

Scott Walker, Governor

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STATE OF WISCONSIN
DEPARTMENT OF VETERANS AFFAIRS

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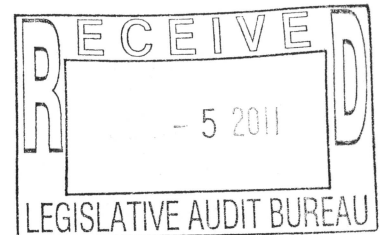
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July 1, 2011

The Honorable Robert Cowles
Senate Co-Chairperson
Joint Committee on Audit
Room 118 South, State Capitol
Madison, WI 53707

The Honorable Samantha Kerkman
Assembly Co-Chairperson
Joint Committee on Audit
Room 315 North, State Capitol
Madison, WI 53707



Dear Senator Cowles and Representative Kerkman:

In Report 11-3, An Evaluation, Wisconsin Veterans Homes, Department of Veterans Affairs (Evaluation), released in February 2011, the Legislative Audit Bureau (LAB) made six recommendations for the Department of Veterans Affairs (DVA or Department) and one for the Board of Veterans Affairs (Board). The recommendations for Department were to:

- annually analyze overtime costs and the cost of hiring additional nursing staff to meet state and federal nurse staffing requirements, and report to the Joint Legislative Audit Committee by July 1, 2011, on its analysis of FY 2009-10 overtime costs;
- with the Board of Veterans Affairs, determine whether to continue operating two nursing education stipend programs and report to the Joint Legislative Audit Committee by July 1, 2011, on the decision;
- enhance the usefulness of citation reports it prepares for the Board of Veterans Affairs by developing a standard written format;
- report to the Board of Veterans Affairs by July 1, 2011, on the feasibility of Union Grove's assisted living residents receiving financial support through the Family Care program;
- ensure that each veterans home improves compliance with purchasing requirements, contract monitoring, and invoice review procedures; and
- report to the Joint Legislative Audit Committee by July 1, 2011, on specific steps it has taken to respond to our recommendations to improve financial and program management at the Wisconsin Veterans Homes.

The recommendation for the Board was to promulgate administrative rules for the Aid to Indigent Veterans program that clearly define asset requirements for resident eligibility, including policies on divestment.

As recommended, we are pleased to report to you and the members of the Joint Legislative Audit Committee the steps that we have taken to improve financial and program management at the Wisconsin Veterans Homes and the actions taken by the Board with respect to the promulgation of administrative rules for the Aid to Indigent Veterans program.

Promulgation of Administrative Rules

The Department's Aid to Indigent Veterans (AIV or Program) program subsidizes the cost of care for veterans in its assisted living facilities at the Wisconsin Veterans Home at Union Grove (Union Grove). To be eligible for the Program, a veteran must have insufficient monthly income and resources, as determined by the Department, to pay for the cost of care at an assisted living facility (AL). The amount of financial assistance that may be provided to a veteran is the difference between his or her income and resources and the cost of care.

In its Evaluation, LAB noted that the AIV Policy adopted by the Board of Veterans Affairs in April 2010 provides insufficient guidance for determining which assets should be counted or exempted from eligibility determinations or when and under what circumstances divestment of assets is permitted. LAB recommended the Board promulgate administrative rules for the Program that:

- establish clear eligibility requirements, including any type and amount of assets to be excluded from eligibility determinations;
- establish a policy on divestment, including requiring applicants to provide sufficient documentation for determining whether the timing and nature of any asset transfers, including the establishment of trusts, is allowable;
- clearly define any limits on the amounts and types of life insurance and burial assets that are exempt, and require applicants to provide sufficient documentation to assess them; and
- require Union Grove staff to verify financial information provided at the time of application to the assisted living facilities, and annually thereafter.

At its April 15, 2011, meeting, the Board of Veterans Affairs directed the Department to develop a Statement of Scope for the Aid to Indigent Veterans Program in a manner consistent with the recommendations of the Legislative Audit Bureau and the Joint Committee on Audit. The Department initiated the promulgation process for the Aid to Indigent Veterans program as directed by the Board and a Statement of Scope was provided to the Board on June 2, 2011, for consideration and approval at its June 17, 2011, meeting.

Prior to obtaining the approval for further promulgation of the Statement of Scope, 2011 Wisconsin Act 21 became effective. The requirements of this act prohibit the promulgation of any Statement of Scope initiated after June 8, 2011, without first securing written permission from the Office of the Governor. The Statement of Scope for the rules associated with this program had not been approved by the Board for submission to the Legislative Reference Bureau for publication prior to June 8, 2011. The Statement of Scope is therefore required to be approved by the Office of the Governor, in writing, prior to being published by the Legislative Reference Bureau or being approved by the rule making authority of the agency.

The Board was apprised of this requirement at its Board Meeting on June 17, 2011. They were also informed that the Legislature had passed Assembly Bill 96 (AB 96) and Senate Bill 97 (SB 97) which, when signed by the Governor and published, would realign the composition of the Department's duties in the rules making process leaving the Board with only an advisory capacity in the promulgation process. The Board voted to table any actions on the Statement of Scope for the Aid to Indigent Veterans' program to allow the Governor's Secretarial appointee the ability to direct the rules promulgation process in accordance with both legislative acts. The Department will continue the promulgation process when a Secretary has been appointed and provides further direction.

Analysis of Overtime Costs

State and federal law establish minimum requirements for the number of care hours provided to nursing home residents. In its Evaluation, LAB found that the Department met or exceeded federal and state direct care staffing requirements and noted the two primary strategies used to achieve the same were: extra time worked by part-time employees, who receive their regular rates of pay for working up to 40 hours per week; and overtime worked by full- and part-time employees, who are generally paid at higher rates for hours in excess of 40 per work week. In addition, the Veterans Homes may use agency or contract staff to meet staffing requirements.

In fiscal year 2008-09, nursing staff at King worked 48,100 overtime hours and nursing staff at Union Grove worked 21,100 overtime hours. Excluding certain wage adjustments some staff may earn, including differential pay received for working nights and weekends, LAB estimated the cost of overtime at King in FY 2008-09 was \$112,800 more than it would have cost to hire additional nursing staff. However, they also estimated that overtime cost \$29,400 less than it would have cost to hire additional nursing staff for all of Union Grove's facilities in that same year. Noting that as staffing needs and costs change at the Veterans Homes, it will continue to be important for DVA to routinely review its staffing levels and overtime costs and determine the most appropriate methods for meeting nurse staffing requirements, LAB recommended the Department annually analyze overtime costs and the cost of hiring additional staff to meet state and federal nurse staffing requirements at each Veterans Home and to report to the Committee on its fiscal year 2009-10 analysis by July 1, 2011.

As Table 1 shows, overtime hours worked by nursing staff decreased significantly from FY 2008-09 to 2009-10. The decrease in overtime hours is attributable to: the use of surplus positions; new scheduling patterns with built-in shifts for vacation and holiday; and the development of float pool coverage for call-ins with less than 24 hour notice. In addition, the furlough plan implemented for direct care employees at the Home, which was to take 15 minutes of furlough per day, resulted in at least the first one hour and fifteen minutes per week of extra time being paid at straight time, rather than overtime.

Table 1
 Overtime Hours Worked by Nursing Staff

	FY 2008-09	FY 2009-10	Percentage In/(De)crease
King			
Nursing Assistants	41,600	30,700	(26.2)%
Licensed Practical Nurses	3,800	2,200	(42.1)%
Nurse Clinicians	2,700	1,400	(48.1)%
Subtotal	48,100	34,300	(28.7)%
Union Grove			
Nursing Assistants	18,300	9,700	(47.0)%
Licensed Practical Nurses	600	800	33.3%
Nurse Clinicians	2,200	800	(63.6)%
Subtotal	21,100	11,300	(46.4)%
Total	69,200	45,600	(34.1)%

The Department analyzed overtime costs and the cost of hiring additional staff to meet state and federal nurse staffing requirements for FY 2009-10 and is pleased to report to the Committee that, consistent with the significant reduction of overtime hours, it was more cost effective to utilize overtime in FY2009-10 than it would have been to hire additional staff, as shown in Table 2, below.

Table 2
 Overtime and Position Cost Comparison for Nursing Staff
 FY 2009-10

	Overtime Cost	New Staff Cost	Difference
King			
Nursing Assistants	\$708,900	\$747,800	\$(38,900)
Licensed Practical Nurses	71,900	72,900	(1,000)
Nurse Clinicians	66,400	77,800	(11,400)
Subtotal	\$847,300	\$898,500	\$(51,200)
Union Grove			
Nursing Assistants	\$223,700	\$237,300	\$(13,600)
Licensed Practical Nurses	23,500	26,400	(2,900)
Nurse Clinicians	41,000	46,700	(5,700)
Subtotal	\$288,200	\$310,500	\$(22,300)
Total	\$1,135,500	\$1,209,000	\$(73,500)

Nursing Education Stipend Programs

The LAB Evaluation of staffing at the Veterans Homes included a review of recruitment and retention efforts for nursing staff, noting that retention of experienced nursing staff helps to ensure the provision of quality care to nursing home residents, reduces DVA's recruiting and training costs, and facilitates the efficient operation of the Veterans Homes. In calendar year 2009, nursing staff retention rates at the Veterans Homes exceeded same county and statewide averages, with the exception of Union Grove's retention rate for part-time nursing assistants and licensed practical nurses (LPNs), which was lower than the statewide average and lower or equal to the Racine County average. In 2010, nursing staff retention rates for the Veterans Homes exceeded the statewide and county averages except for part-time LPNs at Union Grove for which the retention rate was lower than both the statewide and county average as shown in Table 1.

Table 1
 Nursing Staff Retention Rates¹
 Calendar Year 2010

	Nursing Assistants		Licensed Practical Nurses		Nurse Clinicians	
	Full-Time	Part-Time	Full-Time	Part-Time	Full-Time	Part-Time
King	97.0%	77.0%	100.0%	91.0%	100.0%	95.0%
Waupaca County Average	95.0%	58.0%	91.0%	73.0%	85.0%	76.0%
Union Grove²	95.0%	74.0%	100.0%	33.0%	94.0%	100.0%
Racine County Average	80.0%	71.0%	79.0%	68.0%	78.0%	77.0%
Statewide Average	79.0%	63.0%	87.0%	70.0%	77.0%	66.0%

¹ Source: DHS Summary 2010 Consumer Information Reports for Nursing Homes. Retention rate is defined as the proportion of staff working at the beginning of the year who were still employed at the end of the year.

² Skilled nursing facility only.

To facilitate the recruitment and retention of nursing staff, s. 45.50(9), Wis. Stats. authorizes the Department to develop stipend program for individuals who attend school and earn credentials to become employed at the Veterans Homes. The Department currently operates two such programs: the Registered Nurse (RN) Education Stipend Program, established in 2004; and the Licensed Practical Nurse (LPN) Stipend Program, established in 2002. During the five-year period reviewed by LAB, both stipend programs had a total of 57 participants, of which 10 did not complete their training or employment requirements. Consequently, LAB questioned the extent to which the programs aided in recruitment and retention efforts and recommended the Department work with the Board to determine whether to continue operating the Registered Nurse Education Stipend Program and Licensed Practical Nurse Stipend Program and report the decision to the Joint Legislative Audit Committee by July 1, 2011.

In June 2011, the Department provided the Board with its report titled, WDVA Educational Assistance Program for Employees of the Wisconsin Veterans Homes, A Program to Assist with Recruitment and Retention. The report presented the culmination of the Department's analysis of data related to: nursing shortages in the United States; Wisconsin nursing statistics; nursing shortages at the Veterans Homes; nursing staff recruitment and retention strategies at the Veterans Homes; nursing education stipend programs; and Title 38, Part 53, Payments to States for programs to promote the hiring and retention of nurses at State Veterans Homes; and recommendations for the Board's consideration and approval. Those recommendations included the continuation of the Licensed Practical Nurse (LPN) Stipend Program as currently designed and the conversion of the Registered Nurse (RN) Stipend Program to a Registered Nurse Loan Repayment Program, together with the development and promulgation of administrative rules to support the same.

The Board determined that when signed and published AB 96 and SB 97 would result in the Governor's appointee directing the rules promulgation process for the recommendations and tabled further discussion of the recommendations until the Secretary of the Department seeks their advice on proposed rules. The Department is prepared to generate a Statement of Scope and submit the same to the Office of the Governor when directed by the agency's rule making authority to do so.

Format of Citation Reports

The Veterans Homes are subject to periodic inspections by the Department of Health Services (DHS) and the United States Department of Veterans Affairs (USDVA) to evaluate their compliance with operating requirements, including resident services and rights, the physical environment, and the quality of life. Citations are issued for noncompliance with those requirements.

LAB analyzed the number and types of citations for noncompliance and found that the Veterans Homes generally were issued fewer citations by state and federal regulators than the statewide average for all nursing homes. However, it noted that reports provided to the Secretary and Board describing recent DHS and USDVA inspections did not readily allow the Homes' citations to be compared over time or with those issued to other long-term care facilities in Wisconsin. Consequently, LAB recommended the Veterans Homes enhance the usefulness of citation reports it prepares for the Board by developing a standard, written format that allows for comparison of citations over time and with other facilities in Wisconsin, identifies the Homes' most serious violations each year, provides information on the status of corrective action plans.

Effective with the reports provided for the April 15, 2011, meeting of the Board of Veterans Affairs, the Department developed a report that identifies in a standardized, written format, citations from the Homes' surveys and potential areas where performance improvement may be needed. A summarization of the plan of correction will accompany the citation report when severe violations are reported.

Feasibility of Implementing Family Care

The Evaluation noted that in late 2009, the Department determined that the State's Family Care Program, which uses federal and state Medical Assistance funds to pay for long-term care for the elderly and people with disabilities, could potentially help cover some of the costs of care for eligible residents of Union Grove's assisted living facilities. Because the Department had not determined whether its AL residents would meet nonfinancial eligibility requirements based on their care needs, LAB recommended the Department determine the feasibility of assisted living residents receiving financial support through the Family Care program and report its findings to the Board by July 1, 2011.

As recommended by the Audit Bureau, the Department prepared an analysis of the feasibility of assisted living residents receiving financial support through the Family Care program and provided a report of its findings to the Board of Veterans Affairs. That report concluded that in light of the fact that: it is not financially prudent for the Department to become a residential service provider in the Family Care program; and that enrollment in the program is closed until at least June 30, 2013, it is not feasible at this time for the assisted living members at the Veterans Home at Union Grove to receive financial support through the Family Care program.

Improvements in Compliance with Purchasing and Contract Monitoring

The Department is a non-delegated agency for purchasing under Chapter 16 of the Wisconsin Statutes; that is, the Department has authority to make purchases up to \$5,000 without oversight and purchases greater than \$5,000 require Department of Administration (DOA) review and approval. However, DOA staff have had no role in approving purchases between \$5,000 and \$25,000 as had been planned as part of the consolidation of purchasing services within DOA as part of 2005 Wisconsin Act 25, which resulted in the elimination of 2.0 FTE purchasing agents in DVA.

LAB reviewed a judgmental sample of purchases made in 2008-09 and 2009-10 to assess compliance with state purchasing requirements and found a number of violations of those requirements. In addition, LAB noted inconsistent techniques amongst Veterans Homes staff responsible for reviewing invoice charges to verify conformance with contractual pricing agreements. The Evaluation included a recommendation to:

- improve compliance with purchasing requirements, including ensuring proper bid solicitation and vendor selection, by providing additional training to staff involved in the procurement of goods and services;
- enhance contract monitoring efforts to ensure new contractual agreements have been finalized before existing contracts expire; and
- improve invoice review procedures to ensure that, at a minimum, a selection of invoices from all vendors is reviewed regularly and vendor charges are compared with prices enumerated in contractual agreements.

Department efforts to ensure that each Veterans Home improves compliance with purchasing requirements, contract monitoring, and invoice review procedures were undertaken in advance of the Legislative Audit Bureau's February 2011 report. Specifically with respect to improving compliance with purchasing requirements, efforts included requesting staff training from the DOA Consolidated Agency Purchasing Services (CAPS), who have oversight responsibility for training non-delegated purchasing agencies such as DVA. CAPS provided training to thirty (30) King staff, twenty-one (21) Union Grove staff and nine (9) Central Office staff on October 30, 2008, April 29, 2009, and June 10, 2009, respectively. Subsequent to the issuance of the Evaluation, the Department requested CAPS provide supplementary training, which CAPS has not scheduled as of the date of this report.

Improved compliance with purchasing requirements will also be positively impacted by the implementation of the Purchase Plus system, effective for fiscal year 2011-12 purchases. Purchase Plus is a DOA web-based system for processing purchase orders. Purchase requisitions are created and approved in the web-based system by individuals authorized for the dollar amount of the purchase being requested. Purchase requisitions greater than

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\$5,000 are reviewed and approved by DOA CAPS for compliance with procurement guidelines, and purchase requisitions greater than \$25,000 require Secretary's Office approval. Standard and ad hoc reporting capabilities will also facilitate contract monitoring, and because Purchase Plus can be used to process payments against purchase orders, it will also improve invoice review procedures.

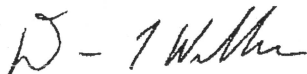
Contract monitoring and invoice review procedures are also expected to be significantly improved as a result of the implementation of the Department's Reorganization Plan, a complete copy of which was provided to the Joint Legislative Audit Committee with Department correspondence dated February 22, 2011, and which was approved as revised by the Board on April 15, 2011. Specifically, the conversion of a 1.0 FTE vacant Financial Specialist position to a Contract Specialist position will provide procurement oversight and contract administration throughout the agency and minimize risks involved with non-compliance, substantially strengthening oversight for the organization as a whole. The Department recently made an offer of employment to an individual for the Contract Specialist position. Further, the consolidation of the Division of Veterans Homes, Bureaus of Financial Services at King and Union Grove with the Bureau of Fiscal Services at the WDVA Central Office, will result in improved standardization and oversight of invoice review through the centralization of the accounts payable function at the Department's central office.

Lastly, the Department adopted a risk assessment policy in July 2010 that integrates risk assessment practices in decision-making, including proper accountability, evaluation, performance monitoring and reporting, and improvement of planning and practices. The Department's risk assessment identified risks associated with compliance with purchasing requirements, contract monitoring, and invoice review and is in the progress of developing mitigation plans related to the same.

We appreciate the recommendations of the Legislative Audit Bureau and are proud of our accomplishments in implementing the same.

Please let me know if you have any questions regarding specific steps we have taken to respond to the audit recommendations to improve financial and program management at the Wisconsin Veterans Homes.

Sincerely,
DEPARTMENT OF VETERANS AFFAIRS



Donna Williams
Acting Secretary

Cc: Joe Chrisman, Interim State Auditor
Board of Veterans Affairs