

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

December 2016

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



Follow-Up Report

Grand Rapids Home for Veterans

Michigan Veterans Affairs Agency

Department of Military and Veterans Affairs

Report Number:
511-0170-15F

Released:
December 2016

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
<p>Finding #1 - Material condition</p> <p>Member accountability and safety services need improvement.</p> <p>Agency agreed.</p>	Partially complied	Reportable condition exists. See Finding #1 .	Agrees
<p>Finding #2 - Material condition</p> <p>Contractor needs to provide minimum staffing levels.</p> <p>Agency agreed.</p>	Complied	Not applicable	Not applicable
<p>Finding #3 - Material condition</p> <p>Improvements needed for administering prescribed pharmaceuticals.</p> <p>Agency agreed.</p>	Complied	Not applicable	Not applicable
<p>Finding #5 - Material condition</p> <p>Controls over nonnarcotic pharmaceuticals need improvement.</p> <p>Agency agreed.</p>	Partially complied	Reportable condition exists. See Finding #5 .	Agrees

Prior Audit Information
<p>Finding #7 - Material condition</p> <p>Member complaint process needs improvement.</p> <p>Agency agreed.</p>

Follow-Up Results		
Conclusion	Finding	Agency Preliminary Response
Complied	Not applicable	Not applicable

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.audgen.michigan.gov

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December 9, 2016

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 www.audgen.michigan.gov.

Your agency provided preliminary responses to the recommendations at the end of our fieldwork. 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
Auditor General

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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 Grand Rapids Home for Veterans 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 August 15, 2016, the Home had 335 members receiving nursing care, 35 members residing in the domiciliary units, and 578 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, RECOMMENDATIONS, AND AGENCY RESPONSES

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

Partially complied. A reportable condition* exists.

Our follow-up for the first recommendation noted:

- a. The newly established Michigan Veterans Health System (MVHS) implemented a policy regarding the importance of member location checks. Also, the Home provided training to address member supervision and required the 21 nursing staff and contracted caregivers reviewed to certify, in writing, their understanding of the Home's falsification of records policy.

* See glossary at end of report for definition.

- b. Although caregivers documented that they had conducted all member location checks, our review of surveillance video noted that caregivers had not completed 15 (2.8%) of the 536 required member location checks.
- c. 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 executed new contract terms to address minimum staffing requirements. Also, the Home indicated that it verbally addressed caregiver performance expectations, including that any substandard caregivers provided by the contractor would no longer be permitted to work at the Home. In addition, the Home did not renew the existing contract; rather, with new vendors, it entered into two new contracts, which included appropriate corrective action for noncompliance.

**FOLLOW-UP
RECOMMENDATION**

We again recommend that the Home ensure that its contracted caregivers complete and properly document all member location checks.

**FOLLOW-UP
AGENCY
RESPONSE**

The Home provided us with the following response:

The Home agrees and has taken further steps to comply, and notes that no members were harmed as a result of the issues noted in this finding.

The unit Assistant Directors of Nursing will conduct random reviews of surveillance video and written documentation on their units, monthly; alternating units to ensure member location checks are conducted and documented per policy. The unit Assistant Directors of Nursing will turn in the results of their review monthly to the Director of Nursing. Nursing contracted staff will be informed of this policy upon orientation. The Director of Nursing will ensure nursing contract managers are aware of this policy. The Director of Nursing is responsible for implementation and follow up.

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 (VA) standards. Also, the Home indicated that it had drafted a supplemental request for proposal for staffing.

FOLLOW-UP CONCLUSION

Complied.

The Home revised the caregiver contract and secured a second contractor as of June 3, 2016. Although our review of staffing levels for May 2016 noted that the contractor did not meet the minimum staffing for 4 (12.9%) of the 31 days, the staffing levels provided by the two contractors during July 2016 exceeded the Home's staffing needs. We noted that the Home supplemented staffing provided by the contractor and ensured that the members' staffing needs were met during May.

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

Complied.

MVHS directed the Home to require proper justification for early refills. We reviewed the 25,559 prescriptions filled for February 1, 2016 through August 17, 2016. The Home refilled only 129 (0.5%) prescriptions more than 5 days early and refilled 2,425 (9.5%) more than 5 days late. We determined that nearly 900 of the late prescription refills were for treatments such as eye drops, creams, inhalers, and sprays that potentially could be taken on an as-needed basis. Also, further follow-up of 25 late refills indicated that members continued to receive their prescribed medications on time.

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

Partially complied. A reportable condition exists.

Our follow-up noted:

- a. The Home obtained and implemented Pyxis MedStations* and a Pyxis safe* to account for its high value nonnarcotic pharmaceuticals inventory.
- b. Although the Home designed interim controls to ensure segregation of duties, our review of 40 nonnarcotic pharmaceuticals invoices noted that one staff member both ordered and received 1 of the orders and the Home did not have documentation to support the segregation of duties for 2 other orders. The Home informed us that it will discontinue the interim procedures when the Pyxis MedStation system is fully implemented, which should eliminate the risk related to the same individual ordering and receiving medication.

FOLLOW-UP RECOMMENDATION

We again recommend that the Home establish adequate controls over its nonnarcotic pharmaceuticals.

* See glossary at end of report for definition.

**FOLLOW-UP
AGENCY
RESPONSE**

The Home provided us with the following response:

The Home agrees and has taken steps to comply and notes no members were harmed as a result of the issues noted in this finding.

The Director of Pharmacy will educate his staff to ensure one employee orders nonnarcotic pharmaceuticals, and a different employee receives them. The Director of Pharmacy will maintain the signature sheets stating his staff understands the policy.

The Director of Pharmacy or designee will randomly check a sample of nonnarcotic invoices each month, review the findings, and report the findings to management. This will be completed within the Financial Reporting, done at the Pharmacy and Therapeutic Committee, to ensure compliance.

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 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.

Our follow-up of 16 complaints alleging abuse and neglect and 20 other complaints noted:

- a. The Home forwarded the 20 (100%) other complaints reviewed to an independent discipline.
- b. The Home immediately reported all 16 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 VA within 24 hours.
- c. The Home implemented and maintained a tracking log of complaints and investigation results for the 20 (100%) other complaints reviewed.

- d. The Home changed the complaint response requirement from 10 days to 72 hours, and the 20 (100%) other complaints reviewed were resolved within 72 hours.

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 three randomly selected units for five randomly selected nights between July 26, 2016 and September 8, 2016 to determine if 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 contract amendment and the newly executed contracts.

- b. Finding #2, we reviewed the Home's caregiver contract modifications effective March 2016. Also, we obtained the contractors' invoices for two randomly selected months after March 2016 and calculated the number of direct care nursing hours provided and compared it with the members' skilled nursing care needs as identified on the staffing spreadsheets.
- c. Finding #3, we obtained the prescription refill population for February 1, 2016 through August 17, 2016. We analyzed the timeliness of the prescription refills, reviewed the Home's justification for 13 randomly selected early refills, and reviewed the reasonableness of 25 randomly selected prescriptions refilled more than 5 days late.
- d. Finding #5, we verified that two judgmentally selected nonnarcotic medications were stored in the Pyxis safe, and we reconciled our medication counts to the Home's prescription management system.

Also, we reviewed the pharmaceutical invoices for 40 randomly selected dates between March 2, 2016 and September 19, 2016 for proper segregation of duties.

In addition, we judgmentally selected 5 medication return forms between April and August 2016. We reviewed the medication return form for a nursing staff signature and traced the returned medications to the prescription management system.

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

- e. Finding #7, we reviewed 16 (all 13 substantiated and 3 randomly selected unsubstantiated) abuse and neglect complaints and 20 randomly selected other complaints that were received by the Home from March 1, 2016 through August 31, 2016. 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 February 1, 2016 through September 30, 2016.

**AGENCY
RESPONSES**

Our follow-up report contains 2 recommendations. The Home's preliminary response indicates that it agrees with the recommendations.

The agency preliminary response that follows each recommendation was taken from the agency's written comments and oral discussion at the end of our audit 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.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> 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.
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 Veterans 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.
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.

VA

U.S. Department of Veterans Affairs.

