New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Department of Military and Veterans Affairs
New Jersey Veterans Memorial Home Menlo Park

July 1, 2004 to June 30, 2006

Richard L. Fair
State Auditor

New Jersey State Legislature

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The Honorable Jon S. Corzine
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Joseph J. Roberts, Jr.
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Military and Veterans Affairs, New Jersey Veterans Memorial Home Menlo Park for the period of July 1, 2004 to June 30, 2006.If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair
State Auditor
April 19, 2007

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Department of Military and Veterans Affairs
New Jersey Veterans Memorial Home
Menlo Park

Scope

We have completed an audit of the Department of Military and Veterans Affairs, New Jersey Memorial Veterans Home Menlo Park for the period July 1, 2004 to June 30, 2006. Our audit included financial activities accounted for in the state's General Fund and the home's nonappropriated accounts.

Expenditures for fiscal year 2006 were $22.9 million. The prime responsibility of the home is to provide nursing care for New Jersey veterans with chronic disabilities. Fiscal year 2006 revenues of the home were $14.2 million and the major components of revenue were payments received from the Veterans Administration and care and maintenance fees collected from the residents.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the home's programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report dated July 3, 2001.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Office of Management and Budget, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample transactions were judgmentally selected.

Conclusions

We found the financial transactions included in our testing were related to the home's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. We also found the home has resolved three of four issues noted in our prior report. The one unresolved issue involving direct purchase agreements has been updated in this report.

Rent Charges

The maximum daily rate for care and maintenance should be updated.

New Jersey Administrative Code Title 5A requires the Department of Military and Veterans Affairs to annually determine the maximum daily rate charged for care and maintenance. Our current review indicates that the department had not updated the rate since fiscal year 2002. However, subsequent to our reporting period the department increased the daily rate from $159 to $184 effective January 2007. The department's cost analysis indicated the rate should have increased to $211; however a decision was made to not increase it to this level. We estimate that annual rent revenues from residents who are charged the maximum care and maintenance rate at Menlo Park, Paramus and Vineland veterans' homes could have increased by as much as $7.5 million during the period July 1, 2002 to June 30, 2006.

Recommendation

We recommend that the Department of Military and Veterans Affairs annually update the maximum daily rate to reflect the current operating cost of the veterans' homes.

Overtime

The home should analyze their nursing staff needs and scheduling practices to reduce overtime.

During calendar year 2005 the home paid overtime totaling $1.9 million including $1.5 million to the nursing staff. We noted that 41 of the 262 nurses were receiving overtime payments equivalent to more than 25 percent of their annual salary. One nurse earned 170 percent of her annual salary in overtime. The home also paid outside temporary nursing agencies $850,000 during fiscal year 2005 due to work coverage shortages. We further noted that the home had filled all budgeted nursing positions. Staffing of nurses is determined by calculating the number of hours of nursing time each resident needs on each shift of the day. We selected the month of

October 2005, which had overtime costs of $123,000, to review nursing working hours and noted that the actual hours worked for the month exceeded the need by 6,831 hours. This is equivalent to 42 full-time nurses for one month. The supervisor of nursing's daily reports did not provide any explanation as to why the nurses were allowed to work overtime. Overtime is only necessary when daily staff levels fall below the operational standards level set by the home or in emergency situations.

Recommendation

The home should analyze their nursing staff needs to determine if additional positions should be requested. Appropriate staffing levels and a review of the current scheduling practices should be performed to limit the amount of overtime incurred by the home in the future.

Direct Purchase Agreements

All DPA purchases should be made in compliance with Treasury guidelines.

Treasury Circular Letter 00-13-DPP, superseded by 06-06-DPP, provides agencies with direct purchase authorization (DPA) to purchase items that are not available under one of four primary contracting methods. These purchases should represent nonrecurring needs. Additionally, if the anticipated fiscal year volume for the qualifying item exceeds $25,000 for fiscal year 2005 or $29,000 for fiscal year 2006, the agency should request a state contract from the State Purchase Bureau. Pursuant to N.J.S.A.52:25-23(a), purchases or contracts exceeding the DPA threshold should not be divided to circumvent the dollar limit.

We reported in our prior audit that the home purchased 90 percent of medical supplies through the use of DPAs compared to the state average of 44 percent for these items. Our current review of fiscal year 2005 purchases of $474,000 showed the use of DPAs at 73 percent compared to the state average of 58 percent. The home purchased $47,000 in underpads during fiscal year 2005 and $40,000 during the first nine months of fiscal year 2006 using a number of DPA orders that included two blanket purchase agreements of $25,000 in fiscal year 2005 and three in fiscal year 2006.

We also noted that between fiscal years 1999 and 2005 the home rented 30 to 34 oxygen concentrators at the monthly rate of $73.40 each. The annual rental cost of $881 exceeded the price to purchase a new concentrator by $41. A decision was made in June 2005 that the rental was too costly and the home purchased the used concentrators from the vendor for $12,000. The home could have saved over $177,000 if the concentrators were originally purchased instead of being rented.

Recommendation

We recommend that the home reduce its DPA purchases. The home should request state contracts be developed when dollar thresholds are exceeded. We also recommend that the home evaluate potential cost savings when making expenditure decisions.

Welfare Fund

Posthumous account funds should be transferred to the welfare fund.

Deceased resident funds are held for one year in the member's account. Any unclaimed funds are then transferred to the posthumous account and retained for an additional two years. If these funds continue to be unclaimed, they should be transferred to the home's welfare fund. This fund provides for and maintains a quality of life which might otherwise not be possible for the residents. As of June 30, 2006, the balance of the posthumous account was $477,000. Total funds transferred to the posthumous account during the last three years were $52,000. The home should have transferred $424,000 from the posthumous account to the welfare fund.

Recommendations

We recommend that the home comply with requirements by transferring funds to the welfare fund when they remain unclaimed for three years in the posthumous account.

State of New Jersey
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
POST OFFICE BOX 340
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JON S. CORZINE
Governor
Commander-in-Chief

☆ ☆
GLENN K. RIETH
Major General
The Adjutant General

10 April 2007

Mr. Stephen M. Eells
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

RE: Office of Legislative Services Audit Report
Period July 1, 2004 to June 30, 2006
Department of Military and Veterans Affairs
Menlo Park Veterans Memorial Home

Mr. Eells:

My Department has reviewed the findings and recommendations of the subject audit. Below are summaries of the audit findings and recommendations in addition to our comments that are to be presented in the final report.

Rent Charges

Audit Finding

The audit found that the maximum daily care rate for care and maintenance had not been updated since fiscal 2002. In addition the audit report estimates that annual rent revenues for residents charged the maximum rate at Menlo Park, Paramus and Vineland veterans' homes could have increased by as much as $7.5 million during the period July1, 2002 to June 30, 2006.

Audit Recommendation

The audit recommended that the Department of Military and Veterans' Affairs annually update the maximum daily care rate to reflect the current operating cost of the veterans' homes.

Department Comments

As noted in the audit report, the department raised the daily rate for care and maintenance from $159 to $184 (although a costs analysis indicated that the rate could have been increased to $211) effective January 2007 and will continue to update the rate annually. Each year when establishing the rate the following competing factors must be considered: the residents' ability to pay, the fiscal requirements of the veterans' homes, and the support of all of the New Jersey veterans' organizations. The daily care rate is only charged to residents that are in spend down status i.e. residents who exceed the maximum allowable assets, or residents who have sufficient monthly income after deductions. Automatically updating the maximum daily care rate each year to reflect total facility operating costs does not address all of the factors already mentioned and actually would accelerate the spend down of residents that have sufficient assets enabling them to pay the daily care rate.

Overtime

Audit Finding

The audit found that during calendar year 2005 the home paid overtime totaling $1.9 million including $1.5 million to the nursing staff. The home also paid outside temporary nursing agencies $850,000 during fiscal year 2005 due to work coverage shortages. In October 2005 overtime costs were $123,000 and the audit noted that the actual hours worked for the month exceeded the need by 6,831 hours. This is equivalent to 42 full-time nurses for one month. The supervisor of nursing daily reports did not provide any explanation as to why the nurses were allowed to work overtime.

Audit Recommendation

The home should analyze their nursing staff needs to determine if additional positions should be requested. Appropriate staffing levels and a review of the current scheduling practices should be performed to reduce overtime.

Department Comments

On December 20, 2006 an Issue Paper was provided to the Department of Treasury, Office of Management and Budget stating and substantiating that the FTE (Full Time Employee) count for direct care staffing for each of the three homes must be increased to 340. The Issue Paper stated that the overall increase in FTE was required to reduce overtime and agency contract reliance and would subsequently improve the quality and continuity of care. The department is continuing pursuit of the additional FTE to address overtime.

Unique to the Menlo Park facility, in 1999 the Public Employee Review Commission (PERC) made a decision to restore every other weekend off to AFSCME nursing employees (Practical Nurses, Human Services Technicians & Human Services Assistants). Obviously this decision made a major impact overtime costs and the facility's ability to maintain minimum coverage on weekends.

The use of agency temporary staff has been drastically reduced (see enclosed). As compared to FY 2006, the agency usage for FY 2007 will realize a substantial annual savings of over $500,000 from the previous year.

The auditors' report indicated that during the month of October, 2005 "actual hours worked for the month exceeded the need by 6,831 hours." Unfortunately, "outdated required number of hours" was used at that time and the documentation has not been updated. Using the same month's figures (see enclosed) and using the 1176 hours needed per day, the Menlo Park Home has concluded that 615.8 less hours were used than required for that period rather than "6,831 in excess" as indicated.

Direct Purchase Agreements

Audit Finding

The audit found that the DPA purchases are not in full compliance with Treasury guidelines.

Audit Recommendations

The audit recommended that the Menlo Park home reduce its DPA purchases, request state contracts be developed when dollar threshold are exceeded and evaluate potential cost savings when making expenditure decisions.

Department Comments

Part of the finding refers to the purchase of underpads via direct purchase authorization (DPA) in fiscal year 2005 and 2006 from the vendor Medical Express. Upon review of the finding the Menlo Park facility found out that Medical Express is on contract for this commodity under New Jersey State term contract #T0119. However, the purchase orders for the underpads were erroneously issued under DPA. The purchase orders have been corrected to include the contract number. The other part of the finding refers to the rental of 30 to 34 oxygen concentrators. At that time the rental cost exceeded the price of outright purchase by $41. As stated in the audit report the Menlo Park home decided that the rentals were too costly and purchased the used oxygen concentrators in June, 2005.

Welfare Fund

Audit Finding:

The Menlo Park facility did not transfer $424,000 from the posthumous account to the Welfare Fund.

Audit Recommendations:

The audit recommended that the home comply with requirements by transferring funds to the Welfare Fund when they remain unclaimed for three years in the posthumous account.

Department Comments

In November 2006 the Menlo Park Veterans' Memorial Home transferred $463,883.26 from posthumous account to Welfare Fund. The facility will continue to transfer funds to the Welfare Fund when they remain unclaimed for three years in the posthumous account.

Please contact Mr. Roger Bushyeager of my staff if you have any questions in regard to our comments.

Sincerely,

Stephen G. Abel

for

GLENN K. RIETH
Major General, NJARNG
The Adjutant General

Stephen G. Abel
Deputy Commissioner
For Veterans Affairs

Enclosures

New Jersey Veterans Memorial Home at Menlo Park
Agency Nurses FY 2007
Period covered: July, 2006 Thru June, 2007

	JULY	AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	TOTAL
All American	1,264.02	2,181.94	5,347.36	4,556.51	7,484.09	5,745.05	11,349.09	9,959.07	9,934.01				57,821.14
ACU	2,005.96												2,005.96
ARC													0.00
Community Med													0.00
FIRSTAT	10,580.70	12,084.97	7,803.49	7,470.63	6,356.98	11,171.47	8,790.59	6,569.19	5,535.56				76,363.58
General Health	7,696.79	6,858.20	2,206.71	2,402.10	5,282.33	4,822.24	1,978.06	1,715.48	2,269.63				35,231.54
Heights													0.00
International													0.00
Insominia	2,963.20												2,963.20
Liberty	18,662.14	13,149.13	10,907.59	12,043.98	13,258.57	13,373.59	11,110.83	14,913.54	3,478.75				110,898.11
Maxim				320									320.00
Medical Staffing	921.18	1,696.25	190.82			324.83							3,133.08
Mizane		1,645.94	385.92		609.54	964.96			742.24				4,348.60
Mercury						750.00							750.00
Nursing times													0.00
Onward	590.08	2,109.62	1,147.47	1,579.03	8,971.94	7,877.49	2,540.11	11,444.27	5,457.60				41,717.61
Prime Care	2,174.00	7,979.23	2,938.90	2,041.44	944.08	5,047.44	2,846.16	2,589.22					26,560.47
Staffing Remedi	616.88	949.39	774.56	186.48	186.48	1,075.84	229.44	186.40					4,205.47
Tri State	23,426.65	24,992.34	19,914.22	15,966.62	10,409.78	14,228.38	6,712.08	11,928.56	5,349.09				132,927.72
													0.00
													0.00
Total	70,901.60	73,647.01	51,617.04	46,566.79	53,503.79	65,381.29	45,556.36	59,305.73	32,766.88	0.00	0.00	0.00	499,246.48

New Jersey Veterans Memorial Home at Menlo Park
Agency Nurses FY 2006
Period covered: July, 2005 Thru June, 2006

	JULY	AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	TOTAL
All American	7,147.42	3,757.10	4,992.24	6,404.80	19,586.59	11,881.80	9,970.10	4,879.27	3,911.98	3,788.92	2,562.86	2,770.95	81,654.03
ACU	6,033.69	1,891.33	4,513.05	1,848.00	3,491.00	977.36							18,754.43
ARC				1399.2	1,664.44								3,063.64
Community Med	293.25												293.25
FIRSTAT	12,520.13	11,165.05	12,106.52	10,746.40	15,579.69	14,397.85	15,591.16	16,231.07	13,567.73	9,555.16	14,097.90	11,865.62	157,424.28
General Health	11,729.26	8,011.90	6,879.09	4,597.97	8,928.80	6,010.50	6,791.85	6,544.87	3,892.34	2,878.76	9,098.42	4,597.31	79,961.07
Heights	729.60	881.60											1,611.20
International			720	384	2,448.00	979.20							4,531.20
Insominia			364.80		1,649.00	4,672.80	1,440.00		425.60	427.50	3,333.70		12,313.40
Liberty	51,684.79	39,620.60	34,294.69	35,769.01	30,057.57	26,638.86	26,484.69	20,787.00	17,441.31	11,100.30	19,878.14	19,106.49	332,863.45
Medical Staffing						350.83	439.06	172.95	1,129.12	975.66	1,090.96	1,352.97	5,511.55
Mizane	6,782.40	724.64	2,880.22	3,721.73	4,224.13	8,023.72	3,503.99	4,154.62	908.03	4,663.00	2,144.89	421.21	42,152.58
Mercury				240									240.00
Nursing times	3,246.56	819.52		=									4,066.08
Onward	6,591.75	4,992.50	14,762.73	10,552.62	10,807.80	8,362.10	8,222.15	3,791.05	3,706.80	6,425.20	5,784.00	1,231.90	85,230.60
Prime Care	6,314.40	3,108.00		2,673.80	3,620.80	7,538.20	5,544.08		683.99	2,985.62	3,472.21	2,891.04	38,832.14
Staffing Remedi	4,406.64	1,550.15	1,245.14	725.82	1,092.16	840.00	2,001.13	812.00	761.26	784.00	721.88	665.00	15,605.18
Tri State	17,846.23	19,416.31	41,590.44	43,601.99	41,068.69	64,936.24	30,753.64	29,648.68	38,400.87	12,248.41	30,237.21	23,165.18	392,913.89
													0.00
Total	135,326.12	95,938.70	124,348.92	122,665.34	144,218.67	155,609.46	110,741.85	87,021.51	84,829.03	55,832.53	92,422.17	68,067.67	1,277,021.97

Sample month – October 2005

Using 1176 as nursing hour required daily October 2005:

Date	# hrs. needed	Actual hrs used	(# OT hrs used)	+OR – OT hrs	Date	# hrs needed	Actual hrs used	(# OT hrs used)	+OR- OT hrs
1	1176	1142.5	248	-33.5	**17**	1176	1194.5	112	+18.5
2	1176	1093	208	-83	**18**	1176	1168	88	- 8
3	1176	1200	112	+24	**19**	1176	1186	64	+10
4	1176	1213.5	40	+37.7	**20**	1176	1168	184	- 8
5	1176	1176.5	64	+0.5	**21**	1176	1184.5	176	+ 8.5
6	1176	1176	112	0	**22**	1176	1056	440	-120
7	1176	1184	96	+8	**23**	1176	1104	432	- 72
8	1176	1128	320	-48	**24**	1176	1208	216	+32
9	1176	1120	232	-50	**25**	1176	1174	168	- 2
10	1176	1144	328	-32	**26**	1176	1141	24	-35
11	1176	1136	248	-40	**27**	1176	1184	136	+ 8
12	1176	1152	56	-24	**28**	1176	1176	112	0
13	1176	1160	112	-16	**29**	1176	1127.5	416	-48.5
14	1176	1192	168	+16	**30**	1176	1110.5	464	-65.5
15	1176	1141.5	392	-34.5	**31**	1176	1167	168	- 9
16	1176	1136	144	-40	**total**	**36,456**	**35,844**	**6080**	**-615.8**