

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
ARKANSAS DEPARTMENT OF VETERANS AFFAIRS
FOR THE YEAR ENDED JUNE 30, 2018**

Finding:

Procurement law allows for various methods of obtaining technical services, including emergency procurements with approval by the Department of Finance and Administration – Office of State Procurement (DFA-OSP). The Agency used two vendors to provide nursing and nursing assistant staffing, with total expenditures of \$1,146,725, without establishing contracts within the procurement requirements established in Title 19, Chapter 11, of Arkansas Code. A similar finding was issued in the prior report.

Recommendation:

We again recommend the Agency work with DFA-OSP to determine the procurement method most suited to the Agency's situation and adhere to regulations for the appropriate procurement method.

Agency Response:

The Agency concurs with this finding. Per OSP, the Agency has been utilizing the contract the Department of Human Services (DHS) had with staffing entities to obtain services. Long-term use of DHS' contract does not fulfill the need of ADVA Veterans' Homes; therefore, in FY 2020, ADVA will be issuing a procurement action to obtain contracts tailored to meet the needs of ADVA Residents and the Office of Long-Term Care (OLTC) and VA guidelines.

Finding:

A properly established system of internal controls requires management approval before processing payments. Agency accounting staff processed disbursements for nursing and nursing assistant staffing before approval for services rendered was received from management of the North Little Rock Veterans Home and held the resulting warrants until receiving approval. Processing disbursements before receiving proper approval could allow for misappropriation of funds and overpayment for services.

Recommendation:

We recommend management establish policies requiring appropriate approval before the processing of disbursements.

Agency Response:

The Agency concurs with this finding. Multiple staffing changes occurred at the North Little Rock Veterans' Home, leading to extremely long approval times for invoices for staffing services. To prevent loss of these services, required to meet OLTC and VA requirements, Finance staff elected to have payments ready and in hand for the vendor as soon as invoice approval was received from Home. Warrants were delivered after approvals. New Management at the Home has established a point of contact for invoice reviews and approvals with appropriate deadline to ensure invoice approval is received prior to payment made to vendor. This has re-established internal controls for payment process as well as improved payment relationships with vendors and ensured continued services to meet staffing requirements.

Finding:

Financial Management Guide Regulation R4-19-4-501 requires daily deposits to the State Treasury and/or a commercial bank account; weekly deposits are allowable if an agency receives only minimal amounts of cash and/or checks. Of 75 rent receipts tested for the North Little Rock Veterans Home, 35 receipts, totaling \$70,102, were deposited more than 7 days from the date of receipt.

Recommendation:

We recommend the Agency implement internal controls to ensure that deposits are made in accordance with Financial Management Guide regulations.

Agency Response:

The Agency concurs with this finding. Staffing changes have been made at the North Little Rock Veterans Home that include a dedicated Business Office Manager that has been given instruction to ensure weekly deposit of cash or checks received at the Home. Dual roles in central office provide checks and balance to ensure deposits are made timely and recorded in both PointClick Care and AASIS.

Finding:

A properly established system of internal controls requires prompt filing of reimbursement claims for services rendered. The North Little Rock Veterans Home received VA approval on October 12, 2017, allowing retroactive recognition to August 3, 2017. Management did not apply for a VA facility identification number upon receipt of the approval and could not provide documentation of timely application for the identification number; therefore, the Agency did not receive it until January 2018. Review of claims made for resident room and board reimbursements revealed that claims for August through November 2017 were submitted in January 2018, with December claims submitted in February 2018. Claims not timely submitted to either the VA or Medicaid totaled \$1,475,871. Late submission has created cash flow difficulties as well as requests for additional funding and potentially avoidable intra fund transfers.

Recommendation:

We recommend the Agency implement internal controls ensuring that reimbursement claims are submitted to the VA and Medicaid timely.

Agency Response:

The Agency non concurs with this finding. The start-up process for the North Little Rock Veterans Home related to Medicaid, Medicare, and Veterans' Administration Reimbursement billing had issues that took time to work through. Subsequent billing actions to retroactively bill for services rendered were done and completed by February 2018. Central Office Support Staff and the NLR Home Business Office Manager (BOM) have worked very closely to continue processing billings in a timely manner for all funding sources. Central Office staff sends out reminders to the and the BOM responses indicating status of process to ensure prompt completion.

Finding:

Financial Management Guide Regulation R4-19-4-2004 requires state agencies to promptly record receivables and related receipts and collect all receivables in a cost-effective manner. A sample of veterans home resident receivables totaling \$204,536 at June 30, 2018, revealed that \$138,543 (68%) had not been collected as of April 30, 2019, as a results of ongoing issues with procedures followed by staff. Additionally, six accounts totaling \$47,993 were related to Fayetteville Veterans Home residents discharged or deceased more than one year ago.

Recommendation:

We recommend the Agency review all receivable accounts for collectability and seek monies due for services provided.

Agency Response:

The Agency concurs with this finding. During FY 2019, Agency staff worked to perform a reconciliation of Residents' account receivables. During this reconciliation, various accounts were requested for abatement and/or adjustments due to subsequent actions with payer sources or with the resident, such as death. Ongoing activities to collect outstanding balances have continued, and future abatements will be requested per DFA Financial Management Guidelines to allow ADVA to accurately report and record account receivable balances.

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
(DEPARTMENT OF ENERGY AND ENVIRONMENT)
FOR THE YEAR ENDED JUNE 30, 2019**

Finding:

A properly designed and implemented control structure dictates that responsibilities over cash management be divided such that one individual does not have the authorization, custody, and records of a bank account.

The Agency had inadequate control over cash transactions; specifically, one employee signed checks and approved the monthly bank reconciliations. As a result, adequate controls were not in place to assure the safeguarding of the Agency's \$1.28 million of cash in bank.

Recommendation:

We recommend the Agency segregate the duties of issuing checks from the preparation and review of the bank reconciliations.

Agency Response:

The Arkansas Department of Environmental Quality (ADEQ) respectfully submits that it has adequately achieved the segregation of duties requested. Shortly after the 2019 audit recommendation, the two fiscal staff members with check issuing authorization, the Fiscal Division Manager and the Audit Coordinator, were removed from performing the reconciliation of the monthly bank statements, and that duty was reassigned to another fiscal staff member. Due to the then-limited structure of the ADEQ fiscal division, all fiscal employees reported to the Fiscal Division Manager. According to audit staff, this standard chain-of-command review of a subordinate's work voided the value of the segregation ADEQ had created. Consequently, ADEQ added strong protection of these funds through a dual-signature requirement. More importantly, a recent fiscal division hire in the role of Director of Compliance furthers the Department's fiscal controls and resolves any perceived problem. The Director of Compliance supervises the Fiscal Division Manager, does not have the authority to issue checks, and independently oversees the work of the staff member who performs the monthly bank reconciliations.