

STATE OF COLORADO



Colorado Department of Human Services

people who help people

EXECUTIVE DIRECTOR
Reggie Bicha

1575 Sherman Street
Denver, Colorado 80203-1714
Phone 303-866-5700
www.cdhs.state.co.us



John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

May 14, 2012

Ms. Kerri Hunter
Deputy State Auditor
Office of the State Auditor
200 East 14th Avenue
Denver, CO 80203

Dear Ms. Hunter:

The Colorado Department of Human Services received your request dated May 1, 2012 to report on our implementation status of audit recommendations from the August 2011 *Colorado State Veterans Nursing Homes Performance Audit*. The enclosed status report contains a description of the implementation status for each of the audit recommendations, including certain revised implementation dates, as more thoroughly explained within the "Detail of Implementation Status" section of the status report.

If you have specific questions related to the status report, please contact Viki Manley at (303) 866-4408 or viki.manley@state.co.us. Ms. Manley will attend the June 4, 2012 hearing to present the enclosed status report.

Sincerely,

Reggie Bicha
Executive Director

Enclosure

cc: Nikki Hatch, Deputy Executive Director of Operations
Joscelyn Gay, Director, Office of Long Term Care
Jay Morein, Director, Office of Performance & Strategic Outcomes
Viki Manley, Director, Division of State Veterans Homes
Charissa Hammer, Director, Audit Division
Mette Boes, Internal Audit Manager

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Colorado State Veterans Nursing Homes, Department of Human Services Performance Audit

AUDIT NUMBER: 2158

DEPARTMENT/AGENCY/ENTITY: Department of Human Services, Division of State and Veterans Nursing Homes

AUDIT DATE: August 2011

SUMMARY INFORMATION

*Please complete the table below with summary information for all audit recommendations. **For multi-part recommendations, list each part of the recommendation SEPARATELY.** (For example, if Recommendation 1 has three parts, list each part separately in the table.)*

Recommendation Number	Agency's Response (agree, partially agree, disagree)	Original Implementation Date (as listed in the audit report)	Current Implementation Status (Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable) <i>Please refer to the attached sheet for definitions of each implementation status option.</i>	Revised Implementation Date (Complete only if agency is revising the original implementation date.)
1a	Partially Agree	Implemented & Ongoing	N / A	N / A
1b	Partially Agree	Implemented & Ongoing	N / A	N / A
1c	Agree	Implemented & Ongoing	N / A	N / A
1d	Agree	Implemented & Ongoing	N / A	N / A
2a	Agree	Implemented & Ongoing	N / A	N / A
2b	Partially Agree	Implemented & Ongoing	N / A	N / A
3a	Agree	November 2011	Partially Implemented	August 2012
3b	Agree	October 2011	Implemented and Ongoing	N / A
3c	Agree	October 2011	Implemented and Ongoing	N / A
3d	Agree	May 2012	Partially Implemented	July 2012
3e	Agree	May 2012	Partially Implemented	August 2012
4	Partially Agree	Implemented & Ongoing	N / A	N / A
5a	Partially Agree	November 2011	Implemented	N / A

Recommendation Number	Agency's Response (agree, partially agree, disagree)	Original Implementation Date <i>(as listed in the audit report)</i>	Current Implementation Status (Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable) <i>Please refer to the attached sheet for definitions of each implementation status option.</i>	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
5b	Agree	November 2011	Implemented	N / A
6a	Agree	November 2011	Implemented	N / A
6b	Agree	March 2012	Implemented	N / A
6c	Agree	July 2012, as fiscally feasible	Partially Implemented	N / A
7	Agree	Implemented & Ongoing	N / A	N / A

DETAIL OF IMPLEMENTATION STATUS

Recommendation #1a:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) incorporates adequate resident census goals into its oversight activities of the financial performance of the Colorado State Veterans Nursing Homes (the Homes). This should include:

- a. Working with the Homes to identify the break-even point for each Home based on census levels, and establishing census goals that are set high enough above each Home's break-even point to provide for sustainability.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Partially Agree**

Agency's Written Response in Audit Report:

- a. Partially agree. Implementation date: Implemented and ongoing. The Department agrees that establishing census goals is a critical component of fiscal sustainability. However, the Department does not agree with the problem identified in the audit that "the Division has not identified adequate resident census goals for the Homes." The Department also does not agree that a break-even point, based only on census, is an appropriate target. The audit mentions that Fitzsimons had a 91 percent average census in Fiscal Years 2007 through 2009, but still lost \$650,000. The Department does agree that census development and maintenance is a key component to financial success. The Department sets an overall census target of 85 percent for all of the Homes, collectively. However, each year the Department also sets a specific census target for each Home, which is monitored and maintained throughout the year. This internal, Home-specific census target is based on historical census levels, population trends, and geographic location, among other factors. This census target is monitored monthly and weekly in combination with other financial variables (e.g., payer mix, pharmaceutical, and staffing costs) to ensure the Home's financial viability at the end of the year. The Nursing Home Administrators are held accountable to the budgeted targets, which are set to ensure the Homes financially perform at a break-even point or better by the end of the fiscal year. Although 85 percent is an overall census target for the Homes, it is not the target that is regularly monitored to ensure financial viability. The Department believes there is always room for improvement in managing performance and will ensure the Division works with each Administrator to emphasize targeted goals and tie these goals to performance expectations and monitor progress monthly.

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release).

Recommendation #1b:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) incorporates adequate resident census goals into its oversight activities of the financial performance of the Colorado State Veterans Nursing Homes (the Homes). This should include:

- b. Incorporating the census goals into any marketing strategies used for the Homes.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Partially Agree**

Agency's Written Response in Audit Report:

- b. Partially agree. Implementation date: Implemented and ongoing. The Department agrees that incorporating census goals into marketing strategies is critical for fiscal sustainability. However, the Department does not agree census goals have not been incorporated into marketing strategies. Yearly, each Home develops a business plan for the following year that includes goals and objectives related to marketing strategies. If a Home is not meeting its census goals, new and revised strategies are implemented in order to reach the targets identified in the budgeting process.

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release).

Recommendation #1c:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) incorporates adequate resident census goals into its oversight activities of the financial performance of the Colorado State Veterans Nursing Homes (the Homes). This should include:

- c. Monitoring the census goals regularly, and adjusting the goals as necessary.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- c. Agree. Implementation date: Implemented and ongoing. The Department agrees that monitoring census goals is a critical component of fiscal sustainability. The Department currently adjusts its census goals annually through its budgeting process. The Department has been monitoring and will continue to monitor census goals regularly through the monthly financial status reports and on a weekly basis through key factor reports.

Agency's Current Comments on Implementation Status of Recommendation: **None (Implemented as of audit report release).**

Recommendation #1d:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) incorporates adequate resident census goals into its oversight activities of the financial performance of the Colorado State Veterans Nursing Homes (the Homes). This should include:

- d. Evaluating and adjusting staffing levels, as appropriate, for each Home once census goals have been established.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- d. Agree. Implementation date: Implemented and ongoing. The Department agrees with this recommendation. The Department has been and will continue to evaluate and adjust staffing levels to meet census levels within the Homes. The Homes review weekly staffing schedules to reconcile staffing to actual census for the following week. If a unit is showing lower resident census than what is budgeted, staff is diverted to other areas, scheduled to cover annual/sick leave for other staff, or not scheduled at all. The Division monitors staffing and census levels for each Home on a weekly basis through key factor reports.

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release).

Recommendation #2a:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) incorporates the resident mix into any census goals that it establishes for the Colorado State Veterans Nursing Homes (the Homes) so that census goal calculations are as accurate as possible. This should include:

- a. Working with the Homes to determine the optimal resident mix at each Home, including an assessment of whether resident grouping arrangements within or among the Homes should be modified.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: Implemented and ongoing. The Department agrees that resident payer mix is a key variable that must be monitored regularly to ensure the financial viability of the Homes. The Division currently establishes the budget for each Home on an annual basis. This budget includes optimal and achievable targets for census and payer mix specific to each Home. The Division monitors these budgeted targets on a monthly and weekly basis against actual census and actual resident payer mix. The Department evaluates trends and changes in actual resident payer mix, including resident groupings and bed allocations, when setting its annual budget. With regard to resident groupings, three of the four Homes have secured units for dementia residents, and all of the Homes have a limited number of beds allocated for Medicare residents, who are reimbursed at a higher rate. These resident groupings are also monitored on a monthly basis. However, the Homes are instructed not to turn away residents, or unnecessarily hold beds vacant, based on a potential resident's type of insurance. The Department will continue to work with each Administrator to focus on and evaluate the targeted census/payer mix goals set in the budgeting process.

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release).

Recommendation #2b:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) incorporates the resident mix into any census goals that it establishes for the Colorado State Veterans Nursing Homes (the Homes) so that census goal calculations are as accurate as possible. This should include:

- b. Requiring staff at the Division and Homes to monitor the actual resident mix at each Home on a regular basis, and using that data to update census goal calculations to reflect the differences in resident mix, as necessary. The resident mix should also be incorporated into any marketing strategies used for the Homes.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Partially Agree.**

Agency's Written Response in Audit Report:

- b. Partially agree. Implementation date: Implemented and ongoing. The Department agrees that regular monitoring of the actual resident payer mix is an important component of financial sustainability. The Department does not agree with the recommendation that the Division update census goal calculations based on actual resident payer mix throughout the year. These targets are assessed and established once annually, and budgets are monitored on a monthly and weekly basis against actual census and payer mix. If a Home is not meeting its census or payer mix goals, new and revised marketing or cost controlling strategies are developed and implemented in order to reach the target goals identified in the budgeting process.

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release).

Recommendation #3a:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) evaluates the current organizational framework of the accounting and marketing functions needed to manage the Colorado State Veterans Nursing Homes (the Homes) and restructures these functions, if warranted. This evaluation should include:

- a. Ensuring that staff at the Division and Homes who are responsible for the accounting and marketing functions have clearly defined roles that are not redundant or duplicative.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: November 2011. The Department agrees with the recommendation. The Division will evaluate the accounting and marketing FTE and corresponding Position Description Questionnaires within each Home and the Division to ensure they are not redundant or duplicative.

Agency's Current Comments on Implementation Status of Recommendation:

- a. Partially implemented. All accounting and marketing Position Description Questionnaires (PDQ) were reviewed by October 2011 to ensure positions were not duplicative. The Business Office at the State Veterans Nursing Home at Rifle required changes to reflect more appropriate reporting structures and delineation of duties. Additionally, the Department found small changes needed in eight PDQs, which were completed by May 2012. The outstanding PDQ is the Division Business Development Manager position, which will be complete by August 2012. Additional time is needed in order to align the change of scope in the Consulting Contract and coordination with the Homes.

Recommendation #3b:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) evaluates the current organizational framework of the accounting and marketing functions needed to manage the Colorado State Veterans Nursing Homes (the Homes) and restructures these functions, if warranted. This evaluation should include:

- b. Ensuring that any outside consulting services utilized for accounting or marketing functions do not merely duplicate the job responsibilities of existing state personnel.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- b. Agree. Implementation date: October 2011. The Department agrees with this recommendation. The Department has found the arrangement with an outside consultant to be a useful tool to evaluate and improve quality assurance and financial and marketing programs within the Homes. These services help the Division incorporate industry best practice and ensure both financial viability and high-quality service delivery within the Homes. However, with stronger Division oversight in recent years, a more streamlined model may be beneficial for operations. Therefore, the Division will collect and review data to ensure that Division accounting and marketing positions are not duplicative of the consulting contract.

Agency's Current Comments on Implementation Status of Recommendation:

- b. Implemented and ongoing. The Department reviewed the Consulting Contract in concert with the accounting and marketing Position Description Questionnaires and did not find redundant or duplicative activities.

Recommendation #3c:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) evaluates the current organizational framework of the accounting and marketing functions needed to manage the Colorado State Veterans Nursing Homes (the Homes) and restructures these functions, if warranted. This evaluation should include:

- c. Ensuring that any outside consulting contracts for accounting or marketing functions are regularly evaluated for the accountability, cost, and quality of the services provided.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- c. Agree. Implementation date: October 2011. The Department agrees with this recommendation. The Division will begin immediately collecting data regarding accounting and marketing functions across the Homes to determine value added by the consultant in regards to the cost and quality of services provided. Additionally, the Division will review the consultant contract upon annual renewal to ensure future contractual services are cost-effective. The Department will use the contract renewal process to adjust services, as appropriate, for the following year and ensure the consultant is accountable for all services within the scope of the contract.

Agency's Current Comments on Implementation Status of Recommendation:

- c. Implemented and ongoing. Each Home collected data regarding marketing and accounting functions to determine value added by the consultant in regards to the cost and quality of services provided. The Consulting Contract was changed in May for the 2013 fiscal year contract to reflect the findings. With regards to marketing services, the contract will be changed to reflect quarterly trainings on emerging niche markets, which will result in travel savings. For accounting services, the contract will show a reduction in the amount of services applied to accounts receivable reviews, as this function will be added to the Division Business Operations Manager position. Should the Department contract for any new marketing or accounting services in the future, it will collect data in advance to ensure services are cost effective.

Recommendation #3d:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) evaluates the current organizational framework of the accounting and marketing functions needed to manage the Colorado State Veterans Nursing Homes (the Homes) and restructures these functions, if warranted. This evaluation should include:

- d. Evaluating whether any accounting or marketing functions across the Homes could or should be consolidated or centralized to gain efficiencies.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- d. Agree. Implementation date: May 2012. The Department agrees with this recommendation. The data gathered on accounting and marketing functions will be used to determine whether any of these functions should be consolidated or centralized.

Agency's Current Comments on Implementation Status of Recommendation:

- d. Partially implemented. The Department began collecting data on accounting and marketing functions in September 2011. Marketing functions are streamlined and the new Consulting Contract should result in better outcomes for the Homes with less cost. The analysis shows that a possibility for consolidated billing functions exist. However, the Department must wait until the new Electronic Health Record/Accounting system identified in Recommendation #6 is implemented to ensure the ability to have centralized billing is available and operational.

Recommendation #3e:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services should ensure that the Division of State and Veterans Nursing Homes (the Division) evaluates the current organizational framework of the accounting and marketing functions needed to manage the Colorado State Veterans Nursing Homes (the Homes) and restructures these functions, if warranted. This evaluation should include:

- e. Ensuring that once the appropriate organizational framework for accounting and marketing functions has been identified and put into place, staff are trained on their role and on how responsibilities have been broken out among the Division, the Homes, and any services provided by outside sources.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- e. Agree. Implementation date: May 2012. The Department agrees with this recommendation. The Department will ensure relevant staff are trained on their roles within both the Homes and the Division, and the role of the consultant or other outside sources.

Agency's Current Comments on Implementation Status of Recommendation:

- e. Partially implemented. The Department is on track to ensure staff is trained on any role changes. The revised Consultant Contract will go into effect in July 2012, with new trainings completed by August 2012. The revised role of the consultant will align with any new ability afforded the Department from the Electronic Health Record/Accounting system.

Recommendation #4:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should establish and implement written rules or other guidance that define the Department's expectations regarding the Division of State and Veterans Nursing Homes' (the Division) role and authority in monitoring the financial performance and solvency of the Colorado State Veterans Nursing Homes (the Homes). This guidance should include clear direction on the responsibilities of the Division in setting financial goals for the Homes, such as those related to resident census and mix.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Partially Agree.**

Agency's Written Response in Audit Report:

Partially agree. Implementation date: Implemented and ongoing. The Department agrees that consistent accounting and business office practices are crucial for appropriate and thorough oversight of the Homes. The Department does not agree that additional rules are required to ensure the sound operation of the Homes, given that many rules and regulations are already in place that mandate and monitor sound operational performance. The Homes have grown remarkably in recent years in terms of quality of care and financial performance within existing federal and state guidance and oversight. In fact, the Homes collectively finished Fiscal Year 2011 with a positive balance of more than \$2 million. Division staff ensure sound operation of the Homes through internal fiscal and programmatic monitoring, as well as through the various audits conducted by federal and state entities. The financial and administrative authorities for the Department's programs are outlined in Section 26-1-101, et seq., C.R.S. Programmatic operations adhere to state personnel, fiscal, and procurement rules. Additionally, both the U.S. Department of Veterans Affairs, under 38 CFR Part 59, and the Colorado Department of Public Health and Environment, under 42 CFR Part 483, survey the Homes yearly. Each survey has financial components covering multiple compliance areas. The Division's role and authority are also established through the Division Director's performance plan and Position Description Questionnaire. The Division implements and modifies its policies based on best practices to continually improve and solidify its financial operations. Policies are disseminated via the Homes' business office managers during their quarterly meetings, with additional trainings as necessary. The Department has and will continue to solidify and document its practices through Division policy and guidance to the Homes. For example, an additional process that will be developed and implemented over the next year will be the consistent coding of each expense into the Colorado Financial Reporting System (COFRS).

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release).

Recommendation #5a:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should revise the performance evaluations used for the Division Director and Home Administrators of the Colorado State Veterans Nursing Homes (the Homes) to ensure the evaluations adequately reflect the Division Director's and Home Administrators' unique responsibilities regarding the solvency of the Homes. In making revisions to the evaluations, the Department should:

- a. Establish performance evaluation measures that adequately evaluate and weigh staff performance related to maintaining solvency at the Homes and include measures that are based on the resident census and mix goals discussed in Recommendation Nos. 1 and 2.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Partially Agree.**

Agency's Written Response in Audit Report:

- a. Partially agree. Implementation date: November 2011. The Department agrees that Administrator performance evaluations should include and appropriately weight components related to financial performance. The Department does not agree that the current performance evaluations for staff do not adequately specify and evaluate oversight responsibility regarding the financial performance and solvency of the Homes. The Department currently has specific targeted performance objectives for financial performance in both the Division Director and Home Administrator evaluations. These performance objectives have assisted in removing several high-level staff who impeded the care of veterans and the overall financial success of the Homes and Division. Additionally, the performance objectives have been used to target performance on critical areas such as enhancing the quality of care for residents and improving staff safety, resulting in reduced injuries and related workers' compensation costs. The Department believes there is an opportunity for improvement in any process, and will enhance and focus the targeted performance objectives for financial performance for key Division and Nursing Home management by separating financial objectives from quality of care objectives and ensuring these objectives are specifically weighted to evaluate performance in both areas.

Agency's Current Comments on Implementation Status of Recommendation:

- a. Implemented. The Department has separated fiscal measures from quality of care measures in the performance evaluations for key management staff. The measures are now specifically weighted to evaluate performance in both areas.

Recommendation #5b:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should revise the performance evaluations used for the Division Director and Home Administrators of the Colorado State Veterans Nursing Homes (the Homes) to ensure the evaluations adequately reflect the Division Director's and Home Administrators' unique responsibilities regarding the solvency of the Homes. In making revisions to the evaluations, the Department should:

- b. Separate Home solvency measures from nonfinancial measures in evaluation scores to ensure performance related to solvency is clearly evaluated.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- b. Agree. Implementation date: November 2011. The Department agrees with this recommendation. The Department will enhance and focus the targeted performance objectives for key Division and Nursing Home management by separating financial objectives from quality of care objectives and ensuring these objectives are specifically weighted to evaluate performance in both areas.

Agency's Current Comments on Implementation Status of Recommendation:

- b. Implemented. The Department has separated fiscal measures from quality of care measures in the performance evaluations for key management staff. The measures are now specifically weighted to evaluate performance in both areas.

Recommendation #6a:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should improve the timeliness and effectiveness of its oversight of the State Veterans Nursing Homes' financial performance by:

- a. Identifying reporting needs not currently available through the Department's version of the Matrix Achieve system.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: November 2011. The Department agrees with this recommendation and is in the process of evaluating an all-encompassing software package, which includes enhanced financial reporting and electronic medical records for the Homes. Part of this process is to identify current needs not being met. All of the data gathered will be used to generate a request for proposal for a new software package.

Agency's Current Comments on Implementation Status of Recommendation:

- a. Implemented. The Department identified needs not currently available through Matrix in November 2011.

Recommendation #6b:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should improve the timeliness and effectiveness of its oversight of the State Veterans Nursing Homes' financial performance by:

- b. Evaluating whether software upgrades will address those needs identified in part a.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- b. Agree. Implementation date: March 2012. The Department agrees with this recommendation. The request for proposal will be issued in January 2012, with the responses due by March 2012. Once responses are received, the Department will evaluate the proposals to determine financial feasibility and the proposal that best addresses the needs identified in part a.

Agency's Current Comments on Implementation Status of Recommendation:

- b. Implemented. In order to determine if a new software package was able to meet the needs identified in Recommendation #6a, the Department published a Request for Information regarding an all-encompassing software package to include enhanced financial reporting and electronic medical records for the Homes in December 2011 with a January 31, 2012 close date. The responses were used to determine a budget amount for the Request for Proposal.

Recommendation #6c:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should improve the timeliness and effectiveness of its oversight of the State Veterans Nursing Homes' financial performance by:

- c. Implementing new software, if warranted.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

- c. Agree. Implementation date: July 2012, as fiscally feasible. The Department agrees with this recommendation. The Department will implement all or portions of the new software package, as fiscally feasible, from the winning bid received from the request for proposal.

Agency's Current Comments on Implementation Status of Recommendation:

- c. Partially Implemented. The Request for Information substantiated new technologies that will meet the needs, resulting in a Request for Proposal that was released in April 2012 with a close date of April 30, 2012. The Request for Proposal delay was due to the time needed to release and receive information back from the Request for Information. The additional time also allowed the Department to determine if it is feasible to submit a grant to the U.S. Department of Veterans Affairs to assist with implementation costs. The Department is still working with the U.S. Department of Veterans Affairs to determine funding availability. The Department will use the information received from the Request for Proposal to implement a new software package, as fiscally feasible, effective July 1, 2012.

Recommendation #7:

Agency Addressed: Department of Human Services

Recommendation Text in Audit Report:

The Department of Human Services (the Department) should maintain complete documentation demonstrating that it has conducted appropriate due diligence in any instances in which the Department is responsible for the sale of state-owned real property.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree.**

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented and ongoing. The Department agrees it is responsible for maintaining documentation demonstrating that it has conducted appropriate due diligence, within its span of control, regarding the sale of state-owned property. It shall maintain all documentation collected and received.

Agency's Current Comments on Implementation Status of Recommendation: None (Implemented as of audit report release)