

Audit Highlights



Highlights of Legislative Auditor report on the Office of Veterans' Services issued on October 17, 2011. Report # LA12-03.

Background

The Nevada Office of Veterans' Services (NOVS) was established in 1943 to serve as an advocate for veterans. NOVS is responsible for operating a state veterans' nursing home; supervising the operations and maintenance of two state veterans' cemeteries; assisting veterans and their families in obtaining available federal benefits, services, and compensation to which they are entitled; and obtaining and disseminating information to the veterans of Nevada.

NOVS has offices in Las Vegas, Reno, Elko, and Fallon and cemeteries located in Fernley and Boulder City. Additionally, the Nevada State Veterans' Home, a 180 bed skilled nursing care facility, is located in Boulder City. As of August 2010, NOVS had a total of 231 positions with 186 located at the Veterans' Home. NOVS is funded from a variety of sources including, Medicaid, private pay residents, Veterans' Affairs State Home Per Diem Program, General Fund appropriations, license plate proceeds, federal burial reimbursements, Medicare, and gifts. Expenditures were just over \$18 million for fiscal year 2010 with the majority (over \$15 million) at the Veterans' Home.

Purpose of Audit

The purpose of this audit was to determine whether internal controls at the Veterans' Home ensure that Medicaid, Medicare, Veterans' Affairs, and residents are billed timely and accurately, and revenues are collected. In addition, we determined whether the Veterans' Home has adequate controls over the resident trust fund. This audit included a review of the revenues and resident trust fund activities for calendar year 2010, and activities through February 2011 for certain areas.

Audit Recommendations

This audit report includes eight recommendations. Six recommendations were made to improve controls over billing and collecting revenues at the Veterans' Home. Two recommendations were designed to strengthen oversight of the resident trust fund. The Office accepted the eight recommendations.

Recommendation Status

The Office of Veterans' Services's 60-day plan for corrective action is due on January 18, 2012. In addition, the six-month report on the status of audit recommendations is due on July 18, 2012.

Office of Veterans' Services

Summary

The Nevada State Veterans' Home does not have adequate controls to ensure revenues are billed timely or accurately, and that outstanding balances are collected. During our audit, the Veterans' Home did not bill for more than \$600,000 in services timely. Although the delay should not impact the amount of Medicaid and Medicare reimbursements eventually received, it is likely that some losses will occur from private pay residents that were not billed for several months. In addition, accounts receivable balances have not been adequately monitored, and staff have not followed the state's policies for collecting and reporting accounts receivable. Most billing and collection problems stem from a lack of policies and procedures. During our audit, new fiscal staff were taking steps to develop policies and procedures and to improve the accuracy and monitoring of accounts receivable.

The Veterans' Home lacks adequate controls to ensure resident trust funds are properly safeguarded. Monthly bank reconciliations of the trust account were not completed for extended periods of time. In addition, duties have not been adequately segregated to help protect the \$181,000 average monthly balance in the resident trust fund.

Key Findings

The Veterans' Home did not always bill revenues timely or accurately. We identified billing problems from each of the four major revenue billing sources. For example, during our audit Veterans' Home staff identified \$285,000 in previously missed Medicaid reimbursements from prior months. In addition, staff did not bill Medicare for a 6-month period. We estimate that \$240,000 had not been billed; however, staff have approximately 1 year to request reimbursements from Medicare. Further, three private pay residents were not billed timely, including one resident that was not billed for 10 consecutive months of care. When a bill was finally sent, it had a balance of nearly \$53,000. For each of these revenue sources, accounting staff did not have adequate policies and procedures to guide billing activities. Policies and procedures are important because turnover occurred in key accounting positions and new staff did not have adequate guidance. (page 6)

The Veterans' Home did not maintain accurate accounts receivable reports. Therefore, residents with large receivable balances were not always monitored to ensure payment of outstanding debt. Although a new software program was implemented in 2009, staff have been unable to use the program to generate an accurate accounts receivable aging report. Our review of 16 residents with outstanding balances greater than \$10,000 found that only 1 had an individual statement balance matching the accounts receivable aging report balance. For example, one resident had an aging report balance of \$23,116 and a statement balance of \$12,114 for the same day. According to management, additional software training is needed for staff, and they are working with the software vendor to ensure the program performs as specified in the contract. (page 8)

The Veterans' Home has not actively pursued the collection of delinquent accounts for private pay residents. Delinquent accounts have not been turned over to the State Controller's Office for collection after 60 days as required by state law. As of December 2010, the Veterans' Home accounts receivable aging report showed over \$230,000 in outstanding debt between 1 and 2 years old. However, because the aging report contains inaccurate information, staff were unsure which debts and exact amounts that should be pursued for collection. (page 9)

Monthly bank reconciliations of the resident trust fund were not completed during fiscal year 2010. In addition, reconciliations for July through November 2010 were not completed until January 2011 and included an unexplained overage of about \$2,400. The trust fund holds residents' money and serves as a bank for residents wishing to participate. The trust fund is used by residents to pay for monthly bills, clothing, haircuts, and other services and activities. Therefore, reconciliations are vital to help ensure residents' money is safeguarded and errors are detected and corrected timely. (page 13)

The Veterans' Home has not adequately segregated the duties of accounting staff to help safeguard the resident trust fund. Segregation of duties is needed so that one individual cannot control all aspects of a financial transaction. The resident trust fund included accounts for over 160 residents and had an average monthly balance of \$181,000 for calendar year 2010. Segregation of duties is important to help reduce the risk of error and fraud. (page 14)