



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Veterans Home

Audit Report for the Biennium Ended June 30, 2019

Client Code 313





WHAT WE LOOKED AT

Our team audited the North Dakota Veterans Home which included reviewing financial transactions, expenditures, blanket bond coverage, and reviewed resident rates.

WHAT WE FOUND

This audit did not identify any areas of concern.

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HAVE QUESTIONS? ASK US.

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Introduction

Veterans Home

March 9, 2020

We are pleased to submit this audit of the North Dakota Veterans Home for the biennium ended June 30, 2019. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Whenever possible, additional audit objectives are included to increase responsiveness and effectiveness of state government.

Robyn Hoffmann, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7291.

We wish to express our appreciation to Administrator Johnson and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/s/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Appropriation: Sum of money or total of assets devoted to a special purpose.

Blanket Bond Coverage: Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

ConnectND: The accounting system for North Dakota.

Default: Failures to do something required by duty or law.

Emergency Commission: Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

Noncompliance: Failure to act in accordance with a wish or command.

North Dakota Administrative Code (N.D.A.C.): Codification of all rules of state administrative agencies.

North Dakota Century Code (N.D.C.C.): Collection of all the statutes passed by the North Dakota Legislative Assembly.

Performance Audit: Engagements that provide objective analysis, findings, and conclusion to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Session Laws: Published after each regular and special legislative session and contain the laws enacted during that session.

Audit Results

RESIDENT RATES OBJECTIVE

Are resident rates accurately adjusted based on the required level of care?

CONCLUSION

Our team determined that the North Dakota Veterans Home is following North Dakota state law and the North Dakota Veterans Basic and Skilled Care Handbook for setting resident rates.

BACKGROUND

Located in Lisbon, the North Dakota Veterans Home has been providing quality care for honorably discharged veterans and their spouses since 1893. Dedicated to the health and welfare of each resident, the North Dakota Veterans Home houses 52 skilled nursing home beds and 98 basic care beds.

Basic care units are designed for residents that are independently able to care for their own needs, with medical and nursing supervision available, as necessary. The basic care rate is a monthly rate dependent on net income and is currently capped at \$1,850.



Basic care units are designed for **residents** that are independently able to care for their own needs, with medical and **nursing supervision** available as necessary.

Skilled care units are designed for residents who require ongoing nursing supervision or assistance in one or more areas of physical need or daily living needs. The skilled care rate is a daily rate that is dependent on individual needs and is derived from the State of North Dakota Human Services Case Mix System.

STATUTORY OBJECTIVE

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenditures have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage.

CONCLUSION

No exceptions to our statutorily required audit testing were identified.



Audit Procedures

RESIDENT RATES OBJECTIVE

INTERNAL CONTROL

As we determined internal control was significant to this audit objective, we assessed internal control by gaining an understanding of internal control and concluded as to the adequacy of the design of internal control and whether the applicable internal controls were implemented. We also tested the operating effectiveness of those controls we considered necessary to address our audit objective.

The controls assessed were identified during the planning phase of the engagement. Our team identified controls significant to this objective, specifically the principles related to the design of control activities and the implementation. We also identified controls relating to the monitoring components, specifically performing monitoring activities.

SCOPE

The North Dakota Veterans Home has a sole location in Lisbon, which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Obtained data from Vision, a significant software system utilized by the North Dakota Veterans Home.
- Interviewed the appropriate personnel at the North Dakota Veterans Home.
- Reviewed charges and disbursements for Medicaid via the Medicaid Management Information System.
- Reviewed roll-call sheets.

- Tested basic care calculations and skilled care rates billed to residents for compliance with N.D.C.C. and the North Dakota Veterans Basic and Skilled Care Handbook.

STATUTORY OBJECTIVE

INTERNAL CONTROL

As we determined internal control was significant to this audit objective, we assessed internal control by gaining an understanding of internal control and concluded as to the adequacy of the design of internal control and whether the applicable internal controls were implemented. We also tested the operating effectiveness of those controls we considered necessary to address our audit objective. The controls assessed were generally the key controls identified during the planning phase of the engagement, which may include controls at both the entity and transaction levels. We identified key controls significant to this audit objective related to the control activities component of internal control, specifically the principles related to the design of control activities and the implementation of the same. We also identified controls relating to the monitoring component of internal control, specifically the principle of performing monitoring activities.

SCOPE

This audit of the North Dakota Veterans Home is for the biennium ended June 30, 2019.

The North Dakota Veterans Home has a sole location in Lisbon, which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and

to improve efficiency by gaining greater control on the composition of the sample.

- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations. Where necessary, internal control was tested which included to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected a sample of high-risk transactions, including expenditures and travel expenditures for further testing.

STATUTORY CRITERIA

Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

The criteria used to evaluate legislative intent are the laws as published in the North Dakota Century Code and the North Dakota Session Laws. The following areas were identified to be of higher risk of noncompliance:

- Compliance with appropriations, adjustments, and related transfers in accordance with limits and purpose. (2017 North Dakota Session Laws Chapter 32 section 3 (S.B. 2007), N.D.C.C. 54-16-03, N.D.C.C. 54-44.1-11)
- Blanket bond coverage maintained in accordance with state law and state guidelines. (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10)

- Expenditures were made for a public purpose (N.D.C.C. 44-08-05.1)

- Travel reimbursement in accordance with limits of state law and OMB policies. (N.D.C.C. 54-06-09, N.D.C.C. 44-08-04)

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota Veterans Home has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

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.

The criteria used to evaluate internal control is published in the publication Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book, GAO-14-704G).



Responses to LAFRC Audit Questions

1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?

Financial statements were not prepared by the North Dakota Veterans Home in accordance with generally accepted accounting principles, so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

2. WAS THERE COMPLIANCE WITH STATUTES, LAWS, RULES, AND REGULATIONS UNDER WHICH THE AGENCY WAS CREATED AND IS FUNCTIONING?

Yes.

3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?

Yes. We did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

4. WERE THERE ANY INDICATIONS OF LACK OF EFFICIENCY IN FINANCIAL OPERATIONS AND MANAGEMENT OF THE AGENCY?

No.

5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?

There were no recommendations included in the prior audit report.

6. WAS A MANAGEMENT LETTER ISSUED? IF SO, PROVIDE A SUMMARY BELOW, INCLUDING ANY RECOMMENDATIONS AND THE MANAGEMENT RESPONSES.

No, a management letter was not issued.



LAFRC Audit Communications

7. IDENTIFY ANY SIGNIFICANT CHANGES IN ACCOUNTING POLICIES, ANY MANAGEMENT CONFLICTS OF INTEREST, ANY CONTINGENT LIABILITIES, OR ANY SIGNIFICANT UNUSUAL TRANSACTIONS.

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

8. IDENTIFY ANY SIGNIFICANT ACCOUNTING ESTIMATES, THE PROCESS USED BY MANAGEMENT TO FORMULATE THE ACCOUNTING ESTIMATES, AND THE BASIS FOR THE AUDITOR'S CONCLUSIONS REGARDING THE REASONABLENESS OF THOSE ESTIMATES.

The North Dakota Veterans Home's financial statements do not include any significant accounting estimates.

9. IDENTIFY ANY SIGNIFICANT AUDIT ADJUSTMENTS.

Significant audit adjustments were not necessary.

10. IDENTIFY ANY DISAGREEMENTS WITH MANAGEMENT, WHETHER OR NOT RESOLVED TO THE AUDITOR'S SATISFACTION RELATING TO A FINANCIAL ACCOUNTING, REPORTING, OR AUDITING MATTER THAT COULD BE SIGNIFICANT TO THE FINANCIAL STATEMENTS.

None.

11. IDENTIFY ANY SERIOUS DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT.

None.

12. IDENTIFY ANY MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION.

This is not applicable for audits conducted by the Office of the State Auditor.

13. IDENTIFY ANY MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS ABOUT AUDITING AND ACCOUNTING MATTERS.

None.

14. IDENTIFY ANY HIGH-RISK INFORMATION TECHNOLOGY SYSTEMS CRITICAL TO OPERATIONS BASED ON THE AUDITOR'S OVERALL ASSESSMENT OF THE IMPORTANCE OF THE SYSTEM TO THE AGENCY AND ITS MISSION, OR WHETHER ANY EXCEPTIONS IDENTIFIED IN THE SIX AUDIT REPORT QUESTIONS TO BE ADDRESSED BY THE AUDITORS ARE DIRECTLY RELATED TO THE OPERATIONS OF AN INFORMATION TECHNOLOGY SYSTEM.

ConnectND Finance, Human Capital Management (HCM), Vision, and Speed Script are high-risk information technology systems critical to the North Dakota Veterans Home. No exceptions were noted related to these high risk information technology systems.

Financial Statements

Statement of Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2019	JUNE 30, 2018
Care and Treatment	\$ 5,607,825	\$ 6,129,113
Revenue from Federal Government	2,575,289	2,765,945
Charges for Services/Sales	89,124	87,153
Leases, Rents, and Royalties	80,975	104,450
General Government	21,502	38,028
Miscellaneous General Revenue	7,169	3,830
Contributions and Private Grants	1,622	2,831
Interest and Investment Earnings	535	216
Transfers In	355,992	355,992
Total Revenue and Other Sources	\$ 8,740,033	\$ 9,487,558

Source: ConnectND Financials

EXPENDITURES AND OTHER USES	JUNE 30, 2019	JUNE 30, 2018
Salaries and Benefits	\$ 8,776,914	\$ 8,692,915
Utilities	579,214	561,536
Medical, Dental and Optical	517,966	410,754
Food and Clothing	485,225	440,086
Other Capital Payments	204,791	416,240
Professional Fees and Services	197,013	210,001
Bldg, Grounds, Vehicle Supply	108,606	105,129
IT - Contractual Services and Repairs	87,103	86,184
Miscellaneous Supplies	86,436	80,410

Continued on following page

Financial Statements

Statement of Revenues and Expenditures

Expenditures and Other Uses, Continued

EXPENDITURES AND OTHER USES	JUNE 30, 2019	JUNE 30, 2018
Repairs	82,043	58,369
Supply/Materials - Professional	68,742	62,521
IT - Equipment Under \$5,000	60,864	30,318
Travel	56,133	52,049
IT - Data Processing	53,763	58,727
IT - Communications	51,122	45,057
Other Equipment Under \$5,000	41,110	57,936
Equipment Over \$5,000	32,317	14,554
Supplies - IT Software	30,515	21,224
Professional Development	30,452	25,917
Insurance	16,363	15,978
Office Supplies	12,485	12,844
Office Equipment & Furniture Under \$5,000	12,354	4,225
Operating Fees and Services	9,499	14,048
Rentals/Leases - Equipment and Other	7,139	5,442
Postage	6,021	1,442
Rentals/Leases - Bldg/Land	1,748	1,968
Printing	310	3,254
Land and Buildings	-	258,541
Total Expenditures and Other Uses	\$ 11,616,248	\$ 11,747,669

Source: ConnectND Financials

Statement of Appropriations

For the Biennium Ended June 30, 2019

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Salaries and Wages	\$ 18,684,490	\$ (17,435,378)	\$ 1,249,112
Operating Expenses	5,386,239	(4,968,482)	417,757
Capital Assets	684,794	(518,123)	166,671
Construction Carryover	214,790	(214,071)	719
New Veterans Home	234,680	(227,864)	6,816
Totals	\$ 25,204,993	\$ (23,363,918)	\$ 1,841,075

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
General Fund	\$ 6,186,119	\$ (6,184,280)	\$ 1,839
Special Funds	19,018,874	(17,179,638)	1,839,236
Totals	\$ 25,204,993	\$ (23,363,918)	\$ 1,841,075

Source: ConnectND Financials



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