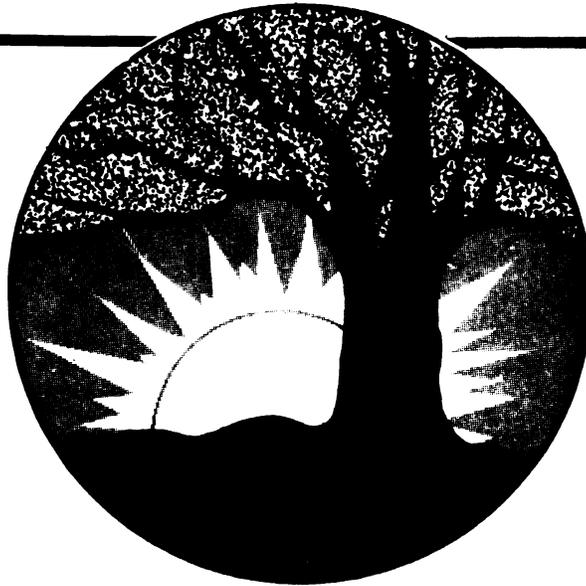


PERFORMANCE AUDIT

Tennessee State Veterans' Homes Board
September 2012



Justin P. Wilson
Comptroller of the Treasury



State of Tennessee
Comptroller of the Treasury
Department of Audit
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September 20, 2012

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Mike Bell, Chair
Senate Committee on Government Operations
The Honorable Jim Cobb, 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

AAH/dlj
12-067

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
Tennessee State Veterans' Homes Board
September 2012

AUDIT OBJECTIVES

The objectives of the audit were (1) to determine and present information on the existing three homes' capacities and waiting lists, projected needs, and the Tennessee State Veterans' Homes Board's plans for growth; (2) to determine whether the organization is performing its due diligence to file and collect claims in a timely manner to minimize the amount of accounts receivable write-offs it presents to the board for approval; (3) to determine whether the organization has adequately addressed the finding regarding weaknesses in disaster plans highlighted in the last performance audit; (4) to determine whether the organization has adequately addressed the finding regarding high turnover and its impact on the homes highlighted in the last performance audit; (5) to determine whether the board has complied with notice and open meeting requirements and adequately addressed the finding regarding open meetings and executive session highlighted in the last performance audit; (6) to determine whether the board conducted the executive director search in an appropriately open and fair manner and has adequately addressed the concerns highlighted in the last performance audit; and (7) to determine whether the organization has adequately addressed the finding regarding Title VI compliance monitoring highlighted in the last performance audit.

FINDINGS

As Found in the Previous Performance Audit, Facility Disaster Plans Still Need Improvement to Include Important Industry-recommended Provisions

All three nursing home facilities operated by the Tennessee State Veterans' Homes Board (TSVHB) have disaster plans that have been and currently 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 in its 2006 report, the U.S. Department of Health and Human Services' (DHHS) 2012 report found federal regulations to be inadequate in real-life tests of nursing homes in disaster situations. We compared the TSVHB disaster plans in place in February 2012 with the current Centers for Medicare and

Medicaid Services (CMS) checklist of recommended provisions also used by DHHS in its 2012 report. Despite the board's response to the 2009 audit finding that the recommendations and guidelines established by DHHS and CMS would be considered when developing updated and more comprehensive plans, we found that the three TSVHB facilities' disaster plans do not address most of the recommended CMS provisions for disaster preparedness and response (page 6).

Turnover Continues to Be an Issue, as It Was in the Previous Performance Audit, for the Veterans' Homes Individually and for the Executive Office Management's Running of the System of Homes as a Whole

The 2009 performance audit found high turnover in many job classifications, not only among supervisory staff but also among direct care staff, and found that the individual homes and Executive Office were not systematically collecting and analyzing turnover data to mitigate the effects on residents and home operations. For this audit, we conducted an analysis of turnover of full-time and part-time classified employees by position from raw data provided for July 1, 2009, through December 31, 2011. While improvements were seen in some job classifications from the last audit, others remained the same or were worse and high turnover was seen in some other job classifications not

mentioned before. These results, combined with the inability of individual homes' Human Resource directors to run staffing turnover reports and analyze turnover specific to their homes and the TSVHB Controller's inability to run and create staffing and turnover reports for the system that corroborate rather than contradict each other, can significantly affect the ability of the TSVHB to efficiently and effectively manage the operations of the state's system of veterans' homes (page 10).

As Found in the Previous Performance Audit, the Tennessee State Veterans' Homes Board Is Not Monitoring Its Contractors for Title VI Compliance

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 director, therapy services). Based on discussions with personnel in the Washington, D.C., office of the Civil Rights Division of the U.S. Department of Justice and the guidance and case law cited in that office's *Title VI Legal Manual*, if a state agency contracts with others to provide services on its behalf, the state agency must monitor those contractors for Title VI compliance (page 18).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues: a recommendation for the collection of past due accounts receivable; the creation of a policy for those patients who deplete their private financial resources and transition to Medicaid/TennCare; improving public notice of board meetings and giving notice and holding open discussion of the executive director's annual review; and an assessment of the conduct of the 2009 executive director search (page 20).

Performance Audit Tennessee State Veterans' Homes Board

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Performance Audit Tennessee State Veterans' Homes Board

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Tennessee State Veterans' Homes Board (TSVHB) was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-234, the board is scheduled to terminate June 30, 2013. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency 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 determine and present information on the existing three homes' capacities and waiting lists, projected needs, and the TSVHB's plans for growth;
2. to determine whether the organization is performing its due diligence to file and collect claims in a timely manner to minimize the amount of accounts receivable write-offs it presents to the board for approval;
3. to determine whether the organization has adequately addressed the finding regarding weaknesses in disaster plans highlighted in the last performance audit;
4. to determine whether the organization has adequately addressed the finding regarding high turnover and its impact on the homes highlighted in the last performance audit;
5. to determine whether the board has complied with notice and open meeting requirements and adequately addressed the finding regarding open meetings and executive session highlighted in the last performance audit;
6. to determine whether the board conducted the executive director search in an appropriately open and fair manner and has adequately addressed the concerns highlighted in the last performance audit; and

7. to determine whether the organization has adequately addressed the finding regarding Title VI compliance monitoring highlighted in the last performance audit.

SCOPE AND METHODOLOGY OF THE AUDIT

The activities of the board were reviewed for the period July 2009 through December 2011. 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

- review of applicable legislation and policies and procedures;
- review of industry information;
- examination of the organization's records, reports, and information summaries; and
- interviews with organization staff and staff of other state agencies that interact with the organization.

HISTORY AND STATUTORY RESPONSIBILITIES

The Tennessee State Veterans' Homes Board (TSVHB) was created by Chapter 899 of the 1988 Public Acts, codified as Section 58-7-101 et seq., *Tennessee Code Annotated*. 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. 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.

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

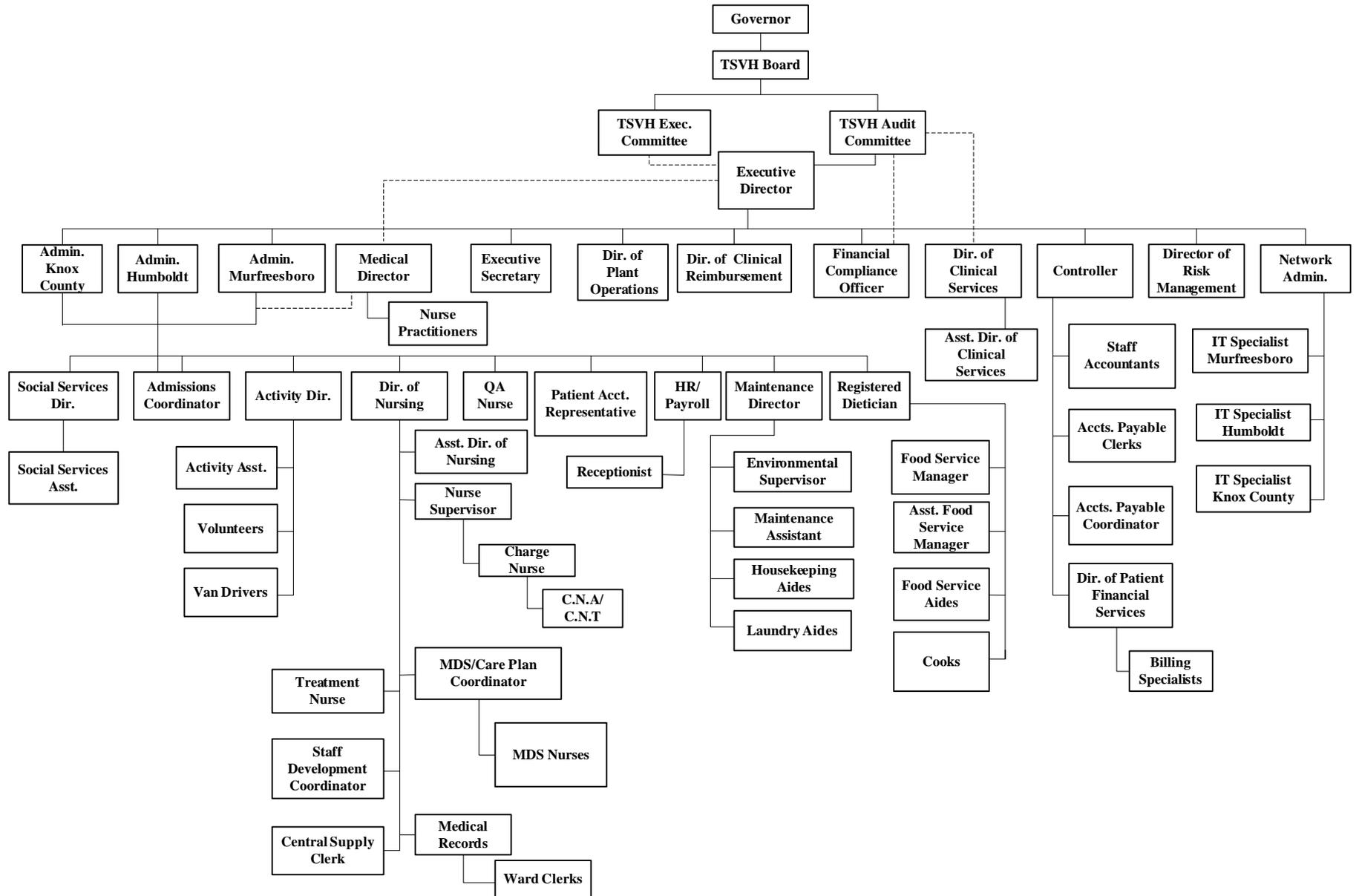
June 1991; an additional 20-bed unit was opened in December 2006. A second home with 120 beds opened in Humboldt (Gibson County) in February 1996; an additional 20-bed unit was opened in December 2006. In January 2007, a 140-bed home opened outside Knoxville (Knox County). For fiscal year 2012, both the Murfreesboro and Humboldt homes operated at an average 96% capacity (134 of 140 beds) and the Knoxville home, at an average 97% capacity (136 of 140 beds). As of the end of August 2012, Murfreesboro had a wait list of 131; Humboldt, 163; and Knox County, 477.

Plans include construction of homes in the near future in Clarksville and Cleveland and, in the more distant future, in Shelby County and the Tri-Cities areas. Both Clarksville and Cleveland sites are listed in the Veterans' Administration's Priority List, Priority Group 1 of pending State Home Construction Grant Projects. For projects to be ranked in Group 1, the state must have 35% of the project costs (state matching funds). Clarksville is ranked #55 and Cleveland is ranked #58 on the list. At these rankings, the Veterans' Administration has established that there is a limited need for beds in Tennessee, at 891 beds.

The Clarksville site will soon enter the schematic design phase. At the May 31, 2012, board meeting, the board approved the site selected contingent upon review by the board's Executive Committee and acceptance by the state. A designer for the facility has also been selected. The donated site for the Bradley County (Cleveland) site is undergoing environment studies. The local steering committee for the potential Shelby County state veterans home reorganized at the beginning of 2012 and is currently very active and seeking ways to secure property donations and to raise the necessary state matching funds. At the March 2012 board meeting, it was announced that a local steering committee had been formed for the proposed Tri-Cities (Kingsport) state veterans' home. Discussions are underway regarding land options. However, no state or local funds have been allocated or raised for this project at this time.

See page 4 for an organization chart of the Tennessee State Veterans' Homes Board.

TENNESSEE STATE VETERANS' HOMESBOARD ORGANIZATIONAL CHART As of January 2012



REVENUES AND EXPENDITURES

Anticipated Revenues by Source For the Fiscal Year Ending June 30, 2012

Source	Murfreesboro	Humboldt	Knox County	Total
Room & Board ¹	\$10,031,281	\$10,405,883	\$10,766,783	\$31,203,948
Ancillary Revenues ²	\$193,834	\$261,723	\$261,574	\$717,131
VA Standard Per Diem	\$ 2,455,194	\$1,996,406	\$1,700,947	\$6,152,547
Interest Income	\$1,650	\$1,829	\$981	\$19,643
Miscellaneous Revenues	\$22,143	\$16,478	\$20,133	\$58,754
Bad Debt	(\$253,606)	(\$253,280)	(\$761,473)	(\$761,473)
Total Revenue³	\$12,450,496	\$12,429,039	\$12,495,833	\$37,390,551

¹Private pay, Medicare, Medicaid ICF, Medicaid SNF, Hospice Medicaid, Tricare and Other Insurance, VA 70% Rule

²Medicare Part B, Private Pay Ancillaries

³In addition, the Executive Office is credited with \$15,183 of Interest Income.

Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Year Ending June 30, 2011

	Home Office	Murfreesboro	Humboldt	Knox County	Total
Total operating revenue		\$12,467,002	\$12,158,364	\$12,929,102	\$37,554,469
Total operating expenses	\$1,574,160	\$10,774,110	\$11,299,181	\$11,410,930	\$35,058,381
Operating income (loss)	(\$1,574,160)	\$1,692,892	\$859,184	\$1,518,172	\$2,496,088
Total nonoperating revenues (expenses)	\$4,037,840	(\$1,831,073)	(\$1,075,409)	(\$1,294,896)	(\$163,538)
Increase (decrease) in net assets	\$2,463,680	(\$138,180)	(\$216,225)	\$223,276	\$2,332,550
Net assets, June 30	\$8,511,509	\$6,414,045	\$6,759,651	\$13,144,289	\$34,829,495

FINDINGS AND RECOMMENDATIONS

1. As found in the previous performance audit, facility disaster plans still need improvement to include important industry-recommended provisions

Finding

All three nursing home facilities operated by the Tennessee State Veterans' Homes Board have disaster plans that have been and currently 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. Federal regulations state that nursing home emergency plans must include procedures to meet all potential emergencies, such as fires, severe weather, and missing residents. The regulations do not specify required content for emergency plans; the Centers for Medicare and Medicaid Services (CMS) *State Operations Manual* indicates only that emergency plans must include plans relevant to natural or manmade disasters and include procedures for finding a missing resident. However, as in its 2006 report, the U.S. Department of Health and Human Services' (DHHS) 2012 report found federal regulations to be inadequate in real-life tests of nursing homes in disaster situations. From 2007 to 2010, several disasters substantially affected at least 210 nursing homes in 7 states, forcing residents to evacuate or shelter in place in response to floods, hurricanes, and wildfires. In Tennessee, the May 2010 flooding of the Mississippi and Cumberland rivers forced the full evacuation of two nursing homes, the partial evacuation of another, and the residents of four other nursing homes to shelter in place. The 2012 report found many of the same gaps in nursing home preparedness and response, with many emergency plans lacking relevant information, including only about half of the suggested CMS emergency preparedness provisions.

We compared the TSVHB disaster plans in place in February 2012 with the current CMS checklist of recommended provisions also used by DHHS in its 2012 report. Despite its response to the 2009 audit finding that the recommendations and guidelines established by DHHS and CMS would be considered when developing updated and more comprehensive plans, we found that the three TSVHB facilities' disaster plans do not address most of the recommended CMS provisions for disaster preparedness and response.

CMS Recommended Provisions

Similar to the 2006 DHHS/CMS suggested provisions discussed in our previous 2009 audit, the recommended CMS Emergency Preparedness Checklist (last revised September 2009) has some 23 provisions that are broken down into approximately 70 more specific tasks. The 23 provisions include:

- **Develop Emergency Plan** – gathering in one place all available relevant information including but not limited to state/local emergency planning regulations/requirements, facility personnel names/contact information, state/local emergency managers'

contact information, facility org chart, building construction/life safety systems information, and specific information about the characteristics and needs of individuals for whom care is provided

- **All-Hazards Continuity of Operations (COOP) Plan** – a business plan that determines all essential functions that must continue and critical personnel needed should an event occur that affects the facility either directly or indirectly
- **Collaborate with Local Emergency Management Agency**
- **Analyze Each Hazard** – the specific vulnerabilities of each facility and any specific needs per hazard, specifically the identification and maintenance of sufficient supplies and equipment to sustain operations and deliver care and services for 3-10 days
- **Collaborate with Suppliers/Providers** – to receive and care for individuals, including a surge capability/capacity assessment
- **Decision Criteria for Executing Plan** – factors to consider and authority regarding evacuation and sheltering-in-place
- **Communication Infrastructure Contingency**
- **Develop Shelter-in-Place Plan** – including procedures to assess site safety, sufficient resources for at least 7 days, contracts with vendors for supplies and transportation, and emergency financial and security needs
- **Develop Evacuation Plan** – including patient identification, multiple pre-determined evacuation locations under contract or agreement (with at least one being 50 miles away), evacuation routes identified and mapped, adequate food/water/medications and logistical support for food/water/medications described
- **Transportation and Other Vendors** – adequate established arrangements with contractors to provide transportation and assurances that they can fulfill their commitment in an emergency and are not “overbooked”
- **Train Transportation Vendors/Volunteers**
- **Facility Reentry Plan** – personnel who can authorize reentry to the facility following evacuation and procedures to ensure the safety of the facility before reentry
- **Residents and Family Members** – how residents and their families/guardians will be informed of an evacuation and kept informed during and following an emergency, including how they can contact each other
- **Resident Identification** – how residents will be identified during an evacuation and how that information will be transferred with each resident, including how medical records and medications will be transported and matched with the particular resident
- **Trained Facility Staff Members** – ensuring all staff on all shifts are trained on all details of the emergency plan, including addressing psychological and emotional effects on caregivers, families, residents, and the community at large; include periodic

reviews and drills/demonstrations with sufficient frequency to ensure new members are fully trained

- **Informed Residents and Patients** – ensure residents, patients and family members are aware of and knowledgeable about the facility plan, including families knowing how/when they will be notified about evacuations, how they can be helpful, how/where they can plan to meet their loved ones; out-of-town families have a number they can call for information; residents who are able to participate in their own evacuation are aware of their roles and responsibilities
- **Needed Provisions** – processes established for determining if provisions such as power, flashlights, food, water, ice, oxygen, medications, etc. need to be delivered to the facility and if urgent action is needed to obtain the necessary resources and assistance
- **Location of Evacuated Residents** – processes established for determining the location of evacuated residents and documenting and reporting this information to the clearinghouse established by the state or partnering agency
- **Helping Residents in the Relocation** – Training for Staff: Suggested Principles of Care
- **Review Emergency Plan** – annual internal review of the emergency plan ensuring it reflects the most accurate and up-to-date information
- **Communication with the Long-Term Care Ombudsman Program** – discuss with a representative prior to any disaster and provide a copy of plan; notify during a disaster of how, when, and where residents are sheltered
- **Conduct Exercises and Drills** – at least semi-annually; corrective actions should be taken on any deficiency identified
- **Loss of Resident's Personal Effects** – a process should be established for an emergency management agency representative (FEMA or other agency) to visit the facility to which residents have been evacuated, so residents can report the loss of personal effects

Auditor Review of TSVHB Disaster Plans

The disaster plans of the three TSVHB nursing homes did not contain information addressing most of these recommended provisions. A few parts of some provisions, though, were addressed. In the auditor's review, approximately 5 of the roughly 70 tasks were addressed in all 3 plans (building construction and life safety systems information was included, staff responsible for tasks when sheltering in place were identified and assigned, the person responsible for implementing the evacuation plan was identified, exercises and drills are designed and conducted, and exercises and drills are conducted at least semi-annually). Another seven tasks were partially addressed by the plans (contact information of local and state emergency managers, analyzing the specific vulnerabilities of each facility, the specific actions to be taken for each hazard, identifying the key staff for executing the specific hazard plan, staffing requirements and defined staff responsibilities for each hazard, decision criteria for

executing the plan, and resident identification). The remaining 58 recommended tasks in the CMS checklist were not addressed in the three TSVHB facilities' disaster plans. While a few of the recommended tasks might conceivably be kept separately from and not be found in an emergency/disaster plan, it makes sense that most would be part of a facility's disaster plan as a best practice and as recommended by CMS.

Additionally, the auditor noted that all three facilities' disaster plans would be difficult to refer to during an actual emergency as the tables of contents (TOC) did not contain page numbers. The TOC also made reference to section headings, but the bodies of the plans did not contain section headings. Various evacuation, fire, and safety zone maps were also not in the plans but were provided on request.

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 needs, and specific food and water supplies and needs should be kept with the disaster plan. Access to patient medical records is also critical. As medical records are kept electronically, the disaster plans also should address data backups and the availability of hardware needed to access electronic data during and immediately after an emergency. Staff at individual homes need to know how to contact the disaster recovery facility storing the data backups in the event that Executive Office staff are not available to help with data recovery after an emergency.

Management's Comment

We concur with the finding. Our Veterans' Home disaster plans need further refinement. While in compliance with the Tennessee Board for Licensing Health Care Facilities and the U.S. Department of Veterans Affairs, our disaster recovery plan needs continued refinement. Effective disaster plans need regular review, update, and revision. TSVH reviews its plans annually. The current plans have been reviewed and approved by TEMA personnel and local emergency management authorities. The recommendations of the performance audit will be incorporated as part of our annual review process.

2. Turnover continues to be an issue, as it was in the previous performance audit, for the veterans' homes individually and for the Executive Office management's running of the system of homes as a whole

Finding

The 2009 performance audit found high turnover in many job classifications, not only among supervisory staff but also among direct care staff, and that the individual homes and Executive Office were not systematically collecting and analyzing turnover data to mitigate the effects on residents and home operations. For this audit, we wanted to follow up and see if turnover numbers had improved. We chose as our scope July 1, 2009, through December 31, 2011. However, this task proved more problematic than expected.

As requested and received for the 2009 audit, we requested from the three homes' Human Resource directors any pre-existing turnover reports or turnover data consisting of position titles, current number of positions, and number of persons who have held that position during our scope. However, the Human Resource directors were not aware of any such available reports. It took a full month to obtain piecemeal all the requested data from the Controller, at which time we discovered that the information contradicted itself. Requests for assistance to the Human Resource directors at the three homes, as they should be the experts on staffing at their individual homes, were redirected to the Controller, who could not explain the data contradictions. The Controller then explained what had not been before when the original data request was made, that the homes do not budget by positions but by hours and do not maintain information by position. The Controller then made available the raw data pulled from the system, which is an employee roster as of December 31, 2011, of active employees and those terminated during the period requested.

We conducted our own analysis of turnover of full-time and part-time classified employees by position from the raw data provided for the time frame July 1, 2009, through December 31, 2011. While improvements were seen in some job classifications from the last audit, others remained the same or were worse and high turnover was seen in some other job classifications not mentioned before. These results, combined with the inability of individual homes' Human Resource directors to run staffing turnover reports and analyze turnover specific to their homes and the TSVHB Controller's inability to run and create staffing and turnover reports for the system that corroborate rather than contradict each other, can significantly affect the ability of the TSVHB to efficiently and effectively manage the operations of the state's system of veterans' homes.

**Full-Time and Part-Time Personnel Turnover
Comparison with TSVHB Reported Turnover in 2009 Audit and New Areas of Rising Turnover
July 1, 2009 – December 31, 2011**

(Turnover = Terminations divided by Active Employees as of 12/31/11)

Across Three Facilities

July 1, 2009 – December 31, 2011

	2009 audit (26 months)¹	2012 audit (30 months)²	Notes
Administrators	Across 3 facilities – 133%	233%	4 Humboldt; 2 Murfreesboro; 1 Knox County ³
Directors of Nursing	233%	133%	
Assistant Directors of Nursing	167%	100%	
RN Supervisors	83%	43%	
MDS Coordinators	125%	166%	No active personnel at Murfreesboro as of 12/31/11
Treatment Nurses	200%	LPN 0% RN 100%	Knox County did not have the LPN position & no active RN personnel
Staff Development Coordinators	100%	50%	Murfreesboro did not list such a position
Social Workers	160%	Full-Time 33% Part-Time 25%	Listed as social services assistants

¹Provided by the TSVHB for the 2009 audit.

²Calculated by the auditor from raw personnel data provided by the TSVHB.

³At least one of Humboldt's terminations is of a long-term employee that has performed interim administrator duties in the past and is currently the permanent administrator.

Murfreesboro

July 1, 2009 – December 31, 2011

	2009 audit (26 months)¹	2012 audit (30 months)²
Administrator	Across 3 facilities – 133%	200%
Director of Nursing	Across 3 facilities – 233%	Full-Time/Salary 300%
Assistant Director of Nursing	Across 3 facilities – 167%	Full-Time/Salary 150%
CNA	177%	Full-Time 130% Part-Time 183%
Dietary Aides	375%	Full-Time 67% Part-Time 80%
Dietary Cooks	160%	Full-Time 60%
Housekeeping	73%	Full-Time 80% Part-Time 0%
Laundry	120%	Full-Time 40% Part-Time 0%
LPN	108%	Full-Time 111%
Maintenance Director		Full-Time/Salary 400%
Maintenance Tech		Full-Time 350%
MDS Coordinator		Full-Time/Salary 100-200%*
RN		Full-Time/Salary 1100%
Floor Tech		Full-Time 150%

*dependent on whether there are one or two positions

¹Provided by TSVHB for the 2009 audit.

²Calculated by the auditor from raw personnel data provided by the TSVHB.

Humboldt
July 1, 2009 – December 31, 2011

	2009 audit (26 months)¹	2012 audit (30 months)²
Administrator	Across 3 facilities – 133%	400% ³
LPN	209%	Full-Time 108% Part-Time 175%
CNA	109%	Full-Time 127% Part-Time 58%
Dietary Aides	82%	Full-Time 73% Part-Time 100%
Dietary Cooks	40%	Full-Time 80% Part-Time 100%
Housekeeping	167%	Full-Time 25% Part-Time 150%
Laundry	86%	Full-Time 0%
Medical Records Manager		Full-Time 200%
MDS Coordinator		Full-Time/Salary 200%
RN		Full-Time 60% Part-Time 33%

¹ Provided by TSVHB for the 2009 audit.

² Calculated by the auditor from raw personnel data provided by the TSVHB.

³ At least one of Humboldt's terminations is of a long-term employee who has performed interim administrator duties in the past and is currently the permanent administrator.

Knox County
July 1, 2009 – December 31, 2011

	2009 audit (26 months)¹	2012 audit (30 months)²
Administrator	Across 3 facilities – 133%	100%
LPN	94%	100%
CNA	114%	Full-Time 183% Part-Time 50%
Dietary Aides	100%	Full-Time 42% Part-Time 100%
Dietary Cooks	60%	Full-Time 50%
Housekeeping	29%	Full-Time 58%
Laundry	20%	Full-Time 100%
Floor Tech		Full-Time 133%
MDS Coordinator		Salary 50%
RN		Full-Time 167% Part-Time 0%

¹ Provided by TSVHB for the 2009 audit.

² Calculated by the auditor from raw personnel data provided by the TSVHB.

Recommendation

Individual home Human Resource directors and Executive Office personnel should be able to provide staffing information, including active and terminated staff, from the human resources information system currently in use by the TSVHB for analyzing turnover. Ideally, information systems personnel should consider creating a standardized report for turnover that

home, Executive Office, and board personnel can use for analysis purposes and that will ensure consistent, accurate reporting. Turnover analysis for positions should occur regularly throughout the year to ensure that not only are operations not negatively impacted by turnover but also that staff and residents are ensured a safe and healthy work environment.

Management's Comment

We do not concur with the finding that the TSVHB is not capable of analyzing turnover. The Human Resources Directors and Controller pull staff information and report new hires, terminations, and turnover to the board monthly. In addition to staffing turnover, the board reviews resident census, patient mix, budgeted hours versus actual hours, overtime, financial statements, and capital assets monthly. This information has been reported to the board monthly for over six years. Annual data are reviewed and reported to several different agencies/associations in the prescribed format.

Turnover issues are not unique to the TSVHB but have long been an issue in the long-term care industry that is impacted by direct care staff who will change jobs for small increases in pay, benefits, or personal reasons. Further, as evidenced by the recent audits conducted by the U.S. Department of Veterans Affairs and the Tennessee Department of Health on behalf of the Centers for Medicare and Medicaid that document the excellent care provided to TSVH residents, the TSVHB is managing its staffing well. TSVHB staffing is based on nursing hours per patient day, which fluctuates based on patient census and acuity. The TSVHB's annual budget for staff is adjusted based on changes in census and acuity patterns.

The charts on pages 14 through 17 reflect the data based on an annualized calculation (number of terminations for fiscal year divided by number of active employees at fiscal year-end).

Auditor Comment

While we are aware that the board receives high level information at its meetings on total terminations, we also noticed the information is sometimes contradictory and does not provide analysis at the job classification level, which is where more analysis should be conducted to look for troubling trends regarding full- and part-time staff. At the time of audit fieldwork, executive office staff and individual homes' Human Resource directors could not provide us with any preexisting turnover reports or consistent, non-contradictory information at the job classification level.

Home Office Turnover

Job Title	FY2010			FY2011			FY2012		
	Active	Terminated	%	Active	Terminated	%	Active	Terminated	%
Accounts Payable Coordinator	1		0%	1		0%	1		0%
Accounts Payable Specialist	3		0%	1	2	200%	1		0%
Accounts Receivable Billing Specialist	3		0%	3		0%	3		0%
Administrator	2	3	150%	3	1	33%	3	1	33%
Clinical Reimbursement*	1		0%		1	--			--
Contract Officer*	1		0%		1	--		1	--
Controller	1		0%	1		0%	1		0%
Director of Clinical Services RN	1		0%	1		0%	1		0%
Director of Patient Financial Services	1		0%	1		0%	1		0%
Director of Plant Operations	1		0%	1		0%	1		0%
Executive Assistant	1		0%	1	1	100%	1		0%
Executive Director	1		0%	1		0%	1		0%
Finance Director*	1		0%		1	--			--
Financial Compliance Officer	1		0%	1	1	100%	1		0%
Information Technology Specialist	2		0%	2		0%	3		0%
IT Director*		1	--			--			--
Network Administrator	1		0%	1		0%	1		0%
Staff Accountant	2		0%	2		0%	2		0%
Assistant Director of Clinical Services LPN				1		0%	1		0%
Director of Risk Management				1		0%	1		0%
Registered Dietitian							1		0%
Grand Total	24	4	17%	22	8	36%	24	2	8%

*Position Eliminated

Murfreesboro Turnover Rate

Job Title	FY2010			FY2011			FY2012		
	Active	Terminated	%	Active	Terminated	%	Active	Terminated	%
Activities Assistant	8	2	25%	7	5	71%	8	1	13%
Activities Assistant Director			--	1		0%	3		0%
Activities Director	1	1	100%	1		0%	1		0%
Admissions Director	1	1	100%	1	1	100%	1		0%
After-hours Receptionist	1		0%	1		0%	2		0%
Assistant Dietary Manager	1		0%	1		0%	1	1	100%
Assistant Director of Nursing	3		0%	2	2	100%		2	--
Central Supply Clerk	1		0%	1		0%	1		0%
CNA or CNT	45	32	71%	65	44	68%	69	51	74%
Dietary Aide	12	4	33%	17	7	41%	20	9	45%
Dietary Cook	5	1	20%	6	1	17%	4	2	50%
Dietary Manager	1		0%	1		0%			--
Environmental Supervisor		1	--	1		0%	1	1	100%
Floor Tech	3	3	100%	5	2	40%	5	2	40%
Housekeeper	10	1	10%	14	6	43%	18	4	22%
Human Resources Director			--	1		0%	1		0%
Hydration Tech CNA/CNT	1		0%	1		0%	1		0%
Laundry Aide	5	1	20%	6	1	17%	6		0%
LPN	19	14	74%	27	15	56%	26	16	62%
Maintenance Director	2	1	50%	1	3	300%	1		0%
Maintenance Tech	1	1	100%	3	3	100%	2	3	150%
MDS Coordinator RN	1	1	100%		1	--	1		0%
MDS LPN	1		0%	3	1	33%	3		0%
Medical Records Manager	2		0%	1	1	100%	1		0%
Patient Account Rep	1		0%	1		0%	1		0%
Pharmacy Nurse LPN	1		0%	1		0%	1		0%
Quality Assurance RN	1		0%	1	1	100%	1	1	100%
Receptionist	2	1	50%	2		0%	1	1	100%
Registered Dietitian	1		0%	1		0%		2	--
Restorative CNA/CNT	5		0%	5		0%	5	1	20%
Restorative LPN			--			--	1		0%
Restorative RN	1		0%		1	--			--
RN	6	4	67%	3	9	300%		2	--
Director of Nursing RN	2	1	50%	2	1	50%	1	2	200%
Social Services Assistant	5	1	20%	4	1	25%	4	1	25%
Social Services Director			--	1		0%	1	1	100%
Staff Development RN			--			--	1		0%
Staffing Coordinator	1		0%	1		0%	1		0%
Supervisor RN	2		0%	3		0%	4	2	50%
Treatment Nurse LPN			--			--	1		0%
Treatment Nurse RN	1		0%		1	--		1	--
Unit Clerk	1	1	100%	2	1	50%	2		0%
Unit Manager RN			--	1	1	100%	2	2	100%
Van Driver	2		0%	3	2	67%	2	1	50%
Grand Total	156	72	46%	198	111	56%	205	109	53%

Humboldt Turnover Rate

Job Title	FY2010			FY2011			FY2012		
	Active	Terminated	%	Active	Terminated	%	Active	Terminated	%
Activities Assistant	7	2	29%	8		0%	6	2	33%
Activities Director	1		0%	1		0%	1		0%
Admissions Director	1	1	100%	1		0%	1	1	100%
After-hours Receptionist			--			--	3		0%
Assistant Dietary Manager		1	--			--			--
Assistant Director of Nursing	2		0%	2		0%	1	1	100%
Assistant Kitchen Supervisor			--			--		1	--
Central Purchasing Agent	1		0%	1		0%	1		0%
CNA or CNT	54	40	74%	69	24	35%	63	49	78%
Dietary Aide	12	5	42%	11	3	27%	9	8	89%
Dietary Cook	6	1	17%	5	4	80%	5	1	20%
Dietary Manager	1	1	100%	2		0%	2		0%
Environmental Supervisor	1		0%	1		0%	1		0%
Floor Tech	7	1	14%	8	1	13%	9		0%
Housekeeper	11	3	27%	10	2	20%	12	2	17%
Human Resources Director	1	1	100%	1		0%	1		0%
Hydration Tech CNA/CNT	1		0%	1		0%	1		0%
Laundry Aide	7		0%	7		0%	7		0%
LPN	23	13	57%	30	10	33%	30	19	63%
Maintenance Director	1		0%	1		0%	1	1	100%
Maintenance Tech	2		0%	2		0%	2	1	50%
MDS Coordinator RN	1	1	100%	1	1	100%	1		0%
MDS LPN	3		0%	2	1	50%	2		0%
MDS RN	1		0%	1		0%	2		0%
Medical Records Manager	1	1	100%	1	1	100%	1		0%
Patient Account Rep	1		0%	1		0%	1		0%
Pharmacy Nurse LPN	1		0%	1		0%	1		0%
Quality Assurance RN		1	--	1		0%	1		0%
Receptionist	4		0%	4	1	25%	1		0%
Registered Dietitian	1	1	100%	1		0%		2	--
Restorative CNA/CNT	6		0%	5	1	20%	4	1	25%
Restorative LPN	1		0%	1		0%	1		0%
RN	5	1	20%	5	2	40%		4	--
RN Director of Nursing	1		0%	1		0%	2		0%
Social Services Assistant	3		0%	3		0%	3	1	33%
Social Services Director	1		0%	1		0%	1		0%
Staff Development RN	2		0%	1	1	100%	1		0%
Staffing Coordinator	1		0%	1		0%	1		0%
Supervisor LPN	1		0%	1		0%	1		0%
Supervisor RN			--	3		0%	7	3	43%
Transportation CNA/CNT	2		0%	2		0%	1		0%
Treatment Nurse LPN	1		0%	1		0%	2		0%
Treatment Nurse RN	1		0%	1		0%			--
Unit Clerk	2		0%	2		0%	2		0%
Unit Manager RN			--			--	1		0%
Van Driver			--			--	1		0%
Grand Total	179	75	42%	202	52	26%	194	97	50%

Knoxville Turnover Rate

Job Title	FY2010			FY2011			FY2012		
	Active	Terminated	%	Active	Terminated	%	Active	Terminated	%
Activities Assistant	9		0%	8	6	75%	6	2	33%
Activities Assistant Director			--			--	1		0%
Activities Director	1	1	100%	1	1	100%	1		0%
Admissions Director	1		0%	1		0%	1		0%
After-hours Receptionist			--			--	2		0%
Assistant Dietary Manager	1		0%	1		0%	1	1	100%
Assistant Director of Nursing	1		0%	1		0%	1		0%
CNA Central Supply Clk	1		0%	1	1	100%	1	1	100%
CNA or CNT	56	30	54%	50	91	182%	56	36	64%
Dietary Aide	13		0%	14	7	50%	12	5	42%
Dietary Cook	5	1	20%	4	2	50%	4		0%
Dietary Manager	1		0%	1		0%	1		0%
Environmental Supervisor	1		0%	1	1	100%	1		0%
Floor Tech	4	2	50%	3	4	133%	5	1	20%
Housekeeper	11	3	27%	12	8	67%	12	5	42%
Human Resources Director	1		0%	1		0%	1		0%
Hydration CNA/CNT			--			--	1		0%
Laundry Aide	6	2	33%	4	4	100%	4	2	50%
LPN	29	8	28%	25	27	108%	27	11	41%
Maintenance Director	2		0%	1	1	100%	1		0%
Maintenance Tech	2	1	50%	2	4	200%	2		0%
MDS Coordinator RN	2		0%	2	1	50%	1		0%
MDS LPN	1		0%	2		0%	2		0%
MDS RN			--			--	1		0%
Medical Records Manager	1		0%	1		0%	1	1	100%
Patient Account Rep	1		0%	1		0%	1		0%
Pharmacy Nurse LPN	1		0%	1		0%	1		0%
Quality Assurance RN			--	1		0%	1		0%
Receptionist	3	1	33%	3	2	67%	2	1	50%
Registered Dietitian	1	1	100%	1	1	100%	1		0%
Restorative CNA/CNT			--			--	3		0%
Restorative LPN	1		0%	1		0%	1		0%
RN	5	1	20%	4	5	125%			--
Director of Nursing RN	2		0%	1	1	100%	1		0%
Social Services Assistant	2		0%	3	1	33%	3	1	33%
Social Services Director	1		0%	1		0%	1		0%
Staff Development RN	1		0%	1		0%	1		0%
Staffing Coordinator			--	1		0%	1		0%
Supervisor RN			--	1		0%	5		0%
Treatment Nurse LPN			--			--	1	1	100%
Treatment Nurse RN	1	1	100%		2	--			--
Unit Clerk CNA/CNT	3		0%	2	1	50%	2		0%
Unit Manager RN	2		0%	2		0%	2		0%
Van Driver			--			--	1		0%
Grand Total	173	52	30%	160	171	107%	174	68	39%

3. As found in the previous performance audit, the Tennessee State Veterans’ Homes Board is not monitoring its contractors for Title VI compliance

Finding

The board and its veterans’ homes have contracts covering all three homes or specific to one home to provide or make available the following to residents:

• Medical directors	• Therapy services
• Continence care	• Wound care
• Podiatry care	• Dental care
• Dialysis care	• Eye care
• Mental Health care	• Psychological care
• Laboratory services	• Pharmacy services
• X-ray services	

Most of these are no-cost contracts between TSVHB and the provider, with the provider billing residents directly. However, the homes’ three medical directors and therapy services contractor are directly paid by TSVHB for services rendered. While laboratory, pharmacy, and x-ray services are more commodities than services, the rest, particularly medical directors and therapy services, speak to the very core of the homes’ mission and are overseeing and providing services to the residents on behalf of the board. The board’s annual reports and strategic plan state:

What services are provided by the home? Medical and nursing care, rehabilitation therapy including physical, occupational and speech therapy, nutritional services, social services, creative activity programs, laundry, beauty, and barber services.

State veterans’ homes services provided include, but are not limited to, the following: (1) Medical services are provided under the direction of a Medical Director who is a physician licensed to practice medicine in the State of Tennessee. Under policies and procedures approved by the Medical Director, the staff assures that all medical needs of residents are met and that any necessary specialty services are provided.... (3) Activity and rehabilitative therapy programs designed for maximum independence and attainment of each resident’s full potential. The following rehabilitative therapies are readily available to residents and are a component of the Homes' care planning program: (a) Physical, occupational, and speech therapy under the supervision of registered therapists. (b) Recreational and activity therapy under the supervision of a qualified activity director.

Rehabilitate residents to the maximum attainable level of independent functioning by utilizing all necessary governmental and community services and therapies, and to provide a comfortable, safe, sanitary environment conducive to personal happiness.

In addition, the medical directors are, by contract, responsible for the medical administration and professional supervision of resident care at the homes; administrative decision-making; organizing and coordinating physician services and services provided by other professionals as they relate to the care of residents; and reviewing charts, examining patients, and other supervisory services.

Based on discussions with personnel in the Washington, D.C., office of the Civil Rights Division of the U.S. Department of Justice and the guidance and case law cited in that office's *Title VI Legal Manual*, if a state agency contracts with others to provide services on its behalf, the state agency must monitor those contractors for Title VI compliance, whether they call them subrecipients or vendors, as the substance of the relationship is more important than the form of the agreement. The TSVHB is not monitoring its contractors for Title VI compliance. The attestation implied by a contractor's signature on a contract that the contractor will comply with standard state contract clauses regarding nondiscrimination is insufficient. The state agency must develop a monitoring mechanism that routinely confirms compliance with contract requirements in general and Title VI requirements in particular.

Recommendation

We recommend that the board direct the Title VI Coordinator to conduct Title VI compliance reviews of all its contractors that provide services to residents on the board's behalf. The TSVHB must develop a monitoring mechanism that routinely confirms and documents compliance with contract requirements.

Management's Comment

We concur in part. As stated in the Appendix entitled "Title VI and Other Information," the Tennessee State Veterans' Home Board concurs that the TSVHB's Title VI Implementation Plan for FY 2009-10 did not include an LEP policy and erroneously understated the time frame for filing a discrimination claim. These issues were both corrected and the TSVHB's Title VI Implementation Plan for FY 2010-11 has no findings.

We do not concur with the finding that the TSVHB is not monitoring its contractors for Title VI compliance. As stated in the finding, the TSVHB has contracts to provide or make available to TSVH residents a variety of clinical services, including medical director services, therapy services, continence care, wound care, podiatry care, dental services, eye care, dialysis services, and psychology services. Nearly all of these services are performed on-site, side-by-side with TSVHB staff and management in an interactive process that results in continuous monitoring of service quality and compliance with contract terms and Title VI requirements. Dialysis services would be performed off-site but no TSVH resident required such services during the audit period. The TSVHB Executive Office also monitors its contracts for clinical and financial compliance. The Director of Clinical Services and her staff regularly monitor all aspects of resident care, whether performed by TSVHB staff or contractors. The effectiveness of their monitoring has been regularly confirmed by the recent positive independent periodic audits on behalf of the Centers for Medicare and Medicaid Services. The TSVHB Controller and her

staff monitor financial compliance on an ongoing basis. This information is also reported on a regular and ongoing basis to the TSVHB Executive Committee, Audit Committee, and the full TSVHB. In November 2010, the TSVHB added the position of Director of Risk Management to the Executive Office staff and, in June 2011, hired a Financial Compliance Officer; both positions increased Executive Office capacity for monitoring contracts. Moving forward, the TSVHB will continue to refine and improve these contract monitoring efforts.

Auditor Comment

The TSVHB's monitoring plan should be expanded to specifically confirm and document compliance on a routine basis with Title VI requirements. Based on statements regarding the clinical and financial monitoring already being conducted on the contractors, it should be fairly easy to include a Title VI monitoring component in the documentation.

OBSERVATIONS AND COMMENTS

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 (TSVHB) and on the citizens of Tennessee.

The Tennessee State Veterans' Homes Board Should Consider Conducting a Cost Benefit Analysis of the Collection Process for Past Due Accounts Receivable and Consider Using the State's Collection Agency for Amounts Under \$10,000

The TSVHB had total operating revenues in fiscal year 2011 of \$37,554,469, anticipates \$37,390,551 in 2012, and budgets an allowance of 2% or less of total revenues for doubtful collection of accounts receivable. The TSVHB currently uses an in-house process for collecting accounts receivable. The accounts receivable process consists of making at least three phone calls and sending three letters to the responsible parties until the accounts are 90 days past due. At this point, after 90 days, Accounts Receivable management sends these past-due former and current residents' accounts (if over \$100) to the Attorney General's Office for collection.

The Attorney General's Office collection process is to conduct an initial research of the accuracy of addresses and other information. Then it sends out a demand letter requesting payment. If there is no response, two more demand letters are sent out before placing the account into a yearly review status. The Attorney General's Office may pursue accounts overdue by \$10,000 or more through litigation. By sending small collection amounts to the Attorney General's Office, it is possible that it is costing the state more to collect than is owed when the Attorney General's resources devoted to collection efforts are considered.

For fiscal years 2009, 2010, 2011, and through the first six months of fiscal year 2012, TSVHB has had total accounts receivable write-offs (bad debt) of \$379,253.99, \$181,946.02, \$152,639.16, and \$200,109.22, respectively. By conducting a cost benefit analysis of past-due accounts receivable, the TSVHB can determine a minimum dollar amount that makes financial sense to proceed and write off, what should be turned over to the state's collection agency (currently Focus Receivables Management), and what amounts should be sent to the Attorney General's Office for collection. This will maximize the use of both TSVHB and Attorney General's debt collection resources and eliminate efforts that currently seldom yield revenues commensurate with the resources expended.

The Tennessee State Veterans' Homes Board Should Create a Policy That Deals With Residents Who Have Depleted All Their Private Financial Resources and Have Transitioned to Medicaid/TennCare That Appropriately Makes Adjustments to the Board's Finances Without Resulting in Overstated Revenues and Increased Bad Debt

Residents of the Tennessee State Veterans' Homes pay their financial obligations with private funds, insurance, Medicare, or Medicaid. There are also different levels of TennCare for which some residents are required to pay co-payments and others are not. TSVHB does not have a policy that addresses what happens when a resident depletes all private financial resources and transitions to TennCare/Medicaid. This transition can often occur unbeknownst to the TSVHB facility, which is then placed in a delicate position of determining retroactively who is responsible for the payment for the resident's care during the transition.

Current residents who may have exhausted their own ability to pay and have past-due accounts cannot be discharged from the facility because of uncollected bad debt unless staff can find another facility willing to house them. Once a current resident has been enrolled in the appropriate TennCare category and proven that he/she does not have the financial ability to pay copayments, then TSVHB should not book these amounts as revenue. According to *Audit and Accounting Guide of Health Care Organizations, Chapter 15, Unique Considerations of State and Local Government Health Care Entities, Section 15.109*, these amounts, including anything booked as revenue before TSVHB knew the resident had transitioned to TennCare, should be recorded as an "other adjustment."

We tested a sample of 40 (\$122,129.42) out of 825 (\$911,500.00) write-off items for the period July 1, 2008, through December 31, 2011. We found three instances totaling \$1,071.41 where TSVHB wrote off accounts where copayments were charged to residents not required to pay copayments by TennCare or where the residents were classified financially unable to pay these copayments. TSVHB still reported these copayments as revenue and then wrote them off as bad debt rather than making an adjustment, which overstated revenues and increased bad debts.

By creating a policy for residents with depleted private resources, the TSVHB would provide direction to administrative staff for classifying revenues/non-revenues, ensure revenues would not be overstated, and reduce write-offs.

While Having Resolved the Previous Audit’s Finding of Public Meetings Act Violations in Regard to Executive Session, the Tennessee State Veterans’ Homes Board Needs to Improve Its Practices for Making Adequate Public Notice of Its Meetings and for Giving Notice and Holding Open Discussion of the Executive Director’s Annual Review

Tennessee’s Public Meetings Act (Title 8, Chapter 44, Part 1, *Tennessee Code Annotated*) states that governing bodies must meet openly and publicly and that adequate notice of those meetings must be given. However, audit work revealed weaknesses in the TSVHB’s posting of notices for its meetings and in openly and publicly discussing the annual executive director’s review at its meetings.

Public Notice of Full Board and Committee Meetings

Copies of notices for all 62 Board and committee meetings held between July 2009 and December 2011 were obtained, as well as a sample of 31 e-mails that sent notices out to TSVHB staff and board members, state and federal Veterans’ Affairs staff, and a state public information officer for posting.

The auditor reviewed the dates on the notices and the dates of the e-mails sending the notices out for posting and determined that at best notice of less than a week (an average of 4 days) was given requesting posting of notices for 37% of meetings (23 of 62) between July 2009 and December 2011. The exact date notices were actually posted for public viewing is not known.

According to a sample of e-mails from the home office requesting the posting of notices, notices are only being sent to staff of the three veterans’ homes, a representative of the Tennessee Department of Veterans’ Affairs, and the web host for TSVHB. There is no indication that notices are sent to any newspaper or other public media in the vicinity of any of the three homes, or posted in Legislative Plaza or anywhere else outside of the homes.

In the decision *Englewood Citizens for Alternate B v. Town of Englewood*, No. 03A01-9803-CH-0098, slip op. (E.S. Tenn. Ct. App. June 24, 1999), the Tennessee Court of Appeals for the Eastern Section outlined the following three-prong test for “adequate public notice.”

- Notice must be posted in a location where a member of the community could become aware of such notice;
- Contents of the notice must reasonably describe the purpose of the meeting or the action proposed to be taken; and
- Notice must be posted at a time sufficiently in advance of the actual meeting in order to give citizens both an opportunity to become aware of and to attend the meeting.

For a statewide board representing a statewide constituency, a broader range of posting sites and a minimum of a week’s notice actually posted for meetings would be a best practice.

Annual Executive Director's Review Not on Agenda

The annual executive director's performance review is a regular business item performed every year in January by the board's executive committee. However, as it was not listed on the agenda for the January 2012 meeting and was taken up as the last order of business, appropriate notice was lacking.

Open Meetings

Auditors attended the January 2012 TSVHB full board and committee meetings. During the executive committee meeting, at which most TSVHB Executive Office staff and board members were in attendance, we observed that the last item taken up for discussion was the executive director's annual review, which was not listed on the agenda. The chair announced the review as the last item of business, stated that this was an open meeting, that people may stay or they may leave, and then stopped without continuing directly into the business at hand. Immediately everyone stood up to leave the room, and the Executive Committee waited until the room had cleared before beginning to discuss the executive director's annual review in significantly lower voices at the end of the conference table at the other end of the room from the auditor.

The 2011 executive director annual review seems to have followed a similar pattern of being the last thing discussed and a break being taken before the issue was taken up. While the 2012 meeting remained technically open, from what the auditor observed, it was obvious that the other board members and TSVHB staff felt or knew they were expected to leave the room. The auditor believes the significantly different treatment of this regular annual item of business does not comply with the spirit of the Public Meetings Act.

TSVHB management should ensure meeting notices are made public and posted at least seven days before meetings of the board and its committees. TSVHB management should know exactly on what date and where notices are being posted.

The TSVHB Executive Committee should ensure the routine executive director's annual review is listed on the agenda and that no verbal or non-verbal impressions are given that people should leave the room.

Despite Weaknesses, the 2009 Executive Director Search Appears to Have Been Conducted in an Appropriately Open and Fair Manner

The March 2009 performance audit found the 2006-2007 uncompleted executive director search poorly executed, with the appearance of giving preferential treatment to an insider. There is no documentary indication that the 2009 executive director search was not conducted in an appropriately open and fair manner, despite the (1) lack of documentary evidence of position advertisement or agreed upon position qualifications, which three finalists the Search Committee recommended to the Executive Committee, and the Executive Committee interviews of the three finalists; and (2) the Executive Committee's untimeliness in holding final interviews and

presenting the finalist to the full board (nearly 4 months elapsed from the Search Committee's recommendations to the Executive Committee to presenting the finalist to the full board). Though the former Knoxville home's administrator and then current TSVHB interim executive director was ultimately chosen, the search committee appears to have advertised broadly and to have drawn enough serious candidates that were appropriately reviewed and considered based on the documentation still existing such as Executive Committee and board meeting minutes, applications, review rating guides, and interview arrangement paperwork.

RECOMMENDATIONS

ADMINISTRATIVE

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

1. 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 needs, and specific food and water supplies and needs should be kept with the disaster plan. Access to patient medical records is also critical. As medical records are kept electronically, the disaster plans also should address data backups and the availability of hardware needed to access electronic data during and immediately after an emergency. Staff at individual homes need to know how to contact the disaster recovery facility storing the data backups in the event that Executive Office staff are not available to help with data recovery after an emergency.
2. Individual home Human Resource directors and Executive Office personnel should be able to provide staffing information, including active and terminated staff, from the human resources information system currently in use by the TSVHB for analyzing turnover. Ideally, information systems personnel should consider creating a standardized report for turnover that home, Executive Office, and board personnel can use for analysis purposes and that will ensure consistent, accurate reporting. Turnover analysis for positions should occur regularly throughout the year to ensure that not only are operations not negatively impacted by turnover but also that staff and residents are ensured a safe and healthy work environment.
3. We recommend that the board direct the Title VI Coordinator to conduct Title VI compliance reviews of all its contractors that provide services to residents on the board's behalf. The TSVHB must develop a monitoring mechanism that routinely confirms and documents compliance with contract requirements.
4. The Tennessee State Veterans' Homes Board should consider conducting a cost benefit analysis of the collection process for past-due accounts receivable and

consider using the state's collection agency for amounts under \$10,000. By conducting a cost benefit analysis of past-due accounts receivable, the TSVHB can determine a minimum dollar amount that makes financial sense to proceed and write off, what should be turned over to the state's collection agency (currently Focus Receivables Management), and what amounts should be sent to the Attorney General's Office for collection. This will maximize the use of both TSVHB and the Attorney General's debt collection resources and eliminate efforts that currently seldom yield revenues commiserate with the resources expended.

5. The Tennessee State Veterans' Homes Board should create a policy that deals with residents who have depleted all their private financial resources and have transitioned to Medicaid/TennCare that appropriately makes adjustments to the TSVHB's finances without resulting in overstated revenues and increased bad debt. By creating a policy for residents with depleted private resources, the TSVHB would provide direction to administrative staff for classifying revenues/non-revenues, ensure revenues would not be overstated, and reduce write-offs.
6. The Tennessee State Veterans' Homes Board needs to improve its practices for making adequate public notice of its meetings and for giving notice and holding open discussion of the executive director's annual review. TSVHB management should ensure meeting notices are made public and posted at least seven days before meetings of the board and its committees. TSVHB management should know exactly on what date and where notices are being posted. The TSVHB Executive Committee should ensure the routine executive director's annual review is listed on the agenda and that no verbal or non-verbal impressions are given that people should leave the room.

**Appendix
Title VI and Other Information**

The Tennessee Human Rights Commission (THRC) issues a report, *Tennessee Title VI Compliance Program* (available on its website) that details most agencies' federal dollars received, Title VI complaints received, whether the agency Title VI implementation plans were filed timely, and THRC findings taken on an agency. Below are staff, resident, and board member demographics, as well as a summary of the information in the latest THRC report for the Tennessee State Veterans' Homes Board.

**Tennessee State Veterans' Homes Board
Staff and Resident Ethnicity and Gender
As of June 30, 2012**

Executive Office

Ethnicity	Staff	% Total
Black	2	8%
Indian/Alaska	0	0%
Hispanic	0	0%
Asians	0	0%
Other	0	0%
White	23	92%
Total	25	100%
Gender		
Male	10	40%
Female	15	60%
Total	25	100%

Murfreesboro (Rutherford County)

Ethnicity	Staff	% Total	Residents	% Total
Black	80	33%	16	12%
Indian/Alaska	0	0%	0	0%
Hispanic	5	2%	1	1%
Asians	7	3%	0	0%
Other	0	0%	0	0%
White	152	62%	110	87%
Total	244	100%	127	100%
Gender				
Male	38	16%	90	71%
Female	206	84%	37	29%
Total	244	100%	127	100%

Humboldt (Gibson County)

Ethnicity	Staff	% total	Residents	% total
Black	130	59%	12	9%
Indian/Alaska	0	0%	0	0%
Hispanic	0	0%	0	0%
Asians	0	0%	0	0%
Other	0	0%	0	0%
White	89	41%	117	91%
Total	219	100%	129	100%
Gender				
Male	25	11%	99	77%
Female	194	89%	30	23%
Total	219	100%	129	100%

Knoxville (Knox County)

Ethnicity	Staff	% total	Residents	% total
Black	27	13%	2	1.5%
Indian/Alaska	0	0%	0	0%
Hispanic	0	0%	2	1.5%
Asians	2	1%	0	0%
Other	0	0%	0	0%
White	184	86%	131	97%
Total	213	100%	135	100%
Gender				
Male	31	15%	101	75%
Female	182	85%	34	25%
Total	213	100%	135	100%

**Tennessee State Veterans' Homes Board
Board Ethnicity and Gender
September 2012**

	Male	Female
White	8	2
Black	2	0
Native American	<u>0</u>	<u>1</u>
	10	3

Note: Two members of the board are *ex officio*, the Commissioner of Veterans' Affairs and the Commissioner of Finance and Administration.

According to the Tennessee Human Rights Commission's latest report, *Tennessee Title VI Compliance Program* (available on its website), the TSVHB submitted its 2010 Title VI Implementation Plan on October 1, 2010, the deadline for submissions. The TSVHB received no Title VI complaints in fiscal years 2010 and 2011.

The Human Rights Commission is responsible for reviewing Title VI Implementation Plans submitted by agencies and determining areas that need improvement or that are noncompliant. The results of the commission's review for fiscal years 2010 and 2011 found that the TSVHB's 2010 plan had (1) no LEP policy and/or procedure for employees and (2) the complaint procedures were noncompliant. The TSVHB responded

At this time Tennessee State Veterans' Homes Board does not have an LEP policy or utilize a translator or interpreter due to the fact that the organization serves United States Veterans, all of whom speak English fluently. The vendors used by the organization also have employees that primarily speak English or have employees within their company tasked with communication or translation if necessary.

According to federal regulations, a federal complaint must be filed no later than 180 calendar days after the alleged discrimination occurred. To allow a complainant time to file sequential complaints internally (with the Board) and externally if they choose, the complaint should be filed no later than 30 calendar days after the alleged discrimination occurred and the Board should proceed promptly in considering appeals.