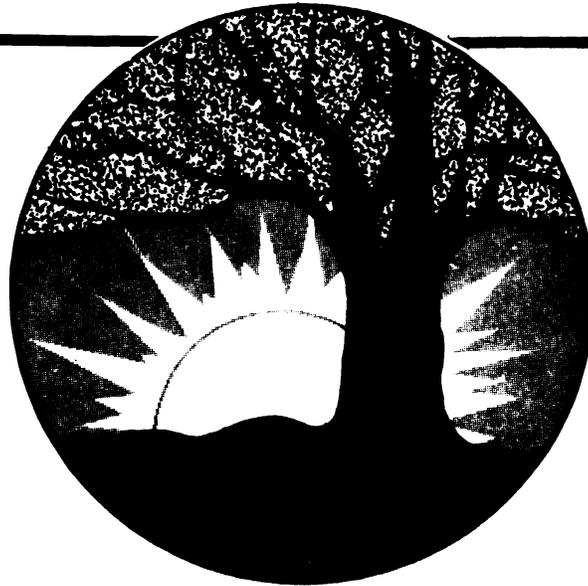


# PERFORMANCE AUDIT

Tennessee State Veterans Homes Board  
March 2009



Justin P. Wilson  
Comptroller of the Treasury



State of Tennessee  
Comptroller of the Treasury  
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March 19, 2009

The Honorable Ron Ramsey  
Speaker of the Senate  
The Honorable Kent Williams  
Speaker of the House of Representatives  
The Honorable Jack Johnson, Chair  
Senate Committee on Government Operations  
The Honorable Susan M. Lynn, Chair  
House Committee on Government Operations  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Tennessee State Veterans Homes Board. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the board should be continued, restructured, or terminated.

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director, Division of State Audit

AAH/dlj  
08-086

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit  
**Tennessee State Veterans Homes Board**  
March 2009

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## AUDIT OBJECTIVES

The objectives of the audit were to study the efficiency and effectiveness of the governing and managerial structure of the Home Office and board; to determine administrative and clinical supervisor turnover at the facilities and its impact on operations; to determine the adequacy of the Quality Assurance process at the Knox County veterans' home; to review the cost-effectiveness of using temporary agency personnel and outsourcing therapy and other services; to review the adequacy of facility disaster/emergency plans; and to review the appropriateness of the search process for an Executive Director.

## FINDINGS

### **The Tennessee State Veterans Homes Board Lacks a True Internal Audit Function**

In the last few years, the board has established several new finance and quality of care positions to improve operations at the veterans' homes. However, despite the addition of multiple positions with internal audit-like functions, no comprehensive, coordinated, and independent internal audit program has been established (page 5).

### **Facility Disaster Plans Need to Be Revised to Include Important Industry-Recommended Provisions and to Reflect Adequate Communication With Local Emergency Management Officials**

All three nursing home facilities operated by the Tennessee State Veterans Homes Board have disaster plans that are technically in compliance with federal regulations, as assessed by the Tennessee Board for Licensing Health Care Facilities and the U.S. Department of Veterans Affairs. However, according to the U.S.

Department of Health and Human Services, recent real-life tests of nursing homes in disaster situations have shown federal regulations to be inadequate. An August 2006 report from the U.S. Department of Health and Human Services lists 25 suggested provisions for nursing home disaster planning. Additionally, the Centers for Medicare and Medicaid Services publish an Emergency Preparedness Checklist as a tool for health care facility planning (page 9).

### **The Lack of a System-wide Human Resources Approach and Formal, Documented Analysis of the Causes of High Staff Turnover, Not Only in Direct Care Positions but Also in Supervisory Clinical and Administrative Positions, Jeopardizes the Efficient and Effective Financial and Clinical Operations of the Three Veterans' Homes and Ultimately the Quality of Patient Care**

Neither the Murfreesboro nor Knoxville veterans' homes conducts formal documented analyses to determine the causes for turnover

and to assist in coming up with ways to increase employee retention. Without such analyses of the many factors that affect turnover by all three veterans' homes and subsequent analysis, coordination, and action from the Tennessee State Veterans Homes Board's Home Office, consistent quality of care for patients and effective and efficient financial and clinical operations for the board system will be difficult to maintain (page 14).

**The Tennessee State Veterans Homes Board Violated the Open Meetings Act Three Times During 2006 and 2007 by Going Into Executive Session**

The board violated the Open Meetings Act on January 26, 2006; on February 23, 2006; and on May 14, 2007, when the board went into executive session to discuss a personnel matter and at least two unknown subjects (page 19).

**Although It Resulted in the Services of a Well-Qualified Interim Executive Director to Lead the State's Veterans' Homes, the Board's Two-Year Uncompleted Search for a Permanent Executive Director Appears Poorly Executed and Gives the Appearance of Preferential Treatment**

In August 2006, the Executive Director of the Tennessee State Veterans Homes Board resigned. The board chose a well-qualified interim Executive Director (although there is no

record of such a vote) and established a Personnel Committee to organize and conduct the search for a new Executive Director. However, the search for a permanent Executive Director appears poorly executed and gives the appearance of preferential treatment, as the board rejected all finalists; chose to allow the interim Executive Director, who had been serving on the search committee, to remain in the position; and as of May 2008 had taken no further action to find a permanent Executive Director (page 20).

**The Tennessee State Veterans Homes Board Is Not Taking Sufficient Actions to Ensure the Residents and Their Families Understand the Requirements of Title VI and Is Not Monitoring Its Subcontractors for Compliance With Title VI**

The veterans' homes could not provide evidence that when they admit persons to a state veterans' home they provide the new residents and their families with information regarding their rights under Title VI or the process for filing a grievance. In addition, the board does not conduct the required Title VI compliance reviews on contractors providing services to residents of the homes on behalf of the board, e.g., facility medical directors, temporary nursing staff, therapy services, dental services, psychological services, and x-ray services (page 22).

**OBSERVATIONS AND COMMENTS**

The audit also discusses the following issues: recommended structural reorganization to facilitate coordination and communication across the board's system of homes; recommended improvements to the resident grievance policy; additional information needed on the website; bylaw updates following statutory changes; and the results of additional audit work (page 25).

# Performance Audit Tennessee State Veterans Homes Board

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# **Performance Audit Tennessee State Veterans Homes Board**

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## **INTRODUCTION**

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### **PURPOSE AND AUTHORITY FOR THE AUDIT**

This performance audit of the Tennessee State Veterans Homes Board was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-230, the board is scheduled to terminate June 30, 2009. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the board and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the board should be continued, restructured, or terminated.

### **OBJECTIVES OF THE AUDIT**

The objectives of the audit were

1. to study the efficiency and effectiveness of the governing and managerial structure of the Home Office and board;
2. to determine administrative and clinical supervisor turnover at the facilities and its impact on operations;
3. to determine the adequacy of the Quality Assurance process at the Knox County veterans' home;
4. to review the cost-effectiveness of using temporary agency personnel and outsourcing therapy and other services;
5. to review the adequacy of facility disaster/emergency plans;
6. to review the appropriateness of the search process for an Executive Director; and
7. to determine compliance with Title VI of the Civil Rights Act of 1964.

### **SCOPE AND METHODOLOGY OF THE AUDIT**

The activities of the Tennessee State Veterans Homes Board were reviewed for the period June 2004 to September 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

provides a reasonable basis for our findings and conclusions based on our audit objectives. Methods used included

1. review of applicable legislation and policies and procedures;
2. review of industry information;
3. examination of the entity's records, reports, and information summaries;
4. interviews with Home Office and facilities' staff;
5. interviews with the staff of other Tennessee agencies that interact with the agency; and
6. interviews with other states' veterans' homes organizations.

Tennessee statutes entrust other responsibilities, in addition to audit responsibilities, to the Comptroller of the Treasury. Various offices within the Comptroller's office review and approve the board's annual plans of operation, manage the veterans' homes' underlying debt, and provide general assistance regarding legislation and management issues. The Department of Audit is not, however, involved with any of these activities. *Government Auditing Standards* specifically permit both the performance of audits and the performance of these other duties when required by state statute. The condition did not affect our audit conclusions.

## **HISTORY AND STATUTORY RESPONSIBILITIES**

The Tennessee State Veterans Homes Board was created by Chapter 899 of the 1988 Public Acts, codified as Section 58-7-101 et seq., *Tennessee Code Annotated*. The purpose of the board is to provide support and care for veterans honorably discharged from the U.S. armed forces by establishing veterans' nursing homes in the state. The board has the authority to determine the locations of state veterans' homes, employ an executive director and necessary staff, incur expenses, adopt written policies and procedures, establish rates for patient care, make contracts to buy and sell property, borrow money, and issue bonds. The board opened a 120-bed nursing home for veterans in Murfreesboro (Rutherford County) in June 1991; an additional 20-bed unit was opened in December 2006. A second home with 120 beds opened in Humboldt (Gibson County) in February 1996; an additional 20-bed unit was opened in December 2006. In January 2007, a 140-bed home opened outside Knoxville (Knox County).

Prior to changes made during the 2008 legislative session, the board consisted of ten members: the Commissioner of the Tennessee Department of Veterans Affairs, who serves *ex officio* as a voting member; and nine individuals, three from each grand division of the state, appointed by the Governor from nationally chartered veterans' service organizations active in Tennessee. The appointments are subject to review by the General Assembly's Joint Select Committee on Veterans' Affairs. Each board member must be a citizen of the state and an honorably discharged veteran of the United States armed forces. In May 2008, the General Assembly amended statute to include three additional board members (the Commissioner of Finance and Administration, a nursing home administrator experienced in the financial operations of nursing homes, and a member with clinical experience in nursing homes); to

establish an Executive Committee comprised of the Commissioner of Finance and Administration, the chair of the State Veterans Homes Board, and a board member chosen by the board with nursing home administrator or clinical experience; and to establish that the Executive Committee rather than the board as a whole is responsible for the oversight of the day-to-day management and operation of the state veterans' homes. (See organization chart on page 4.)

**REVENUES AND NET GAIN/LOSS**

**Anticipated Revenues by Source  
For the Fiscal Year Ending June 30, 2008**

<b>Source</b>	<b>Amount</b>	<b>% of Total</b>
VA Per Diem – Murfreesboro	\$2,081,114	18.0%
Construction Grants – Murfreesboro	\$785,217	6.8%
VA Per Diem – Humboldt	\$2,809,485	24.3%
Construction Grants – Humboldt	\$25,726	0.2%
VA Per Diem – Knox County	\$2,665,434	23.0%
Construction Grants – Knox County	\$14,126	0.1%
State	\$3,200,000	27.6%
<b>Total Revenue</b>	<b>\$11,581,102</b>	<b>100.0%</b>

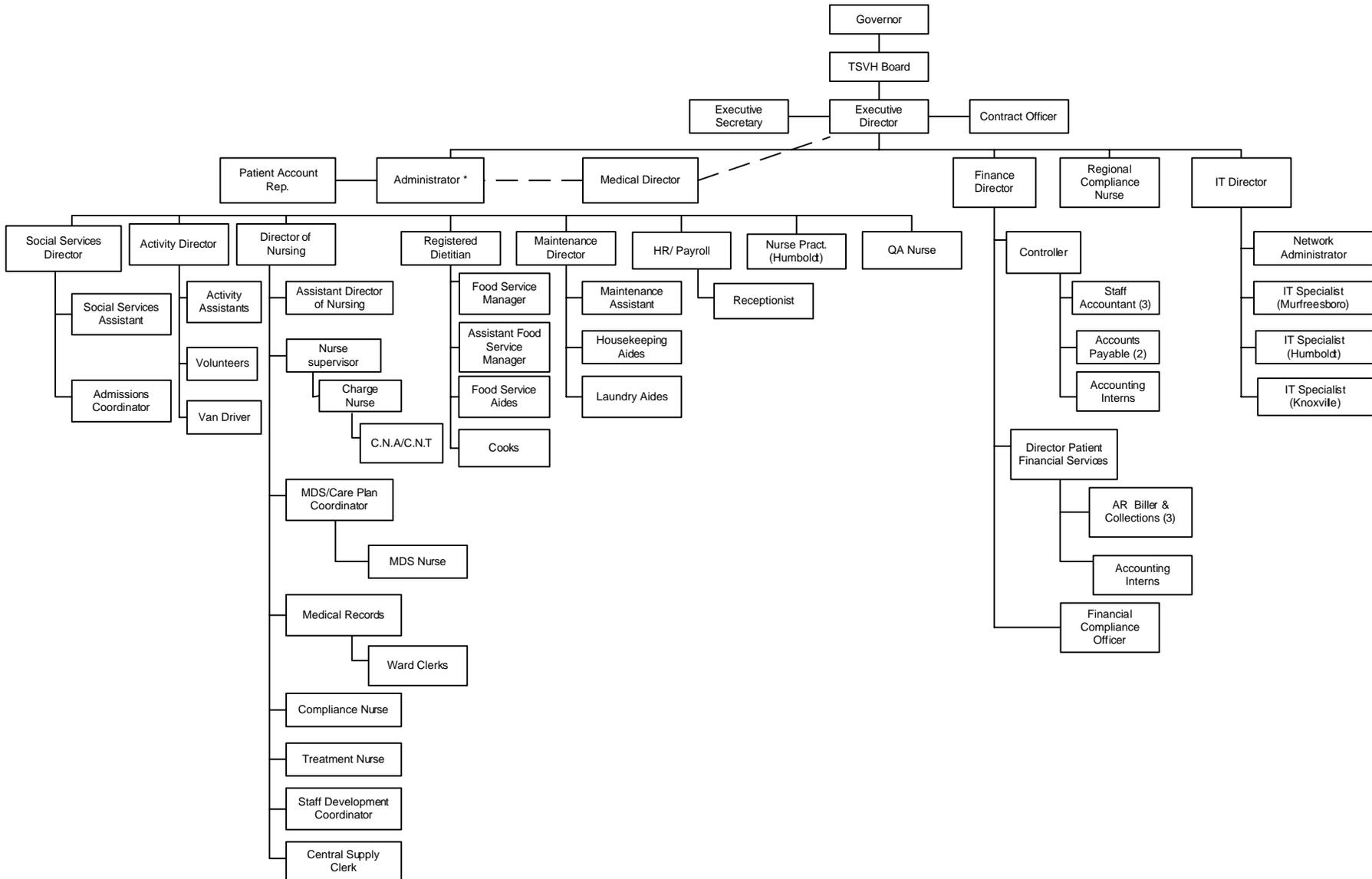
VA – U.S. Department of Veterans Affairs.

**Net Gain/Loss From Operations  
TSVHB Statement of Activities  
For the Fiscal Year Ending June 30, 2007**

	<b>Executive Office</b>	<b>Murfreesboro</b>	<b>Humboldt</b>	<b>Knox County</b>	<b>Totals</b>
Total Operating Revenue	\$0	\$9,950,452.90	\$ 8,826,732.42	\$1,538,767.66	<b>\$20,315,952.98</b>
Bad Debt Adjustment	\$0	(\$686,036.47)	(\$40,291.30)	\$0	<b>(\$726,327.77)</b>
Total Operating Expenses	(\$1,125,180.95)	(\$8,457,530.88)	(\$7,867,920.16)	(\$2,471,249.38)	<b>(\$19,921,881.37)</b>
Interfund Transfers	\$1,098,311.26	(\$500,418.20)	(\$471,506.67)	(\$126,386.39)	
<b>Net Gain/Loss From Operations</b>	<b>\$(26,869.69)</b>	<b>\$306,467.35</b>	<b>\$447,014.29</b>	<b>\$(1,058,868.11)</b>	<b>\$(332,256.16)</b>

# TENNESSEE STATE VETERANS HOMESBOARD AS OF JULY 1, 2007

## ORGANIZATIONAL CHART



\* Slight variations to this organizational chart exist at each veterans' home.

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## FINDINGS AND RECOMMENDATIONS

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### 1. The Tennessee State Veterans Homes Board lacks a true internal audit function

#### Finding

In the last few years, the Tennessee State Veterans Homes Board has established several new finance and quality of care positions to improve operations at the veterans' homes. In August 2006, in response to years of financial audits with multiple repeat findings, the Home Office of the Tennessee State Veterans Homes Board hired a Controller to work in the Finance Office. A year later, in August 2007, the Home Office hired a Financial Compliance Officer to perform activities in relation to the financial operations of the Home Office and the three veterans' homes that are, in our opinion, similar to internal audit functions. On the clinical side, in March 2007, in response to several years of critical federal and state quality of care audits, the board approved the creation of Quality Assurance Nurses and Compliance Nurses within each of the veterans' homes. In February 2008, the Home Office hired a Regional Compliance Nurse to perform an audit-like (in our opinion), quality assurance role for all three veterans' homes from outside the facility organization. However, despite the addition of multiple positions with internal audit-like functions, no comprehensive, coordinated, and independent internal audit program has been established.

#### Financial Compliance Officer

According to the official job description, the main responsibilities of the Financial Compliance Officer (FCO) are to

- work with management to ensure a system is in place which provides assurance that all major risks are identified and analyzed on an annual and ongoing basis;
- make recommendations on the systems and procedures being reviewed, report on the findings and recommendations, and monitor management's response and implementation;
- review transactions and systems for compliance with policies, procedures, statute, contract terms and conditions, or other criteria to determine if executed in compliance with management's authorization and if recorded properly;
- recommend changes in policies or procedures to increase efficiency of operations or to improve safeguards over board assets;
- conduct reviews and tasks requested by board members, the Audit Committee, Chief Executive, or Finance Director;
- provide both management and the Audit Committee with an opinion on the internal controls of the agency;
- prepare comprehensive written reports;

- provide assistance to external auditors as requested; and
- assist as required with daily operations of the Finance Department.

However, the FCO has no structural and organizational independence from the financial operations of the Tennessee State Veterans Homes Board. The FCO reports to the Finance Director, who reports to the Executive Director, who reports to the board. There is no formal structure established where the FCO independently determines what is to be audited and then reports the results directly to the board's Audit Committee. In fact, the Personnel Committee and full board considered and unanimously rejected having the FCO report directly to the board.

There is no formal audit plan prepared at the beginning of each fiscal year, and the Controller and Finance Director dictate the audit issues. In addition, the FCO spends approximately 50% of his time assisting with the daily operations of the Finance Department and not performing audit duties. There is also no coordination with the Regional Compliance Nurse to ensure that all Home Office and nursing home operations are reviewed and audited.

### Regional Compliance Nurse

The primary purpose of the Regional Compliance Nurse (RCN) is to consult with nursing and administrative staff of the three homes to develop quality nursing standards and practices and to monitor for compliance with state and federal regulations. The job duties are to

- conduct inspections of nursing facilities to ensure standards for licensure are maintained;
- review medical and other pertinent records to ascertain compliance with state and federal recordkeeping mandates;
- monitor practices to determine compliance with healthcare standards;
- assist facility staff with developing policies, procedures, and quality assurance standards;
- conduct audits of all nursing practices with focus on areas receiving deficiencies in past surveys;
- report noncompliance or substandard practices to the Director of Nursing, Administrator, and Executive Director in a written format clearly stating findings, analysis of cause, and suggested plans of correction;
- assist the Director of Nursing with developing and presenting in-service training to staff on compliance procedures;
- review complaints and grievances and make written reports of actions taken; and
- ensure that nursing services are provided to all residents equally and without regard to race, color, creed, national origin, or payer source.

The RCN has some organizational independence from home administrators and other Home Office staff as that position reports directly to the Executive Director. However, as with the FCO, there is no formal requirement to report directly to the Audit Committee. In addition, there is no formal communication process between the FCO and the RCN to coordinate an annual audit plan to ensure all aspects of the Home Office and veterans' homes are covered.

#### Quality Assurance Nurses and Compliance Nurses

Each veteran's home employs both a Quality Assessment (QA) Nurse, who heads the Quality Assurance Committee for the home, and a Compliance Nurse. Neither reports outside of the facility, to either the Home Office or the board. The QA Nurse is to provide an effective program to monitor the quality of care provided to residents in the facility. The QA Nurse and the committee review any and all issues (clinical and otherwise) regarding a facility and its treatment and care of residents. The Compliance Nurse is to consult with nursing and administrative staff to develop quality nursing standards and practices and monitor for compliance with state and federal regulations. The Compliance Nurse focuses on chart and paperwork audits to ensure staff are documenting actions and situations correctly. The QA Nurse, through the QA Committee, reports to the facility Administrator, who then passes general QA information to the board as part of the QA report. The Compliance Nurse reports to the Director of Nursing for each facility, but may have some communication with the Regional Compliance Nurse. However, there is no formal reporting or coordination between the Regional Compliance Nurse and the QA Nurse or each home's Compliance Nurse.

A review by Horne, LLP, (dated November 4, 2005, and initiated through contract at the request of the State Funding Board) limited to financial operations, repeatedly recommended the implementation of an internal audit process. Instead, the Tennessee State Veterans Homes Board has created a scattering of financial and clinical positions at the Home Office and facility level with audit-like functions. However, despite a history of financial and quality of care concerns noted by various state and federal agencies, the board has not established a comprehensive, coordinated, and independent internal audit program.

#### **Recommendation**

The Tennessee State Veterans Homes Board should strengthen the auditing role of the Financial Compliance Officer position to ensure proper independence from the day-to-day financial aspects of the Home Office. This should include broader reporting requirements to the board's Audit Committee, and coordinated audit planning and possibly a combined report with the Regional Compliance Nurse, directly to the Executive Director and the board's Audit Committee. This independence is necessary to ensure the audit functions are able to report to the Audit Committee on any matters without fear of an adverse reaction by, or interference from, the parties being audited.

The board should also create a method of communication and formal reporting, coordination, and oversight between the Quality Assurance Nurse and the Compliance Nurse from each home and the Regional Compliance Nurse.

## **Management's Comment**

We concur in part with the finding. Currently, there is no true internal audit function that reports directly to the Audit Committee or Board. However, other points raised in the finding are not applicable to the internal audit function.

The Financial Compliance Officer (FCO) hired in August 2007 was intended to function as a monitoring effort for management and the Board, not that of a true internal audit function. The position as defined in the job description was intended to assist management in the identification and assessment of risks, to monitor the effectiveness of internal controls, to report to management and to the Audit Committee on his/her findings, and to assist in other duties as needed.

The Regional Compliance Nurse (RCN) audits clinical records to ensure that resident-specific requirements are met and to ensure that continued quality of care is provided by clinical staff. The audits are designed to ensure each facility is operating within the federal and state guidelines.

While the FCO and RCN can coordinate efforts to help ensure financial and clinical risks are considered and assessed to mitigate potential risks, the functions of the two positions are to teach, train, and monitor, and assist in the development of policies, procedures, and processes. Neither performs, nor is meant to perform, internal audit functions.

The Board recognizes the importance and value of an independent internal audit function. However, budgetary constraints may prevent this recommendation from being fully implemented as recommended. Consideration of this recommendation will be assessed in the budgetary process for fiscal year 2009-2010.

The reporting aspect between the Regional Compliance Nurse, the Quality Assurance Nurses, and Compliance Nurses at each facility will be expanded to provide better insight by the Regional Compliance Nurse.

**2. Facility disaster plans need to be revised to include important industry-recommended provisions and to reflect adequate communication with local emergency management officials**

**Finding**

All three nursing home facilities operated by the Tennessee State Veterans Homes Board have disaster plans that are technically in compliance with federal regulations as assessed by the Tennessee Board for Licensing Health Care Facilities and the U.S. Department of Veterans Affairs. However, as noted below, according to the U.S. Department of Health and Human Services, recent real-life tests of nursing homes in disaster situations have shown federal regulations to be inadequate.

Sections 1819 and 1919 of the Social Security Act establish requirements for nursing home participation in the Medicare and Medicaid programs. Pursuant to federal regulations, certified facilities are required to have “detailed written plans and procedures to meet all potential emergencies and disasters” and must “train employees in emergency procedures when they begin work in the facility, periodically review procedures, and carry out unannounced staff drills.” The Centers for Medicare and Medicaid Services (CMS) *State Operations Manual* requires that facilities consider, in the development of plans and training, “geographic location and the types of residents served.” CMS Interpretive Guidance for Life Safety Code surveyors explains what an evacuation plan should include at a minimum.

An August 2006 report from the Office of Inspector General of the U.S. Department of Health and Human Services lists 25 suggested provisions for nursing home disaster planning. The provisions come from various states’ requirements, professional associations, expert interviews, and professional publications. Additionally, the Centers for Medicare and Medicaid Services publish an Emergency Preparedness Checklist as a tool for health care facility planning.

**U.S. Department of Health and Human Services  
Suggested Provisions**

**General Provisions**

Hazard Analysis	Details specific vulnerabilities of the facility, such as close proximity to water and low elevation; accounts for various threats to the facility.
Direction and Control	Establishes a command post in the facility; defines management for emergency operations.
Decision Criteria	Includes factors to consider in deciding to evacuate or shelter in place.
Communication	Specifies clear communication protocols and backup plans.
Staff Family Members	Indicates whether staff family can shelter at the facility and evacuate.
Community Coordination	Procedures for working with local emergency manager; submitting plan.
Specific Resident Needs	Contains lists that include resident medical and personal needs.

### Provisions for Sheltering in Place

Securing the Facility	Details measures to secure building against damage; especially for facilities sheltering in place.
Emergency Power	Specifies backup power, including generators, and accounts for maintaining a supply of fuel.
Food Supply	Details the amounts and types of food on hand.
Water Supply	Details having potable water available (recommended amounts vary).
Staffing	Designates key personnel in emergencies and prepares assignments.
Medication	Specifies maintaining extra pharmacy stocks of common medications.
Serving as a host facility	Describes hosting procedures and details ensuring 24-hour operations.

### Provisions for Evacuation

Transportation Contract	Includes current contract(s) with vendors for transportation.
Evacuation Procedures	Details contingency plans, policies, roles, responsibilities, and procedures.
Host Facility Agreement	Includes current contract(s) to facilities; relocation to “like” facilities.
Food Supply	Describes adequate supply and logistical support for transporting food.
Medications	Describes logistics for moving medications, including specification for moving them under the control of a registered nurse.
Transfer of Medical Records	Details having the resident’s medical records available; describes logistics for moving medical records.
Staffing	Specifies procedures to ensure staff accompany evacuating residents.
Resident Personal Belongings	Includes list of items to accompany residents.
Reentry	Identifies who authorizes reentry, procedures for inspecting facility, and details transportation from the host facility.
Water Supply	Specifies amount of water taken and logistical support.
Evacuation Route	Identifies evacuation routes and secondary routes, includes maps and specifies expected travel time.

The U.S. Department of Health and Human Services report states that simply meeting federal requirements for disaster plans is not adequate in an emergency. The report looked at 20 homes in Gulf States that experienced hurricanes in 2004 or 2005. Each home had a plan that met federal requirements, yet each home experienced problems. Upon a closer look, the reviewers found that, despite meeting the minimum requirements, the disaster plans lacked provisions suggested by a variety of sources. Besides lacking certain provisions, the report also blamed facilities for not following their plans and for failing to communicate with local emergency entities. Several key problems were identified in the report.

- Transportation contracts were not always honored because vehicles were being used by other parties in the hurricane's path. Often, this was because multiple nursing homes had contracted with the same company for transportation, and the company could not provide service to all of them simultaneously.
- Evacuation travel took longer than expected. In an emergency, travel can take longer than usual and can cause problems for residents (e.g., medication needs). These complications include having medication accessible during travel, having all equipment available needed to administer medication, and preventing residents from exchanging medications.
- Host facilities were not always available or prepared for the evacuating home. Examples of problems encountered include the host facility undergoing evacuation itself, the host facility already being full from other evacuating homes, and the host facility having inadequate supplies.
- Homes were not able to maintain adequate staff. Some facilities reported staff being unwilling or unable to help with the evacuation.
- Food and water shortages were encountered by some homes and only narrowly averted by others. The homes' disaster plans did not adequately plan for food and water (e.g., not stating how much to bring in an evacuation).
- Prompt return of residents to the facilities was also difficult. In some cases, this was due to damage to the home, and in others it was because of staff having been displaced in the disaster and being unavailable for work.

### Veterans' Homes Disaster Plans

Auditors compared the current disaster plans provided by the three state veterans' homes with 2006 recommendations from the U.S. Department of Health and Human Services and Centers for Medicare and Medicaid Services to determine whether provisions were addressed adequately. (See page 12.)

### Information Technology Disaster and Recovery Plan

In addition to the individual facilities' disaster plans, the Home Office maintains a Backup and Data Storage policy that serves as an information technology disaster plan. In the event of a disaster, this information technology backup could serve as an important source of critical patient information. The plan provides for an incremental daily backup and a full backup every Friday. The weekly backup is maintained off premises in a fire-resistant, secured container. A second copy is maintained on a disaster recovery server in an offsite location. However, there is no mention in Home Office or facility plans of arrangements made to have hardware and software available onsite for accessing data backups in the event of a disaster.

**Auditor Analysis of  
Tennessee State Veterans Homes Board Facilities' Disaster Plans  
For Adequacy in Addressing Recommended Provisions**

	<b>Murfreesboro</b>	<b>Humboldt</b>	<b>Knox County</b>	<b>Nationally Compliant*</b>
<b>General Provisions</b>				
Hazard Analysis	Yes	No	Yes	86%
Direction and Control	Not Adequate	Yes	Not Adequate	81%
Decision Criteria	No	No	No	67%
Communication	Not Adequate	Not Adequate	Not Adequate	66%
Staff Family Members	No	No	No	48%
Community Coordination	No	Not Adequate	Not Adequate	42%
Specific Resident Needs	No	No	No	37%
<b>Provisions for Sheltering in Place</b>				
Securing the Facility	No	No	No	92%
Emergency Power	Not Adequate	Not Adequate	Not Adequate	91%
Food Supply	Not Adequate	Not Adequate	Not Adequate	94%
Water Supply	Not Adequate	Yes	Not Adequate	96%
Staffing	Yes	Yes	Yes	84%
Medication	No	No	No	88%
Serving as a host facility	No	Yes	No	63%
<b>Provisions for Evacuation</b>				
Transportation Contract	No	No	No	89%
Evacuation Procedures	Yes	Yes	Yes	92%
Host Facility Agreement	Not Adequate	Not Adequate	Not Adequate	68%
Food Supply	No	No	No	72%
Medications	No	No	No	77%
Transfer of Medical Records	Yes	No	Yes	74%
Staffing	No	No	No	44%
Resident Personnel Belongings	No	No	No	35%
Re-entry	Not Adequate	No	Not Adequate	40%
Water Supply	No	No	No	36%
Evacuation Route	No	Not Adequate	No	31%

Yes = Emergency plans adequately address this issue.

No = Emergency plans do not address this issue.

Not Adequate = Emergency plans address this issue but lack certain aspects.

\* Percentage of homes with provision in disaster plan, as found by *American Journal of Public Health* national survey published in July 2008.

Community Coordination

Community coordination means communicating and coordinating with local emergency management officials. Employees at the emergency management agency of each county in which there is a veterans' home expressed to the auditors the importance of nursing home facilities communicating with them. The Rutherford County Emergency Management Agency specifically stated that the Murfreesboro home had not worked with them in at least the last three years. The Gibson County Emergency Management Agency stated that the Humboldt home had

previously coordinated with the agency but, since the homes began having problems with state health inspections, that effort had ended. The Knox County Emergency Management Agency also reported that no communication and coordination has occurred with the Knox County veterans' home.

### **Recommendation**

While technically in compliance with federal regulations, the Executive Director, facility Administrators, and other key personnel at each facility need to revise and improve disaster plans, taking into consideration provisions recommended by the U.S. Department of Health and Human Services' Office of the Inspector General Report and the Centers for Medicare and Medicaid Services' Disaster Planning Checklist. Facility Administrators need to ensure that critical information is easy to find. It needs to be clear what host facility and transportation contracts are in place, that those facilities and transportation companies will be capable of providing services, and what backup facilities and transportation options are available. Critical information such as a current patient roster with relative contact information, fire extinguisher locations, evacuation routes, specific medication needed, and specific food and water supplies and needs should be kept with the disaster plan. Although not all possible situations can be addressed, preparation for bioterrorism and pandemic flu has become common and should be addressed. Individual facility plans need to address the existence of Home Office data backups and the availability of hardware needed to access electronic data during and immediately after an emergency. Individual homes need to know how to contact the disaster recovery facility storing the data backups in the event that Home Office staff are not available to help with data recovery after an emergency.

Administrators of each facility need to contact emergency management officials in the county in which the home is located, to discuss the facility's plan and what may be needed from the agency in an emergency. Without this knowledge, the emergency management agency cannot be prepared, and the facility may expect services that cannot be provided.

### **Management's Comment**

We concur with the finding. The facility disaster plans need revision based on new information derived from previous disaster responses. Currently, the plans are being assessed and revised. Recommendations and guidelines established by the U.S. Department of Health and Human Services and by the Centers for Medicare and Medicaid Services will be considered when developing updated and more comprehensive plans.

The disaster plans will be reviewed annually by the Administrators at the facility level and by the Chief Information Officer at the home office level. This review shall be documented as part of the annual Plan of Operation process and include any new recommendations added from time to time by the U.S. Department of Health and Human Services and by the Centers for Medicare and Medicaid Services.

The administrators of each facility will contact their local emergency management officials to discuss the facility's plan so facility needs can be coordinated with the agency in the event of an emergency. This coordination is key in ensuring the safety of our residents.

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- 3. The lack of a system-wide human resources approach and formal, documented analysis of the causes of high staff turnover, not only in direct care positions but also in supervisory clinical and administrative positions, jeopardizes the efficient and effective financial and clinical operations of the three veterans' homes and ultimately the quality of patient care**

### **Finding**

Neither the Murfreesboro nor Knox County veterans' homes conducts formal documented analyses to determine the causes for turnover and to assist in coming up with ways to increase employee retention. Without such analyses of the many factors that affect turnover by all three veterans' homes and subsequent analysis, coordination, and action from the Tennessee State Veterans Homes Board's Home Office, consistent quality of care for patients and effective and efficient financial and clinical operations for the board system will be difficult to maintain.

### Turnover

A review of May 2006 (when the Knox County facility hired its first employee) – June 2008 turnover data obtained from the three individual veterans' homes revealed turnover as high as 233% in administrative supervisory positions and 209% in direct care positions, as well as high turnover in dietary aides/cooks, housekeeping, and laundry staff. (See page 15.) We used the data from the three individual veterans' homes, rather than the annualized data provided later by the Home Office, for this review because it more clearly showed the unique number of different individuals holding a particular position over time.

Only at the veterans' home at Humboldt did staff state that they conducted (and provided documentation of) a formal analysis of the reasons for turnover based on exit interviews with departing staff. At Knox County, there is no formal exit process and, therefore, no analysis of turnover. Staff stated they do try to make department directors aware of any issues that may be brought up by an exiting employee. Staff at Murfreesboro stated they try but do not have much luck with conducting exit interviews.

**Turnover**  
**Tennessee State Veterans' Homes**  
**May 2006 – June 30, 2008**

	<u>Across three facilities</u>		<u>Percentage Turnover*</u>
	<u># Positions</u>	<u># People</u>	
Administrator	3	7	133%
Director of Nursing	3	10	233%
Assistant Director of Nursing	3	8	167%
RN Supervisors	12	22	83%
MDS Coordinator	4	9	125%
Treatment Nurse	3	9	200%
Staff Development Coordinator	3	6	100%
Social Services/Admissions Director	3	7	133%
Social Worker	5	13	160%

\* Turnover for this 26-month period was calculated by dividing the terminations (number of people occupying the position during the period, which included the current position holders, minus the number of positions) by the number of positions.

	<u>Across three facilities</u>		<u>Percentage Turnover*</u>
LPN	106 terminations/81 active		131%
		Murfreesboro	108%
		Humboldt	209%
		Knox County	94%
CNA (Certified Nursing Assistants)	284 terminations/216 active		131%
		Murfreesboro	177%
		Humboldt	109%
		Knox County	114%
Dietary Aides	66 terminations/35 active		189%
		Murfreesboro	375%
		Humboldt	82%
		Knox County	100%
Dietary Cooks	13 terminations/15 active		87%
		Murfreesboro	160%
		Humboldt	40%
		Knox County	60%
Housekeeping	46 terminations/50 active		92%
		Murfreesboro	73%
		Humboldt	167%
		Knox County	29%
Laundry	13 terminations/17 active		76%
		Murfreesboro	120%
		Humboldt	86%
		Knox County	20%

\* Turnover for these positions is calculated differently as the number of total positions fluctuates in relation to the resident population. Turnover for these positions was calculated by the individual homes themselves, and confirmed by the auditors, as terminations divided by active employees.

## Salaries

Salaries may play a factor in staff turnover. The Tennessee State Veterans Homes Board has not established set salary ranges for positions at its three veterans' homes. Auditors compared current salary data from the three veterans' homes with current industry averages for Tennessee and nationwide, where available. Except for the Certified Nursing Assistant/Aide salaries at Murfreesboro and Humboldt and the Licensed Practical Nurse salaries at Humboldt, the salaries of Certified Nursing Assistant/Aides, Licensed Practical Nurses, Registered Nurses, Directors of Nursing, and Administrators appear adequate in comparison to local, regional, and national median and average salaries.

However, salaries are only one of many factors such as cost-of-living, working conditions, and job satisfaction that affect turnover and that the individual veterans' homes and the board should be studying.

## Job Advertisement

The way in which the Tennessee State Veterans Homes Board lists available jobs on its website may also affect the volume of applicants. The positions listed as available on the website are not kept up-to-date—auditors noted that some of the listed positions, for which applications are not continuously accepted, had been filled. None of the advertised jobs on the website list salary ranges (based on experience) or minimum starting salaries. The lack of such information could have a negative impact on the number of job applications received.

## **Recommendation**

The individual veterans' homes, in conjunction with the Home Office, should systematically collect and analyze exit interview information to assist them in determining not only the primary reasons staff are leaving but also to assist them in finding ways to improve the work environment at the state veterans' homes.

The board may wish to consider establishing a Human Resources directorship at the Home Office. A system-wide Human Resources Director could coordinate marketing efforts across the three-home system and could facilitate communication between the veterans' homes as they work together to recruit staff statewide.

The board should study state and national salary data and develop formal salary ranges for each position at each home, taking into account education, experience, and the homes' local cost-of-living. The board should pay particular attention to Certified Nursing Assistant/Aide salaries at Murfreesboro and Humboldt; and Licensed Practical Nurse salaries at Humboldt. The board should include potential salary information in job listings on its website and ensure that the website has up-to-date information on available positions.

## Management's Comment

### Turnover

The Board concurs the homes had not previously systematically collected and analyzed exit interview information. This information could assist in addressing staff turnover and providing insight to improve the work environment. The exit interview process developed at Humboldt has been discussed with staff at the other facilities and Home Office. Humboldt's process has been implemented at Murfreesboro and Knox County so that similar information can be gathered for analysis at all facilities and the Home Office.

Budgetary constraints may prevent the Board from establishing a regional Human Resources Director position. This recommendation will be explored further during the budgetary process for fiscal year 2009-2010. However, an Employee Recruitment and Retention Task Force (task force) has been created to address the hiring and retention of staff of the three homes and should accomplish better communication and coordination of marketing efforts.

If the turnover rates calculated for the 26-month period are annualized (turnover rate divided by 26 and multiplied by 12), the annualized rates are as follows:

	<u>Across three facilities</u>		<u>% Turnover</u>	
			Turnover 26-months	Annualized Turnover
	<u># Positions</u>	<u># People</u>		
Administrator	3	7	133%	61%
Director of Nursing	3	10	233%	108%
Assistant Director of Nursing	3	8	167%	77%
RN Supervisors	12	22	83%	38%
MDS Coordinator	4	9	125%	58%
Treatment Nurse	3	9	200%	92%
Staff Development Coordinator	3	6	100%	46%
Social Svcs./Admissions Director	3	7	133%	61%
Social Worker	5	13	160%	74%

	<u>Across three facilities</u>	<u>% Turnover</u>	
		Turnover 26-months	Annualized Turnover
LPN	106 terminations/81 active	131%	60%
	Murfreesboro	108%	50%
	Humboldt	209%	96%
	Knox County	94%	43%
CNA	284 terminations/216 active	131%	60%
(Certified Nursing Assts)	Murfreesboro	177%	82%
	Humboldt	109%	50%
	Knox County	114%	53%
Dietary Aides	66 terminations/35 active	189%	87%
	Murfreesboro	375%	173%
	Humboldt	82%	38%
	Knox County	100%	46%
Dietary Cooks	13 terminations/15 active	87%	40%
	Murfreesboro	160%	74%
	Humboldt	40%	18%
	Knox County	60%	28%
Housekeeping	46 terminations/50 active	92%	42%
	Murfreesboro	73%	34%
	Humboldt	167%	77%
	Knox County	29%	13%
Laundry	13 terminations/17 active	76%	35%
	Murfreesboro	120%	55%
	Humboldt	86%	40%
	Knox County	20%	9%

The American Health Care Association (AHCA) 2007 Survey “Nursing Staff Vacancy and Turnover in Nursing Facilities” shows annual turnover rates for specific positions as follows and with comparison to the turnover rates of the three facilities.

		<u>% Turnover</u>		
		Turnover 26-months	Annualized Turnover	AHCA
Director of Nursing		233%	108%	37.8%
RN Supervisors		83%	38%	28.7%
LPN	Total	131%	60%	49.9%
	Murfreesboro	108%	50%	49.9%
	Humboldt	209%	96%	49.9%
	Knox County	94%	43%	49.9%
CNA	Total	131%	60%	65.6%
	Murfreesboro	177%	82%	65.6%
	Humboldt	109%	50%	65.6%
	Knox County	114%	53%	65.6%

The Board concurs that, based on AHCA data, the annualized turnover rates of some positions at specific facilities are higher than the industry norm. It should be noted that the number of people holding the Director of Nursing (DON) position include persons temporarily assigned as the DON who then returned to their regular position once the DON vacancy was filled. Turnover of staff is a concern and a major reason for the establishment of the task force.

### Salary Pay Ranges

Hiring pay scales are already used by the homes for new hires. As part of its annual budget process, employee pay rates and years of service/experience by position are reviewed. This review reveals individuals who fall outside expected pay ranges based on experience. The process allows for adjustments to pay rates for an individual where appropriate. The hiring pay scales will be reviewed by the task force as part of the budgetary process for fiscal year 2009-2010.

### Job Advertisement

Applications are always accepted for job positions for which there is high turnover. The website has been a successful recruitment tool and will continue to be improved to help recruitment of staff.

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## **4. The Tennessee State Veterans Homes Board violated the Open Meetings Act three times during 2006 and 2007 by going into executive session**

### **Finding**

The Tennessee State Veterans Homes Board violated the Open Meetings Act on January 26, 2006; on February 23, 2006; and on May 14, 2007, when the board went into executive session to discuss a personnel matter and at least two unknown subjects. In the first instance, in January 2006, the full board was discussing promoting the Information Technology Manager to Information Technology Director and moving his office from the Humboldt facility to the Murfreesboro Home Office. In order to discuss this issue further, the board excused staff from the meeting until it brought the matter to a vote. Nothing is known about the subjects of the second instance of the full board in February 2006 (except that the recess for executive session lasted 25 minutes) or the third instance by the Personnel Committee in May 2007.

Applicable sections of *Tennessee Code Annotated* (specifically Title 58, Chapter 7 [State Veterans' Homes], Title 8, Chapter 44 [Open Meetings Act]; and Title 4, Chapter 35 [Audit Committee Act]) and court interpretations found in the statute's compiler's notes do not allow executive sessions, except for strictly limited issues involving the Audit Committee (litigation, audits, and other information specifically protected by statute) and the full board's subsequent discussion of such issues, and not without public notice of the subject to be discussed. None of the three instances of the Tennessee State Veterans Homes Board's use of executive session complies with statute.

## Recommendation

To comply with the Open Meetings Act, Audit Committee Act, and related court interpretations, the board must discuss the prior meetings' aforementioned matters anew and give new and substantial reconsideration to the issues during a public meeting. The board should educate itself about the requirements of public meeting and audit committee statutes and make every effort to ensure that it abides by the strict guidelines governing executive sessions.

## Management's Comment

We concur with this finding. Three instances were cited where TSVH staff members were excused from a Board or Committee meeting so that Board members and state liaison staff could meet in Executive Session.

An educational session was held for Board members and management on September 26, 2008. A representative of the Attorney General's Office provided an overview of federal and state laws applicable to the Tennessee State Veterans Homes, along with detailed information regarding the statutes that directly govern or impact TSVH duties and responsibilities. This overview will be incorporated into new Board member orientation materials so that future Board members will be informed and knowledgeable of the legal requirements of the Board.

Board members present at these meetings will be asked to review applicable minutes and reconstruct the issues that were discussed to the extent possible. This review shall be made before the Board meeting in May 2009.

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- 5. Although it resulted in the services of a well-qualified interim Executive Director to lead the state's veterans' homes, the board's two-year, uncompleted search for a permanent Executive Director appears poorly executed and gives the appearance of preferential treatment**

## Finding

In August 2006, the Executive Director of the Tennessee State Veterans Homes Board resigned. The board chose a well-qualified interim Executive Director (although there is no record of such a vote) and established a Personnel Committee to organize and conduct the search for a new Executive Director. However, the search for a permanent Executive Director appears poorly executed and gives the appearance of preferential treatment, as the board rejected all finalists; chose to allow the interim Executive Director, who had been serving on the search committee, to remain in the position; and as of May 2008 had taken no further action to find a permanent Executive Director.

The initial screening group established for the search by the Personnel Committee consisted of the interim Executive Director, who had been a consultant to the Humboldt

veterans' home, and a staff consultant from the Comptroller's office. In November 2006, while the search was being conducted, the board chair stated that the interim Executive Director should simply be referred to as the "Executive Director" until a permanent director was appointed. Approximately three weeks later, the interim Executive Director expressed interest in remaining as the acting Executive Director until a permanent replacement could be found, even if for an extended period, and the Personnel Committee members agreed. At that point, the interim Executive Director was taken off the search subcommittee to avoid any real or perceived conflict of interest.

Five weeks later, on January 4, 2007, the Personnel Committee had decided upon its finalists but was not confident that any of the candidates had the necessary qualifications to carry out the responsibilities of the Executive Director immediately upon hire. The Personnel Committee voted to retain the interim Executive Director as Executive Director, ending consideration of any of the five final candidates. Immediately afterwards, the committee members agreed to develop an Assistant Executive Director position, and felt that a good candidate existed within the final five candidates. The committee then rescinded its previous decision to retain the interim Executive Director and agreed to recommend to the full board that the board offer the position of Assistant Executive Director to one of the five candidates. The assistant would work under the interim Executive Director for six months, at which time the assistant would become the permanent Executive Director.

The next week, the full Tennessee State Veterans Homes Board rejected the Personnel Committee's recommendation and requested that the Personnel Committee "return with a new recommendation as to how to proceed in filling the Executive Director position permanently as well as to determine the need for an Assistant Director or Director of Operations." There is no correspondence or other documentation explaining how the Personnel Committee came to its recommendation, or details regarding the board's subsequent rejection of that recommendation and charge to the Personnel Committee to start the search anew. However, meeting minutes for the Personnel Committee and the full board do not reflect any action taken from that point on through at least May 2008 regarding a search for a permanent Executive Director.

The board's actions—conducting a search and rejecting the results, and hiring the interim Executive Director who had been serving on the search subcommittee and was not publicly vetted like other candidates—give the appearance, whether based on fact or not, that decisions were made out of the public eye and preferential treatment was given to an insider. Contributing to these issues is the lack of any evidence of a renewed search or even discussion of such a search since January 2007.

## **Recommendation**

The board should conduct a documented and appropriately open and public search for a permanent Executive Director, ensuring that all candidates are given fair and equitable treatment.

## **Management's Comment**

We concur in part. We concur that the current Executive Director is well-qualified and that a well-documented and open public search process should be conducted for any future job search.

We do not concur with the finding that the Board's actions, at the time they were taken and considered in the context of the deliberations, necessarily gave the appearance that decisions were made outside the public eye or that preferential treatment was given. We believe, under the circumstances, the Board's actions were proper.

The minutes of the Board meeting of January 11, 2007, record the appointment of the Executive Director. The Board believed the individual would be able to provide strong leadership while the homes experienced intense scrutiny by both state and federal clinical survey teams. It was the individual who requested a time limit on the initial appointment. After the first year, the Executive Director agreed to continue in the position since the issues were still under review. The Board clarified and reaffirmed its actions to appoint the current Executive Director as the permanent Executive Director at its September 25, 2008, meeting.

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**6. The Tennessee State Veterans Homes Board is not taking sufficient actions to ensure the residents and their families understand the requirements of Title VI, and is not monitoring its subcontractors for compliance with Title VI**

## **Finding**

The veterans' homes could not provide evidence that when they admit a person to a state veterans' home, they provide the new resident and the resident's family with information regarding rights under Title VI or the process for filing a grievance. Title VI of the Civil Rights Act of 1964 (28 C.F.R. §§ 42-106d) states,

Each recipient shall make available to participants, beneficiaries, and other interested persons such information regarding the provisions of this subpart and its applicability to the program under which the recipient receives Federal financial assistance, and make such information available to them in such manner, as the responsible Department official finds necessary to apprise such persons of the protections against discrimination assured them by the Act and this subpart.

Based on auditors' review, the only method through which Title VI information is conveyed to residents was the posting of Title VI posters on public area notice boards at a height of five to six feet, a height at which it is difficult (if not impossible) for many residents who use a wheelchair to see clearly.

According to its Title VI Plan, the Tennessee State Veterans Homes Board has no sub-recipients and, therefore, does not conduct the required Title VI compliance reviews. However, the board and its veterans' homes contract out for facility medical directors, temporary nursing staff, therapy services, dental services, psychological services, and x-ray services. These contractors provide services to residents of the homes on behalf of the board, thereby necessitating that Title VI compliance reviews be conducted on the contractors.

### **Recommendation**

The Tennessee State Veterans Homes Board should ensure that all facilities provide residents and their families with written information, perhaps in the form of a resident handbook, documenting patients' Title VI and other rights, as well as the board's and homes' grievance policy.

The board should direct the Executive Director, who serves as the Title VI Coordinator, to conduct Title VI compliance reviews of all its contractors that provide services to residents on the board's behalf.

### **Management's Comment**

We concur in part with this finding. While Resident Rights, Non-Discrimination, Grievance Procedures, etc., are all incorporated into the Admissions Packet and/or Resident Handbook, and the Board believes that residents and their families are aware of its commitment to fair treatment and non-discrimination, the packet does not specifically address Title VI. Appropriate written information regarding resident rights under Title VI and the process (including forms) for filing a grievance will be made part of the Resident and Family Information Packet prior to the end of fiscal year 2008-2009.

We do not concur with Part II of the finding. As noted in the finding, the Tennessee State Veterans' Homes Title VI Plan states that it does not have sub-recipients. Therefore, there have been no Title VI compliance reviews of contractors.

A subrecipient uses Federal funds to carry out a program of the organization whereas a vendor provides goods or services for a program of the pass-through entity. OMB Circular A-133, Section 105 defines a vendor as "a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program."

The Board does contract with providers of various services. These contractual relationships have been reviewed in light of OMB Circular A-133, Section .210, and it has been determined that these providers of service meet the Vendor Characteristics listed. It should be noted that no other nursing home in the state monitors the vendors cited by the auditors as subrecipients of federal funds.

The Board contracts for services using the language required by and approved by the Office of Contract Review (OCR). The clause for nondiscrimination included in the standard OCR service contract states:

Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

As part of its annual update to vendor records, the Board will require the contract officer to obtain attestations of compliance with the nondiscrimination contract terms from each vendor.

#### **Auditor Comment**

According to 28 CFR, Sect. 42.104(b)(1) and (2), and the U.S. Department of Justice's *Title VI Legal Manual*, Section VI, a recipient of federal funds may not absolve itself of its Title VI obligations by hiring a contractor or agent to perform or deliver assistance to beneficiaries. As the Tennessee State Veterans Homes Board is the recipient of federal funds, any person or business with whom the board contracts to provide services on its behalf to the residents of the veterans' homes must be monitored for compliance with Title VI.

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## **OBSERVATIONS AND COMMENTS**

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The topics discussed below did not warrant a finding but are included in this report because of their effect on the operations of the Tennessee State Veterans Homes Board and on the citizens of Tennessee.

### **THE TENNESSEE STATE VETERANS HOMES BOARD SHOULD CONSIDER REORGANIZING ITS STRUCTURE TO FACILITATE COORDINATION AND COMMUNICATION ACROSS THE BOARD'S SYSTEM OF HOMES**

Currently, outside of the in-house administration of the three veterans' homes, the directorships at the board's Home Office consist of one Executive Director, one Information Technology Director with one staff person at each home, and one Finance Director who oversees Home Office staff who handle the business operations that were centralized in early 2007. However, no other operations of the board's system of homes such as clinical operations, quality assurance, human resources, and marketing/public relations are formally centralized and coordinated through the Home Office.

The Home Office allows the administrators of the three veterans' homes a free hand, for the most part, to operate their facilities. There are few Home Office-required processes or operational templates; there are little standardization of operations and few reporting requirements imposed by the Home Office; there is no structured Home Office oversight, outside of business operations, except in the person of the Executive Director. There are no regularly scheduled staff meetings outside of the individual homes that would facilitate communication and coordination across the veterans' homes' system. The Executive Director does not regularly meet with Home Office directors and staff as a group; facility administrators do not meet as a group with or without the Executive Director; and facility clinical staff, such as Directors of Nursing, Quality Assurance (QA) Nurses, Compliance Nurses, etc., do not meet regularly with their counterparts at each facility.

By introducing additional directorships at the Home Office to oversee the areas of clinical operations, quality assurance, human resources, and marketing/public relations, the board may improve operations of the system as a whole. These new directorships' responsibilities, as with the existing Finance and Information Technology directorships, would be to standardize operations and facilitate coordination and regular communication between facilities as well as with the Home Office and the board. Currently, activities in these areas are accomplished by each facility individually and are not planned and coordinated with a system-wide approach by the Home Office.

We surveyed four other states with veterans' homes for comparison with the Tennessee State Veterans Homes Board's central structure. All four had more centralization and better communication than the Tennessee State Veterans Homes Board. In Mississippi, which has four

state veterans' homes, all policies and procedures are handed down by the central office. The central office has a nursing home coordinator and a nurse consultant who meet every month as a group with all facility administrators and directors of nursing. This group reviews and discusses all policy and procedure changes before implementation. The nurse consultant also visits each home monthly to review QA meeting minutes and to look for QA deficiencies.

The Office of Kentucky Veterans Centers manages the state's three veterans' homes. The policies and procedures are the same at each of the three facilities. There is a monthly conference call that includes each of the administrators, assistant administrators, and directors of nursing.

In Missouri, the coordination between the state's seven veterans' homes goes beyond the central office and facility administrators and directors of nursing services. Like Mississippi and Kentucky, Missouri standardizes both financial and clinical policies and procedures. There is an executive committee made up of the administrators from each of the seven homes and five central office staff—the superintendent of homes, assistant superintendent of homes, quality management nurse specialist, operations manager (purchasing), and the manager of homes program. All new policies and any changes to the existing policies and procedures come from this committee. There are 14 Counterpart Groups consisting of the head of a particular department from each home, e.g., the directors of nursing services counterpart group. Like the executive committee, the counterpart groups meet on an as-needed basis. Each counterpart group creates and modifies the policies and procedures for that department, which are then submitted to the executive committee for approval.

Even in Texas, where actual management of the homes is contracted out to private companies, central oversight by the state is strong. The director of the Texas State Veterans Homes and the quality control nurse play an important role even though direct operation is contracted out. There are two separate companies that run the seven homes in Texas; one runs four homes, and the other runs three homes. Each of the two companies has its own set of policies and procedures, but the policies and procedures are the same at all of the homes run by that company. Even though the company writes the policies and procedures, Texas State Veterans Homes has to approve them. Once a month, the director of the Texas State Veterans Homes has a conference call with all of the administrators to discuss the status of the homes. Additionally, the quality control nurse has a similar meeting with all of the directors of nursing. The companies that run the homes also have meetings with the administrators and directors of nursing.

By improving organizational oversight and adding additional directorships dedicated to specific areas of operation, the Tennessee State Veterans Homes Board may improve the quality of care provided to Tennessee's veterans across its system of homes. Increased standardization, coordination, and communication between facilities and the Home Office and board will assist the board in leveraging the knowledge of its Home Office and facility staffs in providing quality services in efficient and effective ways that benefit the residents of the state's veterans' homes. Because the board is planning additional homes across the state, a strong organizational foundation becomes more necessary, one that approaches the task from a centralized system-wide model rather than the current decentralized one.

## **THE GRIEVANCE POLICY FOR RESIDENTS NEEDS IMPROVEMENT**

The grievance policy for residents as established by the Tennessee State Veterans Homes Board does not clearly establish an order to the complaint and appeals process and does not establish complaint processing periods and deadlines.

The current grievance policy is written in a manner that is difficult to follow and lists several different offices where one can file a grievance rather than clearly conveying the veterans' homes' and board's own established complaint procedures. There is no specific order given to what a resident should do to file a grievance and the hierarchical process that will address the grievance (i.e., Social Services Director, Administrator, Executive Director, board, etc.). In addition, there are no established guidelines for how long a resident has to file a grievance or how long various levels of staff have to investigate and resolve the issue or appeal.

In the appeals process, the board gives residents several options (four in each grand division of the state) for contacts outside of the board, but there is no information regarding which outside person or agency would be best to contact first. In addition, there is no process for a resident to appeal to the board itself before being referred to an outside agency.

The board should revise the resident grievance policy to more clearly outline the steps to take when filing a grievance and to establish processing periods and timelines. The policy should also include a process to appeal to the board itself. If, after appealing to the board, the resident is still not satisfied, there would then be a hierarchy of options for appealing outside of the Tennessee State Veterans Homes Board.

## **THE TENNESSEE STATE VETERANS HOMES BOARD AND ITS OFFICES LACK NECESSARY AND IMPORTANT INFORMATION ON THEIR WEBSITE**

The website for the Tennessee State Veterans Homes Board does not provide information regarding who the board members are, what the board's duties and responsibilities are, where the board's office is located, how to directly contact the board, or notice of full board and board committee meetings. The website only provides the addresses and phone numbers for the three individual veterans' nursing homes.

As the operation of the state's veterans' homes is ultimately the board's responsibility, it is imperative that the public be provided information about who serves on the board, what the board's duties and responsibilities are, and how to contact the board and its staff.

The board should immediately require the Executive Director to have the website updated with information about the board and how to contact board members and staff.

## **TENNESSEE STATE VETERANS HOMES BOARD BYLAWS NEEDED UPDATING TO REFLECT 2008 STATUTORY CHANGES**

During the 2008 legislative session, significant statutory changes were made to the board's composition, organization, and power structure. The statutory changes added three additional board members (the Commissioner of Finance and Administration, a nursing home administrator experienced in the financial operations of nursing homes, and a member with clinical experience in nursing homes); established an Executive Committee comprised of the Commissioner of Finance and Administration, the chair of the Tennessee State Veterans Homes Board, and a board member chosen by the board with nursing home administrator or clinical experience; and established that the Executive Committee rather than the board as a whole was responsible for the oversight of the day-to-day management and operation of the state veterans' homes.

The board discussed the legislative changes during its July 2008 meeting. During the September 2008 meeting, the board discussed proposed revisions to the by-laws. (According to existing bylaws, revisions are to be presented at one meeting and voted on at a second meeting.) Revised by-laws were adopted by the board at its December 2008 meeting.

### **RESULTS OF ADDITIONAL AUDIT WORK**

#### Quality Assurance Process

We studied the Quality Assurance processes at all three veterans' homes to determine their adequacy. The Murfreesboro and Humboldt facilities' processes are virtually identical. The Knox County facility's process, begun in the spring of 2008, is very different and utilizes "Six Sigma," a management technique from the manufacturing industry that relies on data-driven decision-making. The Murfreesboro and Humboldt processes are very detailed and documented processes that have resulted in improved audit and survey results. The process at Knox County has not yet been fully implemented. Management has stated the intention to implement the "Six Sigma" approach to quality assurance at the other two facilities in the future. We recommend that the board give the quality assurance process being tried at the Knox County facility a lengthy testing period that encompasses one or two state and federal survey cycles before it is considered for implementation at the other two facilities.

#### Contracted Services

We talked with management to determine whether the Tennessee State Veterans Homes Board had studied the cost-effectiveness of its practice of using temporary nursing personnel and outsourcing therapy and other services. Neither the Home Office nor individual facility management has conducted any formal cost-benefit analyses on the use of temporary nursing staff or contracted services. However, the use of temporary nursing staff results from industry-wide shortages of staff as well the need to cover employees out sick or on vacation. According to facility administrators, therapy services are contracted out because there is not enough work

for a full-time position and it is difficult to recruit and retain therapists. Recently, the board unanimously approved a policy for its facilities to create their own nursing pools after being told it would be cheaper than paying an agency for temporary staffing. However, no formal cost analysis and comparison was presented. We recommend that some kind of documented financial study or cost-benefit analysis be performed to ensure that this new nursing pool is the most efficient and effective use of resources and that the specific finances of this move are known and documented before the board accepts this practice. We recommend the same for the contracting out of any services.

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## RECOMMENDATIONS

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### ADMINISTRATIVE

The Tennessee State Veterans Homes Board should address the following areas to improve the efficiency and effectiveness of its operations.

1. The Tennessee State Veterans Homes Board should strengthen the auditing role of the Financial Compliance Officer position to ensure proper independence from the day-to-day financial aspects of the Home Office. This should include broader reporting requirements to the board's Audit Committee, and coordinated audit planning and possibly a combined report with the Regional Compliance Nurse, directly to the Executive Director and the board's Audit Committee. This independence is necessary to ensure the audit functions are able to report to the Audit Committee on any matters without fear of an adverse reaction by, or interference from, the parties being audited.
2. The board should also create a method of communication and formal reporting, coordination, and oversight between the Quality Assurance Nurse and the Compliance Nurse from each home and the Regional Compliance Nurse.
3. While technically in compliance with federal regulations, the Executive Director, facility Administrators, and other key personnel at each facility need to revise and improve disaster plans, taking into consideration provisions recommended by the U.S. Department of Health and Human Services' Office of the Inspector General Report and the Centers for Medicare and Medicaid Services' Disaster Planning Checklist. Facility Administrators need to ensure that critical information is easy to find. It needs to be clear what host facility and transportation contracts are in place, that those facilities and transportation companies will be capable of providing services, and what backup facilities and transportation options are available. Critical information such as a current patient roster with relative contact information, fire extinguisher locations, evacuation routes, specific medication needed, and specific food and water supplies and needs should be kept with the disaster plan. Although not all possible situations can be addressed, preparation for bioterrorism and pandemic flu has become common and should be addressed. Individual facility plans need to address the existence of Home Office data backups and the availability of hardware needed to access electronic data during and immediately after an emergency. Individual homes need to know how to contact the disaster recovery facility storing the data backups in the event that Home Office staff are not available to help with data recovery after an emergency.
4. Administrators of each facility need to contact emergency management officials in the county in which the home is located, to discuss the facility's plan and what may be needed from the agency in an emergency. Without this knowledge, the emergency

management agency cannot be prepared, and the facility may expect services that cannot be provided.

5. The individual veterans' homes, in conjunction with the Home Office, should systematically collect and analyze exit interview information to assist them in determining not only the primary reasons staff are leaving but also to assist them in finding ways to improve the work environment at the state veterans' homes.
6. The board may wish to consider establishing a Human Resources directorship at the Home Office. A system-wide Human Resources Director could coordinate marketing efforts across the three-home system and could facilitate communication between the veterans' homes as they work together to recruit staff statewide.
7. The board should study state and national salary data and develop formal salary ranges for each position at each home, taking into account education, experience, and the homes' local cost-of-living. The board should pay particular attention to Certified Nursing Assistant/Aide salaries at Murfreesboro and Humboldt; and Licensed Practical Nurse salaries at Humboldt. The board should include potential salary information in job listings on its website, and ensure that the website has up-to-date information on available positions.
8. To comply with the Open Meetings Act, Audit Committee Act, and related court interpretations, the board must discuss the prior meetings' aforementioned matters anew and give new and substantial reconsideration to the issues during a public meeting. The board should educate itself about the requirements of public meeting and audit committee statutes and make every effort to ensure that it abides by the strict guidelines governing executive sessions.
9. The board should conduct a documented and appropriately open and public search for a permanent Executive Director, ensuring that all candidates are given fair and equitable treatment.
10. The Tennessee State Veterans Homes Board should ensure that all facilities provide residents and their families with written information, perhaps in the form of a resident handbook, documenting patients' Title VI and other rights, as well as the board's and homes' grievance policy.
11. The board should direct the Executive Director, who serves as the Title VI Coordinator, to conduct Title VI compliance reviews of all its contractors that provide services to residents on the board's behalf.

## **Appendix 1**

### **Title VI Information**

All programs or activities receiving federal financial assistance are prohibited by Title VI of the Civil Rights Act of 1964 from discriminating against participants or clients on the basis of race, color, or national origin. The Tennessee State Veterans Homes Board receives federal funds from the U.S. Department of Veterans Affairs in the form of construction grants and per diem payments for each resident. (See page 3.) According to Chapter VII of the *Title VI Legal Manual* (2001), published by the Civil Rights Division, U.S. Department of Justice, receipt of these federal funds makes the entire agency subject to the provisions of Title VI.

The Title VI Coordinator is the Executive Director, who promotes and monitors the agency's compliance with Title VI. The coordinator has the primary responsibility for receiving, acknowledging, and investigating complaints and for reporting findings. The Tennessee State Veterans Homes Board reports no Title VI complaints have been filed against it in the last two years.

Also, see page 22 for additional information regarding the agency's monitoring of compliance with Title VI.

### **Title VII Information**

All programs or activities receiving federal assistance must comply with Title VII of the Civil Rights Act of 1964 that prohibits employment discrimination based on race, color, religion, sex, or national origin. The Tennessee State Veterans Homes Board receives federal funds from the U.S. Department of Veterans Affairs in the form of per diem payments for each resident and construction grants.

The following pages detail information on board members, board staff, and residents of the homes by gender and ethnicity, as well as board contracts.

#### **Tennessee State Veterans Homes Board Gender and Ethnicity As of June 30, 2008**

Male	9	White	6
Female	1	Black	4

**Tennessee State Veterans Homes Board  
Staff and Resident Ethnicity and Gender  
As of June 30, 2008**

**Murfreesboro/Home Office\* (Rutherford County)**

Ethnicity	2007	2008	2007	2008	2007	2008	2007	2008	% state	% county
	Staff	Staff	% total	% total	Residents	Residents	% total	% total		
Black	52	51	25%	25%	9	11	7%	10%	16%	11%
Indian/Alaska	0	0	0%	0%	0	0	0%	0%	<1%	<1%
Hispanic	2	1	1%	<1%	1	0	1%	0%	2%	4%
Asians	0	0	0%	0%	0	0	0%	0%	1%	3%
Other	0	0	0%	0%	0	0	0%	0%	<1%	<1%
White	151	152	74%	74%	115	100	92%	90%	80%	81%
<b>Total</b>	<b>205</b>	<b>204</b>	<b>100%</b>	<b>100%</b>	<b>125</b>	<b>111</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Gender</b>										
Male	24	34	12%	17%	102	85	82%	77%	49%	50%
Female	181	170	88%	83%	23	26	18%	23%	51%	50%
<b>Total</b>	<b>205</b>	<b>204</b>			<b>125</b>	<b>111</b>				

\* While reported in combination with the Murfreesboro veterans' home, the Home Office staff in both 2007 and 2008 totaled 24 (8 male, 16 female; 4 African-American, 20 White).

**Humboldt (Gibson County)**

Ethnicity	2007	2008	2007	2008	2007	2008	2007	2008	% state	% county
	Staff	Staff	% total	% total	Residents	Residents	% total	% total		
Black	94	112	58%	57%	14	16	10%	12%	16%	19%
Indian/Alaska	0	0	0%	0%	0	0	0%	0%	<1%	0%
Hispanic	0	0	0%	0%	1	0	1%	0%	2%	1%
Asians	0	0	0%	0%	0	0	0%	0%	1%	<1%
Other	0	1	0%	0%	0	0	0%	0%	<1%	1%
White	68	85	42%	43%	120	118	89%	88%	80%	78%
<b>Total</b>	<b>162</b>	<b>198</b>	<b>100%</b>	<b>100%</b>	<b>135</b>	<b>134</b>	<b>100%</b>	<b>100%</b>	<b>99%</b>	<b>100%</b>
<b>Gender</b>										
Male	23	23	14%	12%	104	102	77%	77%	49%	48%
Female	139	175	86%	88%	31	32	23%	23%	51%	52%
<b>Total</b>	<b>162</b>	<b>198</b>			<b>135</b>	<b>134</b>				

**Knoxville (Knox County)**

Ethnicity	2007	2008	2007	2008	2007	2008	2007	2008	% state	% county
	Staff	Staff	% total	% total	Residents	Residents	% total	% total		
Black	15	27	13%	15%	1	1	1%	1%	16%	9%
Indian/Alaska	0	0	0%	0%	0	0	0%	0%	<1%	<1%
Hispanic	0	0	0%	0%	0	0	0%	0%	2%	2%
Asians	3	2	3%	1%	0	0	0%	0%	1%	1%
Other	0	0	0%	0%	0	0	0%	0%	<1%	<1%
White	97	150	84%	84%	91	132	99%	99%	80%	87%
<b>Total</b>	<b>115</b>	<b>179</b>	<b>100%</b>	<b>100%</b>	<b>92</b>	<b>133</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Gender</b>										
Male	18	24	16%	13%	79	109	86%	82%	49%	49%
Female	97	155	84%	87%	13	24	14%	18%	51%	51%
<b>Total</b>	<b>115</b>	<b>179</b>			<b>92</b>	<b>133</b>				

## Appendix 2

### Diversity in Contracting

To comply with Executive Order 14 (December 8, 2003) and Title 12, Chapter 3, Part 8, *Tennessee Code Annotated*, all state agencies are to actively solicit bids from minority-owned, woman-owned, and small businesses in order to purchase a fair proportion of purchases from such businesses.

#### Tennessee State Veterans Homes Board Contracts by Ethnicity

White	45
Black	0
Asian	0
Hispanic	0
Native/Alaskan-American	0
N/A*	6
Blank**	15

#### Tennessee State Veterans Homes Board Contracts by Gender

Male	34
Female	11
N/A*	6
Blank**	15

\* Four contracts listed as N/A were with Shred-It for paper disposal. In addition, two contracts were with state agencies.

\*\* Ethnicity and Gender left blank.