchase orders for validity.

FINDING 11 **Untimely Purchase Order Processing**

Condition: We observed the untimely processing of purchases at the Department. Specifically, it took an average of 23 days from the completion of the Inter Office Request (Form 5) to the subsequent preparation and delivery of the purchase order to the Accounting Department for 16 purchase orders tested. Additionally, 2 of the 16 purchase orders, or 13 percent, were not received by the Accounting Department until the day of, or days after, the goods were received/the services were rendered. Untimely processing of purchase orders inhibits the Department's ability to effectively monitor expenditures by timely encumbering funds, analyzing the budget for availability of funds, and paying vendor invoices timely.

Criteria: SAM 20050 states that an effective system of internal control shall include, but not be limited to, a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

Recommendation: Review the procedures over the processing of purchase orders to determine that the processes in place are efficient and effective. Revise and/or develop procedures to ensure that purchase orders are processed timely.

FINDING 12 **Failure to Compute and Pay Late Payment Penalties**

Condition: We observed instances where the Department failed to appropriately calculate and pay late payment penalties to vendors. Specifically, we found that 6 of 20 invoices tested, or 30 percent, were not processed within 30 days of receipt of the vendor invoice and did not include a computation to determine if late penalty payments were required. Although only 2 of these late paid invoices required the payment of penalties, the failure of the Department to identify, calculate, and pay late payment penalties violates the state's Prompt Payment Act.

This is a recurring condition from a prior audit.

Criteria: SAM 8474 states that the Prompt Payment Act, Government Code Section 927 et seq., requires state agencies to automatically calculate and pay the appropriate late payment penalties if they fail to pay properly submitted, undisputed invoices on the date required by the contract/invoice.

Recommendation: Pay all vendor invoices within the times specified by the invoice/contract. For those that are paid untimely, ensure penalty payments are appropriately calculated and paid to the vendor.

Cash Disbursements

FINDING 13 **Unsupported Cost Allocation Methodology**

Condition: We observed a lack of documentation to support the administration and overhead costs allocated by the Department. Specifically, in the fiscal year 2005-06 budget, each Home possesses a detailed portion of the budgeted distributed general administration costs. However, the allocation to the Homes and the detail supporting the costs could not be supported. Further, each of the Homes was assessed $36,000 each for reimbursement of Department Headquarter costs; however, the Department could not itemize these costs or determine whether Homes are being properly charged for their share of the Department overhead. Without supporting documentation detailing the methodologies of the cost allocation, the Homes and the Department cannot be ensured that costs are being appropriately distributed.

This is a recurring condition from a prior audit.

Criteria: SAM Section 9201 describes the appropriate procedures for cost allocation, including sufficient supporting documentation.

Recommendations:

1. Examine the current program detail comprising the total distributed general administration costs and determine if the allocation is appropriate; revise if necessary.

2. Maintain documentation supporting the methodologies used and ensure the methodologies are equitable.

Revolving Fund

FINDING 14 **Inadequate Salary Advance Support**

Condition: We identified that 4 of 26 (15 percent) salary advances tested were not supported with adequate documentation. Specifically, 3 of the advances did not have the required salary advance request form (Form 91) and 1 advance had the required form, but the form was incomplete. Failure to maintain sufficient salary advance documentation decreases the Department's ability to efficiently monitor salary advances and successfully seek restitution.

Criteria: SAM 20050 states that an effective system of internal control shall include, but not be limited to, a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

Recommendation: Ensure salary advances are sufficiently supported with the required documentation and that all forms are completed entirely.

FINDING 15 **Improper Use of the Revolving Fund**

Condition: We observed instances where the Department used the revolving fund to issue vendor payments that could have otherwise been processed through the State Controllers Office (SCO). Specifically, of 24 revolving fund checks tested, we observed 10 (42 percent) checks issued for vendor payments that could have been processed through the SCO claims process. Many of the instances were due to untimely purchase order processing and untimely submittal of invoices from the Homes. The failure of Department Headquarters and the Homes to appropriately communicate results in inefficient operational practices and increases the risk of overdrawing the revolving fund.

Criteria: SAM Section 8110 requires that revolving funds be used only where immediate payment is otherwise necessary. In determining whether immediate payment is otherwise necessary, the determining factor is whether payment could be made through the normal claim processing procedure and a State Controller's warrant issued.

Recommendation: Do not use the revolving fund for payments that can be processed through the SCO claims process. Research reasons for the untimely receipt of purchase orders and/or invoices and implement corrective actions.

Personnel and Payroll

FINDING 16 **Inconsistent Authorization of Time and Attendance Reports (STD Form 672)**

Condition: We observed that the Department inconsistently authorized the STD Form 672, which is the formal document used to report the employees' monthly attendance to the State Controller's Office. Specifically, we observed that a portion of the March 2005 and all of the June 2005 forms did not include authorizing signatures. Inconsistent review and authorization increases the risk of reporting inaccurate information to the State Controller's Office and employees receiving incorrect pay and/or incorrect leave balances.

Criteria: SAM Section 8539 requires signatures to be on each part of the STD Form 672.

SAM Section 8539 states that the original copy of the completed STD Form 672, required by the State Controller's Office and maintained at the Department, will be signed only by those authorized per the signature on file at the State Controller's Office.

Recommendation: Ensure all STD Form 672's include the appropriate authorizing signature.

FINDING 17 **Incomplete Processing of Employee Appointment and Separation Forms at the Yountville, Barstow and Chula Vista Homes**

Condition: We observed incomplete processing of employee appointment and separation forms at all three Homes. Specifically, three of four appointments tested (75 percent) at the Yountville Home did not have the classification form completed and signed. All four of the separations tested did not have the transfer/separation forms completed with respect to employee information and type of separation, and all clearances were not obtained. At the Barstow Home, all three of the employee separation forms tested (100 percent) did not include the required signatures. Further, at the Chula Vista Home, three of five employees tested (60 percent) did not include the required signatures on the separation form. Incomplete processing of employee appointment and separation forms increases the risk of new employees not understanding what their job classification entails and separating employees leaving with state property or owing funds to the state.

Criteria: California Department of Veterans Affairs Administrative Manual, Human Resources section, Chapter 20, states that appointment and separation forms shall be completed for new and departing employees.

SAM Section 8580.4 states that Departments are responsible for ensuring that salary warrants are not distributed to separating employees until the Department has verified that all travel and salary advances have been paid (cleared).

Recommendation: Complete all employee appointment and separation forms in their entirety. Additionally, the Homes' Human Resources office should ensure that all forms are properly processed and completed upon receipt.

FINDING 18 **Lack of Current Employee Performance Evaluations at the Chula Vista Home**

Condition: We observed instances where employees did not have a current performance evaluation in the personnel file. Specifically, we reviewed nine employee personnel files and found that five (56 percent) did not include a current performance evaluation. Failure to complete employee performance evaluations prohibits the Home from effectively monitoring employee performance and providing timely feedback.

Criteria: California Department of Veterans Affairs Administrative Manual, Human Resources section, Chapter 20, Section 2002.2 states that "each supervisor is responsible to...prepare and review performance and individual development plans with each employee. Complete timely probation reports..."

Recommendation: Complete all employee performance evaluations properly and timely and maintain the original in the employee's personnel file.

Contracts

FINDING 19 **Untimely Processing of Contracts**

Condition: We observed that the Department consistently processes contracts untimely. Specifically, we identified 19 of 22 contacts tested (86 percent) that were approved by the Department of General Services after the start date of the contract. Although the State Contracting Manual recognizes that there are times when contract work may be necessary to begin prior to the proper authorizations, this should not be a consistent practice. By not processing the contracts timely, the Department is at increased risk of receiving unwanted services, misunderstandings of contract requirements, or potential rejection of the contract terms by General Services.

This is a recurring condition from a prior audit.

Criteria: State Contracting Manual, Section 4.09 Section A, B, and C states that as a basic policy, no contractor should begin work prior to receiving a copy of the formally approved contract. The policy recognizes that, on occasion, services may be necessary before the contract is formally approved. However, the number of instances should be minimized.

Recommendation: Review and revise contracting procedures to ensure contracts are processed and approved by the Department of General Services timely, and to minimize the number of instances that the commencement of work/services begins before the final approval.

Fixed Assets

FINDING 20 **Inadequate Controls Over Fixed Assets**

Condition: We observed inadequate controls over the Department's and Homes' fixed assets. Specifically,

- The Department does not perform the monthly reconciliation of equipment transactions with the change in the total of the general ledger equipment account or the subsidiary property ledger. We found an unexplained variance of $18,059 between the subsidiary property ledger ($64,212) and the general ledger ($82,271).
- The Department's subsidiary property ledger totaling $64,212 could not be substantiated. Specifically, the Department's ledger did not include detail as to items comprising the amounts. Upon inquiry, the Department was only able to provide information substantiating $43,074 of the balance.
- The Department does not maintain a subsidiary property ledger for minor (non-capitalized) equipment as required by SAM.
- The subsidiary property ledger maintained by the Department for major/capital equipment did not include the date acquired or acquisition cost fields as required by SAM.
- The Yountville Home only performed physical inventory counts for its major/capital equipment. Physical inventory was not conducted for its minor (non-capitalized) equipment as required by SAM.
- The Barstow Home improperly included Post Fund fixed assets in its general fund subsidiary property ledger. Further, this property was also incorrectly reported in the general ledger and Statement of General Fixed Assets. Specifically, we identified three vehicles totaling approximately $206,671 that were donated to the Home and therefore, should be accounted as Post Fund assets.
- The Barstow Home did not properly complete the property survey reports. Specifically, four of five (80 percent) did not include the final disposition of the property.
- The Chula Vista Home improperly included Post Fund fixed assets in its general fund subsidiary property ledger. Further, this property was also incorrectly reported in the general ledger and Statement of General Fixed Assets. Specifically, we identified three items totaling approximately $85,604 that were purchased with Post Funds and therefore, should be accounted as Post Fund assets.
- The Chula Vista Home's subsidiary property ledger does not reconcile with the general ledger fixed assets account. We found an unexplained variance of $318,590 between the subsidiary property ledger ($589,480) and the general ledger ($908,070).
- The Chula Vista Home has not performed a physical inventory within the last three years as required by SAM.

These are recurring conditions from a prior audit.

Criteria: SAM 20050 states that an effective system of internal control shall include, but not be limited to, a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

SAM Sections 7800 and 7821 requires the monthly reconciliation of equipment transactions with the change in the total of the general ledger equipment account; and the subsidiary records to the general ledger equipment account.

SAM Section 8650 requires that Departments record the following information when property is acquired: date acquired, property description, property identification number, cost or other basis of valuation, owner fund, and rate of depreciation, if applicable. Further, the section requires Departments to keep track of state property, whether capitalized or not, in an automated property accounting system (subsidiary property ledger).

SAM Section 8640 requires Departments to prepare property survey reports, Std. 152, when disposal of property occurs.

SAM Section 8652 requires Departments to conduct a physical count of all property and reconcile the count with the accounting records at least once every three years.

Recommendations:

1. Perform reconciliations between the general ledger and subsidiary ledgers monthly. Any variances should be researched and resolved.

2. Ensure subsidiary property ledgers include the date acquired, description, property identification number, cost or other valuation basis, owner fund, and rate of depreciation, if necessary. Additionally, ensure the subsidiary ledger includes both capitalized and non-capitalized property.

3. Account and report general fund and post fund assets separately.

4. Complete property survey reports properly.

5. Conduct a physical inventory for both capitalized and non-capitalized property at least once every three years.

Financial Reporting

FINDING 21 **Inadequate Review of Unliquidated Encumbrances**

Condition: The Barstow and Chula Vista Homes did not review their unliquidated encumbrances at June 30 to determine if they are valid obligations of the year just ended (accounts payable) or if the amounts encumbered are accurate. The lack of defining the valid obligations from encumbrances outstanding precludes the determination of the true general fund balance at year end.

Criteria: SAM Section 10608 requires that all encumbrances unliquidated as of June 30 will be reviewed to determine whether they are valid obligations of the current year just ended, as defined by Board of Control Rule 610, and whether the amounts encumbered are the most accurate that can be determined.

Recommendation: Review all unliquidated encumbrances as of June 30 to determine whether they are valid obligations of the year just ended, and whether the amounts encumbered are the most accurate.

FINDING 22 **Improper Certification on the Statement of General Fixed Assets**

Condition: The Department improperly certified on its Statement of General Fixed Assets submitted to the State Controller's Office that the Department's subsidiary records were in agreement with the control records and physical inventory counts were performed at least once every three years. As described in Finding 20 above, the Department's subsidiary property ledgers did not reconcile with the general ledger or the amounts reported in the Statement of General Fixed Assets and a physical inventory count has not been performed at the Chula Vista Home in the past three years.

Criteria: SAM 20050 states that an effective system of internal control shall include, but not be limited to, a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The Financial Statements issued by the Department represent management's assertions as to the existence and ownership of assets and that the accounting records purporting to support such assertions are accurate and complete.

Recommendation: Ensure that all subsidiary records support the amounts as reported in the general ledger and Statement of General Fixed Assets prior to certifying this assertion on the Statement.

We investigated the 2004-05 budget deficiencies reported by the Barstow and Chula Vista Homes to determine or attempt to determine the causes of the deficiencies.

We found at the Barstow Home, the reported deficiencies were due primarily to decreased census levels, high workers compensation costs, and the unexpected settlement of a lawsuit.

At the Chula Vista Home, we found that the reported deficiencies were due primarily to unanticipated expenses for an unusually high number of retirees with large leave balances, overtime exceeding budgeted amounts for nursing staff, increases in pharmaceutical expenses, and increases in personal service contract expenses not budgeted. However, we observed that the Home did not have an effective budget allocation and monitoring process in place during fiscal year 2004-05. As a result, some of the increases in personal service contract expenses could have been estimated and planned for accordingly. Further, several budget allocations were not made although expenses were inevitable; warehouse inventory and data processing for example.

We also identified in Finding 21 of the Findings and Recommendations section, that neither the Barstow or Chula Vista Homes reviewed their unliquidated encumbrances at June 30 to determine if they were valid obligations of the year just ended (accounts payable) or if the amounts encumbered were accurate. By reviewing and establishing the validity of accounts payable and encumbrances, the Department would be better able to determine amounts owed and/or encumbrances that may be cancelled to accurately depict and/or decrease the amount of the anticipated deficiencies.

We performed a comparison of services/benefits offered at the Yountville, Barstow, and Chula Vista Homes. Our comparison included both general funded services/benefits and those funded through other sources such as the Post Fund. Following is a table depicting the services/benefits offered at each Home.

Service/Benefit Comparison

Activities/Services	Comments	Yountville	Funding Source	Barstow	Funding Source	Chula Vista	Funding Source
Acute Level of Care		X	1				
Alcohol and Drug Abuse Program		X	2	X	4		
Allied Council		X	2	X	2	X	2
Alzheimer's/Dementia Program		X	1				
Ambulatory Care Clinic		X	1	X	1	X	1
Animals (Pets)	Personal pets - allowed inside resident living quarters						
ATM	On-site	X	4				
Audiology	On-site	X	1			X	1
Auto Hobby Shop		X	2				
Ball Park Concessions		X	2				
Band		X	2			X	2
Barber & Beauty Services	DOM level of care is at expense of veteran; SNF level of care service is provided by State.	X	1, 2, 3	X	1, 2, 3	X	1, 2, 3
Base Exchange Store/Canteen	Yountville is only home with a base exchange store	X	4	X	2	X	2
Boating	Pontoon boat					X	1, 2
Bowling Lanes		X	2				
Cable TV Service	Chula Vista cable service is included with SNF level of care; DOM level of care is at expense of veteran	X	2	X	1	X	1, 3

Activities/Services	Comments	Yountville	Funding Source	Barstow	Funding Source	Chula Vista	Funding Source
Ceremonial Drill Team		X	2				
Chapel	Catholic, Jewish, Protestant on-site at Yountville; Catholic and Protestant on-site at Barstow; Catholic, Protestant and Jewish on-site at Chula Vista	X	1,2,4	X	1,2,4	X	1, 2
Clothing Store	On-site	X	2	X	2		
Coffee Shop		X	2				
Computer	Computers, education classes	X	2,3	X	2	X	2
Creative Arts Center		X	2				
Day Trips/Excursions	State funds used for gas and maintenance costs and Post fund for use of vehicles	X	1,2	X	1, 2	X	1, 2
Dental Clinic	On-site	X	1	X	1	X	1
Dietary Services	On-site	X	1	X	1	X	1
Domiciliary Level of Care		X	1	X	1	X	1
Drug/Alcohol and Post-Traumatic Stress Disorder Program		X	1				
DVD/VCR Player	Expense of veteran or donation	X	2, 3	X	2, 3	X	2
Escort Service		X	1, 4	X	1		
Eye, Ear, Nose, and Throat Clinic	On-site	X					
Financial Management	Trust fund services; limited services such as how to pay fees etc. No investing services provided.	X	1	X	1	X	1
Fitness Center		X	2	X	2		
Game Rooms	Pool tables, shuffle boards, ping pong, video games, board games	X	2	X	2	X	2
Gardening		X	2, 3, 4	X	2, 3, 4	X	2, 4
Golf Course	Golf course at Yountville, putting green at Chula Vista	X	2			X	2
Hospital Services	Holderman Hospital - surgical services	X	1				
Hostess House		X	2	X	2		
ICF Level of Care		X		X			

Activities/Services	Comments	Yountville	Funding Source	Barstow	Funding Source	Chula Vista	Funding Source
Internet Services		X	3	X	2	X	2
K Vet Television	Local TV channel for the veteran's home	X	2				
Kitchenettes	Stove, refrigerator - some general funded and some donated	X	1,2	X	1,2	X	1
Laundry Services	Washers, dryers - some general funded and some donated	X	1,2	X	1	X	1, 2
Library	General library for resident use	X	2	X	2	X	2, 4
Library Services	Medical library	X	1				
Lotto/Lottery Gaming Sales		X	2				
MS Support Group		X	4				
Museums	On-site	X	2, 4	X	4		
Music and Dance		X	2	X	2	X	1, 2
Optometrist/Vision Care	On-site	X	1			X	1
Oral History Program		X	2, 4	X	2, 4	X	2, 4
Over the Counter Medications	Expense of veterans unless prescribed	X	3	X	3	X	3
Parkinson's Group		X	4				
Pathology Service	On-site	X	1				
Pharmacy	On-site	X	1			X	1
Picnic Grounds		X	2	X	2, 4	X	1
Post Office	On-site at Yountville, postal services coordination offered at Barstow at expense of resident. Postage sold on-site at Yountville and Barstow at expense of resident. Postage provided to residents at Chula Vista - package mailing is at expense of veteran. Mail receipt and delivery is general funded	X	1, 4	X	1, 3	X	1, 3
Radiology		X	1				
RCFE Level of Care		X	1			X	1
Rehabilitation Services	Occupational, physical, and speech therapy on-site	X	1	X speech only	1	X	1
RV Park		X	2				
Script Books		X	2	X	2		
Sewing Room	Sewing room and/or machines	X	2	X	2	X	2
SNF Level of Care		X	1			X	1

Activities/Services	Comments	Yountville	Funding Source	Barstow	Funding Source	Chula Vista	Funding Source
Stroke Support Group		X	4				
Swimming Pool		X	1				
Tavern		X	2				
Telephone	Yountville, Barstow, and Chula Vista: Central phone in DOM's available for local calls - General funded; private phone in room is expense of member; SNF phone in room provided for local calls; long distance is expense of veteran.	X	1, 3	X	1, 3	X	1, 3
Televisions	Chula Vista - tv's on walls in rooms were provided through general funds; large screen tv's in DOM general areas were donations. All tv's at Barstow and Yountville were donated.	X	2	X	2	X	1
Theatre		X	2, 4				
Therapeutic Drivers		X	4	X	1		
Therapeutic Equipment		X	1, 2	X	1, 2	X	1
Therapy Pool		X	1				
Transition Group	Help veteran adjust to home living					X	1
Transportation/Shuttle Service	General and grant funded vehicles used are both donated and general funded maintenance/gas at Yountville; donations and general funded maintenance/gas at Barstow and Chula Vista.	X	1, 2, 4	X	1, 2, 4	X	1,2,4
Vending Machines	Various	X	3, 4			X	3, 4
Vietnam Veterans Support Group		X	4				
Visually Impaired Support Group		X	4				
Volunteer Program		X	4	X	4	X	4
Wellness Program	Awaiting approval of BCP for a program for all 3 homes	X	1	X	1	X	1
Wheelchair Repair		X	1	X	1,3	X	1, 2
Wheelchairs		X	1, 2, 3	X	1, 2, 3	X	1, 2
Women Veteran Activities		X	4				

Activities/Services	Comments	Yountville	Funding Source	Barstow	Funding Source	Chula Vista	Funding Source
Women's Trust Fund		X	4				
Funding Source Legend							
1 - State (General) Fund							
2 - Post Fund, Federal VA, or Donations							
3 - Expense of the Veteran							
4 - Other Expense, Volunteer Service, or No Associated Expenses							

Appendix A

Status of Prior Findings

We performed a review of prior audit findings at Headquarters and the Homes. We identified 260 outstanding prior audit findings from various audit reports. Of those findings, we found that 103 were resolved, 70 were unresolved, and 87 were outside the scope of our review, and therefore, we did not perform procedures to determine the status. See the schedule of prior audit findings on the following pages for detail of those findings that were resolved, unresolved, and outside of our scope. For additional detail on specific prior findings, please refer to the referenced audit report.

Summary of Prior Findings for Review					
Finding Section	**Headquarters**	**Yountville**	**Barstow**	**Chula Vista**	**Total**
A/R	13	10	12	4	**39**
Budgets	5	4	3	3	**15**
Cash Disbursements	3	4	0	0	**7**
Cash Receipts	2	0	0	0	**2**
Contracts	4	3	5	0	**12**
Financial Reporting	1	0	0	0	**1**
Fixed Assets	0	0	1	1	**2**
IT	10	9	1	5	**25**
Personnel/Payroll	8	8	2	3	**21**
Purchasing	1	12	8	7	**28**
Revolving Fund	3	1	0	0	**4**
Administrative Controls	5	6	8	5	**24**
Total to be reviewed	**55**	**57**	**40**	**28**	**180**
Less duplicate findings (i.e. findings pertaining to two finding sections above)	3	1	3	0	7
Total Findings Reviewed	**52**	**56**	**37**	**28**	**173**
Outside Scope	45	19	10	13	87
Total prior findings	**97**	**75**	**47**	**41**	**260**

Results of Prior Findings Review				
Finding Section	**Resolved**	**Unresolved**	**Outside Scope**	**Total**
Headquarters	33	19	45	97
Yountville	32	24	19	75
Barstow	22	15	10	47
Chula Vista	16	12	13	41
Total	103	70	87	260

CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS							
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
1	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	Although changes in the insurance program successfully lowered the Department's liability, they also reduced veterans' benefits.	Outside Scope			
2	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	Funding options for the insurance program depend on younger veterans qualifying for loans.	Outside Scope			
3	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	Modest increases in insurance premiums can increase funding for the insurance program.	Outside Scope			
4	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	Most proposed alternatives to the current insurance plan have substantial costs.	Outside Scope			
5	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	Potential commercial insurers will propose insurance costs based on short-term agreements.	Outside Scope			
6	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	Savings from implementing a new administrative cost allocation system for the loan program can assist the insurance program.	Outside Scope			
7	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department continues to underfund its current self-funded plan.	Outside Scope			
8	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department did not develop a long-term strategy or heed early warnings to properly maintain the self-funded plan.	Outside Scope			
9	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department had surplus cash it chose not to use for the self-funded plan's future liabilities.	Outside Scope			
10	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department has limited choices for funding the insurance program.	Outside Scope			
11	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department lacks adequate controls over its cash transactions.	Outside Scope			
12	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department lacks measurable criteria for evaluating its consultants' contract performance.	Outside Scope			
13	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department made a series of decisions that have had an adverse impact on the insurance program.	Outside Scope			
14	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department needs to more effectively administer the life and disability insurance program.	Outside Scope			
15	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department plans to revise the current insurance program, but the program's future is uncertain.	Outside Scope			
16	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department seeks to increase program benefits, but long-term costs and funding are difficult to forecast.	Outside Scope			
17	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	The Department's decisions created financial woes for the life and disability insurance program and reduced insurance benefits to most California veterans.	Outside Scope			
18	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	To close the program to new participants and allow the current program to run out, the Department significant costs.	Outside Scope			
19	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	To restore pre-1996 coverage to veterans in the program before the commercial plan, the Department would face high costs.	Outside Scope			

	CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
20	**BSA 2000 132 (2000)** Focus: Vets Affairs Mgmt of Life and Disability Insurance Program	Life and Disability Program	To return the insurance program to a self-funded plan, the department would face significant costs.	Outside Scope			
21	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	Expenditure restrictions were not as effective as the Department had anticipated.	Budgets		X	
22	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	The August report on cash flow does not supply the information requested by the Legislature	Outside Scope			
23	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	The Department has needed loans from the general fund to cover cash shortfalls.	Budgets		X	
24	**BSA 2001-113 (2001)** Focus: Cash Management		The Department's December report may also fall short of Legislature requirements	Outside Scope			
25	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	The Department's use of consultants has proven expensive.	Outside Scope			
26	**BSA 2001-113 (2001)** Focus: Cash Management	Fiscal Management	The Department has demonstrated an inconsistent approach to fiscal management.	Budgets	X		
27	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	Staff lacks knowledge of business practices.	IT	X		
28	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	High turnover has resulted in system problems.	IT	X		
29	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	Poor management has caused deficiencies in the Department's information system.	IT	X		
30	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	The Department did not carefully plan implementation of the information system.	Outside Scope			
31	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	The Department has not aggressively pursued solutions to current problems with its information system.	Outside Scope			
32	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	The Department lacked executive sponsorship of the information system and did not commit sufficient resources to system implementation.	Outside Scope			
33	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	The Department's choice of information system may not have been ideal.	Outside Scope			
34	**BSA 2001-113 (2001)** Focus: Cash Management	Internal Control	Danger signals highlight the Department's weak internal controls.	Admin. Controls	X		
35	**BSA 2001-113 (2001)** Focus: Cash Management	Internal Control	The Department's internal controls lack adequate oversight.	Admin. Controls	X		
36	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Billing errors and lack of attention to detail have caused the department to miss billing opportunities.	A/R	X		
37	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	By not fully implementing consultants' recommendations, the Department has reduced its collections. Prior recommendations not corrected are: 1) Requiring Yountville Home to determine actual costs for providing skilled nursing care; 2) Conduct business process reengineering at the homes and develop standardized business practices, policies, and procedures; 3) implement procedures for data quality control to ensure that data in the information system is reliable; 4) develop and implement a methodology to ensure that "things get done".	Outside Scope			
38	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Failure to follow up on bills to secondary insurance providers limits the Department's collections.	A/R	X		
39	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department does not bill for all the services that its homes provide.	A/R	X		
40	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department has not used all available options to overcome billing difficulties.	Outside Scope			
41	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Insufficient information hampers the Department's management of reimbursements.	IT and A/R	X		
42	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Lack of appropriate training continues to hamper claims processing.	A/R	X		

	CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
43	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department does not bill promptly for its services.	A/R	X		
44	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	The Department does not prepare management reports or fully access its information system.	IT and A/R	X		
45	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Accounting	Records Management - improper record retention is being applied and sensitive information is not secured.	Admin. Controls		X	
46	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Accounts Receivable	Department has no formal collection program in place to ensure that adequate collection efforts are made on A/R.	A/R		X	
47	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Disbursements	Lack of controls over check disbursements - check over $15,000 only had one signature.	Cash Disbursements	X		
48	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Disbursements	Lack of controls over travel advances and claims - primary staff absent no one else fills the spot, accounting for travel claims does not get done. (key employee dependency) NOTE: DUPLICATE #61	Revolving Fund		X	
49	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Checks are not endorsed timely; rather they are endorsed at the time they are processed for deposit.	Cash Receipts	X		
50	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Mail containing negotiable instruments - the handling of all mail including that mail containing receipts, specifically, the Department does not date stamp the mail.	Cash Receipts		X	
51	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Reconciliation	Meditech month end closing - Lack of month end closing of accounting records	A/R	X		
52	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Disbursements	Check Signing Machine: lack of a backup and separation of duties issues	Cash Disbursements	X		

	CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
53	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Coin and Currency: various internal control issues	Outside Scope			
54	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Lack of prelistings and transfer receipts	Outside Scope			
55	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Mail containing negotiable instruments: written procedures, endorsement stamps, and post marks	Outside Scope			
56	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Report of Deposit: lack of verification	Outside Scope			
57	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Untimely Reconciliations	Outside Scope			
58	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Improper petty cash practices and procedures	Outside Scope			
59	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Receipts	Safeguarding Receipts: Safe contents	Outside Scope			
60	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Revolving Fund	Lack of controls over salary revolving fund advances outstanding	Revolving Fund		X	
61	**OIG for Vets Affairs A02-01 (2002)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Revolving Fund	Lack of controls over travel advances and claims NOTE: DUPLICATE #48	Revolving Fund		X	
62	**OIG for Vets Affairs A02-04 (2002)** Weaknesses in other control areas	Accounts Payable	Purchasing practices business service section.	Purchasing and Contracts	X		

	CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
63	**OIG for Vets Affairs A02-04 (2002)** Weaknesses in other control areas	Personnel/ Payroll	Personnel management policies and practices.	Personnel/Payroll	X		
64	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	I/C: Lack of written practices and procedures over personnel/payroll transactions.	Personnel/Payroll	X		
65	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	Lack of consistent participation in the employee recognition program, specifically, the Department infrequently participates in recognition programs (this is not required). Additionally there is no standard for evaluating employees for recognition awards.	Outside Scope			
66	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	Lack of first line supervisors in the Personnel Management Division.	Personnel/Payroll	X		
67	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	Lack of performance appraisals, specifically lack of annual performance reviews for an unusual number of staff.	Personnel/Payroll		X	
68	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	Lack of timely attendance records for processing, specifically inadequate communication between work units and the payroll unit to ensure timely processing of personnel/payroll documents including DOCK and other absences, etc.	Personnel/Payroll		X	
69	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Lack of updated authorizations, specifically Signature Card Files for employees authorized to approve personnel/payroll transactions.	Personnel/Payroll	X		
70	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	CDVA has not developed contract policy for morale, welfare, and recreation funds.	Outside Scope			
71	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	Contracts are often approved late, after the beginning of the fiscal year.	Contracts		X	
72	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	Late Payment to contractors are not automatically computed with interest.	Cash Disbursements		X	
73	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	Written contracting guidelines are weak and yet to be fully developed.	Contracts	X		

	CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
74	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	The Budget process results in reduced and/or cancelled contracts.	Contracts	X		
75	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Systems	CDVA Building Security is Vulnerable: (1) Offices on floors other than the 6th at CDVA are accessible and vulnerable to entry by unauthorized persons; (2) Written procedures for building security are inadequate. A formal written building security plan was not available and security procedures appeared to be developed based on the experience and knowledge of the business services officer; 3) Out of date emergency response plan.	IT	X		
76	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Systems	New User Access Control Needs Improvement: (1) Not all access authorizations are reviewed by the Chief, ISD. Access through e-mail is granted by the CDVA systems administrator without the approval of the ISD Chief, Copies of e-mail requests are not maintained in a database to identify all users. (2) Mitas access roster was incomplete. (3) High number of staff able to make changes to monthly loan payments on the Mitas system for Farm and Home division. (4) Informal policy in ISD is that the systems administrators do not make changes in Mitas files that affect the dollar amounts; only Farm and Home Division employees are allowed. Policy should be documented in writing. (5) One Farm and Home Division manager has full Mitas access similar to that of an ISD Administrator. Full access should be restricted to only ISD System Administrators. (6) Access roster is not maintained for Meditech. (7) Access authorization procedures are not written, but rather based on the experience and knowledge of the key ISD systems managers or Mitas and Meditech. **(Exclude**	IT		X	Item #6 resolved; #1 and 7 unresolved; #2-#5 outside scope.
77	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Systems	Former User Access Control Needs Improvement: (1) A periodic report of user nonactivity is an internal control measure to determine whether passwords are still required to be active; (2) CDVA does not have a procedure for handling an employee suspension or abrupt termination of an employee with systems access; (3) Not all separating or transferring staff notify ISD of their departure. Form M-81 Employee transfer/separation clearing form is not being properly routed/approved.	IT		X	Item #1 resolved; #2-3 unresolved
78	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Systems	Remote Access Policy is Inconsistently Applied: (1) Use of privately owned personal computers to remotely access the Mitas database is a questionable policy	Outside Scope			
79	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Systems	Member Helpers and Volunteers Policy for Access to CDVA Computer Systems Needs to be Published: (1) The Draft ISD policy provides member helpers with essentially the same computer access rights using existing IT and security policies. Member helper access should be carefully evaluated and the policy should include access rights based on "need to know" basis and contained in a current written duty statement under supervision of a CDVA employee systems access.	IT		X	
80	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Farm and Home Loan Master File Room Lacks Internal Control	Outside Scope			
81	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Operational Recovery Plan is Up-To-Date - However, there is a lack of back up power.	IT		X	
82	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information security	Internal Controls for Farm and Home Data Subscription Services Could be Improved	Outside Scope			
83	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	Lack of Developed and Disseminated Standardized Policies and Procedures for Home Services	Admin. Controls	X		

	CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
84	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	The Department is not Maximizing Reimbursement Billings from all sources	A/R		X	
85	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	No established productivity standards for Veterans Home Ambulatory Care Clinic Operations	Outside Scope			
86	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	The Department is not maximizing billings to private insurance carriers or adequately following up on automatic billings by Medicare to Private Insurance Carriers	A/R	X		
87	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	The Department has not cleared its backlog of claims in Meditech	A/R	X		
88	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	The Department's contract with Health Management Systems my not be cost-beneficial	Outside Scope			
89	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	The Department may not be maximizing federal contracting opportunities	Outside Scope			
90	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Reimbursements	The Department does not require homes to track residents with service-connected disabilities	A/R	X		
91	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Cost Allocation	The Department's methodology used to determine the percentage of positions that are funded from the Veteran's Homes' budgets, but physically assigned to Headquarters, has not been defined and be inequitable.	Budgets	X		
92	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Cost Allocation	Headquarters accounting currently bills each Home approximately $60,000 annually for Department overhead, which includes use of Department facilities and staff time not already directly funded from each Home's budget. However, the Department's calculation methodology is unknown.	Budgets		X	
93	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Cost Allocation	Headquarters accounting currently bills each Home for a share of approximately $600,000 to $700,000 annually for each of the Home's use of Farm and Home Loan Program resources. Although the allocation to each Home for its share of Farm and Home Loan overhead resources is based on a time study, the Department has not specifically defined or communicated its calculation methodology to the homes or departments accounting and budgets units.	Outside Scope			
94	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Accruals	The Department accrues Medicare and Medi-Cal reimbursements based on budgeted amounts instead of accruals based on reasonable estimates of amounts deemed to be collectible.	Financial Reporting	X		
95	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Personnel/Payroll	The Department lacks adequate procedures to ensure that employees on direct deposit maintain adequate leave balances.	Personnel/Payroll	X		
96	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Personnel/Payroll	The Department lacks adequate procedures to ensure that employees do not exceed the maximum allowable leave time accruals.	Personnel/Payroll		X	
97	**DOF 03-8950-203 for Vets Affairs (2003)** Focus: An Independent Review of Department Headquarters	Personnel/Payroll	On Site Employee Housing at Some Homes	Admin. Controls	X		
				TOTAL	33	19	

CDVA HEADQUARTERS - LIST OF PRIOR FINDINGS

Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments

Finding Summary-Headquarters

Finding Section	Number of Findings
A/R	13
Budgets	5
Cash Disbursements	3
Cash Receipts	2
Contracts	4
Financial Reporting	1
Fixed Assets	0
IT	10
Personnel/Payroll	8
Purchasing	1
Trust	0
Revolving Fund	3
Overtime Analysis	0
Administrative Controls	5
Total to be followed up on	55
Outside Scope	45
Less findings pertaining to 2 sections	3
Total prior findings	97

CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS

	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
1	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Billing errors and lack of attention to detail have caused the department to miss billing opportunities.	A/R	X		
2	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	By not fully implementing consultants' recommendations, the Department has reduced its collections. Prior recommendations not corrected are: (1) Requiring Yountville Home to determine actual costs for providing skilled nursing care; (2) Conduct business process reengineering at the homes and develop standardized business practices, policies, and procedures; (3) implement procedures for data quality control to ensure that data in the information system is reliable; (4) develop and implement a methodology to ensure that "things get done"	Outside Scope			
3	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Failure to follow up on bills to secondary insurance providers limits the Department's collections.	A/R	X		
4	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department does not bill for all the services that its homes provide.	A/R	X		
5	**BSA 2001-113 (2001)** Focus: Cash Management	Information Systems	The Department has needed loans from the general fund to cover cash shortfalls.	Budgets		X	
6	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Personnel/Payroll	Lack of controls over salary revolving fund advances outstanding - outstanding salary advances over 60 days and as many as 120 days.	Revolving Fund		X	
7	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Disbursements	Check Disbursement Signature Log - (1) No daily comparison between meter reading on check signing machine and log of checks signed.; (2) Log of checks approved for disbursements is not maintained; (3) Person assigned to compare and review signed checks to supporting documents is not given the log to annotate that checks are signed or voided; (4) Check signers cannot readily identify that all blank checks taken from inventory for processing are being signed by authorized signers and used for authorized purposes.	Cash Disbursements		X	Item #1 Unresolved; Items #2-4 Resolved
8	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Disbursements	Check signing machine - (1) The Home has inadequate separation of duties. Specifically, one accounting person prepares salary revolving fund checks and operates check-signing machine. Her backup reviews and approves the related disbursements. (2) Checks are routed through the person who prepares them, imprints the authorized signature (administrator's) and/or approves the related cash disbursement.	Cash Disbursements		X	
9	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Cash Disbursements	Check signing Machine: The Yountville home lacks adequate written policies and procedures addressing who has authority over and access to the check signing machine	Cash Disbursements		X	
10	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Accounting	Home staff is not cross-trained in different accounting functions and cannot provide backup support.	Cash Disbursements	X		
11	**OIG for Vets Affairs A-01-01 (2001)** Focus: IC review on Cash Rcpts, Accts Rcvbls, Rvlvng Fnd, Cash Disbursements (VHC Acctng Office)	Accounting	Outside medical service costs- No written policies and procedures requiring referral to local VA clinics before referring to outside providers. NOTE: DUPLICATE #31	Admin. Controls		X	

	CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
12	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	I/C: Lack of written practices and procedures over personnel/payroll transactions.	Personnel/Payroll	X		
13	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/ Payroll	Lack of performance appraisals, specifically lack of annual performance reviews for an unusual number of staff.	Personnel/Payroll	X		
14	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Nursing staff refuse to manually complete the STD 634s on a monthly basis. They don't turn them in on time or throw them away. Managers (Supervising Register Nurses) don't require staff to certify the 634's.	Personnel/Payroll		X	
15	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Yountville does not use time clocks for staff to clock in and out. Yountville runs the risk of reporting inaccurate attendance and may be over or under charging staff time without the use of time clocks.	Personnel/Payroll		X	
16	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Lack of staff accountability and certified attendance records, specifically several accounts receivables on Patient Care Services (nursing staff) are generated each month for late absences without leave. This is a problem because establishing and clearing.....	Personnel/Payroll		X	
17	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Lack of updated authorizations, specifically Signature Card Files for employees authorized to approve personnel/payroll transactions.	Personnel/Payroll	X		
18	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	Contracts are often approved late, after the beginning of the fiscal year.	Contracts		X	
19	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	Key personnel vacancies at the Yountville home impair the contracting process	Contracts	X		
20	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Records Retention Policy and Procedure Needs Improvement. (1) homes policy for paper and electronic records management have been outdated written policies and procedures; (2) Some sensitive records with names and SSNs have been discarded in trash bins in the past; (3) Yountville Home medical records management policy record is in the process of being revised.	IT	X		
21	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Former User Access Control Needs Improvement (1) Staff at the Homes and Farm and Home Loan district offices do not always provide notice to Department HQ or the local ISD of their separations (2) The Form M-81 is not used at the Home. The homes internally developed form did not include a Privacy Act notice (3) Intra-staff communication breaks down because ISD sections are not physically co-located. ISD Meditech section is in a different building from the PC support section. The sections were in the process of increasing local coordination so that each section would notify the other of employee departures or transfers (4) A periodic report of user non-activity is an internal control measure to determine whether passwords are still required to be active. (5) Department/Home does not have a procedure for handling an employee suspension or abrupt termination of an employee with systems access	IT		X	Items #1-4 Resolved; #5 Unresolved

	CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
22	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information security	Policy for access to Department computer systems by member helpers and volunteers needs to be published. (1) The Draft ISD policy provides member helpers with essentially the same computer access rights using existing information technology and security policies. Member Helper access should be carefully evaluated and the policy should include access rights based on "need to know" basis and contained in a current written duty statement under supervision of a Department employee	IT		X	
23	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	New User Access Control Needs Improvement. (1) Service Request Forms do no include Mitas or Meditech reference; (2) Information Security Department (ISD) staff at the Homes grant Meditech access before the Service Request is routed to the Department Headquarters; (3) Access roster is not maintained for Meditech; (4) Access authorizations procedures are not written, but rather based on the experience and knowledge of the key ISD systems managers or Mitas or Meditech; (5) Meditech access at the Yountville Home is divided among ISD staff at the Home and Department Headquarters. Access to non-medical modules is often granted at the Yountville Home before the service request is sent to Department Headquarters. **(Meditech only)**	IT		X	Items #1, 2, 3, 5 Resolved; #4 Unresolved
24	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Personnel Information Needs Improved Security. (1) Social Security and driver license numbers collected in paper and automated form for the purposes of vehicle registration were not secured in locked cabinets. Information on computers was available on stand-alone units where information could be disclosed inadvertently; (2) No Privacy Act notice on the computer access form that requested social security number; (3) Medical records of residents/patients were in binders which displayed the patients name, social security number, and date of birth printed in large lettering on the spine. binders were stored in an open rack, on the ward, in plain view; (4) Personnel "alpha" roster hanging inside the security office on a clipboard containing a printout of the names and social security numbers of residents. Roster is used for location purposes when police need to find a resident.	Personnel/Payroll and IT		X	Items #1 Unresolved; #2-4 Resolved
25	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	(1) Backup computer room (Hot site) is equipped with a sprinkler system for fire suppression, which increases risk of computer equipment to be rendered out of commission in the event of an actual fire or accident; (2) Back up servers at Yountville for Meditech and Mitas were tested, but the documentation for ongoing testing is not contained in the operational recovery plan. Also, dates and plan should be coordinated in advance with the Yountville veterans home to minimize disruption.	IT		X	
26	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Information Security Staff and Written Information Security Guidelines Lacking. (1) Department-wide information security policies and procedures guidelines have not been developed and published either in writing or on the intranet; (2) Changes to the Security Information is not disseminated in a timely manner; 3) Not all information Security Division policies have been coordinated with the affected staff divisions.	IT	X		
27	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	Operational Recovery Plan is Up-To-Date - However, no back up power generator	IT	X		
28	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	ISD has a Comprehensive Training Plan. (1) Training plan funds for ISD were removed due to mandated budget reductions	Outside Scope			
29	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Accounting Controls	The Home lacks written desk practices and procedures for the expenditure analyst position.	Purchasing	X		
30	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Cash Flow	Decreased reimbursements and lack of success in decreasing expenditures - Yountville is expected to overspend at the end of the current year 2001-02. As of April 2002, the Home has overspent their budget plan and their budget staff anticipate that by the end of the 2001-02 fiscal year they will not be able to recover these funds.	Budgets	X		

CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS							
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
31	**A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Outside Medical Services	Outside medical service costs- No written policies and procedures requiring referral to local VA clinics before referring to outside providers. NOTE: DUPLICATE #11	Admin. Controls		X	
32	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC	Contracts	The Home does not secure contracts in a timely manner	Contracts		X	
33	**A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Un-Reimbursed Cost of Care	The Home does not have a written definition detailing the composition of the excess cost of care accumulated in excess of residents' member contribution fees, as required by the California Military and Veterans Code, Section 1035.	Admin. Controls	X		
34	**BSA 93027 (1994)** Focus: Reimbursement Maximization	Reimbursements	By not implementing adequate procedures to recover all possible reimbursements, Yountville has not maximized reimbursements from the federal government.	A/R	X		
35	**BSA 93027 (1994)** Focus: Reimbursement Maximization	Reimbursements	Yountville's manual procedures and automated systems do not adequately accumulate all the possible charges to Medicare, do not properly classify all the charges by complexity, and do not properly price all the charges.	A/R	X		
36	**BSA 93027 (1994)** Focus: Reimbursement Maximization	Reimbursements	Yountville has not maximized revenue from residents. Specifically, the Home could recognize more revenue if it would raise fees to the maximum allowed by the Budget Act. Specifically, the Home can collect up to 70% of the resident's income per the Budget	Outside Scope			
37	**BSA 93027 (1994)** Focus: Reimbursement Maximization	Un-Reimbursed Cost of Care	Yountville does not have the authority to collect the state funded cost of care provided to residents who leave the home to live somewhere else.	Outside Scope			
38	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Ancillary Services	Yountville does not outsource dietary and laundry services. These services are outsourced at other Homes. Outsourcing could save Yountville approximately $2 million annually.	Budgets		X	
39	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Hospital	The Hospital's small size and low utilization rates suggest it is not cost effective.	Outside Scope			
40	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Information Systems	Yountville lacks an adequate management information system (MIS). A comprehensive MIS is implemented at Barstow and will be transferred to Yountville.	IT	X		
41	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Long Term Care	Contrary to industry standards, Yountville does not have a "certified distinct part" (CDP) within its institution for nursing. Yountville has certified most of its 316 skilled nursing beds for Medicare but only provided 2, 321 Medicare-eligible skilled nursing patient days during FY 95/96, which is equal to approximately eight skilled nursing beds annually. As a result, Yountville's Medicare reimbursement rate is far lower than it would be if the rate were based on costs captured in an appropriately sized and monitored CDP.	Outside Scope			
42	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Long Term Care	Not all of Yountville's total skilled nursing days during FY 95/96 were reimbursed by either Medicare or Medi-Cal. Specifically, only 14,600 of 113,000 (13%) of the Home's skilled nursing days were reimbursed under Medicare or Medi-Cal during 95/96	A/R	X		
43	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Long Term Care	Yountville is providing all of its intermediate and skilled nursing care in an institutional setting rather than providing care in its residential and domiciliary units.	Outside Scope			
44	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Long Term Care	Yountville has unusual inconsistency in discharges from the hospital versus Medicare reimburse med skilled nursing days.	Outside Scope			

CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS

	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
45	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Nursing Staffing	Yountville uses a higher-than-industry-average ratio of registered nurses compared to the less costly licensed vocational nurses and nurses aides.	Outside Scope			
46	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Physician Staffing	Yountville employs more staff physicians than necessary or appropriate.	Outside Scope			
47	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Physician Staffing	Yountville has physicians on staff rather than the more common method of contracting on a fee-for-service basis.	Outside Scope			
48	**BSA 96035 (1997)** Focus: Yountville could decrease costs, increase revenues, and improve quality of care	Reimbursements	Some of the medical and administrative staff of Yountville lacked the expertise in the Medicare and Medi-Cal reimbursement techniques typically found in their counterparts in the industry.	Outside Scope			
49	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase II	Personnel/Payroll	The Home does not timely endorse and forward to Department headquarters, payroll warrants for employees who received salary advances.	Personnel/Payroll and A/R	X		
50	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase II	Personnel/Payroll	The Home lacks adequate procedures to ensure that employees on direct deposit maintain adequate leave balances.	Personnel/Payroll		X	
51	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase II	Personnel/Payroll	Understaffing in Ancillary Service Positions	Outside Scope			
52	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase II	Personnel/Payroll	On-site employee housing	Admin. Controls		X	
53	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase II	Personnel/Payroll	Hostess House Guest Quarters	Admin. Controls		X	
54	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase II	Personnel/Payroll	Employee personal use of State Vehicles	Admin. Controls		X	
55	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	Low physician productivity and overstaffing in the ACC	Outside Scope			
56	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	Low productivity in the Rehabilitation unit	Outside Scope			
57	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	The Home does not employ a Utilization Review nurse	Outside Scope			
58	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	The Home has no process to ensure all long term care- Part B patient services are captured and appropriately billed.	A/R	X		
59	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	The Home does not reconcile acute/ICU patient census with discharge charts or reconcile ancillary services with services charged.	A/R	X		
60	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	The Meditech system was implemented with insufficient training	Outside Scope			
61	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	Underutilization in the Holderman Hospital	Outside Scope			
62	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	The Home lacks contract managers to ensure the Home maximizes reimbursements	A/R		X	

CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS

	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
63	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	The Department and Home communication needs improvement	Outside Scope			
64	**DOF 038950203 (2003)** Focus: An Independent Review; Yountville Phase I	Reimbursements	Meditech currently has approximately $103 million in outstanding A/R and the department accrues Medicare/Medi-Cal year end A/R based on reimbursement receipts to date less Budget Acts designation of reimbursements, not amounts deemed collectible.	Budgets	X		
65	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Reviewed transactions did not reflect DVBE/Small Business consideration.	Purchasing	X		
66	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Report of contracts greater that $5,000 were not reported to the Dep't of Fair Employment and Housing.	Purchasing	X		
67	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Invoices were not processed in the timeframe required per Government Code Section 927.4.	Purchasing	X		
68	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Leveraged Procurement Agreement Contract transactions were not reported to the Procurement Division of DGS.	Purchasing	X		
69	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Telephone orders were placed prior to the execution of the Purchase Order.	Purchasing	X		
70	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Acquisitions of non-IT services were initiated using STD. 65.	Purchasing	X		
71	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Maintenance of bid lists of suppliers interested in doing business with the State or the Department is not maintained.	Purchasing	X		
72	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Transactions under $5,000 did not include documentation of how it was determined that the cost was fair and reasonable.	Purchasing		X	
73	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Yountville does not maintain copies of the CMAS contracts against which it places orders.	Purchasing	X		
74	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Yountville does not maintain copies of each Statewide contract against which if places orders.	Purchasing	X		
75	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Yountville does not maintain copies of each WSCA contract against which it places orders.	Purchasing	X		
				TOTAL	**32**	**24**	

CDVA YOUNTVILLE - LIST OF PRIOR FINDINGS

Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments

Finding Summary -Yountville	
Finding Section	**Number of Findings**
A/R	10
Budgets	4
Cash Disbursements	4
Cash Receipts	0
Contracts	3
Financial Reporting	0
Fixed Assets	0
IT	9
Personnel/Payroll	8
Purchasing	12
Trust	0
Revolving Fund	1
Overtime Analysis	0
Administrative Controls	6
Total to be followed up on	57
Outside Scope	19
Less findings pertaining to 2 sections	1
Total prior findings	75

	Report	Area	CDVA BARSTOW - LIST OF PRIOR FINDINGS Finding	I/C Section	Resolved	Unresolved	Comments
1	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Billing errors and lack of attention to detail have caused the department to miss billing opportunities.	Outside Scope			
2	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	By not fully implementing consultants' recommendations, the Department has reduced its collections. Prior recommendations not corrected are: (1) Conduct business process reengineering at the homes and develop standardized business practices, policies, and procedures; (2) implement procedures for data quality control to ensure that data in the information system is reliable; (3) develop and implement a methodology to ensure that "things get done"	Outside Scope			
3	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Failure to follow up on bills to secondary insurance providers limits the Department's collections.	A/R	X		
4	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Substandard level of care at the Barstow Home has prevented the Department from collecting reimbursements. Specifically, the Home has experienced cash flow problems as a result of losing its certification.	Outside Scope			
5	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department does not bill for all the services that its homes provide.	A/R	X		
6	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department has not used all available options to overcome billing difficulties.	Outside Scope			
7	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	The Barstow home is draining Department and State Funds	Budgets	X		
8	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	The Department has needed loans from the general fund to cover cash shortfalls.	Budgets		X	
9	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Barstow does not use time clocks for staff to clock in and out. Barstow runs the risk of reporting inaccurate attendance and may be over or under charging staff time without the use of time clocks.	Personnel/Payroll		X	
10	**OIG for Vets Affairs A02-05 (2002)** Focus: IC: Review: Prsnl Mgmt Div & Prsnl Svcs Unit at the Yville, Barstow & Chula Vista VHS	Personnel/Payroll	Sign in sheets may be inaccurate as they rely entirely on the honesty of employees; clocks on walls near sign-in sheets may be inaccurate.	Personnel/Payroll		X	
11	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	Contracts are often approved late, after the beginning of the fiscal year.	Contracts		X	
12	**OIG for Vets Affairs A02-06 (2002)** Focus: IC Review: Contracting	Contracts	The Budget process results in reduced and/or cancelled contracts.	Contracts	X		Determined to be a statement of fact rather than an issue.
13	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Systems	Former User Access Control Needs Improvement (1) Staff at the Homes and Farm and Home Loan district offices do not always provide notice to Department HQ or the local ISD of their separations (2) The Form M-81 is not used at the Home. The homes internally developed form did not include a Privacy Act notice (3) Intra-staff communication breaks down because ISD sections are not physically co-located. ISD Meditech section is in a different building from the PC support section. The sections were in the process of increasing local coordination so that each section would notify the other of employee departures or transfers (4) A periodic report of user non-activity is an internal control measure to determine whether passwords are still required to be active. (5) Department/Home does not have a procedure for handling an employee suspension or abrupt termination of an employee with systems access	IT		X	Items #1-4 Resolved; #5 Unresolved

	Report	Area	CDVA BARSTOW - LIST OF PRIOR FINDINGS Finding	I/C Section	Resolved	Unresolved	Comments
14	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Information Systems	Information Security	ISD has a Comprehensive training Plan. Training plan fund (1/2) for ISD were removed due to mandated budget reductions	Outside Scope			
15	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: Budgeting and Financial Reporting	Cash Flow	The Home is doing a good job keeping within appropriations, holding expenditures down, and obtaining needed reimbursements. Specifically, the Home is expected to close the year at or below budgeted authority	Outside Scope			
16	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: Budgeting and Financial Reporting	Accounting Controls	The Home lacks written desk practices and procedures for the expenditure analyst position.	Purchasing	X		
17	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: Budgeting and Financial Reporting	Outside Medical Services	Outside medical service costs - (1) No written policies and procedures requiring referral to local veteran clinics before referring to outside providers; (2) Most outside services rendered are provided by contracted physicians, due to 84 mile distance to nearest veteran clinic and long wait times.	Admin. Controls		X	
18	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: Budgeting and Financial Reporting	Outside Medical Services	Securing Contracts - The Home does not have a contract for every medical specialty that is needed.	Contracts	X		
19	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: Budgeting and Financial Reporting	Un-Reimbursed Cost of Care	Unreimbursed cost of care: (1) Homes have no Benefit Plan or written documentation describing covered benefits while veterans reside in the Home; (2) There is no consistent standardized documented definition of the composition of the excess cost of care to a resident.	Admin. Controls	X		
20	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home's member fees, aid and attendance, and insurance reimbursements will be reduced due to declining census as a result of the skilled nursing facility closure.	Outside Scope			
21	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home lacks adequate processes and procedures to ensure that reimbursable services are captured and billed.	A/R		X	
22	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home has inefficient processing procedures for entering and coding charge slips into Meditech.	A/R		X	
23	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home has not finalized processes and procedures to ensure that all Medicare Part A and Part B services are captured and billed.	A/R	X		
24	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home is losing its ability to bill for Medicare part A stays, the most lucrative form of Medicare reimbursement, due to the closure of the skilled nursing facility.	Outside Scope			
25	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home is unable to bill for eligible Medicare part B services provided due to a provision in its long-term care physician contract.	A/R and Contracts	X		
26	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home has no established productivity measures or standards for its ambulatory care clinic operations	Outside Scope			
27	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home is unable to bill for eligible pharmacy services provided due to a provision in its pharmacy contract.	A/R and Contracts	X		
28	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home may not be maximizing its provision of rehabilitation services. See page 10 of report - lack of formalized procedures can negatively affect the Home's ability to verify that charges billed are supported and accurate. And page 15 recommendations J and K.	A/R	X		
29	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home is not tracking or billing for eligible dietician services provided.	A/R		X	
30	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home is not maximizing billing to private insurance carriers.	A/R	X		
31	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Reimbursements	The Home has not implemented or developed processes and procedures to track residents with service-connected disabilities.	A/R	X		

CDVA BARSTOW - LIST OF PRIOR FINDINGS

	Report	Area	Finding	I/C Section	Resolved	Unresolved	Comments
32	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Cash Receipts	The Home has inadequate separation of duties over its Trust cash receipts function. Specifically, two employees within the Home's accounting unit receive and deposit checks into the trust accounts, and also prepare check disbursements from the trust accounts.	Outside Scope			
33	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Fixed Assets	The Home's controls over fixed assets need improvement. Specifically, (1) the Home property ledger did not reconcile to the general ledger, (2) The Home could not provide the last reconciled physical inventory performed, (3) The Home's written procedures do not address fixes assets donated to the Home, (4) Not all fixed assets are tagged.	Fixed Assets		X	Items #1, 2, 4 Resolved; #3 Unresolved
34	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	Pharmaceutical inventories not disposed/transferred after pharmacy closure	Admin. Controls	X		
35	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	Controls over vanpools need improvement	A/R and Admin. Controls		X	
36	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	Employee personal use of State Vehicles	Admin. Controls		X	
37	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	Employee personal use of unoccupied Domiciliary Ward	Admin. Controls	X		
38	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	Guest use of unoccupied Domiciliary Ward	Admin. Controls	X		
39	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	No audit of the morale, welfare, and recreation funds (post fund)	Admin. Controls	X		
40	**DOF 038950203 (2003)** Focus: An Independent Review; Barstow - Phase II	Other Areas of Concern	Unreimbursed use by Post fund of General Fund resources	Budgets		X	
41	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	The DVA was non-responsive on invoices.	Purchasing	X		
42	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	DVA must ensure that all Purchase Orders are signed.	Purchasing	X		
43	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	All transactions prepared under DVA's delegated purchasing authority must be reported to the Procurement Division monthly.	Purchasing	X		
44	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	State departments must obtain OFA approval prior to the repair of mobile equipment that will exceed $350.	Purchasing		X	
45	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	DVA's Purchasing Authority may not be used to purchase tuition, training fees, memberships, or services. For purchases under $100, the delegated purchasing authority number should not be put in the "Purchasing Authority Number" box on the STD. 65 form and reported to the Procurement Division.	Purchasing	X		
46	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	DVA must ensure that the correct purchasing authority number is entered in the "Purchasing Authority Number" box on the STD. 65 form	Purchasing	X		
47	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	The Home should provide "Fair and Reasonable" documentation for purchases under $5,000.	Purchasing		X	
			TOTAL		**22**	**15**	

CDVA CHULA VISTA - LIST OF PRIOR FINDINGS

	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
1	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Billing errors and lack of attention to detail have caused the department to miss billing opportunities.	Outside Scope			
2	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	By not fully implementing consultants' recommendations, the Department has reduced its collections. Prior recommendations not corrected are: 1) Conduct business process reengineering at the homes and develop standardized business practices, policies, and procedures; 2) implement procedures for data quality control to ensure that data in the information system is reliable; 3) develop and implement a methodology to ensure that "things get done."	Outside Scope			
3	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	Failure to follow up on bills to secondary insurance providers limits the Department's collections.	A/R	X		
4	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department does not bill for all the services that its Homes provide.	A/R	X		
5	**BSA 2001-113 (2001)** Focus: Cash Management	Reimbursements	The Department has not used all available options to overcome billing difficulties.	Outside Scope			
6	**BSA 2001-113 (2001)** Focus: Cash Management	Cash Flow	The Department has needed loans from the General Fund to cover cash shortfalls.	Budgets		X	
7	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Cash Flow	Decreased reimbursements and lack of success in decreasing expenditures - Chula Vista keeping within appropriations and obtaining reimbursements. They are expected to seek short term loan for 01/02 but be able to repay it with SNF reimbursements.	Budgets		X	
8	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Outside Medical (Contracts)	Outside medical service costs - No written policies and procedures requiring referral to local VA clinics before referring to outside providers.	Admin. Controls		X	
9	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Outside Medical (Contracts)	Securing Contracts - No formal policies or procedures regarding outside referrals, although outside medical contracted physicians are infrequently used because the local VA medical center is usually used first.	Admin. Controls	X		
10	**OIG for Vets Affairs A02-02 / A02-03 (2002)** Focus: IC Review on Budget Office, Accounting Office VHC Accounting Office	Un-Reimbursed Cost of Care	Unreimbursed cost of care: (1) Homes have no Benefit Plan or written documentation describing covered benefits while veterans reside in the Home; (2) There is no consistent standardized documented definition of the composition of the excess cost of care to a resident.	Admin. Controls	X		
11	**OIG for Vets Affairs A02-05 (2002)** Focus: IC Review: Prsnl Mgmt Div and the Prsnl Svcs Unit at the Yountville, Barstow and Chula Vista VHS.	Personnel/ Payroll	Chula Vista does not use time clocks for staff to clock in and out. Chula Vista runs the risk of reporting inaccurate attendance and may be over or under charging staff time without the use of time clocks.	Personnel/Payroll		X	

	CDVA CHULA VISTA - LIST OF PRIOR FINDINGS						
	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
12	**OIG for Vets Affairs A02-05 (2002)** Focus: IC Review: Prsnl Mgmt Div and the Prsnl Svcs Unit at the Yountville, Barstow and Chula Vista VHS.	Personnel/ Payroll	Sign-in sheets may be inaccurate as they rely entirely on the honesty of employees; clocks on walls near sign-in sheets may be inaccurate.	Personnel/Payroll		X	
13	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Info Security	Information Security	Information Security Staff and Written Information Security Guidelines Lacking. (1) CDVA-wide Information Security policies and procedures guidelines have not been developed and published either in writing or on the intranet; (2) Changes made to Information Security procedures are not disseminated in a timely manner; (3) Not all Information Security Division policies (mainly Meditech) have been coordinated with the affected staff divisions.	IT	X		
14	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Info Security	Information Security	Personnel Information Needs Improved Security. Specifically, no Privacy Act notice on the service request form. Form requested SSN.	IT	X		
15	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Info Security	Information Security	New User Access Control Needs Improvement. (1) Service Request Form does not include Mitas or Meditech reference; (2) ISD staff at the Homes grant Meditech access before the Service Request is routed to CDVA; (3) Access roster for Meditech is not maintained at the Homes; (4) Access authorization procedures are not written, but rather based on the experience and knowledge of key ISD systems managers or Mitas and Meditech. **(Meditech Only)**	IT		X	Items #1-3 Resolved; #4 Unresolved
16	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Info Security	Information Security	Former User Access Control Needs Improvement. (1) The Form M-81 does not include a Privacy Act notice on the form. The privacy act is required to be included on any document where a social security number is requested and the person's name and address is also listed; (2) Intra-staff communication breaks down because ISD sections are not physically co-located. ISD Meditech section is in a different building from the PC support section. The sections were in the process of increasing local coordination so that each section would notify the other of employee departures or transfers; (3) A periodic report of user non-activity is an internal control measure to determine whether passwords are still required to be active; (4) CDVA does not have a written procedure for handling an employee suspension or abrupt termination of an employee with systems access.	IT		X	Items #1-3 Resolved; #4 Unresolved
17	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Info Security	Information Security	Member Helpers and Volunteers Policy for Access to CDVA Computer Systems Needs to be Published. (1) The Draft ISD policy provides member helpers with essentially the same computer access rights using existing IT and security policies. Member helper access should be carefully evaluated and the policy should include access rights based on "need to know" basis and contained in a current written duty statement under supervision of a CDVA employee	IT		X	
18	**OIG for Vets Affairs A02-04 (2002)** Focus: IC Review on Info Security	Information Security	ISD Has a Comprehensive Training Plan. Training plan funds (1/2) for ISD were removed due to mandated budget reductions.	Outside Scope			

CDVA CHULA VISTA - LIST OF PRIOR FINDINGS

	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
19	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Reimbursements	The Home is not operating at budgeted census in all wards.	Budgets	X		
20	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Reimbursements	The Home is operating only one skilled nursing ward.	Outside Scope			
21	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Reimbursements	The Home's intermediate care facility has not been opened.	Outside Scope			
22	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Reimbursements	The Home has productivity issues in the Ambulatory Care Clinic	Outside Scope			
23	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Reimbursements	The Home is not maximizing Billing to Private Insurers	A/R	X		
24	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Reimbursements	The Home is not capturing or billing for all potentially reimbursable services	A/R		X	
25	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Nursing Staffing	Obtain an independent clinical assessment of patient need on the SNF wards to ensure that care is provided in accordance with state and federal regulations. This independent assessment should include an evaluation of the Home's staffing methodologies to ensure the Home is maximizing the effectiveness of nursing staff to meet patient needs.	Outside Scope			
26	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Nursing Staffing	Track nursing professional hours used for escort services and in-service training to allow easy identification of actual nurse care hours provided on nursing wards. Additionally, the Home should consider hiring personnel to perform the escort functions to allow nursing staff to focus on patient care.	Outside Scope			
27	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Nursing Staffing	The Home and Department should work with the Department of Finance to ensure the Home is budgeted for adequate staff to provide a standard of nursing care in accordance with state and federal guidelines.	Outside Scope			
28	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Census	Continue efforts towards licensure and certification of the Home's second SNF ward.	Outside Scope			
29	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Census	Pursue the activation of the Home's Budgeted ICF ward	Outside Scope			
30	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Purchasing	The Home does not periodically review outstanding purchase orders for validity. As of our fieldwork, we found that the Home had 98 outstanding purchase orders, of which 42, or 43%, had been outstanding for greater than 90 days.	Purchasing	X		
31	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Personnel/Payroll	The Home lacks adequate procedures to ensure that employees on direct deposit maintain adequate leave balances.	Personnel/Payroll		X	
32	DOF 038950203 (2003) Focus: An Independent Review; Chula Vista	Personnel/Payroll	Escort and in-service training hours are not tracked separately from direct nurse care hours provided to residents on the Home's nursing wards.	Outside Scope			

CDVA CHULA VISTA - LIST OF PRIOR FINDINGS

	Report #	Area	Finding	I/C Section	Resolved	Unresolved	Comments
33	**DOF 038950203 (2003)** Focus: An Independent Review; Chula Vista	Fixes Assets	The Home's controls over fixed assets need improvement. Specifically; 1) Inadequate reconciliation procedures 2) Incomplete/inaccurate subsidiary fixed asset schedule.	Fixed Assets		X	
34	**DOF 038950203 (2003)** Focus: An Independent Review; Chula Vista	Other Areas of Concern	Guest use of unoccupied resident living quarters.	Admin. Controls	X		
35	**DOF 038950203 (2003)** Focus: An Independent Review; Chula Vista	Other Areas of Concern	Employee Personal use of State Vehicles.	Admin. Controls	X		
36	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Amended transactions did not reflect the amendment in the "Agency Order Number" box on the STD. 65.	Purchasing	X		
37	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	The Home did not process one invoice within the timeframe required by Government Code Section 927.4	Purchasing	X		
38	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	The Home had corrected 4 transactions on the original Purchase Order versus amending the purchase document.	Purchasing	X		
39	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	One transaction for a cabinet did not include PIA approval.	Purchasing		X	
40	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	Transactions under $100 were issued service orders and purchase orders with the Home's delegation number.	Purchasing	X		
41	**DGS (September 2004)** Purchasing and Compliance Review	Purchasing	The Home does not maintain a complete copy of each State Price Schedule against which it places orders.	Purchasing	X		
				TOTAL	**16**	**12**	

Finding Summary - Chula Vista

Finding Section	Number of Findings
A/R	4
Budgets	3
Cash Disbursements	0
Cash Receipts	0
Contracts	0
Financial Reporting	0
Fixed Assets	1
IT	5
Personnel/Payroll	3
Purchasing	7
Trust	0
Revolving Fund	0
Overtime Analysis	0
Administrative Controls	5
Total to be followed up on	28
Outside Scope	13
Total prior findings	41

Department Response

DEPARTMENT OF VETERANS AFFAIRS
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Telephone: (916) 653-2158
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December 27, 2005

Diana L. Ducay, Chief
Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, California 95814-3706

Dear Ms. Ducay:

We have carefully reviewed your internal control draft audit as of November 7, 2005. We appreciate the work of the audit team who maintained a consistently collaborative and professional demeanor during the term of the audit.

Generally, we concur with the findings of the audit and will address each item through corrective action. Only one item of the audit was found to be factually incorrect. Within Finding 2, the audit team found that there is a lack of documented MEDITECH Access Procedures at headquarters and at the Veterans Homes. The Information Services Division has advised me that the policy and procedures exist and were available at the time of the audit. We will provide a copy to the audit team.

It was gratifying to see that in all areas of review except one our internal controls appeared adequate. However, the number of unresolved audit findings, even if deemed insignificant, are of concern and will be a high priority for us.

We will require some further clarification from your staff as we prepare action plans next month to ensure that we are targeting corrective action to appropriate organizational entities. Our geographic diversity adds an extra layer to the analysis.

Sincerely,

Original signed by Tom Johnson

Tom Johnson, FACHE
Secretary

Evaluation of Department Response

We are in receipt of the Department's response dated December 27, 2005, to our draft audit report on the Department's internal control. We have incorporated the response into our final report. We acknowledge the Department's willingness to implement corrective actions for the findings identified in our report. We believe the implementation of the corrective actions identified will strengthen the Department's internal control and reduce the risk that errors or irregularities affecting the financial statements could occur and remain undetected.

The Department disagreed with Finding 2, bullet one, entitled "Lack of Documented Meditech Access Procedures at Headquarters and Homes." Upon further discussion with the Department's Information Services Division, this finding was determined to be factually correct, and therefore, the finding will remain as stated.