Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Grand Rapids Home for Veterans
Michigan Veterans Affairs Agency
Department of Military and Veterans Affairs

August 2017

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

511-0170-17F

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution

OAG
Office of the Auditor General

Report Summary

Follow-Up Report

Grand Rapids Home for Veterans

Michigan Veterans Affairs Agency
Department of Military and Veterans Affairs

Report Number:
511-0170-17F

Released:
August 2017

We conducted this follow-up to determine whether the Grand Rapids Home for Veterans had taken appropriate corrective measures in response to the five material conditions noted in our February 2016 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	**Finding**	**Agency Preliminary Response**
Finding #1 - Material condition Member accountability and safety services need improvement. Agency agreed.	Substantially complied	Not applicable	Not applicable
Finding #2 - Material condition Contractor needs to provide minimum staffing levels. Agency agreed.	Partially complied	Reportable condition exists. See Finding #2.	Agrees
Finding #3 - Material condition Improvements needed for administering prescribed pharmaceuticals. Agency agreed.	Substantially complied	Not applicable	Not applicable

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
Finding #5 - Material condition Controls over nonnarcotic pharmaceuticals need improvement. Agency agreed.	Substantially complied	Not applicable	Not applicable
Finding #7 - Material condition Member complaint process needs improvement. Agency agreed.	Complied	Not applicable	Not applicable

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August 10, 2017

Major General Gregory J. Vadnais, Director
Department of Military and Veterans Affairs
3411 North Martin Luther King Jr. Boulevard
Lansing, Michigan
and
Mr. James Robert Redford, Director
Michigan Veterans Affairs Agency
222 North Washington Square
Lansing, Michigan
and
Mr. Robert L. Johnson, Chair
Michigan Veterans Facilities Board of Managers
Grand Rapids Home for Veterans
Grand Rapids, Michigan

Dear General Vadnais, Mr. Redford, and Mr. Johnson:

I am pleased to provide this follow-up report on the five material conditions (Findings #1, #2, #3, #5, and #7) and six corresponding recommendations reported in the performance audit of the Grand Rapids Home for Veterans, Michigan Veterans Affairs Agency, Department of Military and Veterans Affairs. That audit report was issued and distributed in February 2016. Additional copies are available on request or at <audgen.michigan.gov>.

Your agency provided the preliminary response to the follow-up recommendation included in this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler

Doug Ringler
Auditor General

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GRAND RAPIDS HOME FOR VETERANS

INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the five material conditions* (Findings #1, #2, #3, #5, and #7) and six corresponding recommendations reported in our performance audit* of the Grand Rapids Home for Veterans, Michigan Veterans Affairs Agency (MVAA), Department of Military and Veterans Affairs, issued in February 2016.

PURPOSE OF FOLLOW-UP

To determine whether the Home and MVAA had taken appropriate corrective measures to address our corresponding recommendations.

AGENCY DESCRIPTION

The Home provides nursing care and domiciliary services to military veterans and widows, widowers, spouses, former spouses, and parents of State veterans. The mission* of the Home is to provide compassionate, quality, interdisciplinary care for the members to achieve their highest potential of independence, self-worth, wellness, and dignity. As of February 10, 2017, the Home had 317 members receiving nursing care, 33 members residing in the domiciliary units, and 535 State and contract employees.

** See glossary at end of report for definition.*

PRIOR AUDIT FINDINGS AND RECOMMENDATIONS; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSIONS, RECOMMENDATION, AND AGENCY RESPONSE

FINDING #1

Audit Finding Classification: Material condition.

Summary of the February 2016 Finding:
Caregivers documented the completion of member location and fall alarm checks that were not conducted, and nursing staff certified the erroneously documented location check sheets.

Recommendations Reported in February 2016:
We recommended that the Home ensure that its contracted caregivers complete and properly document all member location and fall alarm checks.

We also recommended that MVAA pursue appropriate corrective action with its contractor for these irregularities.

AGENCY PLAN TO COMPLY*

On June 10, 2016, the Home indicated that it had complied and had taken the following steps to address the issues:

- Counseled staff regarding completion and proper documentation of member location checks and reinforced expectations with the contractor.
- Updated the member location policy to reflect best practice standards, require the Assistant Director of Nursing to review all activity monthly to ensure that member location checks are completed according to policy, and address disciplinary action for noncompliance with the policy.
- Discontinued use of fall alarms after reviewing evidence-based studies published by the Centers for Medicare and Medicaid Services and the Pioneer Network.

FOLLOW-UP CONCLUSION

Substantially complied.

Our follow-up for the first recommendation noted:

a. Although caregivers documented that they had conducted all member location checks, our review of surveillance video noted that caregivers had completed 501 (97.3%) of the 515 required member location checks. Once we brought this to the Home's attention, it terminated or re-educated the applicable staff, consistent with the Home's ongoing internal audit process.

** See glossary at end of report for definition.*

Our conclusion of substantially complied, rather than complied, was primarily because of this issue. Although we often consider a 2.7% error rate to not be significant or even reportable in certain circumstances, in these instances caregivers indicated that they performed services that we verified had not occurred. Given the populations served by these caregivers, prior findings with similar observations, the nature of the acts committed by the caregivers, and the legislative and public reaction to the original finding, we anticipated a 0% error rate in fraudulently documented member location checks. Therefore, a conclusion of complied does not seem appropriate.

b. The Home conducted the newly required surveillance video audits from September 2016 through January 2017 and followed up on exceptions noted by terminating or re-educating staff, as it deemed appropriate.

c. The newly established Michigan Veteran Health System (MVHS) issued policies regarding member location checks and falsification of records. Also, the Home provided training to address member supervision and required the nursing staff and contracted caregivers to review and certify, in writing, their understanding of the Home's falsification of records policy. For the 14 required member location checks that were documented as being conducted but were not completed, the 4 caregivers responsible had completed training and reviewed and certified, in writing, their understanding of the Home's falsification of records policy.

d. The Home transitioned to an alarm-free facility in April 2016 under MVHS's newly implemented policy. Therefore, the recommendation related to the fall alarm checks was no longer applicable. We reviewed the Home's falls reports before and after implementation of the policy and noted no significant difference in the average number of falls per month.

Our follow-up for the second recommendation noted that the Home did not renew the previous contract and entered into two new contracts, which included appropriate corrective action for noncompliance.

FINDING #2

Audit Finding Classification: Material condition.

Summary of the February 2016 Finding:
The Home's contractor did not provide the required number of caregivers necessary to meet members' needs.

Recommendation Reported in February 2016:
We recommended that the Home continue to work with the contractor to ensure that proper staffing levels are met and assess the feasibility of entering into a new contract for caregiving services.

AGENCY PLAN TO COMPLY

On June 10, 2016, the Home indicated that it was working with the contractor, including weekly meetings, to ensure that staffing meets members' needs and exceeds U.S. Department of Veterans Affairs standards. Also, the Home indicated that it had drafted a supplemental request for proposal for staffing.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition* exists.

Our follow-up noted that the Home entered into two new contracts as of September 6, 2016 and September 30, 2016. Both require the contractors to provide competency evaluated nursing assistant (CENA) supervisors and CENA staff to meet a minimum of 1.7 hours per member per day of nursing care (PPD) for their respective covered skilled nursing units. Based on the Home's member census for December 2016 and January 2017, the 1.7 and 2.5 PPD equated to approximately 70 and 102 nursing care staff, respectively.

Our analysis indicated that the contractors exceeded the minimum 1.7 PPD contract requirement and the Home exceeded the minimum 2.5 PPD U.S. Department of Veterans Affairs requirement for each of the 62 days in December 2016 and January 2017. However, we noted:

a. CENA supervisors: The contracts require a total of 9 CENA supervisors per day. For 37 (59.7%) days, the contractors did not meet this requirement by an average of 2.9 CENA supervisors, ranging from 0.1 to 5.9 per day.

b. CENA staff: The Home established a targeted daily staffing level of 115 CENA staff. Although the targeted staffing level was not met by the contractors every day during the two months that we reviewed, we noted that staffing provided represented a significant improvement from the February 2016 audit.

** See glossary at end of report for definition.*

However, differing interpretations existed among the Home's staff and between the Home and the Office of the Auditor General (OAG) regarding the degree of flexibility within the targeted staffing levels. Therefore, we urge the Home to reexamine the methodology used to establish the targeted levels, assess the contractor's fulfillment of required staffing levels, and clarify the target's intent.

FOLLOW-UP RECOMMENDATION

We recommend that the Home work with the new contractors to ensure that proper staffing levels are met.

FOLLOW-UP AGENCY RESPONSE

MVAA provided us with the following response:

The Home agrees that the contractor did not meet the contractually required number of supervisors. The Home agrees that the contractors are complying with the contractually required CENA staffing levels and agrees to reexamine the methodology used and the appropriate degree of flexibility in assessing the contractors' fulfillment of required staffing levels and provide clarity to the staffing target's intent.

<u>CENA Supervisors</u>
CENA supervisor staffing levels were put in place based on a projected need for additional oversight. However, in practice, we found that the number of supervisors required by the contracts was greater than actually needed. The contracts specify one supervisor per unit per shift, but we are in the process of determining a more effective and cost efficient level so that we can amend the contracts.

We understand that the OAG has to measure compliance with the contracts as they were written during the audit period, but the fact is that the Home experienced excellent outcomes with the number of supervisors provided.

In this regard, it bears mentioning that if the contractor provides fewer staff than requested, the Home is only invoiced for the number provided. We mention this because it is important to us that the public is not led to believe that the Home is being cheated or wasting taxpayer dollars.

FINDING #3

Audit Finding Classification: Material condition.

Summary of the February 2016 Finding:
Improvements were needed in administering nonnarcotic pharmaceuticals. The Home refilled 4% of the 119,335 nonnarcotic prescriptions more than 5 days early and refilled 35% of the nonnarcotic prescriptions late.

Recommendation Reported in February 2016:
We recommended that the Home properly administer nonnarcotic pharmaceuticals prescribed to members.

AGENCY PLAN TO COMPLY

On June 10, 2016, the Home indicated that it had complied, revised its policy related to early and late refills of nonnarcotic pharmaceuticals to require appropriate approval and justification, and implemented controls to ensure that staff administer member medications in accordance with the policy.

FOLLOW-UP CONCLUSION

Substantially complied.

Our follow-up noted that MVHS directed the Home to require proper justification for early refills. We analyzed the 14,684 nonnarcotic prescriptions refilled for September 1, 2016 through February 16, 2017. The Home refilled only 139 (0.9%) prescriptions more than 5 days early and 354 (2.4%) prescriptions more than 5 days late (excluding prescription refills for treatments such as eye drops, creams, inhalers, and sprays that potentially could be taken on an as-needed basis, or that were otherwise justified).

FINDING #5

Audit Finding Classification: Material condition.

Summary of the February 2016 Finding:
Improved controls over nonnarcotic pharmaceuticals needed. The Home had not implemented an inventory system to account for nonnarcotic pharmaceuticals and had not segregated the duties among pharmacy staff who ordered, received, dispensed, and disposed of nonnarcotic pharmaceuticals.

Recommendation Reported in February 2016:
We recommended that the Home establish adequate controls over its nonnarcotic pharmaceuticals.

AGENCY PLAN TO COMPLY

On June 10, 2016, the Home indicated that it segregated the duties among pharmacy staff who ordered, received, dispensed, and disposed of nonnarcotic pharmaceuticals. Also, it reviewed best practices and established a policy and procedures for inventory of nonnarcotic pharmaceuticals susceptible to theft and abuse. In addition, the Home indicated that it will use the Pyxis MedStation system* for medications that are identified as high risk for theft and abuse.

FOLLOW-UP CONCLUSION

Substantially complied.

Our follow-up noted:

a. The Home utilized the Pyxis safe* software to account for 7 nonnarcotic pharmaceuticals that it identified as being high risk for theft and abuse based on prior early refills. Our research of best practices noted that 4 of the Home's other nonnarcotic pharmaceuticals could be considered high risk for theft and abuse.

b. The Home implemented controls to ensure segregation of duties for ordering, receiving, dispensing, and disposing of nonnarcotic pharmaceuticals.

** See glossary at end of report for definition.*

FINDING #7

Audit Finding Classification: Material condition.

Summary of the February 2016 Finding:
The Home did not properly investigate, resolve, and track member complaints, including allegations of abuse and neglect, in a timely manner. Also, the Home did not ensure that the complaints were investigated by a manager outside of the department under review.

Recommendation Reported in February 2016:
We recommended that the Home track and properly investigate and respond to all member complaints.

AGENCY PLAN TO COMPLY

On June 10, 2016, the Home indicated that it had complied and taken the following steps:

- The Home reviewed and revised its complaint policy to ensure that member issues were addressed quickly with the appropriate discipline addressing issues. The process had been revised to require a manager outside the discipline to review the complaint and investigation. The complaint coordinator within the Home's Social Services Department had a new tracking log and will routinely review for timely completion with the Chief Operating Officer.

- The Vice President of Social Services will review all complaints on a monthly basis to ensure that follow-up has been completed by the appropriate department head. The policy was revised to require that all complaints be brought to the quarterly quality assurance meeting.

FOLLOW-UP CONCLUSION

Complied.

For 15 of 29 complaints alleging abuse and neglect and for 12 of 91 other complaints, our follow-up noted:

a. The Home forwarded the 12 (100%) other complaints reviewed to an independent discipline.

b. The Home immediately reported all 15 alleged abuse and neglect complaints to the appropriate supervisor, social services, and the Chief Operating Officer. In addition, all substantiated abuse and neglect complaints were reported to the U.S. Department of Veterans Affairs within 24 hours.

c. The Home implemented and maintained a tracking log of complaints and investigation results for the 12 (100%) other complaints reviewed.

d. The Home changed the complaint response requirement from 10 days to 72 hours. Also, the Home resolved 11 (92%) of the 12 other complaints reviewed within 72

hours and resolved the remaining complaint within 12 days. When the Home became aware of this delay, it immediately took steps to re-educate the staff involved on the proper procedure to ensure timely follow-up in the future.

FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES

METHODOLOGY

We obtained MVAA's corrective action plan; obtained new and updated MVAA, MVHS, and Home policies and procedures; and interviewed the Home's personnel. Specifically, for:

a. Finding #1, we compared our review of the surveillance video with member location check sheets for 515 randomly and judgmentally selected member location checks between January 8, 2017 and February 21, 2017 to determine if the member location checks were conducted and documented. We discussed noted discrepancies with the Home's Chief Operating Officer and Director of Nursing.

   Also, we reviewed MVHS policy regarding a fall alarm-free facility and reviewed the Home's falls reports before and after implementation of the policy.

   In addition, we reviewed the Home's newly executed contracts.

b. Finding #2, we reviewed the Home's caregiver contracts effective September 2016. Also, we obtained the contractors' invoices for two randomly selected months after September 2016 and calculated the PPD provided by the contractors and compared it with the PPD required to be provided by the contractors.

   In addition, we met with staff to determine how the Home determines patient care CENA staffing needs and how the Home requests the patient care CENA staff from the contractors. We then obtained the Home's internal tracking spreadsheets for the two randomly selected months and compared the staff requested with the staff provided by the contractors.

c. Finding #3, we obtained the prescription refill population for September 1, 2016 through February 16, 2017. We analyzed the timeliness of the prescription refills and reviewed the reasonableness of 50 randomly selected prescriptions refilled more than 5 days late.

d. Finding #5, we verified that two randomly selected nonnarcotic medications were inventoried using the Pyxis safe software, and we reconciled our medication counts.

   Also, we reviewed the pharmaceutical invoices for 45 randomly selected dates between September 21, 2016 and February 24, 2017 for proper segregation of duties and reviewed and observed the Home's process for returning and disposing of unused pharmaceuticals.

We reviewed the completeness of the Home's listing of high risk nonnarcotic pharmaceuticals that it selected to inventory.

Further, we verified that the Home obtained additional Pyxis MedStations* to interface with the prescription management system.

e. Finding #7, we reviewed 15 (all 10 substantiated and 5 randomly selected unsubstantiated) abuse and neglect complaints and 12 randomly selected other complaints that were received by the Home from September 1, 2016 through January 31, 2017. We reviewed:

   - Abuse and neglect complaints for proper documentation, notification of management, timely investigation and resolution, and notification of regulatory bodies.

   - Other complaints for proper documentation, review, timely resolution, and approval and reconciled the complaints with the Home's tracking log.

PERIOD

Our follow-up generally covered September 1, 2016 through February 28, 2017.

AGENCY RESPONSES

Our follow-up report contains 1 recommendation. MVAA's preliminary response indicates that the Home agrees with the recommendation.

The agency preliminary response that follows the follow-up recommendation was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

** See glossary at end of report for definition.*

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and submit the plan within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
CENA	competency evaluated nursing assistant.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
MVAA	Michigan Veterans Affairs Agency.
MVHS	Michigan Veteran Health System.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
PPD	per member per day of nursing care.
Pyxis MedStation	An automated medication dispensing system supporting decentralized medication management.
Pyxis MedStation system	A system in which Pyxis MedStations and a Pyxis safe interface with the Home's prescription management system.

Pyxis safe	Stores, tracks, and monitors the replenishment of high value nonnarcotic pharmaceuticals.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.

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