

# **OFFICE OF INSPECTOR GENERAL**

## **Department of Veterans' Affairs**



# **Office of Inspector General Annual Report Fiscal Year 2014 - 2015**

## Mission Statement

The Office of Inspector General's mission is to promote integrity, accountability, and process improvement. This is accomplished by providing objective, timely, value-added audit and investigative services that examine and evaluate the adequacy and effectiveness of the Florida Department of Veterans' Affairs' internal controls and risk management systems.

## Inspector General Responsibilities

The specific duties and responsibilities of the Inspector General, according to Section 20.055(2), F.S., include:

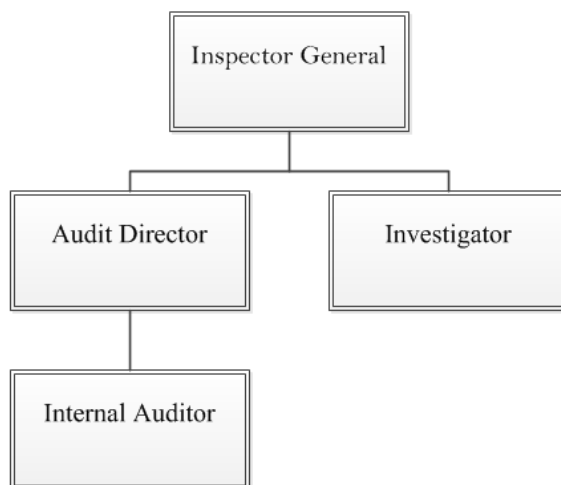
- Advise the agency on the development of performance measures, standards and procedures for the evaluation of state agency programs.
- Assess the reliability and validity of the information provided by the Agency on performance measures and standards and make recommendations for improvement, if necessary, prior to submission of those measures and standards to the Executive Office of the Governor.
- Review the actions taken by the Agency to improve program performance, meet program standards and make recommendations for improvement, if necessary.
- Provide direction for, supervision, and coordination of audits, investigations and management reviews relating to the programs and operations of the state agency.
- Conduct, supervise and/or coordinate other activities carried out or financed by the Agency for the purpose of promoting economy and efficiency in the administration of its programs and operations while preventing and detecting potential fraud and abuse.
- Keep the agency Director informed of fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommend corrective action for fraud, abuses, and deficiencies and report on the progress made in implementing corrective action.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Review rules relating to the programs and operations of such state agency and make recommendations concerning their impact.
- Ensure that an appropriate balance maintains between audit, investigative, and other accountability activities.

## Organization and Staff

The Executive Director of the Florida Department of Veterans' Affairs (FDVA) appoints the Inspector General with the concurrence of the Governor's Office of the Chief Inspector General. The Executive Director has the ultimate responsibility for the operation of the Department and for ensuring its goals are met. The Inspector General reports directly to the Executive Director of FDVA.

To carry out its duties and responsibilities, the Office of Inspector General (OIG) is organized into two sections: Audit and Investigation. The OIG has a staff of four professional positions. The current organizational structure is:

### Office of Inspector General Organizational Chart



### **Certifications**

Certifications held by the Inspector General and staffs include:

- Certified Inspector General - 1
- Certified Public Accountant – 1
- Certified Fraud Examiner – 1
- Certified Inspector General Investigator - 1
- Certified Inspector General Auditor - 1
- Florida Department of Law Enforcement Certification – 1

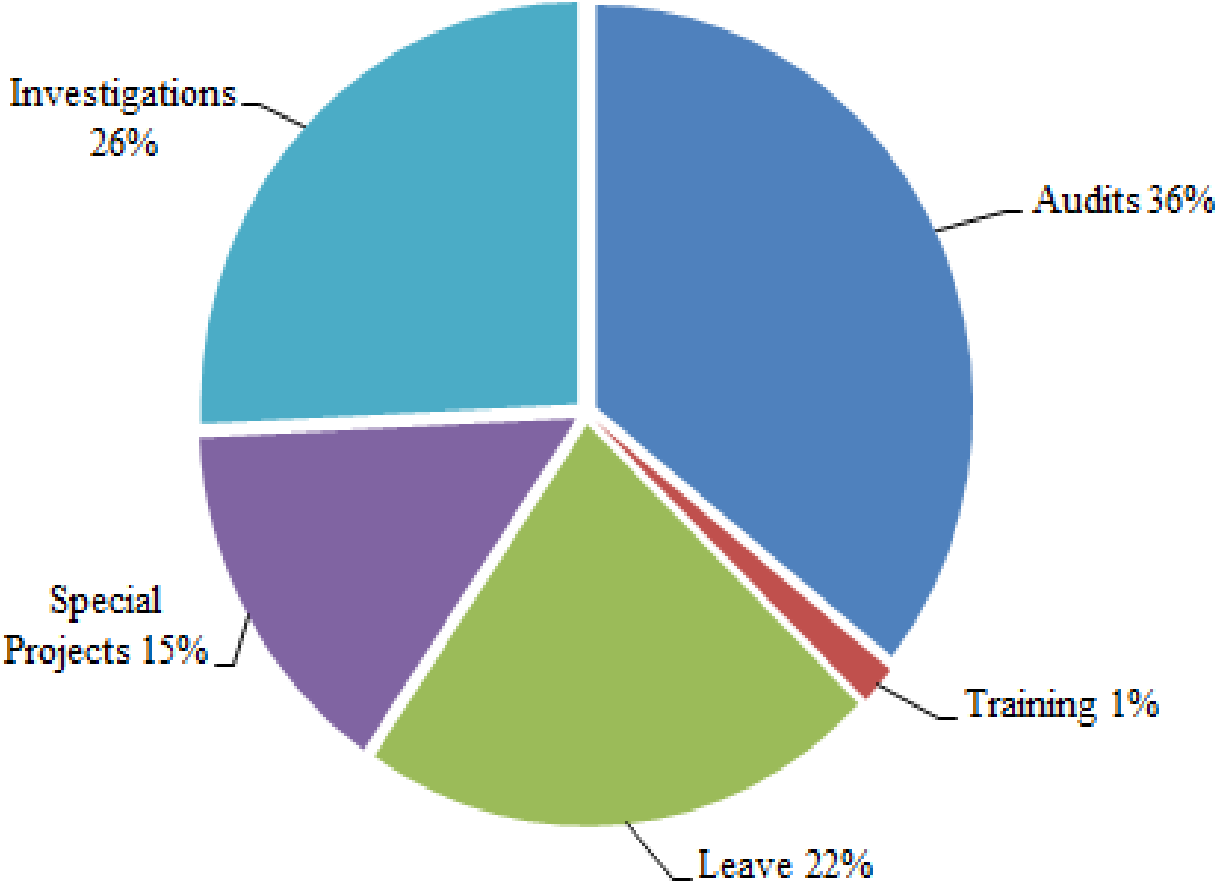
### **Professional Affiliations**

OIG employees are affiliated with:

- Association of Inspectors General
- Association of Certified Fraud Examiners
- Institute of Internal Auditors
- International Association of Chiefs of Police
- Association of Government Accountants

OIG employees stay current with trends in internal auditing and investigations and maintain professional proficiency through membership in the fore mentioned professional organizations. The required training hours are met through participation in conferences, webinars, attendance in relevant training, or through continued professional education programs.

# Staff Resources



## Summary of Audit Activities

### Internal Audits

The Internal Audit section conducts independent, objective audits and consulting engagements to promote economy and efficiency in administration, and prevent and detect fraud, waste and abuse. Findings and recommendations were communicated to management at reasonable times throughout the audit process. This action resulted in management being able to take corrective action prior to the completion of the audit. Additionally, updates on the status of recommendations were obtained from management at three-month intervals for all open findings. Internal audit activities are conducted in accordance to International Standards for the Professional Practice of Internal Auditing.

### Fiscal Year 2014 - 2015 Audits

#### IA-1501: FDVA Self-Assessment Audit Quality Assurance

**Objective:** To determine if the internal audit function was being conducted in accordance with the International Internal Auditing (IIA) standards published by the Institute of Internal Auditors. This self-assessment included a review of the department procedures, working papers for fiscal year 2014, and other practices the department has implemented. The review was primarily modeled on the methodology presented in the IIA Quality Assessment Manual.

**Finding #1:** Lack of an Information Technology audit.

**Recommendation:** That Internal Audit conducts at least one Information Technology audit each year.

**Finding #2:** Internal Audit does not receive formal feedback regarding Client Surveys.

**Recommendation:** That Internal Audit implements a post-audit survey tool for use in client feedback.

**Finding #3:** Work papers were, at time inconsistent, irrelevant, and difficult to follow.

**Recommendation:** That Internal Audit makes additional efforts to ensure that only relevant work papers that support the conclusion(s) and audit objective(s) are maintained in the audit file.

**Finding #4:** The methodology of referencing and cross-referencing work papers could improve.

**Recommendation:** That Internal Audit improves the completeness and clarity of the process.

**Status:** Closed

## IA-1502: Resident Trust Fund Jenkins Lake City

**Objective:** To evaluate the administration of the Resident Trust Fund at Jenkins Lake City Domiciliary in accordance to applicable Florida statutes, Federal regulations, accounting records, and internal policies.

**Finding #1:** The Resident Trust Fund's interest payments were not allocated to all residents.

**Recommendation:** That interest payments be allocated to all residents in an equitable manner.

**Finding #2:** The bank fees/charges were not being recorded in the checkbook register.

**Recommendation:** Since the agency's clinical and financial applications do not provide an option to record the bank fees/charges, the Domiciliary should record bank fees/ charges in the checkbook.

**Finding #3:** Inadequate internal controls during the handling of petty cash transactions.

**Recommendation:** That the Domiciliary implement a petty cash policy whereby one individual is not handling the transactions from beginning to end.

**Status:** Closed

## IA- 1101: Time and Attendance, Jenkins, Lake City

**Objective:** Follow up to prior audit IA-1001, Time and Attendance; and to determine if PeopleFirst entries were supported by the FDVA time clock.

**Finding:** PeopleFirst records were not supported by the FDVA time clock because employees were not following established procedures. As a result, FDVA may be creating a liability for unpaid wages. Rule 60L-34, Florida Administrative Code, requires agencies to maintain accurate records of attendance, leave, and overtime worked and compensated. FDVA Standards and Procedures #5502, Time Clock Management identifies FDVA requirements for time clock.

**Recommendations:**

- FDVA supervisory staff complete reconciliations of time clocks to PeopleFirst and take corrective action as required by FDVA Standards Operating Procedures #5502, Time Clock Management.
- FDVA require employees to take meal breaks when working six or more hours and record the break on the time clock.

**Status:** Closed

### IA – 1104: Time and Attendance, Sims, Panama City

**Objective:** Follow up to prior audit IA-1004, Time and Attendance; and to determine if PeopleFirst entries were supported by the FDVA time clock.

**Finding:** PeopleFirst records were not supported by the FDVA time clock because employees were not following established procedures. As a result, FDVA may be creating a liability for unpaid wages. Rule 60L-34, Florida Administrative Code, requires agencies to maintain accurate records of attendance, leave, and overtime worked and compensated. FDVA Standards and Procedures #5502, Time Clock Management identifies FDVA requirements for time clock.

**Recommendations:**

- FDVA supervisory staff complete reconciliations of time clocks with PeopleFirst and take corrective action as required by FDVA Standards Operating Procedures #5502, Time Clock Management.
- FDVA require employees to take meal breaks when working six or more hours and records the break on the time clock.
- FDVA ensure that time clock adjustments are recorded.

**Status:** Closed

### IA-1108: Time and Attendance, Bennett, Daytona Beach

**Objective:** Follow up to prior audit IA-1004, Time and Attendance; and to determine if PeopleFirst entries were supported by the FDVA time clock.

**Finding:** Time clock adjustments were not completed when employees failed to clock in or out.

**Recommendation:** FDVA complete time clock adjustments as required by FDVA Standards and Procedures #5502, Time Clock Management.

**Status:** Closed

### IA-1111: Time and Attendance, Lassen, St. Augustine

**Objective:** Follow up to prior audit IA-1004, Time and Attendance; and to determine if PeopleFirst entries were supported by the FDVA time clock.

**Finding:** Time clock reports did not support entries in PeopleFirst because variances were not being resolved, and reconciled as required by FDVA Standards and Procedures #5502, Time Clock Management.

**Recommendation:** FDVA supervisory staff complete reconciliations of time clocks to PeopleFirst and take corrective action.

**Status:** Closed

## IA-1203: Supply Management

**Objectives:** To (1) verify that transactions were properly recorded, processed and summarized, and that assets were safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) to verify that FDVA supply management complied with applicable laws, rules and regulations.

**Finding #1:** Lack of Management Controls

**Recommendation:** That FDVA establish procedures to provide reasonable assurance that transactions are properly recorded, processed and summarized, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

**Finding #2:** On-hand stock valuation reports were inaccurate, and independent physical inventory counts were not conducted.

**Recommendation:** That the Homes establish procedures for conducting independent physical counts of supply inventories and reconcile those counts to inventory records. In addition, the Homes should establish procedures to ensure the performance of the reconciliation of the supply inventory to the physical inventory counts.

**Finding #3:** On-hand quantities were not being maintained below PAR levels, or reviewed prior to ordering.

**Recommendation:** That FDVA establish policies and procedures for calculating and reviewing inventory PAR levels.

**Finding #4:** Purchase amounts for supplies were not being reconciled to accounting records.

**Recommendation:** That FDVA establish procedures to ensure that purchases recorded for the medical supplies inventory are complete and accurate and to ensure an audit trail exists between inventory records and source documents.

**Finding #5:** Inventory gains and losses were not being tracked and adjusted.

**Recommendation:** That FDVA establish procedures for researching inventory gains and losses, and for approving inventory adjustments caused by inventory gains and losses.

**Finding #6:** Cost vs. Benefit of tracking supplies less than \$1.00.

**Recommendation:** That FDVA review inventory item(s) issued to residents to determine the cost effectiveness of tracking item(s) with insignificant values.

**Finding #8:** Lack of accountability regarding the accuracy of inventory records.

**Recommendation:** That FDVA include inventory accuracy rates at 95 percent or higher in the performance goals of FDVA Storekeepers, and identify personnel that will be responsible for counting inventories. Also, establish inventory count accuracy rates of 95 percent or higher in the performance goals of personnel responsible for counting inventories.

**Status:** Closed



## IA 1401: Employee Compensation Follow-Up

**Objective:** Follow up to a prior audit to identify sufficient justification(s) for salary increases in accordance with FDVA Standards Operating Procedures #DA-HR – 1301, Employee Salaries at Hire, Promotion, and Merit Increase.

**Finding #1:** There was insufficient documentation to support salary increases.

**Recommendation:** That FDVA provides training to supervisors and managers regarding the salary increase processes, from initiation to final approval. The training will educate supervisors and managers as well as create a control-conscious environment.

**Finding #2:** There were inadequate internal controls for the approval process.

**Recommendations:**

- Implement internal controls related to reviewing salary increase transactions. The procedures should emphasize that the approver has reviewed the transaction. In addition, the approver should indicate the transaction is appropriate, accurate, and complies with applicable laws, regulations, policies, and procedures.
- Implement internal controls related to segregation of duties to ensure the person initiating a transaction is not the same person who approves the transaction.
- Include the department's specific approval levels in Standards Operating Procedures #DA-HR – 1301, Employee Salaries at Hire, Promotion, and Merit Increase.

**Status:** Closed

## IA 1403: Time and Attendance Follow-Up

**Objective:** To verify that PeopleFirst entries were supported by time clock records and to ensure that overtime was approved in advance.

**Finding #1:** PeopleFirst entries were not reconciled to Web Clock records.

**Recommendations:**

- Provide training to the staff on how to clock in and out for all shifts and meal breaks and the procedures for Web Clock corrections/adjustments.
- Provided training to the staff on how to reconcile PeopleFirst data to Web Clock data and to resolve any discrepancies in a timely manner.
- Provide training to the staff on how to enter the work schedules (approved by the Director of Nursing) in PeopleFirst that reflects the employees' scheduled worked hours.

**Finding #2:** Employees were overpaid (hours not worked) and/or underpaid (unauthorized overtime).

**Recommendations:**

- Provide training to the employees on how to obtain supervisor approval for overtime.
- Provide training to the supervisors on the administration of approving and/or rejecting timesheets. (i.e. communicate to the employee to resubmit the revised timesheets.)
- Remove supervisors/managers' ability to edit time sheets in People First and assign edit responsibility to a primary and an alternate employee with no approval duties.

**Status:** Closed

## IA 1405: Donation Trust Fund

**Objective:** To assess the effectiveness of the administration of the Donation Trust Fund, the adequacy of related internal controls, and the appropriateness of Donation Trust Fund reporting.

**Finding #1:** Inefficient administration of the Donation Trust Fund.

**Recommendations:**

- The state veterans' nursing homes, in collaboration with the Homes Program, develop specific guidance and detailed instructions for the standard format of receipts. (i.e. pre-numbering and adding additional fields for clarity.)
- The state veterans' nursing homes, in collaboration with the Homes Program, educate the employees on all Donation Trust Fund policies with adequate guidance on employees' roles and responsibilities of administering the funds.
- The state veterans' nursing homes, in collaboration with the Homes Program, develop a comprehensive database to better organize records and dispositions of donated funds in order to improve Donation Trust Fund monitoring.
- The state veterans' nursing homes, in collaboration with the Homes Program and Fiscal section, facilitate the sharing of information to ensure consistency between rules and processes contained in the Standard Operating Procedures related to Donation Trust Fund.

**Finding #2:** Weaknesses in internal controls related to the deposit of donated funds.

**Recommendations:**

- The state veterans' nursing homes, in collaboration with the Homes Program and the Fiscal section, consider requiring that all moneys received be deposited within three business days of initial collection.
- The state veterans' nursing homes, in collaboration with the Home Program and Fiscal section, develop a reconciliation process for donations, from receiving to depositing, including a chain of custody form for monetary donations.
- As part of a comprehensive database to track donations, include a component for gift cards tracking.

**Finding #3:** Cash donations were not deposited into the Donation Trust Fund bank account.

**Recommendation:** That FDVA ensure all moneys received are deposited into the Grants and Donations Trust Fund.

**Finding #4:** A Disposition plan for restricted donations was not established.

**Recommendation:** Those FDVA state veterans' nursing homes, in collaboration with the Homes Program and the Fiscal section, develop a comprehensive database to better organize records of restricted donations, dispositions, and to improve Donation Trust Fund monitoring.

**Finding #5:** Regular financial reporting of the Donation Trust Fund was not in place.

**Recommendation:** That FDVA state veterans' nursing homes, in collaboration with the Homes Program and the Fiscal section develop monthly financial reports to include all funds administered, and to include guidance on report timeliness, report preparations, and review process.

**Status:** Closed

## IA 1406: Time and Attendance Follow-Up, Part 2

**Objective:** To determine if People First entries were supported by the time clocks as a result of recent corrective actions taken by management and to ensure timesheets in People First were being approved.

**Finding #1:** Lack of clear policies and procedures regarding Time Records management.

**Recommendation:** That FDVA assemble a “tiger team” of handpicked personnel with particular skills and resources chosen and chartered by the Deputy Director to solve the current deficiencies. The “tiger team” will provide analysis of the best options available, implement the chosen remedies and establish performance metrics that will be approved by the Deputy Director.

**Status:** Closed

## IA 1408: FDVA Competitive Pay Adjustments

**Objective:** To determine the effectiveness of the implementation of the Competitive Pay Adjustments memorandum for 01 October 2013 salary increases, specifically eligibility, tracking, and processing.

**Finding #1:** The process of Competitive Pay Adjustment was inefficiently implemented.

**Recommendation:** The Human Resources department enforces and properly monitors the guidelines to ensure compliance with Competitive Pay Adjustment criteria.

**Finding #2:** There was no formal monitoring process of employee(s) who were eligible for a Competitive Pay Adjustment on or before the end of fiscal year 2014.

**Recommendations:**

- The Human Resources department increases the transparency of the administration processes of Competitive Pay Adjustments. These steps include but are not limited to:
- Document the process of any Competitive Pay Adjustments including conflicting documentation, and adjustments with no documentation.
- Develop a detailed Competitive Pay Adjustments manual that provides instructions for preparing and submitting the pay adjustment. The manual would serve as the administration authority in the absence of specific rules in the Payroll Preparation Manual.
- Review and correct pay adjustments to ensure the agency is not excluding specific groups of employees that may be qualified for the pay raise.
- Establish a review/audit process of all pay adjustments to ensure employees have sufficient documentation to support pay raises.

**Finding #3:** Inadequate records management practice.

**Recommendation:** The Human Resources department improves its current practice regarding written Records Management policies and procedures in order to control or govern what is considered important personnel records throughout its life cycle.

**Status:** Closed

## **Fiscal Year 2014 - 2015 Special Project**

### **IA-1503: Employee Survey**

The survey measured employees' perceptions of whether, and to what extent, conditions that characterize successful organizations were present in the FDVA. The purpose of this survey was to assess changes since the 2012.

The sixty-three (63) item survey included four (4) demographic questions and fifty-nine (59) items that measured FDVA employees' perceptions about how effectively FDVA managed their workforce. The sixty-three (63) items in the questionnaire were grouped into seven (7) topic areas: (1) Work Experiences, (2) Work Unit, (3) Agency, (4) Supervisor/Team Leader, (5) Leadership, (6) Satisfaction and (7) Demographics. The survey was anonymous and participation was voluntary. FDVA had 1,104 employees as of December 2014 and 514 employees took the opportunity to respond for a 47 percent response rate. The results from the survey indicated that five indices (Leadership and Knowledge Management, Results-Oriented Performance Culture, Talent Management, Job Satisfaction, and Global Satisfaction) have declined since 2012. The items that have increased dealt with Job Satisfaction, specifically that employees enjoy their work and feel the work they do is important. The items where employee perceptions have decreased dealt with Results-Oriented Performance Culture, specifically employees' disagreement that pay raises depended on how well employees performed their jobs. Although managers were limited in their ability to provide financial rewards to employees, they were able to ensure that the employees knew their work related to the agency's goals.

## **Fiscal Year 2014 - 2015 External Audit Liaison Activities**

In accordance with 20.055(1), Florida Statutes, the FDVA, OIG served as liaison to:

- The Auditor General on an FDVA Quality Assessment Review, Report Number, 2015-049, issued on November 2014.
- The Department of Financial Services on a Contract Management audit issued on August 2014.
- The Department of Financial Services on a Payroll and Related Processes audit issued on April 2015.
- Auditor General Operational Audit 2015. This audit report will be issued during FY2015-2016.

## **Fiscal Year 2015 – 2016 Audit Plan**

Section 20.055(5) (h), Florida Statutes, requires that annual and long-term audit plans be developed based on the findings of periodic risk assessments. This ensures that the OIG is responsive to management concerns and that those activities with the greatest risks are identified and scheduled for review. The top priorities for audits have been identified based on the results of a risk assessment and are included in the audit plan. The Executive Director approved the audit plan for Fiscal Year 2015 – 2016 on 20 August 2015. Planned audits include:

### **Contract Management – Physical Therapy**

FDVA contracts with Heritage Healthcare to provide physical, occupational, and speech therapy related services. The contract amount is approximately \$13 million. The audit will evaluate the effectiveness of contract activities including contract monitoring, reporting, certify that all services were rendered and invoices were correct, and other contract related duties. This will be follow-up from the Department of Financial Services Contract Management audit.

### **Donation Trust Fund**

The State Veterans' Homes and Domiciliary may receive and accept gifts, grants, and endowments in the name of the Homes and Domiciliary. The Administrator and the Director determine how the donations best benefit the Homes, Domiciliary, and its residents unless the benefactor requests or instructs usage for a specific purpose. The audit will continue to evaluate overall internal controls of the process for accepting, distributing, and the accounting of donations.

### **Information Technology General Controls – Backup and Disaster Recovery Review**

FDVA uses IT and data in its operations that have a need for a backup and recovery plan. The plan should enable the agency to recover lost data and to recover computer operations from a loss of data. At the low end of need, the agency may experience a data loss and simply need to restore a backup of data. At the high end of need, the agency may experience loss of computer operations. The audit will evaluate measures implemented to prevent and minimize potential damage and interruption.

### **Pharmacy**

FDVA has an agreement with the Department of Veterans Affairs (VA) whereby the VA provides FDVA with medications, related supplies, and pharmaceutical services. Medications and supplies ordered by the VA for the residents are delivered to the Homes' pharmacy. There are no charges for medications for veteran residents who have coverage under 38 CFR 17.96. FDVA reimburses VA for the cost of medications purchased for the residents who are not covered under 38 CFR 17.96. The audit will assess the effectiveness of FDVA's effort to manage pharmaceutical costs.

### **Resident Trust Fund**

Given the vulnerability of the residents in FDVA Homes and Domiciliary, it is important that those residents have adequate assurance of proper accountability of their funds collected and managed by the Homes and Domiciliary. The audit will continue to evaluate overall internal controls on the processes for accepting, distributing, and accounting of the Resident Trust Funds.

### **Supply Management**

FDVA maintains medical supplies at each nursing home and uses the Care Tracker software application to manage the inventory. It is a resource bar code inventory management system. Managing the acquisition, storage and distribution of inventory is critical to controlling cost, operational efficiency and mission readiness. The value of medical supplies is approximately \$1 million. The audit will be a follow-up of Supply Management audit (IA 1203), to evaluate the effectiveness of supply management.

## Summary of Investigative Activities

### Investigations

Investigations are initiated to deter, prevent and eradicate fraud, waste, mismanagement, misconduct, and other abuses. The FDVA Office of the Inspector General (OIG) intakes inquiries, complaints, and referrals in many forms including email, telephone, letter, walk-in, the Chief Inspector General's Office, and other Federal, State, and City agencies. The OIG evaluates the provided information and makes a determination to initiate an investigation, or opt for an alternate form of resolution described as follows:

- **Inspector General Investigation:** When the information received indicates that an FDVA employee or contractor may have violated FDVA policies; or has potentially committed a violation of law.
- **Referral to Management:** When the information received indicates some type of misconduct, malfeasance, misfeasance or conflict on the part of, or between, FDVA employees or contractors where an initial determination has been made that a violation of FDVA policies was not committed and an Inspector General investigation is not warranted. The OIG may assist in the resolution if necessary.
- **Referral to Another Agency:** When the information received regards an agency other than the FDVA, the OIG refers the information to that agency OIG.
- **External Assistance or Monitor:** When another agency is conducting an investigation into activities affecting the FDVA, or its employees or residents and requests assistance from the FDVA OIG to facilitate their investigation; or when the FDVA OIG requests assistance from another agency (including law enforcement) regarding activities affecting the FDVA, its employees or residents.
- **No Action:** When the OIG is able to come to a resolution with a complainant, or satisfactorily solve a particular issue without any further action.

### *Fiscal Year 2014 – 2015 Investigations*

#### 05-2014-002

An allegation was received from an employee that she was retaliated against when she filed a complaint against her supervisor. The allegation was investigated and disproved.

#### 08-2014-008

A complainant alleged possible anomalies in the Human Resources hiring practices, pay discrepancies, and merit increases for employees. The allegation was investigated and no evidence indicated inappropriate hiring practices.

**07-2014-002**

A complainant alleged retaliation from their supervisor when the employee ceased to perform outside work related tasks. The allegation was investigated and unsubstantiated.

**07-2014-004**

A complaint was referred to FDVA from the Office of the Governor's Office of the Chief Inspector General alleging that a supervisor did not allow the employee to rescind their resignation. This complaint was referred to management who contacted the complainant and the issue was resolved to the complainant's satisfaction.

**09-2014-003**

An employee complained on pay discrepancy between LPN's and Repair Maintenance personnel. The complaint was referred to management.

**06-2014-002**

An employee complained of sexual harassment from a co-worker. The allegation was substantiated and management took corrective action.

**06-2014-003**

An employee complained that Human Resources personnel exhibited discourteous and disrespectful behavior. The allegation was substantiated and management took corrective action.

**08-2014-001**

The complainant alleged that their evaluation did not contain a justification. The allegation was disproved.



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