



PERFORMANCE AUDIT REPORT

Tennessee State Veterans' Homes Board

December 2025

Jason E. Mumpower
Comptroller of the Treasury



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Mission Statement: Make Government Work Better





JASON E. MUMPOWER
Comptroller

December 15, 2025

The Honorable Randy McNally
Speaker of the Senate
The Honorable Cameron Sexton
Speaker of the House of Representatives
The Honorable Ed Jackson, Chair
Senate Government Operations Committee
The Honorable Justin Lafferty, Chair
House Government Operations Committee
and
Members of the General Assembly
State Capitol
Nashville, TN 37243

Mr. Rex Wolfe, Chair
Tennessee State Veterans' Homes Board
134 Cooks View Road
Lynchburg, TN 37352
and
Mr. Ed Harries, Executive Director
Tennessee State Veterans' Homes Board
345 Compton Road
Murfreesboro, TN 37130

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Tennessee State Veterans' Homes Board for the period July 1, 2022, through June 30, 2025. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

This report presents the conclusions of our audit, including findings and observations. The Tennessee State Veterans' Homes Board and management were given the opportunity to respond, and we have included the responses in the respective sections of the report as applicable. We will follow up on the audit results to examine management's corrective actions.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the Tennessee State Veterans' Homes Board should be continued, restructured, or terminated.

Sincerely,

A handwritten signature in blue ink that reads "Katherine J. Stickel". The signature is written in a cursive, flowing style.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

KJS/sp
25/020

TENNESSEE STATE VETERANS' HOMES BOARD

AUDIT HIGHLIGHTS

Tennessee State Veterans' Homes Board's Mission

All residents are cared for in such a manner and in such an environment as to promote enhancement of their quality of life without abridging the safety and rights of other residents. An interdisciplinary team approach to resident life is utilized to assure the quality of life. Residents and family members are involved in the care planning process and resident participation is encouraged through a functioning resident council. Residents' rights are posted and enforced as delineated in current federal and state standards.

Audit Period

July 1, 2022, through June 30, 2025

Scheduled Termination Date

June 30, 2026

Key Audit Conclusions

***Finding 1:** Management has not developed a specific financial plan or strategy to address the veterans' homes' financial position (page 16).*

***Finding 2:** Staff at two veterans' homes did not obtain written authorization to manage personal funds, did not follow resident trust fund withdrawal procedures, and did not accurately perform monthly reconciliations (page 21).*

***Finding 3:** The board and management have not effectively addressed the nursing staff turnover to ensure residents receive consistent quality care and the homes operate efficiently (page 35).*

***Finding 4:** Management improperly claimed reimbursement from the federal nurse retention grant (page 38).*

Finding 5: As noted in the prior two audits, management did not perform or document timely supplemental clinical assessments as required by board policy (page 44).

Finding 6: Veterans' homes' management did not maintain sufficient controls to monitor mental health providers to ensure residents received the services that providers billed to the homes (page 50).

Observation 1: Staff at one veterans' home did not sufficiently document and update lists of residents' personal property (page 25).

Observation 2: Veterans' homes' management did not consistently and effectively ensure that veterans' homes maintained average or above-average federal quality ratings (page 28).

Observation 3: Management paid out retention bonuses to employees, but did not attempt to collect the unearned portion of the bonuses when the employees resigned or terminated employment (page 40).

Observation 4: Staff did not ensure that all residents who received in-house specialist services had consented to the services (page 53).

Observation 5: Management should ensure staff consistently follow policies when addressing complaints and follow regulations when reporting and investigating allegations of abuse (page 58).

Observation 6: As noted in the two previous audits, management should follow the state's rule governing wait lists for the veterans' homes (page 63).

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INTRODUCTION

Audit Authority

This performance audit of the Tennessee State Veterans' Homes Board was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-247, the board is scheduled to terminate June 30, 2026. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. This audit is intended to aid the committee in determining whether the Tennessee State Veterans' Homes Board should be continued, restructured, or terminated.

Background

In 1985, the Tennessee Department of Veterans Services recommended establishing a system of state veterans' homes to provide veterans with long-term care. In response, the General Assembly passed, and the Governor enacted, Section 58-7-101 et seq., *Tennessee Code Annotated*, creating the Tennessee State Veterans' Homes in 1988 with the primary purpose to "provide support and care for honorably discharged veterans who served in the United States armed forces."

Section 58-7-102, *Tennessee Code Annotated*, established a 13-member board, known as the Tennessee State Veterans' Homes Board (the board), to provide governance over the network of Tennessee State Veterans' Homes (veterans' homes). The board ensures that each home provides care and support for its veteran residents. The board's mission is as follows:

All residents are cared for in such a manner and in such an environment as to promote enhancement of their quality of life without abridging the safety and rights of other residents. An interdisciplinary team approach to resident life is utilized to assure the quality of life. Residents and family members are involved in the care planning process and resident participation is encouraged through a functioning resident council. Residents' rights are posted and enforced as delineated in current federal and state standards.

Figure 1 describes the responsibilities of the board and its executive management.

Figure 1: Tennessee State Veterans' Homes Board and Executive Management Responsibilities



Source: Tennessee State Veterans' Homes Board's website, strategic plan, and plan of operation.

See **Appendix 2** for an organizational chart and **Appendix 3** for a list of board members.

Operating Locations

To serve veterans statewide, the board oversees the operations of five veterans' homes across the state and one under construction, with an executive office in Murfreesboro. **Figure 2** provides facts and statistics for each home.

Figure 2: Overview of the State's Six Veterans' Homes



Murfreesboro State Veterans' Home

Opened in June 1991, the Murfreesboro State Veterans' Home was the first state veterans' home. The home is a 69,278-square-foot facility with 140 beds that is situated on the campus of the Alvin C. York Veterans Affairs Medical Center.



W.D. "Bill" Manning State Veterans' Home

Located in Humboldt, the W.D. "Bill" Manning State Veterans' Home opened in February 1996. The home is a 74,870-square-foot facility with 140 beds.



Senator Ben Atchley State Veterans' Home

Located in Knoxville, the Senator Ben Atchley State Veterans' Home opened in December 2006. The home is a 73,065-square-foot facility with 140 beds. The home includes multiple outdoor patios for residents and their families to enjoy.



Brigadier General Wendell H. Gilbert State Veterans' Home

Located in Clarksville, the Brigadier General Wendell H. Gilbert State Veterans' Home opened in December 2015. The home is a 102,688-square-foot facility with 108 beds. The facility consists of all private rooms.



Cleveland State Veterans' Home

Located in Bradley County, the Cleveland State Veterans' Home opened in June 2023. The home is a 107,950-square-foot facility with 108 beds. It offers private rooms, shared common areas, and a state-of-the-art therapy gym and courtyards.



Arlington State Veterans' Home

The Arlington State Veterans' Home is under construction and will be located in Shelby County. Anticipated to open in early 2026, it will have 126 beds, which include 18 private rooms; a community center with a bistro; a large activity space; and a state-of-the-art therapy gym.

Source: Tennessee State Veterans' Homes Board website.

Board Authority and Oversight Responsibilities

As an oversight body, the Tennessee State Veterans' Homes Board has separate responsibilities from the veterans' homes' management. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) serves as best practices for instituting internal control in state agencies. The Green Book adapts the principles of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) Internal Control – Integrated Framework for the government environment. In the absence of established internal control frameworks, the Green Book's principles serve as best practices for non-federal entities and establish key internal control responsibilities for oversight bodies and for management of an organization. Paragraphs 2.09 and 2.10 of the Green Book outline the following key responsibilities for oversight bodies for an organization's internal control system:

- overseeing management's design, implementation, and operation of the entity's internal control system;
- establishing integrity and ethical values, oversight structure, and expectations of competence;
- maintaining accountability to all oversight body members and key stakeholders;
- overseeing management's risk assessment as it relates to internal control and control activities;
- analyzing and discussing information related to the entity's achievement of objectives; and
- overseeing the nature and scope of management's monitoring activities.

Per Principle 10, "Design Control Activities," management of an organization is responsible for designing control activities to achieve objectives and respond to risks. Examples of management's internal control tasks include reviewing functions and activities, managing human capital, maintaining controls for information processing, and establishing performance measures.

State statute¹ requires the board to establish two committees with management oversight responsibilities: the executive committee and the audit committee. The executive committee is charged with overseeing the daily management and operations of the veterans' homes. The audit committee assists the board with financial and compliance

1. Section 4-35-102, *Tennessee Code Annotated*, requires the Tennessee State Veterans' Homes Board to establish an audit committee. Section 4-35-105 describes the audit committee's required responsibilities, which are also described in the Audit Committee Charter.

oversight responsibilities, including evaluating management's assessment of internal controls. See the **Board of Directors** section for more information about the committees.

To evaluate the board's oversight of the veterans' homes' management, we assessed management's implementation and execution of policies and procedures; the board's and management's ability to maintain the effectiveness and efficiency of the organization; the board's and management's responsibility to establish the internal control system; and the board's and management's compliance with laws, regulations, and provisions of contracts in key areas identified in our audit scope.

AUDIT SCOPE

We have audited the Tennessee State Veterans' Homes Board for the period July 1, 2022, through June 30, 2025. Our audit scope included assessments of program effectiveness, economy, and efficiency; internal control and prospective analyses; and compliance with provisions of laws, regulations, policies, procedures, contracts, and grant agreements in the following areas:

- the board's oversight of the network of Tennessee State Veterans' Homes to provide health care and support to veteran residents under their care;
- the board's statutory requirements regarding member composition, conflicts of interest, quorum, and open meetings;
- the board's plan to mitigate future operating losses to ensure a stable financial position;
- management's fiduciary responsibilities to maintain residents' trust funds and personal property;
- management's actions to ensure veterans' homes maintain above-average quality ratings through the federal Centers for Medicare and Medicaid Services;
- management's actions to hire new staff and retain existing staff to provide continuity of care and to oversee the administration of the homes;
- management's process to ensure residents receive prescribed health care from contracted providers and to prevent payments for fraudulent direct care provider claims; and
- management's process to comply with the state's rule governing a wait list of prospective residents.

Additionally, our audit scope included follow-up on prior audit findings in the following areas:

- management's responsibility to provide for the safety of residents by maintaining up-to-date lists of volunteers and performing screenings of the volunteers who have direct contact with residents;
- management's actions to resolve complaints and address allegations of abuse, neglect, or misappropriation of property to ensure residents are free from harm;
- management's responsibility to regularly assess residents' health and develop appropriate care plans to ensure residents receive quality care; and
- management's continuous oversight to ensure a registered nurse is onsite at each home 24 hours a day, 7 days a week.

The information for our follow-up on prior audit findings can be found in the **Prior Audit Findings** section.

We present more detailed information about our audit objectives, conclusions, and methodologies in **Appendix 1** of this report.

For any sample design applied in this audit, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report. Although our sample results provide reasonable bases for drawing conclusions, the errors identified in these samples cannot be used to make statistically valid projections to the original populations.

We conducted our 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 Tennessee State Veterans' Homes Board and executive management are responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, policies, procedures, and provisions of contracts and grant agreements.

PRIOR AUDIT FINDINGS

Report of Action Taken on Prior Audit Findings

Section 8-4-109(c), *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The prior audit report was dated November 2022 and contained four findings. The Tennessee State Veterans' Homes Board filed its report with the Comptroller of the Treasury on September 8, 2023. We conducted a follow-up of the prior audit findings as part of the current audit.

Board's Audit Findings

November 2022 Audit:
4 findings and 9 observations

Current Audit: 6 findings and
6 observations

Resolved Audit Findings

The current audit disclosed that the board resolved two prior audit findings (see **Figure 3**).

Repeated Audit Findings

The current audit also disclosed that one prior audit finding was not resolved and will be repeated in the applicable section of this report (see **Figure 3**).

Partially Resolved Audit Finding

The current audit also disclosed that one prior audit finding was partially resolved and will appear as an observation in the applicable section of this report (see **Figure 3**).

Figure 3: Current Audit Results for Prior Audit Findings

	Prior Audit Finding	Resolution in Current Audit
1	Management's documentation of an onsite registered nurse at each home 24 hours a day, 7 days a week is not sufficient.	This finding was resolved.
2	Management and staff must perform and document timely clinical assessments as required to develop and provide the most effective resident care plans.	This finding was repeated. See Finding 5 in the Resident Clinical Assessments section.
3	The board and management should verify the satisfactory resolution of complaints made by residents and their families.	This finding was partially resolved. See Observation 5 in the Complaints section.
4	The board should ensure veterans' homes' management provides for the safety of residents by maintaining up-to-date lists of volunteers and performing critical screening of the volunteers who have direct contact with residents.	This finding was resolved.

AUDIT CONCLUSIONS

Board of Directors

The Tennessee State Veterans' Homes Board is responsible for overseeing the network of Tennessee State Veterans' Homes to ensure that each home provides high-quality care and support for veteran residents of the State of Tennessee. Our goal was to determine whether the board was engaged and provided oversight to management to achieve transparency, accountability, and efficiency in veterans' homes' operations; ensured compliance with statutory requirements; and met member qualification requirements, including completing annual conflict-of-interest forms. Our review did not result in any findings or observations.

Background

Section 58-7-102, *Tennessee Code Annotated*, established the Tennessee State Veterans' Homes Board (the board) to govern the state's network of veterans' homes and ensure that each home provides high-quality care and support to veteran residents of Tennessee.

Tennessee State Veterans' Homes Board Composition

As required by state statute,² the board is composed of 13 members:

- The Commissioner of Finance and Administration (or a designee) and the Commissioner of Veterans Services (or a designee) each serve as ex-officio, voting members of the board.
- The remaining 11 members are appointed by the Governor and must be Tennessee citizens:
 - At least 3 members must be appointed from each of the state's 3 grand divisions.
 - One member must be an administrator of a nursing home with experience in financial operations at the time of appointment.
 - One member must have clinical experience in a nursing home.
 - All other members must be honorably discharged veterans of the U.S. armed forces.

Board Oversight Responsibilities

Section 58-7-103, *Tennessee Code Annotated*, grants the board several powers and duties, one of which is the authority to adopt written policies and procedures to govern the homes' internal operations. Based on our review of board meeting minutes, the board approves the annual Plan of Operations.³ The board is also required⁴ to submit to the Governor and the members of the legislature's Government Operations Committees an annual report containing information on all revenues and expenditures, statistics on residents in the home, recommendations to improve state veterans' homes, and any other pertinent matters.

Furthermore, statute requires the board to establish two committees with management oversight responsibilities: the executive committee and the audit committee. The board executes much of its oversight through these committees.

Executive Committee

The executive committee is responsible for overseeing the daily management and operations of the state veterans' homes,⁵ including

2. Section 58-7-102, *Tennessee Code Annotated*.

3. The Plan of Operations outlines the board's key objectives and goals, which consist of the budget for operating and capital expenditures and policies and procedures for spending funds.

4. Section 58-7-109, *Tennessee Code Annotated*.

5. Section 58-7-104, *Tennessee Code Annotated*.

- hiring the Executive Director and other executive staff,
- establishing policies regarding the private-pay rates the homes charge for residents' care,
- making and executing contracts, and
- performing other necessary functions to operate the homes.

The executive committee completes an annual performance review of the Executive Director and approves his annual compensation. The committee also files quarterly reports with the Tennessee General Assembly's Fiscal Review Committee concerning the operations of each state veterans' home.

Audit Committee

According to the board's Audit Committee Charter,⁶ the audit committee members must have experience with basic financial and accounting practices so that they can adequately assist the board in its financial and compliance oversight responsibilities. The audit committee oversees financial reporting disclosures, evaluates management's assessment of its internal control system, facilitates any audits or investigations of the board, and informs the Comptroller of the Treasury of the results of assessments and controls to reduce fraud. Furthermore, the audit committee members must promptly notify the Comptroller of the Treasury of any indications of fraud.

Meeting Requirements

The board's bylaws require the board to meet no less than three times each year, and seven members must be present to constitute a quorum and conduct business. As governing bodies, the board and committees must comply with the Tennessee Open Meetings Act.⁷ The Act requires a governing body to hold meetings that are open to the public, provide adequate notice of the date and time of such meetings, and make meeting minutes available for future public inspection. The minutes must contain "a record of persons present, all motions, proposals and resolutions offered, the results of any votes taken, and a record of individual votes in the event of a roll call."⁸

Conflicts of Interest

Section 58-7-106, *Tennessee Code Annotated*, states,

6. Section 4-35-102, *Tennessee Code Annotated*, requires the Tennessee State Veterans' Homes Board to establish an audit committee. Section 4-35-105 describes the audit committee's required responsibilities, which are also described in the Audit Committee Charter.

7. Compiled in Title 8, Chapter 44, *Tennessee Code Annotated*.

8. Section 8-44-104, *Tennessee Code Annotated*.

If any matter before the board involves a project, transaction, or relationship in which a member or the member's associated institution, business, or board has a direct or a conflicting interest, the member shall make known to the board that interest and shall be prohibited from participating in discussions and voting on that matter.

The board's conflict-of-interest policy requires members to disclose potential conflicts of interest relating to a "project, transaction, or relationship" in which the board is involved. If a member discloses a potential conflict with a board matter, the member cannot participate in discussions or votes related to it. The policy also requires all board members to read the policy, disclose conflicts, and sign the policy annually affirming that they agree with it.

Current Audit

We focused our review on whether the board members fulfilled their responsibilities for complying with requirements concerning composition, quorum, conflict-of-interest disclosures, and the Open Meetings Act. We also examined the board's bylaws, annual reports, and other board documents, such as board-approved management policies and procedures and board minutes, to determine board engagement and oversight activities. Our review did not result in any findings or observations. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

Board's Financial Position

The Tennessee State Veterans' Homes Board does not receive state appropriations; instead, it generates revenue by providing services to state veterans who reside in the state's veterans' homes. The board and executive management have a fiduciary duty to oversee the homes' financial position and to ensure the financial stability necessary for the board's overall operations and mission. Given the service-driven revenue funding stream, our goal was to review the board's financial position and management's plan for financial stability. See **Finding 1**.

Background

As part of the Tennessee State Veterans' Homes Board's (the board's) mission to provide and enhance the quality of care to veterans who honorably served the United States, the

board and management operate five veterans' homes across the state.⁹ The board does not receive state appropriations but instead generates operating revenue by collecting applicable resident benefit payments from the U.S. Department of Veterans Affairs, Medicare, TennCare, and the residents' private insurance, or by collecting residents' private pay for services they receive. This resident-based revenue stream provides the primary funding for the financial operations of the homes.

Section 9-4-56, *Tennessee Code Annotated*, requires state entities to develop a strategic plan to evaluate and measure the effectiveness of government services. Additionally, the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book),¹⁰ Section OV2.03, "Components, Principles, and Attributes," describes that an entity's mission, objectives, and strategic plan work together to achieve the goals that management and the oversight body have set. Best practices indicate that the plan should describe the operational processes, skills and technology, human capital, financial costs, and any other information and actions required to achieve future goals and objectives.

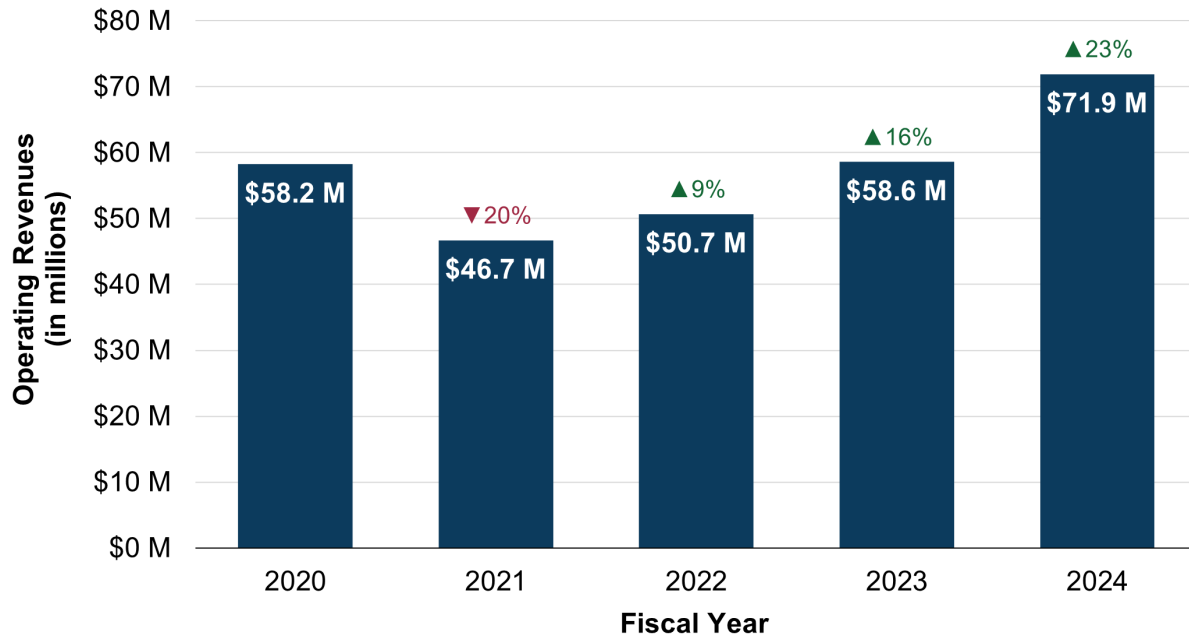
Board Budgets

Annually, executive office employees develop a budget for the veterans' homes' operations based on revenue and expense models designed to project management's best estimates. Staff use a revenue model that includes forecasted census data, each home's occupancy data, and known or estimated reimbursement rates from Medicare, TennCare, and private insurance to determine the potential revenue for the upcoming fiscal year. From 2020 to 2024, the veterans' homes averaged an annual revenue of \$57,211,104. See **Figure 4** for a summary of the board's revenue.

9. A sixth home, Arlington State Veterans Home, is scheduled to open in early 2026.

10. The Green Book provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies.

Figure 4: Summary of the Board's Reported Operating Revenues, Fiscal Years 2020 Through 2024



Source: The board's audited financial reports for fiscal years 2020 through 2024.

To determine operational expenses, staff use an expense model that includes projected facility staffing levels, cost-of-living adjustments, inflation forecasts, and ongoing capital projects. The board approves the budget each year, in addition to any amendments that the executive office staff submits during the year.

Board's Annual Financial Reports

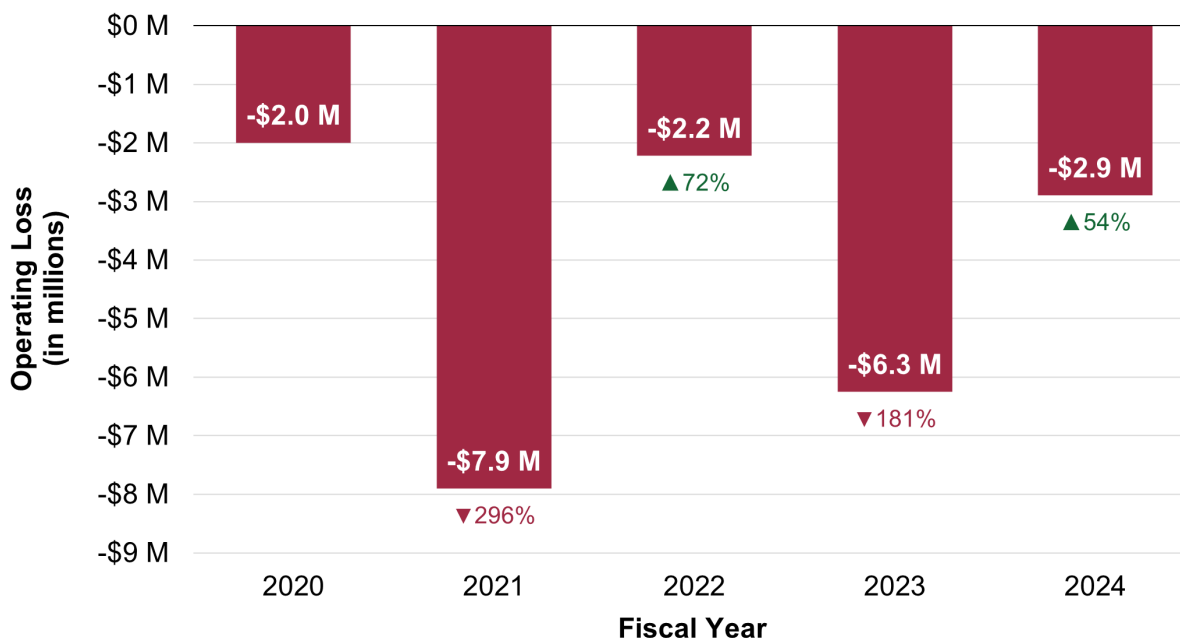
Section 58-7-109, *Tennessee Code Annotated*, requires the board to annually report its financial position to the Governor, the Government Operations Committees in the House and Senate, and the Joint Select Committee on Veterans' Services. The financial report includes an accounting of all funds received and expended, statistical data on residents at each of the five homes, recommendations for improvements at the homes, and any other matter the board deems necessary. The Finance Director, who is responsible for preparing the annual reports, also prepares monthly interim financial reports that are presented to the board at each quarterly board meeting. We analyzed the board's reports for fiscal years 2020 through 2024 and found the following results regarding its operating losses, cash balance, and net position.

Operating Losses

In its annual financial statements for fiscal years 2020 through 2024, the board presented a net operating loss (more expenses than revenues) from 2020 through 2024. Management has reported net operating losses as low as \$1,998,839 (fiscal year 2020)

and as high as \$7,903,864 (fiscal year 2021). According to the Executive Director, the reported losses were largely due to the COVID-19 pandemic, the opening of new veterans' homes, and the ongoing repair costs at established veterans' homes. See **Figure 5** for a summary of the board's reported net operating losses for fiscal years 2020 through 2024.

Figure 5: Summary of the Board's Reported Operating Losses, Fiscal Years 2020 Through 2024



Source: The board's audited financial reports for fiscal years 2020 through 2024.

Cash Balances

Based on our analysis, the board's cash balances for fiscal years 2020 through 2024 have declined. In addition, during the board's fiscal year 2024 financial statement audit, the Comptroller's Office auditors found that the board and management had not identified a financial reporting error, resulting in an overstatement of \$7 million¹¹ in its cash balance, which required management to make an adjustment. Once the correcting adjustment was made, management determined that a \$4,325,703 decline in the cash balance had occurred from fiscal year 2023 to 2024.

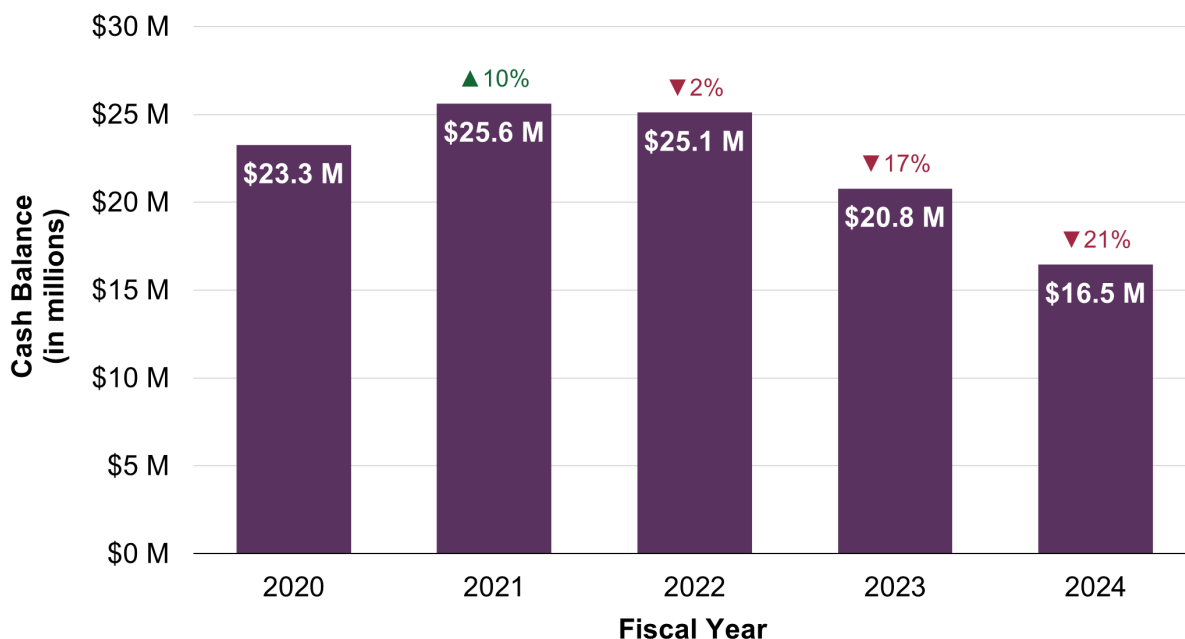
According to the Executive Director, the net operating losses reported on the annual financial statements were not directly responsible for the decline in cash balance, but the

11. This financial reporting error in the 2024 audited financials is discussed in Finding 2 of the Division of State Audit's financial and compliance audit of the Tennessee State Veterans' Homes Board. See <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2025/ag25049.pdf>.

losses were attributed more to the expenses related to opening the Cleveland and Arlington veterans' homes, one-time technology upgrades at the homes, and ongoing repairs to HVAC units.

See **Figure 6** for the trend of the board's cash balances for fiscal years 2020 through 2024.

Figure 6: Summary of the Board's Reported Cash Balances, Fiscal Years 2020 Through 2024



Source: The board's audited financial reports for fiscal years 2020 through 2024.

Net Position

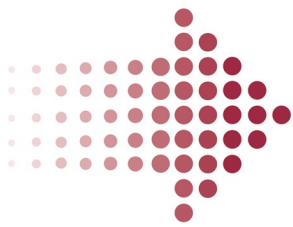
Based on our analysis, the board's net position (assets minus liabilities) steadily increased from approximately \$76.8 million in fiscal year 2020 to approximately \$149.8 million in fiscal year 2024. In fiscal year 2024, the board's audited financial statements reported that the board's net position increased approximately \$18.3 million over fiscal year 2023 because the board received approximately \$19 million in non-recurring federal grants to finish building the new homes in Cleveland and Arlington. It is important to note, however, that without these federal grants for home construction, the board's net position would have decreased in fiscal year 2024 from its 2023 reported net position.

Furthermore, although 14% of the board's 2024 reported net position was unrestricted—meaning management could use the available unrestricted funds to meet the board's current operating expenses—the board's remaining net position (86%) consisted of capital assets (such as land, buildings, and equipment) and restricted funds, which are not available for immediate operating needs. Taken in context with the fluctuating

operating losses reported above, the increase in net position does not necessarily guarantee a stable long-term financial position.

Current Audit

After identifying the recent operating losses and decline in cash reserves, we focused our review on determining if executive management had identified the causes and developed plans for responding, including if management's strategic plan addressed ways to increase revenues, stabilize expenses, and replenish the cash reserves. See **Finding 1**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.



Finding 1: Management has not developed a specific financial plan or strategy to address the veterans' homes' financial position

Since 2020, the Tennessee State Veterans' Homes Board (the board) has experienced net operating losses and an overall decline in cash balance. While the entity's overall net position increased for the same period, the increase is almost entirely attributable to non-recurring capital funds from federal grants and donations tied to the construction of the Cleveland and Arlington veterans' homes rather than to improvements in operating performance. The board's recurring operating losses, with operating revenues falling below operating expenses, demonstrate that the board has not aligned its cost structure with its resident-driven revenue model, raising concerns about whether the board can sustain long-term operations without additional external support, a major shift in financial strategies, or a combination of both.

Based on our discussion with executive management, the veterans' homes have faced external and internal factors that have contributed to the operating losses, including the following:

- The **COVID-19 pandemic** reduced occupancy rates, which cut revenue under the board's resident-driven revenue model.
- A **statewide and national shortage of nurses** forced the board to rely on contract staff, driving up personnel costs in the largest expense category.
- The **new Cleveland veterans' home**, in accordance with federal regulations, must open on a small scale before the Centers for Medicare and Medicaid Services (CMS) and the U.S. Department of Veterans Affairs will certify the home, resulting

in management incurring expenses before they may begin collecting federal resident reimbursement revenue.¹²

- The **board's non-recurring expenses**, such as maintenance, replacement, and upgrade of capital assets and technology, and other expenses, such as medications not covered by the patients' insurance benefits, impacted the financial position.

Section 9-4-56, *Tennessee Code Annotated*, requires state entities to develop a strategic plan to evaluate and measure the effectiveness of government services. We reviewed the board's 2024–2029 strategic plan and found that while the plan includes a goal to “maintain and enhance current financial position,” the strategies listed within the plan were high-level, lacked clarity on specific steps to address the financial issues, and lacked a plan for how their goal and strategies would address the board's mission-critical need to enhance the entity's financial position.

Furthermore, management stated that they did not include operating losses in the strategic plan because they no longer see the pandemic as a threat. While we certainly agree that COVID-19 is not a current contributing factor, the board and management have not included other factors that may be driving operating losses and thus have not developed strategies to address the downward trends in financial position. By failing to identify and directly address these operating losses, the board risks ongoing financial instability, which could ultimately threaten the continuity of operations and the quality of care provided to Tennessee's veterans.



Recommendation: Management should develop and implement a comprehensive strategic plan that directly addresses the causes of its operating losses. The plan should include specific, measurable steps that strengthen its ability to offset costs with revenue, thereby ensuring the long-term sustainability of its veterans' homes.

Management's Comment

We concur.

12. Management stated that CMS and Veterans' Affairs require a new nursing home to be open and operating with a minimal number of residents before they will conduct a certification survey. Therefore, the home is responsible for the cost of care for those initial residents until its certification is approved by CMS and Veterans' Affairs.

We concede that we were unable to present a specific all-encompassing written plan addressing the TSVH [board's] financial position. However, the basics of the plan we followed were to increase revenue (census), reduce expenses, and increase efficiency.

Additionally, from a yearly operational standpoint:

1. A financial proforma was produced in December 2024 that addressed and mitigated the financial decline.
2. Barriers to census building (both staffing and referral related) were identified and continue to be addressed. As of August 2025, TSVH statewide average occupancy is at 93% with the statewide average census for all nursing homes at 72.1%.
3. The Homes present census data daily to the executive team.
4. On a weekly basis, the executive team and administrators review census, marketing actions, Staffing PPD, overtime expense, and contract agency usage. The data is presented to show historical trends to facilitate adjustment as needed.
5. The bi-monthly TSVH Board meetings include census, revenue, and expense reporting and discussion, as well as pertinent comparisons to state and national benchmarks and nursing home industry trends for comparison.
6. TSVH became active in attempting to improve state veteran home funding from the VA and reduce the inordinate expense of specialty medications.
7. In order to increase efficiency and reduce cost, TSVH has planned and begun execution of updating multiple IT platforms to upgrade software and hardware to precipitate cost tracking, interoperability, and reporting.
8. TSVH has systematically reduced contracted nursing cost significantly via the use of wage increases and leveraging VA hiring/retention grants.
9. TSVH has also increased its adherence to Group Purchasing Plans and added a second plan to facilitate a net decrease in costs.

The results of our actions are evidenced by our results in the TSVH operating margin as compared to the national nursing home industry medians:

FY 2024:

- TSVH Operating Margin (1.6)% with Cleveland and 1.5% without Cleveland
- National NH [nursing home] operating Margin 0.4 %

FY 2025:

- TSVH Operating Margin 1.4%
- National NH operating Margin 0.8%

FY 2026 (projected):

- TSVH Operating Margin 6.0%
- National NH operating Margin 1.0 - 1.2 %

TSVH will continue with our current efforts and will consolidate these concepts in the strategic plan as suggested by the auditors.

Residents' Trust Funds and Personal Property

As part of their services to our state's veterans, facility staff at the veterans' homes manage resident trust funds and maintain residents' personal property. Our goal was to ensure staff provided sufficient fiduciary oversight for the residents' funds and property according to regulations, policies, and procedures. See **Finding 2** and **Observation 1**.

Background

Long-term care and nursing home facilities often offer residents the option for facility staff to maintain and manage their personal funds. The Tennessee State Veterans' Homes Board (the board) and management have established operational policies and procedures to govern the veterans' homes' daily operations, including safeguarding residents' personal funds and property. Under these operational policies, residents can participate in the resident trust fund program and benefit from personal property management services. The board assumes responsibility for protecting and managing the personal funds of all residents enrolled in the program.

Each home has established its own resident trust fund account, which combines participating residents' trust funds into one bank account for investment purposes. Each home's fiscal staff maintains the individual accounting records for each resident's fund and allocates any interest earned from the combined account to the residents' individual funds. In addition to residents' trust funds, staff at each facility are responsible for maintaining an inventory of all residents' personal property and safeguarding it for the duration of the residents' stay at the facility.

Resident Trust Funds

Upon admission into a veterans' home, residents must sign the Acknowledgment, Authorizations, and Releases form included in the admission paperwork to opt in to the

resident trust fund program. This form provides facility staff permission to maintain and manage the residents' personal funds, which includes using the resident's trust fund to cover expenses¹³ for the resident.

Resident Trust Fund Deposit and Withdrawal Procedures

The residents are allowed to make deposits and withdrawals from their resident trust accounts as necessary. The executive office's "Resident Trust Deposit & Withdrawal Procedure" requires staff to maintain documentation of each transaction affecting the residents' trust funds. The board policy and procedures do not establish a limit on how much a resident can hold in their account; however, residents are not allowed to withdraw more funds than they have available.

For deposits, residents provide facility staff with cash or checks, and staff complete a Resident Deposit Receipt, which includes the resident's name, date, dollar amount, and facility staff's signature. Facility staff complete a daily deposit log that lists all transactions, including the name, date, amount, and reason for the deposit. Staff use the deposit log and copies of the checks or cash receipt forms to enter the residents' transactions into Point Click Care, the facility's electronic health record system. The funds are deposited into the resident trust fund combined account at a local bank.

When a resident requests a withdrawal, facility staff remove the requested amount from the facility's resident trust cash box,¹⁴ complete a disbursement receipt, and have the resident sign it acknowledging they received the funds. If a resident is not able to sign the disbursement receipt, two facility employees must sign the form.

Monthly Reconciliation Process

The executive office's staff accountant reconciles each facility's resident trust accounts monthly to ensure they are accurate and properly safeguarded. The staff accountant compares the transactions entered in Point Click Care to the bank statement, including copies of checks deposited into the bank. The staff accountant completes a reconciliation sheet for each facility, documenting the residents' account balances, including any interest earned in the accounts.

Residents' Personal Property

Facility staff have a fiduciary responsibility to protect residents' personal property. Tennessee's Health Facilities Commission¹⁵ requires long-term care and nursing facilities

13. An example of an expense for a resident would be a beauty shop expense. The homes have barbers come there to wash, cut, and style residents' hair.

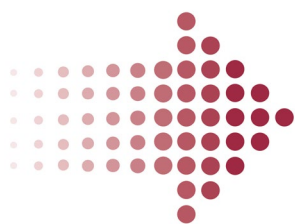
14. Each veterans' home maintains a petty cash fund that serves as the trust cash box.

15. The Health Facilities Commission (HFC) is the Centers for Medicare and Medicaid's designated state surveying agency. HFC licenses health facilities and investigates them for compliance with state and federal regulations.

to make “reasonable efforts to safeguard personal property and promptly investigate complaints.”¹⁶ Upon each resident’s admission, staff at the facilities should inventory the resident’s personal property, including all clothing, personal possessions, and money the resident brings into the facility. Staff provide a copy of the personal property inventory to the resident, their representative, and their social worker. The social worker maintains the inventory list and updates it as necessary to include additional and replaced items; however, the social worker does not regularly reconcile the residents’ personal property.

Current Audit

We focused our review on determining whether the staff at two homes, those in Murfreesboro and Clarksville, adhered to the veterans’ homes’ policies and procedures for documenting resident trust fund transactions, making monthly reconciliations, and maintaining residents’ personal property inventories. See **Finding 2** regarding resident trust funds at both homes and **Observation 1** regarding personal property inventories at the Murfreesboro home. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.



Finding 2: Staff at two veterans’ homes did not obtain written authorization to manage personal funds, did not follow resident trust fund withdrawal procedures, and did not accurately perform monthly reconciliations

As required by the Health Facilities Commission’s rules and regulations, the Tennessee State Veterans’ Homes Board (the board) and facility management have a fiduciary responsibility to manage veterans’ personal funds and safeguard their property during their stay in the state’s veterans’ homes. The veterans’ homes’ policy and procedures govern the facility staff’s daily operations for these responsibilities.

We reviewed residents’ trust fund accounts, related deposits and withdrawals, and monthly reconciliations for October 2024 for the 36 Murfreesboro residents represented in the home’s combined resident trust fund account. We reviewed the same information for the Clarksville home’s 24 residents’ accounts for October 2024 and February 2025. Based on our review, we noted that staff at the Murfreesboro and Clarksville homes did not follow policy and procedures to safeguard the residents’ trust funds. Specifically, we noted that staff

- did not obtain the residents’ permission to manage their personal funds,

16. *Rules of the Tennessee Health Facilities Commission*, Chapter 0720-18-.04(5), “Administration.”

- could not provide or did not ensure residents signed the documentation to support withdrawal transactions recorded in residents' trust accounts, and
- did not perform sufficient monthly reconciliations of residents' accounts by including uncashed checks dating back to February 2023.

We discuss each of these conditions in detail below.

Permission to Manage Residents' Funds

The veterans' homes' "Resident Funds" policy states,

Should the resident elect to have the facility to manage his or her personal funds, it must be authorized in writing by the resident and/or the responsible party, and a copy of such authorization must be documented in the resident's financial record.

Based on our review of the residents' records, we noted that staff did not obtain written authorization to manage the residents' personal funds for 13 of 36 Murfreesboro residents (36%) and 8 of 24 Clarksville residents (33%), for a total of 21 residents without a written authorization on file. For 1 resident, staff could not provide a copy of the authorization form. Based on our review of the files, the remaining 20 residents did not have a written authorization because they had opted out of participating in the resident trust fund program.

In response to the errors noted, management stated that the residents opted out of the resident trust fund program upon their initial admissions and later changed their minds and provided their funds for the staff to manage. According to management, staff did not go back to update or obtain a new authorization form acknowledging the residents' permission to allow staff to manage their personal funds. We provided the Murfreesboro and Clarksville homes an opportunity to provide additional evidence that the authorization forms have been updated, but neither home provided any additional evidence.

When management does not obtain residents' permission to manage their trust funds, management increases the risk of not fulfilling its fiduciary responsibility for the residents' funds, therefore increasing the risk of mismanagement.

Withdrawal Request Documentation

The veterans' homes' Resident Trust Deposit and Withdrawal Procedure states, "All [facility] employees disbursing resident trust funds should print out a receipt from [Point Click Care] and have the resident and disbursing employee sign the form." The written procedures require employees to maintain the signed receipts in the residents' financial records. In addition, the procedures state that if a resident is unable to sign the withdrawal receipt, two employees should sign the receipt, one as the employee disbursing the fund and the other as a witness that the funds were disbursed to the resident.

Based on our review and discussion, we noted that for October 2024, the Clarksville home staff did not use the Point Click Care system's withdrawal forms to document resident trust fund withdrawal requests as required by policies and procedures; instead, they used a generic receipt book. The generic withdrawal receipts did not include the necessary information, such as the purpose of the withdrawal and the resident's signature acknowledging receipt of the funds.

Additionally, based on our review of withdrawal transactions for the Clarksville home for October 2024, we noted that staff did not maintain any withdrawal receipts for 13 of 32 withdrawal transactions tested (41%) and did not obtain the residents' signatures acknowledging their receipt of the funds for 9 of 32 transactions tested (28%).

Staff stated that they began using the correct procedures at the beginning of 2025; however, our review of withdrawal transactions for February 2025 revealed that staff still did not follow procedures to issue resident trust withdrawal receipts using Point Click Care.

For February 2025, we noted that staff did not maintain any withdrawal receipts for 11 of 23 withdrawal transactions (48%) tested and did not obtain the residents' signatures acknowledging their receipt of the funds for 3 of 23 transactions tested (13%). The receipts did not include the 2 required staff signatures.

Clarksville management stated that the missing withdrawal forms were not available because the Clarksville home staff issued the original signed Point Click Care withdrawal forms or the generic paper receipts to the residents and did not retain a copy for the residents' files. The withdrawal receipts with missing signatures were a result of human error.

Documenting withdrawal requests and ensuring residents sign withdrawal receipts safeguard trust funds against improper withdrawals and theft by staff and others. When staff do not maintain accurate and detailed records, management risks not fulfilling its fiduciary duties, exposing itself to a liability risk and creating opportunities for mismanagement of the resident funds.

We did not note any errors with the withdrawal documentation for the Murfreesboro home.

Monthly Reconciliations

Based on our review, we noted that the Murfreesboro home's October 2024 monthly resident trust account reconciliation included 6 uncashed checks, totaling \$5,020, issued to residents from the resident trust accounts between February and May 2023. The Clarksville home's October 2024 and February 2025 monthly reconciliations included 4 uncashed checks, totaling \$473, issued to residents between November 2022 and January 2023.

According to the executive office's Finance Director, the veterans' homes operating procedure is for staff to send checks that have not been cashed for more than 180 days (6 months) to the State Treasurer as part of the Unclaimed Property Act.¹⁷ When we asked about the uncashed checks mentioned above, the Finance Director could not explain why they remained part of the monthly reconciliation process and were not sent to the State Treasurer.

When staff do not properly account for outstanding funds during the monthly reconciliations of patient trust funds, there is an increased risk that patient fund account balances are inaccurate.



Recommendation: Management should ensure staff obtain authorization from residents to manage their personal funds and ensure staff follow established procedures for documenting deposits and withdrawals for the patient trust fund. Management should also ensure staff properly account for outstanding checks during the monthly reconciliation process and follow the State Treasurer's guidelines for unclaimed property.

Management's Comment

We concur.

The finding states that we did not obtain residents' permission to manage their personal funds. Our residents gave their implied consent. In most cases during the admissions process the residents decline to have TSVH manage their funds to later come back and ask for their funds to be managed and willingly turn over the funds. The act of turning the funds over is the implied consent. No staff members are pressuring the residents to turn over the funds nor requiring them to do so. However, we will review our policy and procedures around obtaining consent as well as educate both our staff and residents.

We agree with the statement that we could not or did not ensure residents signed the documentation to support withdrawal transactions. We have reviewed and re-educated our patient account representatives on proper withdrawal procedures and completion

17. The Uniform Unclaimed Property Act is enacted under Sections 66-29-101 through 66-29-306, *Tennessee Code Annotated*. According to the State Treasurer's reporting requirement for the Act, entities should report individual monetary amounts over \$50 that have been inactive or dormant for one year to the State Treasurer.

within the Point Click Care system. This re-education took place on January 30, 2025, with the Clarksville patient account representative. This training corrected the observed issue.

The bank reconciliations are completed monthly as part of the month-end close process and were completed during the audit period. The primary reason the uncashed checks remained on the bank reconciliations was that neither the reconciler nor the patient account representative was aware of the procedure for unclaimed property. We have completed re-education of both parties on proper unclaimed property procedures; we have also implemented bank reconciliation reviews that occur immediately after month-end close to proactively clear aging uncashed checks from the reconciliation and return the property to its rightful owners. To date we have zero aged uncashed check items on our patient trust account reconciliations, nor do we foresee any items aging beyond the established limits.

The Tennessee Health Commission, as well as the Veterans Administration, survey the facility yearly and review the personal funds domain. There have been no citations in the past 19 years.

Observation 1: Staff at one veterans' home did not sufficiently document and update lists of residents' personal property

Chapter 0720-18-.04(5) of the *Rules of the Tennessee Health Facilities Commission* states,

A record shall be prepared of all clothing, personal possessions and money brought by the resident to the nursing home at the time of admission. The record shall be filled out in duplicate. One copy of the record shall be given to the resident or the resident's representative and the original shall be maintained in the nursing home record. This record shall be updated as additional personal property is brought to the facility.

As of March 27, 2025, the Murfreesboro facility had 104 residents. We selected a nonstatistical, random sample of 30 residents and reviewed their personal property inventory lists to ensure that the facility maintained a record of all clothing, personal possessions, and money for the residents. Based on our review, we noted that management could not provide an inventory list of personal property for 15 of the 30 residents (50%).

Management stated that the personal inventory process was not adequate to account for residents' personal inventory before the current Social Services Director was hired in November 2024; since then, the Social Services Director has begun working to address the deficiencies.

Management should develop a formal process to ensure staff document residents' personal property inventory and update the lists as necessary.

Management's Comment

Management will re-educate staff on policy and procedure and continue to monitor.

Star Rating

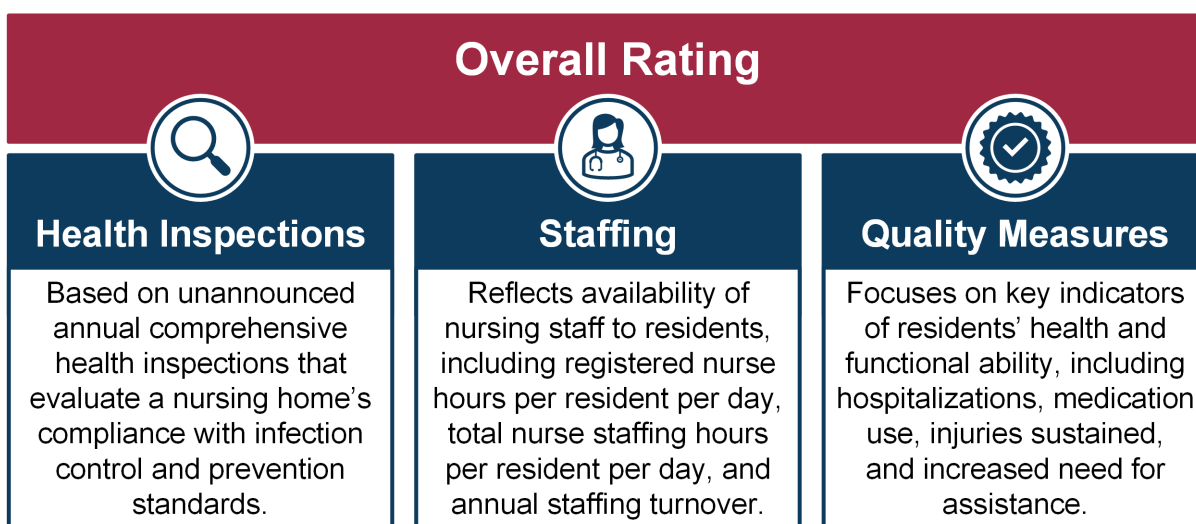
The Tennessee State Veterans' Homes Board's mission is to provide quality care to veterans. The federal Centers for Medicare and Medicaid Services assesses the quality of care at each home and rates it on a five-star scale, which is designed to reflect each home's ability to provide high-quality care to residents. The ratings impact the veterans' homes' reputations and the public's trust in our state veterans' homes. Our goal was to review each home's quality rating and management's plans to correct any low ratings. See **Observation 2**.

Background

The Centers for Medicare and Medicaid Services' (CMS) five-star rating scale for nursing homes, including Tennessee's veterans' homes, helps consumers, family members, and caregivers find the best long-term care options for their loved ones. The Medicare Care Compare website¹⁸ allows the public to view a facility's latest ratings at any time. To determine a facility's rating, CMS performs surveys and collects multiple data points from each home, then uses this information to calculate the star rating. CMS rates homes in three areas (exhibited in **Figure 7**) and provides an overall rating for each home.

18. See <https://www.medicare.gov/care-compare/>.

Figure 7: CMS Rating Components



Source: Auditor created based on CMS star rating descriptions on their website.

Nursing facilities with five stars are considered much above average; conversely, nursing facilities with one star are considered to have much below-average quality. See **Figure 8** for the Tennessee's veterans' homes' star ratings as of February 26, 2025.

Figure 8: CMS Star Ratings for Tennessee's Veterans' Homes, as of February 26, 2025

Veterans' Home*	Star Rating by Category			
	Health Inspections	Staffing	Quality Measures	Overall Rating†
Clarksville	★★★	★★★★★	★★	★★★★
Humboldt	★★★★★	★★★★★	★	★★★★
Knoxville	★★★★★★	★★★★★	★★	★★★★★★
Murfreesboro	★	★★★	★	★

* Veterans' homes are identified by location for brevity. CMS did not provide ratings for the Cleveland home, as the home did not have 12 to 15 months of data available.

† CMS places a greater weight on health inspections, so the overall rating is not an exact average of the three categories.

Source: <https://www.medicare.gov/care-compare/>.

Performance Improvement Plans

To correct deficiencies that led to low-star ratings, management creates performance improvement plans, which should ultimately improve the homes' star ratings. Management's "Quality Assurance Performance Improvement" policy states that the

performance improvement plans should be documented and tracked while active. Management's performance improvement plans are tailored to each home and contain details such as how and when the problem was identified, the cause, the plan of action, the end goal, if the goal was achieved, and the results of a subsequent review.

Current Audit

We focused our review on each veterans' home's categorical and overall CMS quality ratings from July 2022 through May 2025, including the deficiencies noted and management's performance improvement plans to correct low-star ratings. See **Observation 2**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

Observation 2: Veterans' homes' management did not consistently and effectively ensure that veterans' homes maintained average or above-average federal quality ratings

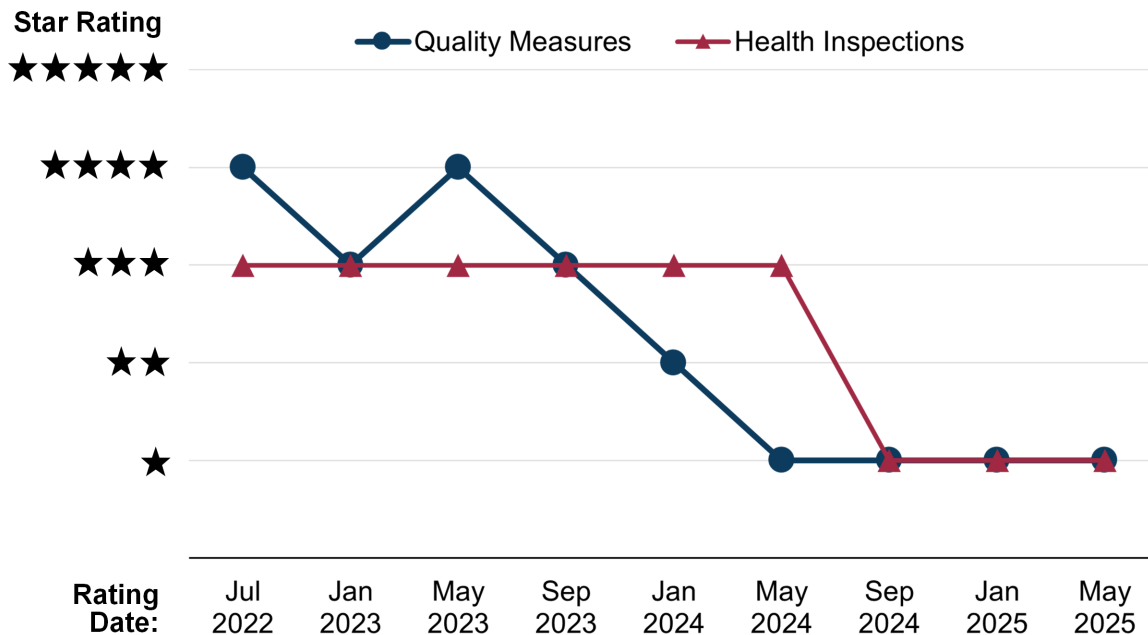
Below-Average Ratings in Quality of Care

In response to a finding reported in the 2018 performance audit regarding below-average Centers for Medicare and Medicaid Services (CMS) star ratings, management developed performance improvement plans to correct the low-star ratings. Those improvement plans addressed the conditions that contributed to the low-star ratings, and in the November 2022 sunset audit report, we reported that all four homes had ratings of three stars or greater in all three categories (Health Inspections, Staffing, and Quality Measures). As of February 26, 2025, however, each of the nursing homes had a below-average star rating in the Quality Measures category. This category measures how well the veterans' homes care for their residents' physical and clinical needs, based on the residents' health and functional ability.

Murfreesboro Home Ratings and Abuse Citation

Based on our review of the historical CMS ratings, the Murfreesboro home's overall rating has trended downward over the last three years, from four stars in July 2022 to one star in January 2025. As of May 2025, the home has maintained a one-star rating for the **Quality Measures** category since May 2024 and a one-star rating for the **Health Inspections** category since September 2024. See **Figure 9** for the Murfreesboro home's Quality Measures and Health Inspection star ratings, respectively, from July 2022 through May 2025.

**Figure 9: Murfreesboro Home Quality Measures and Health Inspections
Star Rating, July 2022 to May 2025**



Source: CMS nursing home quality measures star ratings obtained from management, as well as <https://www.medicare.gov/care-compare/>, for the period July 2022 to May 2025.

In addition to the one-star ratings, the Medicare Care Compare website contained an advisory that the Murfreesboro home was cited for abuse. This was based on a survey conducted by the Tennessee Health Facilities Commission¹⁹ in response to a complaint that found the Murfreesboro home

was not in substantial compliance with the participation requirements and the conditions of the facility constituted Immediate Jeopardy,²⁰ and/or Substandard Quality of Care to residents' health and safety.

In response to the findings from the report, CMS temporarily suspended Medicare and Medicaid reimbursement payments for new residents admitted to the Murfreesboro home from May 19, 2024, through June 11, 2024. Because of noncompliance for that period, CMS fined the Tennessee State Veterans' Homes Board (the board) and management

19. The Tennessee Health Facilities Commission conducts surveys on the state's nursing homes on behalf of CMS.

20. According to CMS's *State Operations Manual*, Appendix Q, "Immediate Jeopardy represents a situation in which noncompliance by providers . . . has placed the health and safety of recipients in its care at risk for serious injury, serious harm, serious impairment, or death."

\$193,155 for not meeting the Medicare and/or Medicaid requirements.²¹ Management submitted an acceptable corrective action plan to correct the deficiencies noted during the investigation, and CMS allowed reimbursement payments to resume on June 12, 2024.

Based on our review of management's performance improvement plans in response to the Murfreesboro home's one-star ratings for the period July 2022 through April 2025, we noted that management did not consistently create or track performance improvement plans in accordance with management's "Quality Assurance Performance Improvement" policy. Specifically, we noted that management did not

- include specific goals and timelines for correction in the plans, or
- track the plans' progression through final results and goal achievements.

Additionally, we noted that the plans did not address all categories in the **Quality Measures** rating, which were below average compared to state and national averages.²²

Effects of Low Ratings

Because the overall ratings are objective assessments reflecting the quality of care and the quality of life afforded to the state's veterans, the board and management must prioritize improvement plans for all low ratings. Given that the homes' Quality Measures category ratings were progressively worse during the audit period, and that the Health Facilities Commission cited the Murfreesboro home for an "Immediate Jeopardy" condition, management's improvement actions were insufficient to improve the quality of care for the residents during our audit period. Management stated that due to staff turnover, they did not consistently track the CMS rating, develop improvement plans, or evaluate the effectiveness of the plans; instead, they attempted to correct any deficiencies in real time. Without consistently tracking the CMS ratings and enacting plans that help evaluate and monitor progress, the board and management compromise their ability to effectively achieve and maintain an above-average rating.

So that Tennessee's veterans receive quality care and services, we recommend that the board ensures management assigns responsibility for staff to track CMS star ratings and develops effective performance improvement plans to address the overall low-star rating for the Murfreesboro home and the low-star rating in each home's Quality Measures category.

21. Nursing facilities are required to comply with the requirements in Title 42, *Code of Federal Regulations*, Part 483(B) to receive payment under the Medicare and Medicaid programs.

22. CMS provides state and national average percentages for each measurable component of the Quality Measure star rating category. The state and national averages for each category can be found on CMS's Medicare Care Compare website.

Management's Comment

The Tennessee State Veterans Homes do consistently track the Centers for Medicare and Medicaid (CMS) Quality ratings. These are tracked through the CMS Nursing Home Compare site, as well as proactively through the Point Right software. The Point Right software forecasts the potential Quality Measure (QM) rating of each home with each Minimum Data Set (MDS) assessment that is completed. There has been an ongoing Quality Assurance Program in place that is fluid, meaning the program evolves through investigation and observations.

While it is true the Tennessee Health Commission cited abuse and quality of care at an Immediate Jeopardy level, the Tennessee State Veterans Home is disputing the findings, and the dispute is ongoing, as the organization is waiting for an appeal hearing before the Administrative Law Judge. We are confident that the Immediate Jeopardy citations will be lowered or deleted. Unfortunately, CMS does not change or “give back” the points that were lost due to the original citation, even if the organization prevails at the hearing.

In March of 2025, the Director of Clinical Reimbursement and the Director of Clinical Services found documentation discrepancies by the Certified Nursing Assistants that directly impacted the MDS Assessment and subsequently brought the QM score down to one star. A separate Quality Assurance Program was initiated. Functional Pathways (Therapy Services) conducted education for all facilities, as did the Director of Clinical Reimbursement. The documentation variance had to do with the new rules of the MDS and how functional status is recorded. Since the education, and ongoing Quality Assurance program, we have found that each facility is now on track to gain 1 to 2 Stars in Quality.

Recruiting and Retaining Staff

The nursing and administrative staff of Tennessee's veterans' homes are essential to help the board meet its mission to provide quality, individualized care to the homes' residents. As with many industries since the COVID-19 pandemic, the board and management have faced challenges in retaining staff, especially nursing staff. Our goals were to analyze the homes' staff turnover rates during our audit scope and to determine whether the board and management addressed the homes' staffing needs to ensure veterans continue to receive quality care. See **Finding 3**, **Finding 4**, and **Observation 3**.

Background

The Tennessee State Veterans' Homes Board (the board) operates 5 veterans' homes and employs over 650 employees to help care for Tennessee's veteran residents. Of the 650 employees, 67% are considered nursing staff who provide care to veterans, and the remaining 33% are administrative staff who perform tasks that keep the homes operating efficiently.

Based on our review of staffing information for July 1, 2022, through March 26, 2025, the veterans' homes have experienced significant turnover in both administrative and nursing staff. For this period, **the turnover rate for both position types ranged from 90% at the Humboldt home to 554% at the Murfreesboro home.** Based on our review, we found that management has been able to hire nurses and administrative staff, but generally has not been able to retain them. During the review period, of the 555 employees who left employment, 73% (405) left voluntarily.

During discussions about factors that may contribute to high employee turnover, management cited a shrinking nursing market and challenges in paying nurses and non-nursing staff competitive salaries.

Staffing Challenges

Shrinking Nursing Market

Since the COVID-19 pandemic, the health care industry has seen a decline in the number of nursing staff available to care for patients. Nationwide, in 2024, 138,000 nurses had left the health care field since 2022,²³ a decline that has also impacted the board's and management's current staffing numbers.

To overcome the limited availability of nurses, the board began using temporary contract agency nurses to fill the vacancies at the veterans' homes. Management stated, however, that using temporary contract nurses is more expensive, given that contract agencies tend to offer better pay to nursing staff compared to the veterans' homes' current nursing salary rates. Even though contracted nurses receive better pay in most cases, the contractor still has turnover, which results in the veterans' homes' residents experiencing inconsistent care. During the audit period, the board and executive management have worked to reduce the number of temporary contract nurses to reduce costs. For the period July 1, 2022, through March 26, 2025, **the turnover rate for nursing staff at all homes was 337%.**

23. National Council of State Boards of Nursing, "NCSBN Research Highlights Small Steps Towards Nursing Workforce Recovery; Burnout and Staffing Challenges Persist", news release, April 17, 2025. <https://www.ncsbn.org/news/ncsbn-research-highlights-small-steps-toward-nursing-workforce-recovery-burnout-and-staffing-challenges-persist>.

Competitive Pay

According to management, the ability to provide staff with competitive pay contributes to minimizing nursing turnover. The pay scale for nurse classifications is consistent across all homes. As of March 30, 2025, annual nursing salaries ranged from \$31,200 for Certified Nursing Assistants to \$96,740 for Nursing Administration Registered Nurses, which is slightly above the average nurse salary. Management contends that they must compete with other local hospitals, doctor's offices, nursing homes, and the contract nurse market.

Management also stated that the veterans' homes located in the most populated cities (Murfreesboro, Clarksville, and Knoxville) must compete for candidates to fill administrative positions, given that these cities have job openings in the fast-food, warehouse, and large-scale convenience store industries. Administrative staff are more likely than nurses to leave for these industries that offer better pay. For the period July 1, 2022, through March 26, 2025, **the turnover rate for administrative staff at all homes was 125%.**

Management's Response to Staffing Challenges

Financial Incentive Programs

The board and management implemented financial incentive programs to address staff turnover and offer competitive pay. In 2022, the U.S. Department of Veterans Affairs established a nurse retention grant program to assist state veterans' homes in hiring or retaining any nurse who provides direct clinical care to residents. The board applied and was approved for the grant for the Clarksville, Humboldt, Knoxville, and Murfreesboro homes, as these homes struggled with nursing turnover.²⁴ The board used the grant funds to implement financial incentives to encourage nurses to join their staff, including bonuses for new-hire retention, referrals, and mentoring.²⁵ **Figure 10** summarizes each financial incentive program.

24. Management must reapply for grant funds each year; the grant does not automatically renew.

25. The U.S. Department of Veterans Affairs also approved the board to administer a student loan/tuition reimbursement program, but executive management did not offer this incentive program during the audit period.

Figure 10: Summary of Veterans' Homes' Financial Incentive Programs

Program	Eligibility	Bonus Amount
Retention Bonus Began in April 2023	Newly hired certified nursing assistants (CNAs), certified nursing technicians (CNTs), and licensed practical nurses (LPNs) at the Clarksville, Knoxville, and Murfreesboro homes who remain employed for 1 year.	\$10,000 (CNA/CNT) \$15,000 (LPN)
Referral Bonus Began in October 2024	Current nurses at the Murfreesboro and Knoxville homes are eligible if they refer a new full-time nurse who remains employed for at least 180 days.	\$1,000
Mentor Program Began in March 2022	Nurses at the Humboldt, Knoxville, and Clarksville homes are eligible to serve as mentors if they have completed probation, are in good standing with no service disciplinary actions or excessive absenteeism, and demonstrate the core values of the veterans' homes. The mentors support and train new nursing staff over a 3-year period.	\$10,000 (payable to both the mentor and the new employee)

Source: Auditor created based on program descriptions in the board's nurse retention grant application.

Management pays employees quarterly for the **retention** bonus and **mentor** incentive programs if the employee remains employed for that time. The referral bonus is paid after 90 and 180 days of successful employment. Each quarter, the executive office staff submit a reimbursement invoice to the U.S. Department of Veterans Affairs to recover 50% of the bonuses paid to the employees.

Employee Feedback

The board and management have also developed and implemented different ways for employees to provide feedback to management, including employee surveys, performance evaluations, exit interviews, suggestion boxes, and a care/compliance line. Management developed these methods of communication to provide them insight on

- how employees feel about their roles;
- employees' perspectives on management and the organization's strengths, weaknesses, and opportunities;
- whether employees are meeting expectations; and
- overall staff culture and morale.

Employee feedback allows management to identify additional factors contributing to high staff turnover and focus efforts on overcoming the challenges.

Current Audit

We focused our review on management's response to overcome the challenges they face in retaining staff, including the financial incentive programs management implemented to curtail staff turnover and the methods management used to solicit employee feedback. See **Finding 3**, **Finding 4**, and **Observation 3**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.



Finding 3: The board and management have not effectively addressed the nursing staff turnover to ensure residents receive consistent quality care and the homes operate efficiently

Management has implemented financial incentives, including competitive pay and retention bonuses, to help curtail staff turnover and retain nursing staff. However, as the 337% turnover rate from July 1, 2022, through March 26, 2025, for nursing staff demonstrates, we found that those programs have not been effective. In addition, we found that management is not fully utilizing its feedback methods to help identify factors contributing to staff turnover.

Competitive Pay

Management cited competitive pay as a challenge for high staff turnover. For our audit period, we analyzed the salaries of nurses who provide care to residents. Based on our analysis of the Tennessee State Veterans' Homes Board's (the board's) nursing salaries compared to the average salaries of nurses in Tennessee, we noted that the board paid certified nursing assistants, licensed practical nurses, and registered nurses above the state average. See **Figure 20** in **Appendix 5** for a comparison of nursing salaries to state averages. These above-average salaries, however, have not been fully effective in retaining staff.

Retention and Mentor Bonus Programs

Even after implementing the retention bonuses, the board and management have not been able to retain nursing staff. Since the retention bonus program began in April 2023, we noted that management hired 175 nurse employees who participated in the program and agreed to work at the veterans' homes for 1 year. As of February 25, 2025, we found that

- 64 (37%) did not complete 1 year of employment (see **Observation 3**). These employees worked an average of 3.5 months.
- Of the remaining 111 employees,

- 18 have completed the 1-year requirement, and
- 93 were either in the middle of the 1-year requirement or had just started.

We also noted that, since its implementation in March 2022, 99 nurse employees, representing both the mentor and mentee, participated in the mentorship program. Of the 99 employees, 66 ended their employment before completing the 3-year program. Given the number of nurse employees leaving employment before the programs' required time commitment, the incentive programs have not been effective in retaining staff.

Employee Feedback

Although management developed various methods for obtaining employee feedback, including employee surveys, performance evaluations, exit interviews, suggestion boxes, and hotlines, we found that management did not fully utilize these tools to obtain information that could help address employee turnover. Specifically, we noted the following:

- Management did not consistently conduct annual staff evaluations.
- Management mailed exit interview requests to employees who had already terminated and rarely received replies to their requests.
- Only two homes had suggestion boxes.
- Management did not conduct employee surveys at any time during our audit scope.
- While some employees used the CareLine to share complaints and suggestions, the information was limited and management did not systematically analyze it to identify and address the root causes of turnover.

As core employees, the nursing staff provide vital care to resident veterans. Without the nurses, the board and management cannot efficiently operate the veterans' homes and ensure the residents receive the consistent quality care they need. Additionally, fewer nursing staff means that the board and management cannot care for as many residents in each home; the resulting decrease in residents' payments can impact operating revenue.



Recommendation: We recommend that the board and management develop an aggressive plan to address the staff turnover at each home. To improve retention, the board's plan should address how to implement and evaluate the methods

management has designed to gather feedback from current and former employees.

Management's Comment

We concur in part.

Wages:

TSVH primarily uses data from the Tennessee Health Care Association to evaluate and adjust its wage scale. This data is a compilation of all Tennessee Nursing Homes. TSVH strives to pay well above the average level to recruit and retain employees. Employees are paid based on experience; therefore, our pool of long-term employees may be influencing the average rate mentioned in the audit.

Retention Programs:

Employee turnover in the nursing home industry has been a chronic problem that was exacerbated by the COVID-19 pandemic. In response to this, TSVH has leveraged VA grant funds which are paid on a 50-50 reimbursement calculation. TSVH must provide 100% of the cost of the program and then file for a reimbursement of 50% to the VA.

Staff Satisfaction Surveys:

TSVH does not generate or commission an employee, resident, or family survey because this is done for every nursing home as part of the TennCare QuiLTSS Program. On a yearly basis, all facilities are issued and distribute QuiLTSS annual satisfaction surveys. The survey components include resident, family, and staff satisfaction; quality of life and culture changes; staffing and staffing competency; and clinical performance. The State of Tennessee is responsible for the distribution and results of the surveys while the TSVH is responsible for ensuring completion from residents, family members, and staff members. The survey results are delivered directly to the TSVH Administrator.

Additionally, in 2025 TSVH initiated a messaging system that is interoperable with its payroll system. This "Voice of the Employee" system allows for real-time communication with all our subsets of the employees and allows for ad-hoc surveys to augment the TennCare QuiLTSS surveys conducted yearly by the state.

It should be noted that all of the TSVHs are consistent yearly winners or top contenders in local community vote ratings in the categories of "Best Nursing Home" and "Best Place to Work".

Evaluations:

The requirement for periodic evaluation of employees is contained in the handbook. It has been TSVH policy for decades. In June 2025 the Risk Management Director reiterated

the importance of the policy to TSVH Leadership, instructing TSVH HR Generalists to follow up and assist with identifying those whose evaluations were due and placing employees on a proper annual cycle. Finally, the Risk Manager confirmed the process was properly restarted as of July 1st and that all evaluations will continue pursuant to the handbook direction.

Auditor's Comment

While TennCare's QuiLTSS program obtains feedback for facility performance evaluation, the QuiLTSS information does not provide management with sufficient detailed information to assess internal employee perspectives, morale, and organizational culture, which is management's responsibility in evaluating how to improve internal workforce conditions.



Finding 4: Management improperly claimed reimbursement from the federal nurse retention grant

For federal fiscal years 2022 and 2025,²⁶ the Tennessee State Veterans' Homes Board (the board) and management applied for and received a total of \$812,721 from the U.S. Department of Veterans Affairs (VA) for the nurse retention grant.²⁷ See **Figure 21** in **Appendix 5** for the total nurse retention grant funds awarded for each home.

As part of the veterans' homes' application for the grant, VA approved the veterans' homes' referral and mentor bonuses, as well as the tuition/student loan reimbursement, as these programs aligned with the federal grant's purpose to improve the nursing shortage each home faced.

Based on our review of the grant agreement, we found that VA had **not** approved the new-hire retention bonus as an allowable program for federal reimbursement. Furthermore, the VA approval letter for each nursing home states,

The funds are to be used solely for the purpose of the specific employee incentive programs.

26. Management did not apply for fiscal years 2023 and 2024.

27. Assisted Listing Number 64.053.

However, based on the grant reimbursement records, veterans' homes executive management included costs associated with this program for fiscal year 2025. Based on our discussion with management and review of the quarterly reimbursement invoices submitted to VA, executive management improperly invoiced \$94,062 in new-hire retention bonus payments under the approved category for the mentor program.

Management's description of the mentor program on the original grant application did not include a description of new-hire retention bonuses; thus, these bonuses should not have been labeled as mentor program costs on the reimbursement invoices. In addition, we noted that there were instances where employees participated in both the mentor program and the retention bonus program simultaneously, and management sought reimbursement for both programs through the mentor program category.

When management improperly invoices the federal grantor for unapproved programs, there may be fewer funds available for the approved incentive programs. For example, as of March 2025, management had exhausted all its federal nurse retention grant funds for its Clarksville home because they included the retention bonuses. Furthermore, management has submitted false claims to the federal grantor and may be required to pay back the improperly used funds.



Recommendation: Management should seek approval from VA to use the nurse retention grant funds to assist with the new-hire employee retention bonus program or use veterans' homes funds to pay for the new-hire bonuses. Management should contact the federal grantor for guidance on how to remedy the improper billings.

Management's Comment

We do not concur with finding four. While our grant application did not explicitly itemize retention bonuses, their use is consistent with the framework and intent of the grant, as defined in 38 CFR Part 53.11(a), which states the purpose is for an "employee incentive program to reduce the shortage of nurses at the [state veterans home]."

Prior to awarding these bonuses, we consulted with our Veterans Affairs (VA) liaison to confirm their eligibility and consistency with the program's intent and our application parameters. Our liaison concurred with this interpretation and subsequently funded the billing request.

To prevent future ambiguity, we have updated our grant application process to include new hire retention bonuses as a definitive part of our retention strategy and grant

parameters. We are also actively consulting with the VA to clarify the status of prior billings and determine the appropriate path forward if any are deemed improper.

Auditor's Comment

We also reached out to the federal liaison for clarity on the use of grant funds; however, the federal shutdown, which lasted through management's comment period, prevented us from receiving further feedback. Nonetheless, management could not provide explicit approval from the U.S. Department of Veterans Affairs that the retention bonus program, which management implemented in April 2023, was allowable under the grant.

Observation 3: Management paid out retention bonuses to employees, but did not attempt to collect the unearned portion of the bonuses when the employees resigned or terminated employment

Based on our review of the retention bonus program records, we found that of the 175 newly hired employees who received a total of \$140,000 in bonuses from the new-hire bonus retention incentive program, 64 employees (37%) resigned or terminated employment before they completed the 1-year required employment period. Because the employee either resigned or terminated employment, the employee's bonus commitment was not fulfilled. The employment contracts that each employee signed stated,

If [the employee] resign[s] at any point before the end of the duration of this Agreement, [the employee] will be obligated to repay to [the board] any part of the retention bonus paid to [the employee] up to that point within 60 days of [the employee's] resignation.

Based on our review to determine management's collection process, we found that executive management did not collect paid bonuses from employees who resigned or were terminated before they completed the one-year employment period. Based on our discussion with management, they were unaware that the collection clause was included in the employment contract; therefore, they did not take action to collect. After our discussion, management began the collection process to recover the \$140,000 paid to the employees.

When management does not collect unearned retention bonuses, management relinquishes funds that could have been used to provide financial incentives for new nurses to join the veterans' homes' staff.

Management should ensure employees who resign or terminate before the one-year employment commitment uphold their part of the program's contracts and pay back retention bonuses. Management could do so either through collection methods or withholding final pay.

Management's Comment

In accordance with the terms of their retention agreement, separated employees are required to repay bonuses to TSVH within 60 days of their departure. TSVH began collecting these sums in earnest in late March or mid-April 2025. The organization pursues the recovery of such debts by following long-established internal procedures on collections of accounts receivable, consistent with how we handle all debts owed to TSVH. (See Board Policy, Collections of Accounts Receivables, approved September 29, 2025, requiring collection of debts "in accordance with State of Tennessee Department of Finance and Administration Policy 23 as published, and as may from time to time be amended.")

This process includes sending a series of formal notifications outlining the debt and contractual terms. Should a former employee fail to respond after the third communication, these matters are referred to the State Attorney General's Office for further legal action.

TSVH has collected \$11,875.00 from terminated employees. TSVH will continue to explore processes to withhold terminated staff wages to recoup outstanding debt, first considering attendant legal risks.

Resident Clinical Assessments

As the veterans' homes are nursing facilities, the staff complete clinical assessments throughout the residents' stay to build rapport and ensure their physical needs are met. Our goal was to determine whether the veterans' homes staff completed residents' clinical assessments as stated in the Veterans' Home policy. See **Finding 5**.

Background

Required Clinical Assessments

Based on their internal policies, veterans' homes staff conduct routine clinical assessments on residents to determine and establish the resident's current condition, including identifying risk factors for the resident (such as determining if the resident has a high risk of falling), and helping staff determine appropriate therapies and interventions (such as bed rails or feeding assistance).

According to the Clinical Director, these internal policy assessments, commonly referred to as supplemental assessments, occur in addition to the federally required clinical assessments under the Centers for Medicare and Medicaid Services (CMS) and TennCare guidelines.²⁸ Also, according to the Clinical Director, the federally required assessments are designed to support individualized care and monitor residents' changing health conditions, while the supplemental assessments represent industry-standard practices used in skilled nursing homes. See **Figure 11** for the types and purposes of the supplemental assessments.

Figure 11: Internal Supplemental Clinical Assessments

Assessment Type	Purpose
Fall Assessment	To assess a resident's risk for falls and determine appropriate interventions to prevent falls
Braden Scale (Pressure Ulcer) Assessment	To assess a resident's risk of developing pressure sores
Pain Assessment	To assess a resident's pain level to ensure pain is managed appropriately
Hydration Assessment	To assess a resident's risk for dehydration

Source: Auditor created based on interviews and walkthroughs.

According to the Veterans' Homes Clinical Resident Risk Assessments policy, these internal supplemental clinical assessments are completed upon admission, quarterly, annually, and when there is a significant change in the resident's condition. Floor nurses who interact with the residents daily perform the supplemental clinical assessments and document the results in the resident's electronic medical records.

Internal Supplemental Clinical Assessments and Medical Record Updates

The Tennessee State Veterans' Homes Board (the board) contracts with Point Click Care Technologies Inc. for the electronic medical record system, Point Click Care (PCC)

28. Title 42, *Code of Federal Regulations*, Part 483, Section 20 outlines the federally mandated minimum data set (MDS) assessments and schedule.

software. This software automatically tracks the due dates for residents' clinical assessments based on the residents' admission date as established in their PCC medical record profile. Each week, the MDS Coordinator creates reports from PCC detailing the residents' supplemental clinical assessment due dates and places the schedule at the nurse stations, so the floor nurses have access to the information. Using PCC, the floor nurse completes the supplemental clinical assessment and updates the resident's medical records with the assessment results.

Monthly Reviews

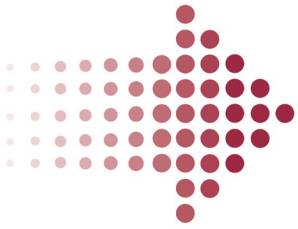
As an internal control to ensure staff perform the routine internal supplemental clinical assessments, the Director of Clinical Services performs a monthly review of each home's compliance with the Clinical Resident Risk Assessments policy. The Director selects a random sample of 10 residents who were due for the internal supplemental clinical assessments and reviews their medical records in PCC for a completed assessment. If staff did not complete each type of supplemental clinical assessment, the Director notifies the Director of Nursing, asking that nursing staff complete the missing assessments. The Director of Clinical Services maintains a review tracker for each home, denoting whether staff complied or if issues were noted.

Results of Prior Audits

In the two prior audits, we reported a finding that included issues with the veterans' homes' internal controls over the residents' internal supplemental clinical assessment process. In the 2022 report, we reported that staff did not perform and document internal supplemental assessments. **Management concurred** with the finding and stated that the Director of Clinical Reimbursement or designee would perform monthly reviews to determine if staff completed internal assessments, and deviations would be reported to the veteran's home Director of Nursing or Administrator. In their six-month follow-up report to the Office of the Comptroller of the Treasury, management stated that "the review indicated improvement; however, the process will be revised to consistently document the review."

Current Audit

We focused our review on determining whether staff complied with the internal supplemental clinical assessment requirements and whether the review process that management implemented in response to the prior audit findings improved staff's compliance with completing and documenting the internal supplemental clinical assessments. See **Finding 5**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.



Finding 5: As noted in the prior two audits, management did not perform or document timely supplemental clinical assessments as required by board policy

Internal Supplemental Clinical Assessments Not Performed

According to the board-approved Clinical Resident Risk Assessments policy,

Licensed Nurses will conduct certain assessments on a Quarterly, Annual and with Significant Change basis. The assessments will coincide with the MDS assessment. The MDS department will supply a list of Residents who have scheduled MDS assessments and the clinical assessments will be completed using the MDS list as a guide. The following assessments will be completed in the [Electronic Health Record]: Braden assessment,²⁹ Fall risk, Pain, Hydration.

To determine whether staff complied with the policy, we obtained a list of residents who were admitted to the veterans' homes between July 1, 2022, and March 31, 2025, from each home's electronic medical record system, Point Click Care (PCC). We selected a nonstatistical, random sample of 60 residents, which included 12 residents from each of the 5 homes, to determine if the homes' staff completed the required internal supplemental clinical assessments throughout the residents' stay during our audit scope. Based on our review, we noted that for 37 of 60 residents (62%), staff did not complete 1 or more of the required internal supplemental clinical assessments throughout the residents' stay at the homes.

Of the 37 of 60 residents, 10 residents from Cleveland, 10 from Clarksville, 10 from Humboldt, 5 from Murfreesboro, and 2 from Knoxville did not have a clinical assessment completed either upon admission or quarterly. These residents had at least 1 clinical assessment that had not been completed. For 1 resident in our sample, we found that staff did not complete any internal supplemental assessments during the resident's stay. When staff do not complete assessments as required, they may miss opportunities to identify conditions that could affect the residents' overall health. See **Appendix 6** for additional details of our audit review.

Ineffective Review Process

In response to the two prior audit findings, management implemented a review process to ensure that staff perform the internal supplemental clinical assessments. We obtained and reviewed the Director of Clinical Services' audit tracker to determine the effectiveness of management's internal control process for performing the assessments.

29. To assess a resident's risk of developing pressure sores.

Based on our review of the audit tracker for the period July 2022 through December 2024, we noted that the Director did not adequately document her reviews of the assessment process. Specifically, the Director did not document which residents were selected for the sampled review, the type of assessments, and the date of her review; the Director only indicated that 10 residents' medical files were reviewed and that the files complied with policy each month for each home. Because the Director did not note any issues, there was no further review of the residents' files or the Director's review process. We found that supplemental assessments were missing from the records we reviewed, indicating that management did not consistently ensure staff completed these assessments. Without proper completion of supplemental assessments reviews, management lacks assurance that all required information is documented and that residents' care needs are fully addressed, increasing the risk of incomplete or inadequate service delivery and management's inability to timely identify residents' needs and provide care for those needs.

In summary, management did not ensure that its system of internal control operated effectively as best practices recommend.³⁰ As a result, management was unable to identify the extent of the problem or take timely corrective action. Given that the issues persisted from July 2022 through March 2025, management had not adequately monitored the system's effectiveness to detect these deficiencies, which is key to a successful control process.



Recommendation: Management should ensure that clinical staff perform internal supplemental clinical assessments on schedule. Additionally, management should develop a monitoring system that would allow staff to identify deficiencies, including incomplete or late assessments, and take action to correct any deficiencies noted.

Management's Comment

We concur. Management has reviewed and revised the policy related to supplemental clinical assessments, and they will not be required quarterly going forward. The Minimum

30. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies. Principle 3.05, Organizational Structure, states, "Management periodically evaluates the organizational structure so that it meets the entity's objectives and has adapted to any new entity objectives, such as to comply with a new law or regulation. Management also adapts the organizational structure as necessary to respond to risks and identified deficiencies in the internal control system."

Data Set addresses the areas of hydration, skin, pain, and fall risk. Supplemental assessments will be completed at the discretion of the Director of Nurses and Nursing staff. The Clinical Services team will continue to monitor the performance of the assessments and report deviances to the facility Administrator and Director of Nurses.

Resident Care and Physician Billing

To provide quality medical care to residents of veterans' homes, the board contracts with physicians who serve as medical directors in the homes to visit, evaluate, and treat residents by administering primary care services. The board also contracts with other medical professionals who provide specialized services in mental health, dentistry, vision care, podiatry, and audiology. Management also arranges transportation when a resident must visit a doctor's office outside of the home. Our goal was to determine whether management and staff monitored and provided oversight of the care provided by contracted or outside medical providers and whether fiscal staff reimbursed providers after verifying services rendered. See **Finding 6** and **Observation 4**.

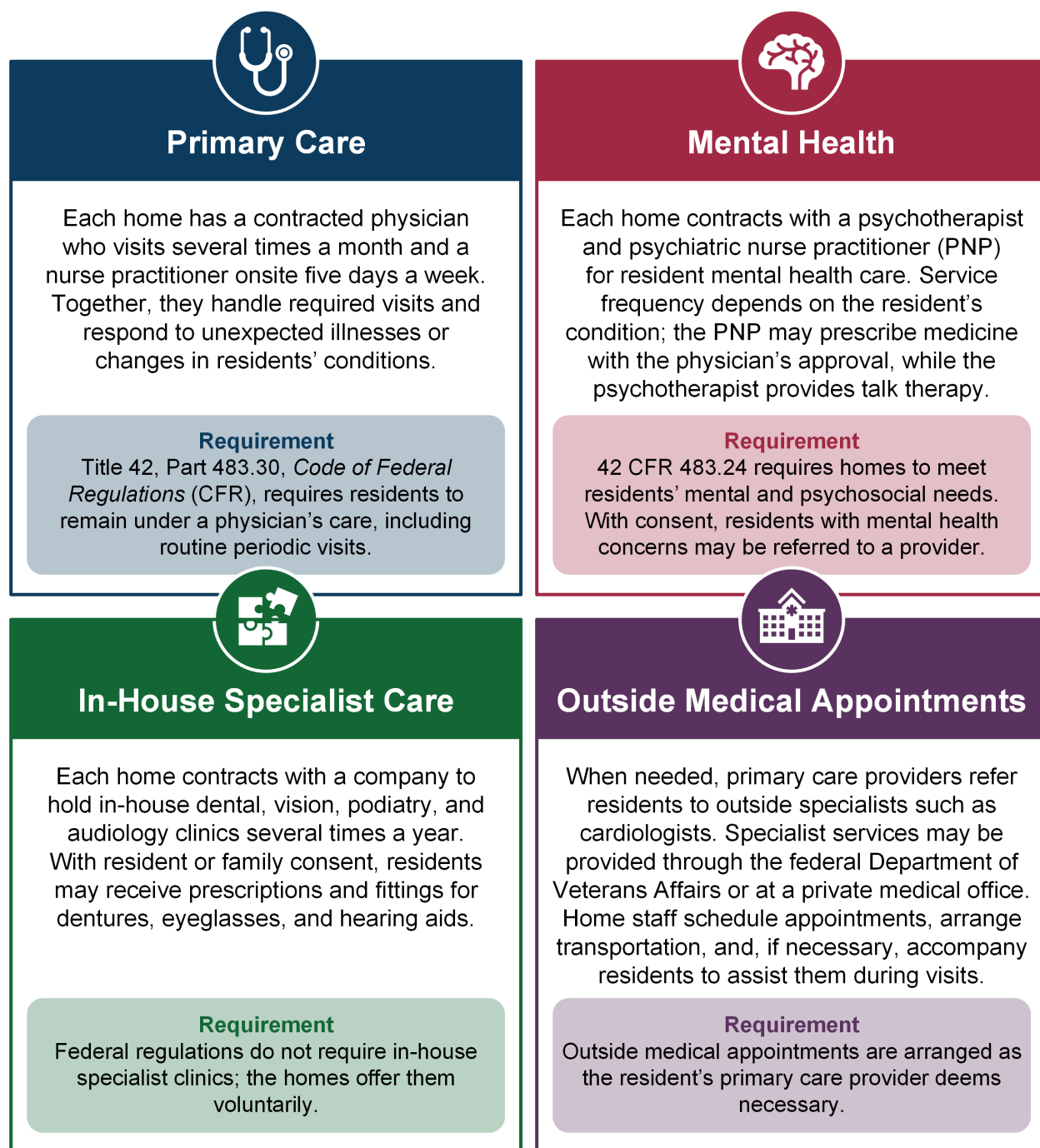
Background

The veterans' homes have a responsibility to ensure residents receive all necessary medical care. Title 42, *Code of Federal Regulations* (CFR), Part 483, Section 24, states:

Each resident must receive and the facility must provide the necessary care and services to attain or maintain the highest practicable physical, mental, and psychosocial well-being, consistent with the resident's comprehensive assessment and plan of care.

To ensure residents receive the necessary care, the veterans' homes have a team of nurses and certified nursing assistants on staff. In addition, residents must periodically see physicians and other specialists. The veterans' homes maintain contracts with various providers, including a physician to oversee the residents' overall plan of care, mental health providers, and other necessary specialists to visit the residents inside the homes. The veterans' homes also arrange transportation when a resident needs to visit a clinical setting outside of the home. See **Figure 12** for the type of care and description of the care provided.

Figure 12: Types of Care Provided at Veterans' Homes



Source: Produced by the auditor based on interviews and walkthroughs.

Updating Residents' Medical Records

It is important that in-home staff review and update residents' medical records within Point Click Care (PCC), the home's electronic medical system, when residents receive services from contracted and outside providers. Each home has an interdisciplinary team

consisting of a cross-section of staff who review any recommendations and discuss residents' statuses to ensure that residents' care plans are updated and that staff and providers are working in coordination. The process to update residents' medical records takes different forms depending on the type of provider.

Primary Care Providers

The primary care providers use their own Easy Chart computer system to record notes for each resident care visit. The system then interacts with PCC to update the resident's electronic medical record. A member of the home's nursing staff must acknowledge the note in PCC before the record is finalized.

The Medical Records Manager/Director periodically checks the most recently submitted provider notes in PCC to update the residents' "last physician date" in PCC. They also produce a "physician visits" report to ensure residents are on track to receive the required 30-day and 60-day visits and notify the provider if any visits are either overdue or close to being overdue.

Mental Health Providers

After a mental health provider completes visits for the day, they complete their notes and send them to a staff member—normally a member of the home's Social Services office—within several days. The staff member examines the notes and compares them to the list of residents that the provider should have visited for accuracy. In most homes, the staff member then uploads the provider notes into the residents' medical files in PCC.³¹

In-House Specialists

After providing care to residents at an in-house dental, vision, podiatry, or audiology clinic, the providers send their resident care notes to the home's staff assigned to coordinate the clinics, who make them available to the primary care provider to approve any orders or prescriptions. With the primary care provider's approval, staff then file the provider notes in the residents' physical records, and some homes' staff upload them to PCC as well.

Outside Providers

On the day of the resident's appointment with an outside provider, the staff sends a packet with the resident that includes their medical history, current medications, and a document for the outside provider to document their notes and care recommendations. The resident or accompanying staff member submits the outside provider's notes to the home's nursing staff upon returning to the home, and staff enter the notes into the resident's electronic

31. Humboldt staff only upload notes to the residents' medical records in PCC if the provider recommends a medication change; otherwise, staff place the provider notes in the resident's physical records. The Clarksville staff do not place mental health notes in PCC but in the resident's physical records.

medical record in PCC for the primary care provider's review and approval. If the resident requires follow-up appointments, staff will schedule the next appointment.

Provider Care Payment Process

Primary Care and Mental Health Providers

The Tennessee State Veterans' Homes Board (the board) and management are responsible for paying for residents' care provided by each home's primary care and mental health providers. While the primary care providers see all residents on an ongoing basis and are available to respond to resident needs as necessary, according to the primary care physician's contract with the board, primary care physicians are paid based on the number of residents in the home that qualify for U.S. Department of Veterans Affairs reimbursement and the number of days those residents were in the home per month. Since mental health providers only see patients as necessary, they are paid based on the care provided to individual residents. Both primary care and mental health providers must complete and submit daily provider billing logs, listing the residents the provider saw each day, to the veterans' home staff representative. A staff representative must sign the log at the end of the workday to confirm the provider saw the residents listed on the log.

When the primary care providers bill the homes, the Patient Account Representative (PAR) or Accounts Payable Specialist is responsible for running a census of the home's residents who qualify for the reimbursement rate during the invoice period in order to compare that to the invoiced amount. If all calculations match, they will approve the invoice.

When the mental health providers bill the homes, the PAR or Accounts Payable Specialist is responsible for comparing the provider's bill to the provider billing log, resident population reports, and the veterans' homes' sign-in logs to verify that the providers performed the service. The PAR or Accounts Payable Specialist documents their review on an invoice spreadsheet, which lists the residents visited, the services provided, and the amount the provider charged. The PAR or Accounts Payable Specialist submits approved claims with supporting documentation to accounts payable to process payments.

In-House Specialists and Outside Providers

The board and management do not directly pay the in-house specialists and outside providers. Instead, the providers bill the residents' insurance (such as Medicare or private insurance), or the residents have to prepay for their services.

Results of Prior Audits

In the board's October 2018 performance audit, we reported a finding that the veterans' homes approved and paid providers' claims without verifying that the provider performed

the service or that the resident was even in the home. As a result of the 2018 audit, the Comptroller of the Treasury's Division of Investigations issued a report dated November 10, 2020, that found that veterans' home management paid provider invoices without verifying that the providers rendered the billed services to residents, did not receive provider notes to update medical records timely, and did not have an effective invoice review system. The investigation found instances where providers billed for and were paid for services rendered to residents who were not in the facility on the date of service, and instances of double-billing for some services. In the November 2022 performance audit report, we reported an observation that staff did not fully understand their role in the policies and processes that management had implemented in response to the prior reports.

Current Audit

We focused our review on determining whether management implemented policies and procedures to ensure residents received prescribed care from contracted medical providers, including primary care providers, mental health providers, and onsite specialists, as well as from providers outside the home. We also examined whether fiscal staff verified that services were rendered prior to reimbursing contracted care providers. See **Finding 6**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.



Finding 6: Veterans' homes' management did not maintain sufficient controls to monitor mental health providers to ensure residents received the services that providers billed to the homes

Title 42, *Code of Federal Regulations*, Part 483, Section 24, requires the homes to provide any necessary care, including mental health services, so that their residents can enjoy a high quality of life. While veterans' homes have a team of nurses on staff, the board and management contract with various medical providers for both primary and specialized care. It is important that management has procedures in place to ensure that they pay the contracted providers only for services rendered. The executive office's "Provider Billing – Service Connected Veterans" policy outlines how contract providers should be reimbursed for services. Specifically, the policy states,

11. The TSVHB [veterans' home] shall require the physician, LCSW [licensed clinical social worker], or qualified NPP [nonphysician practitioner] to sign-in and sign-out of the facility via the designated system (i.e. Accushield).

12. The Provider will complete the daily provider billing log each visit and provide a copy to TSVHB staff.

The daily provider billing log should include the resident's name and medical record number, and whether or not the provider included care notes for the resident. The log also has fields for the provider and the veterans' homes' staff member to sign and date the log.

Inconsistent Payment Procedures

Even though management had established the provider billing policy, they did not develop written procedures for staff to follow when carrying out the policy. As a result, the veterans' homes used inconsistent procedures to verify mental health provider visits and process mental health provider payments. We noted the following inconsistencies:

- Staff at the Cleveland home did not require providers to complete the provider billing logs for each visit, even though policy requires them to do so.
- Staff at the Clarksville and Murfreesboro homes, who are assigned to ensure the provider includes medical care notes on the log, did not document their review on the "Notes Provided" column of the billing log, as the staff of the other homes do.
- Staff at the Clarksville home did not forward the provider billing logs to the Patient Account Representative assigned to review all homes' provider invoices.
- Staff at the Murfreesboro home were not aware that providers were required to sign in and out of the designated AccuShield system, even though the policy requires this documentation.

Invoices Approved Despite Lack of Documentation

We selected a nonstatistical, random sample of 60 mental health provider invoices submitted to all 5 veterans' homes and reviewed AccuShield, the provider billing logs, and the residents' medical records to determine if staff followed policy for provider billing and payment. Based on our testwork, we found that management paid invoices that lacked providers' sign-in and -out documentation, provider notes in Point Click Care (PCC), or provider billing logs to compare to the invoices. Specifically, we noted the following:

- **For 23 of 34 invoices tested (68%),**³² staff did not ensure providers' medical notes were included in PCC for all residents listed on the invoice.
- **For 34 of 60 invoices tested (57%),** fiscal staff paid the provider for the invoiced services even though the provider did not sign in to AccuShield on at least one of the dates of services included on the invoice. Staff who reviewed the invoice

32. The Clarksville and Humboldt homes sometimes maintain residents' mental health notes in the resident's physical file instead of PCC. There were 26 such invoices from these 2 homes in our sample. Since it was not these homes' normal practice to place mental health notes in PCC, we factored out those items from our error rate.

indicated that the provider did not sign in or incorrectly indicated that the provider signed in on the invoice.

- **For 1 of 60 invoices tested (2%),** fiscal staff paid the provider for a resident's care visit even though the resident was not listed in the census as being in the home on the date of service.
- **For 52 of 60 invoices tested (87%),** fiscal staff did not obtain the provider billing log for all dates listed on the invoice to ensure the provider actually provided care to the residents listed on the invoice prior to payment.

The staff member responsible for reviewing all veterans' homes' mental health invoices stated that staff at the homes sporadically submitted the daily provider billing logs that she used to ensure the provider accurately billed the veterans' homes. The reviewer approved the invoices even though the providers' billing logs, which included the residents' names and whether medical notes had been submitted, were not available for review.

Consistent procedures are necessary for staff to properly monitor contracted health care providers and ensure that the providers are at the homes on the dates invoiced to the homes. Ensuring providers sign in when entering the homes and checking that the providers submitted notes for each resident they visited accomplishes two things: it assures management that the provider should be paid for actual visits they performed and, more importantly, it helps the homes' staff ensure that residents who need mental health care are receiving periodic visits and that their mental health needs and conditions are properly updated in their health record. When staff do not verify that the providers are providing the services by reviewing sign-in documentation and comparing provider billing logs to medical records, there is an increased risk that management will pay for services not rendered.

According to the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book),³³ Principle 12.02, "Documentation of Control Activities Through Policies and Procedures," "Management establishes control activities by documenting in policies what is expected and in procedures specified actions that implement policies, to mitigate risks to achieving the entity's objectives to acceptable levels."



Recommendation: Management should develop written procedures to ensure consistency when staff follow the veterans' homes' physician billing policy. These procedures

33. The Green Book provides a comprehensive framework for internal control practices in federal agencies and serves as a best practice for other government agencies, including state agencies.

should include management's review process for approving mental health provider invoices. Management should not pay mental health providers without clear evidence that they provided services to residents.

Management's Comment

We concur.

There is a weakness in the current system, as Mental Health Providers do not document care in the electronic record of TSVH. The TSVH is exploring avenues of mental health providers documenting care in the [Point Click Care] system; this may not be realized quickly. In the interim, management will develop written procedures requiring the Social Services Director or designee in each facility to send the billing department a monthly log of residents that have been seen by the mental health provider to check against the billed invoice.

Observation 4: Staff did not ensure that all residents who received in-house specialist services had consented to the services

The Tennessee State Veterans' Homes Board (the board) and management contract with a company to host dental, vision, podiatry, and audiology clinics in the homes. While the veterans' homes provide this service to the residents, management does not pay the contracted provider; rather, the provider bills the residents' personal insurance (such as Medicare or private insurance) or requires the private-pay resident to prepay for the requested services. In some cases, veterans may qualify to receive services free of charge at a U.S. Department of Veterans Affairs medical center.

Title 42, *Code of Federal Regulations*, Part 483, Section 10, states the residents have the right to "a dignified existence [and] self-determination," which includes the right to request or refuse to participate in treatment. To receive care at the in-home clinics, the resident or the resident's family must provide prior consent. This is normally documented on an admissions form on which the resident or their family accepts or declines any or all of the types of clinics. The resident can also change and update their form after admission if they change their mind.

We performed testwork on a list of residents who were scheduled to attend any of the providers' clinics held at each of the homes during the period January 1, 2025, through June 4, 2025, to determine if staff obtained the residents' or their families' consent prior to the date of the clinic. Based on our testwork, we found that staff did not obtain the residents' or their families' consent to participate in each clinic prior to the date of the clinic(s). See **Figure 13**.

**Figure 13: Missing Resident Consent Forms for Participation in Health Clinics
January 1, 2025, Through June 4, 2025**

Home*	Missing Consent Errors
Clarksville	6 of 55 residents tested (11%)
Humboldt	3 of 94 residents (3%)
Knoxville	2 of 82 residents (2%)
Murfreesboro	2 of 13 residents (15%)

* We did not note any errors at the Cleveland home.
Source: Auditor testwork.

During our discussion, management stated that in some cases, the residents or their families opted out of the clinics upon their initial admissions and later changed their minds and gave verbal consent to attend them. According to management, staff did not go back to update or obtain new authorization forms acknowledging the residents' permission to allow staff to schedule them to participate in the clinics.

If veterans' homes' staff members do not ensure that residents or their families consent to participate in the clinics, and if the residents receive the services without consent, the homes may be infringing on residents' right to choose whether they want the health care services offered. Additionally, the providers may bill the residents' insurance or charge the residents themselves for services the residents did not request.

Management should ensure that staff at each home educate residents on their options and verify that residents or their families have consented to participating in the dental, vision, podiatry, and audiology clinics before scheduling them to attend the clinics.

Management's Comment

On admission, Residents or their Responsible Party choose whether they want specific specialty services. If a Resident consents to the service, they are scheduled for specialty clinics that are held in the facility as needed. If the Resident does not consent, they are only added to the list if the service is needed. The Social Worker then speaks with the Responsible Party or Resident when appropriate to gain consent or refusal. If the Resident consents, he or she remains on the list to be seen. If they do not consent, they

are removed from the appointment list. Either way, the Social Worker documents in the medical record the consent or refusal. Moving forward, the organization is implementing an add on in the PCC platform, document manager. This will allow the Responsible Party to sign consents remotely and ensure there is no delay of care.

Complaints

To ensure that staff provide high-quality care and respect residents' dignity and rights, management provides several ways that residents, their families, and staff can voice complaints or concerns. Additionally, when a complaint alleges abuse or neglect, management must ensure certain actions are taken to investigate and prevent any further instances. Our goal was to determine if management and staff followed federal regulations and policies to properly address complaints and abuse allegations. See **Observation 5**.

Background

To ensure veterans' home residents receive care that enhances their quality of life, the Tennessee State Veterans' Homes Board (the board) and management have established a complaint process for residents and family members to communicate concerns and complaints to the veterans' homes' management when their needs are not met. Residents and their families have multiple ways to submit complaints regarding any facet of the resident's life, including concerns about resident care, living conditions, meals, and missing personal items. The homes' complaint processes also include ways for current or former employees and the general public to submit complaints regarding issues ranging from employment practices to possible fraudulent activities.

Federal regulations require management to timely resolve allegations, including allegations of abuse, neglect, and theft. According to Title 38, *Code of Federal Regulations* (CFR), Part 51, Section 70(f), and the board's "Grievance Policy,"

A resident has the right to . . . prompt efforts by the facility to resolve grievances the Resident may have, including those with respect to the behavior of the other residents.

Residents and their families or representatives can use any or all of the following three methods to file complaints to management:

- management's two hotlines—the CareLine and the Compliance Hotline,

- grievance logs maintained by each home's Social Services office, and
- concerns expressed at resident council meetings.

Employees or members of the public who want to submit complaints may use the two hotlines.

Complaint Hotlines

Executive management maintains the board's two hotlines, and the hotline telephone numbers are posted at each home. Residents and employees can call the CareLine to report complaints about a resident's care or employees' working conditions. The Compliance Hotline allows individuals to report financial-related complaints, such as allegations of fraud and other issues that do not involve quality of care. The executive office's Chief of Staff is responsible for logging the CareLine calls and ensuring they are addressed, while the executive office's Chief Compliance Officer is responsible for logging Compliance Hotline calls and ensuring they are addressed.

For both hotlines, board policy requires management to log

- a description of the complaint, the name of the complainant (unless anonymous), the date received, and the veterans' home involved;
- the person(s) assigned to investigate the complaint;
- relevant documentation of all steps taken to research and resolve any complaints, including
 - all dates of follow-up with complainants,
 - documentation regarding the complaint and discussion with complainants, and
 - other relevant documentation used to support the complaint resolution; and
- the date the complaint was resolved.

Social Services Department's Grievance Logs

Residents can report individual complaints to the Social Services office at each of the five veterans' homes. Social Services staff complete a resident grievance complaint form and then add it to the grievance log. Social Services staff investigate grievances, such as missing or broken personal items, dietary needs, or personal care needs, and they may forward them to the other departments at the veterans' homes for action. The Social Services staff or the head of the applicable department communicates with the staff involved in the complaint. Once they gather statements and facts and propose a resolution, they discuss the matter with the resident or their family. Staff note the resolution on the resident grievance complaint form and obtain the resident's signature if possible. For example, if a personal item is missing and the resident or the family member provides a receipt to Social Services staff, the home will reimburse the resident for the

item. Social Services staff then record on the grievance log the resolution, date, and with whom it was discussed.

Resident Council Meetings

Nursing homes are federally required³⁴ to establish a resident council that meets at least quarterly and to document any concerns that the council submits to management. Each of the veterans' homes normally holds monthly resident council meetings, where residents discuss concerns and issues, such as entertainment options, dietary and personal care needs, medication administration, or clinical concerns. Each home's activity staff coordinate the meetings and document the residents' concerns in minutes. Activity staff then forward the residents' concerns or complaints to the appropriate departments for follow-up and resolution. Staff should record any of the residents' concerns voiced at the council meetings on a grievance complaint form, as well as the home's grievance log, and document whether or not staff were able to resolve the complaint. Staff ask the resident to sign the form once they have agreed on a resolution, or agreed that a resolution is not feasible.

Process for Investigating Complaints Alleging Resident Abuse or Neglect

Veterans' homes' management must develop and implement written policies and procedures to prevent resident abuse, neglect, and exploitation, as well as misappropriation of their property.³⁵ According to board-approved policy,³⁶ management complies with the federal regulations to minimize abuse or neglect of residents by performing background screenings on potential new hires; providing staff with orientation and training; and making residents, families, and staff aware of the methods to report abuse or neglect to management.

According to management, as required by federal regulations, if an individual reports an allegation of abuse, neglect, exploitation, or misappropriation of property, the administrator of the resident's home must notify the Tennessee Health Facilities Commission within two hours of the alleged abuse or serious bodily injury. If the allegation did not involve abuse or injury, they have no more than 24 hours to report the issue.

The administrator or another designated staff member reports the allegation to the Health Facilities Commission by logging into the state's Incident Reporting System. If the allegation takes place when a staff member with system login credentials is not available, the administrator or staff member faxes the initial report to the commission. The commission determines whether to investigate the allegation. At the same time, management enacts a safety plan to protect the resident and begins its own investigation.

34. See 38 CFR 51.100.

35. Federal regulations for developing policies for and reporting these issues are found in 42 CFR 483.12.

36. "Abuse & Neglect of Residents and Misappropriation of Residents' Property" policy.

The administrator reports the results of the investigation to the Health Facilities Commission within five working days as the regulations require.

Results of the Prior Audit

In the November 2022 performance audit report, we reported a finding that management did not maintain documentation that veterans' homes' staff addressed and resolved the complaints, as required by the veterans' homes' policy, and that management did not report abuse complaints to the Department of Health timely.³⁷ Veterans' homes' management did not concur with the finding. In their six-month follow-up report to the Office of the Comptroller, management stated that the Financial Compliance Officer's review of complaint resolution documentation results indicated improvement in resolution, but that the process would be revised by August 21, 2023. Management also stated that the Financial Compliance Officer reviewed abuse allegations for calendar year 2023 and reported compliance with reporting requirements for the allegations.

Current Audit

We focused our review on following up on the prior audit finding to determine whether veterans' homes' staff consistently recorded and resolved complaints from the CareLine hotline, resident council meetings, and Social Services grievance logs in accordance with federal regulations and internal policies.³⁸ We also wanted to determine whether management reported and investigated abuse allegations in accordance with federal regulations. See **Observation 5**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

Observation 5: Management should ensure staff consistently follow policies when addressing complaints and follow regulations when reporting and investigating allegations of abuse

In response to the prior audit finding, management implemented an internal control review process to ensure staff followed procedures for documenting their resolution of complaints received through the CareLine, Social Services grievance logs, and resident council meetings. Since management did not receive any Compliance Hotline calls during the audit period, we reviewed complaints submitted through the CareLine, grievance logs,

37. The Department of Health was Tennessee's state investigating agency until July 1, 2022, when this designation and responsibility transferred to the state's Health Facilities Commission.

38. Management stated that no calls were recorded on the Compliance Hotline during our audit period. Therefore, we did not examine any complaints from this hotline.

and resident council meetings to determine if staff followed policies and procedures. We also reviewed abuse allegations that management reported to the Health Facilities Commission. We noted the following issues for the Social Services grievances and abuse allegations.

Social Services Grievances

Between July 1, 2022, and February 28, 2025, the 5 veterans' homes recorded a total of 773 complaints on their grievance logs. We reviewed a sample of 62 grievances and found that for 14 of 62 (23%), staff at the Clarksville, Knoxville, and Murfreesboro homes did not record and resolve grievances in accordance with policies and procedures. See **Figure 14** for the number of errors per home and the list below it for additional details.³⁹

Figure 14: Grievances Not Resolved in Accordance with Policies, July 1, 2022, Through February 28, 2025

Home	Grievance Resolution Errors
Clarksville	2 errors
Knoxville	3 errors
Murfreesboro	9 errors

Source: Auditor testwork.

Specifically, we noted that staff

- did not maintain a grievance complaint form on file to document the details of the complaint (4 items),
- did not fill in all relevant parts of the complaint form and sign the form (4 items),
- did not maintain supporting documentation of the recorded resolution (8 items),
- did not obtain the resident's or family member's signature and did not include why the residents were unable to sign the complaint form (11 items), and
- did not reimburse a resident for lost or damaged property in accordance with the agreed-upon grievance resolution (1 item).

Abuse Allegations

Between July 1, 2022, and April 30, 2025, management reported a total of 74 allegations of abuse, neglect, or misappropriation of property to the Health Facilities Commission. We reviewed a sample of 30 abuse allegations and found that for 5 of 30 (17%), veterans' homes' staff did not report or investigate the allegations in accordance with federal

39. The bullet points total more than 14 errors because some grievances contained multiple types of errors.

regulations and the veterans' homes' policy. All of the issues we noted were from the Murfreesboro home.⁴⁰ Specifically, we found that the Murfreesboro home's staff⁴¹

- did not report the allegation within the required 24 hours (1 allegation),
- did not report the results of the staff's investigation to the Health Facilities Commission or did not report the results within 5 working days as required (4 allegations), and
- did not document the actions staff took to investigate the allegation (1 allegation).

Based on our discussion with the Murfreesboro veterans' home's management and staff, when the Health Facilities Commission investigated an allegation, the home's staff did not conduct their own investigation; instead, staff relied on the Health Facilities Commission's results. Furthermore, management did not maintain a complete file of each allegation's resolution, which should include the results of any Health Facilities Commission investigation. Although management should take the Health Facilities Commission's results into account, it is still management's responsibility to provide oversight and determine the facts behind the allegation. If management does not compile a case file with complete documentation, it can be difficult for management to ensure each allegation is properly investigated and to identify any underlying issues that may have led to the allegation.

Risks of Unaddressed Complaints and Unreported Allegations

When staff do not consistently follow policies and procedures while investigating residents' complaints and allegations of abuse at the veterans' homes, management risks overlooking issues and thus compromising the residents' quality of life and peace of mind. Management should ensure staff consistently follow policies when addressing and resolving complaints. Regarding allegations of abuse, neglect, or misappropriation of assets, management should ensure staff document their responses to every allegation in accordance with federal regulations. Through investigation and documentation, management should then ascertain and address any underlying issues that may have led to the allegation.

Management's Comment

Allegations of abuse are taken quite seriously and are reported as mandated. There is an error on the reporting site for a 5-day follow-up. If the Surveyor works the allegation before

40. We did not note any deficiencies related to abuse allegation reporting at the Clarksville, Cleveland, Humboldt, or Knoxville homes.

41. The bullet points total more than 5 allegations because 1 allegation contained 2 errors: management did not report the results of the staff's investigation within 5 working days and did not document the actions staff took to investigate the allegation.

the 5-day follow-up is due, TSVH does not have a mechanism to document the follow-up as the Health Facility Commission closes the report since it has been investigated by their department. The TSVH has no control over this process.

Resident Wait Lists

State rule requires the veterans' homes to maintain a wait list of prospective residents and to periodically update the list to ensure veterans who wish to become residents of the homes are selected fairly. Our goal was to review each home's wait list to determine if staff maintained and updated the lists in accordance with governing state rules. See **Observation 6**.

Background

As Medicaid-participating entities, Tennessee's veterans' homes are required to maintain a "Single Wait List" of persons who request admission to each of the facilities. The wait list is not the traditional list of individuals who are waiting for an available bed, but rather a list of individuals who have communicated their intent to be residents sometime in the future when their circumstances require nursing facility care. Individuals who are not on the wait list are not prevented from getting admission into the veterans' home.

Chapter 1200-13-01-.06(3) of the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare* (the rules) and the Veterans' Homes Executive Office "Wait List Policy" require the veterans' homes' staff to maintain, at a minimum, the following information for individuals on the wait list:

- the applicant's name;
- the name of a contact person or designated representative, if any;
- the address of the applicant and contact person;
- telephone numbers of the applicant and contact person;
- the referring person or agency;
- the applicant's sex and race;
- the date and time the application is submitted;
- if applicable, the reason(s) for refusing admission;
- the name and title of the veterans' home employee taking the application; and

- a notation stating whether the applicant expects to be eligible for Medicaid.

If an applicant wishes to be added to the wait list, they can either call the home with their information or complete a wait list form online. Admission staff add the prospective resident's information to an Excel spreadsheet that contains the required information. Admission staff then mail a letter to the prospective resident to inform them of their position on the wait list and to provide details on how to remain on or be removed from the wait list. At this time, the prospective resident does not have to apply for admission. If a bed becomes available, admission staff contact individuals on the wait list to offer them admission to the veterans' home. If the prospective resident denies an available bed three times but wishes to remain on the wait list, admission staff are required to move the individual to the end of the wait list.

The rules also state that the wait list "should be updated and revised at least once each quarter to remove the names of previous applicants who are no longer interested in admission." Each quarter, the veterans' home admission staff sends letters to each individual on the wait list, instructing them to call the facility. If the individual does not respond to the letter, admission staff attempt to contact them three times, first by telephone and then via a follow-up letter informing the individual of the wait list update process and giving them an opportunity to remain on the wait list. After three consecutive attempts, the admission staff removes the individual from the wait list and mails them a final letter.

Results of Prior Audits

In the Tennessee State Veterans' Homes Board's October 2018 performance audit, we reported that management did not ensure that the veterans' homes' wait lists contained required information and that the lists were updated in accordance with established policies and procedures. The November 2022 performance audit included an observation that management did not ensure the wait lists for each veterans' home contained the necessary information, that staff did not send quarterly update letters, and that staff did not move potential residents to the end of the list following the applicant's third refusal of an available bed. Management concurred with this observation and stated that the Financial Compliance Officer provided training to veterans' home staff and that the Officer would periodically monitor the wait list for compliance.

Current Audit

We focused our review on following up on the veterans' home wait list for the audit period to determine if management ensured all veterans' home admission staff properly maintained and updated the wait lists in accordance with the rules. See **Observation 6**. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

Observation 6: As noted in the two previous audits, management should follow the state's rule governing wait lists for the veterans' homes

In response to the prior audit finding and observation, management provided one-time training to staff responsible for the wait lists in April 2022. However, management has more to do to improve the process for staff to maintain and update the wait lists in accordance with state rule.⁴² We noted that the executive office's Financial Compliance Officer did not provide either training for newly hired staff after April 2022 or ongoing training to each home's wait list staff during the audit period, which could have helped identify the errors we found.

Based on our review of each home's wait list, we found that staff did not properly update the wait lists, did not obtain all required information from prospective residents, and did not mail initial and quarterly update letters to prospective residents. See **Figures 23 and 24 in Appendix 7** for a summary of our wait list testwork results.

In addition, based on discussions with staff, we found that staff turnover at the Murfreesboro home contributed to periods when management did not adequately maintain or update the wait list. Specifically, we found that the Murfreesboro home's management had not worked on the wait list for four months, October 2024 through February 2025. As a result, management and staff at the Murfreesboro home had not obtained the required information or kept in contact with veterans who had expressed the desire to join the wait lists as prospective future residents. Based on our discussions with Murfreesboro admission staff, we learned that for almost two years, staff who received email notifications of online wait list requests did not communicate the requests to staff responsible for updating the wait list; therefore, staff were not able to update the wait list based on the online requests. As a result, 163 veterans were not added to the wait list until early 2025.

When the staff responsible for the wait lists do not follow state requirements, management risks hindering communication with prospective residents, delaying the enrollment process, holding spots for applicants who are no longer interested, and inaccurately forecasting future enrollment.

Management should ensure that new employees have the appropriate training regarding wait list rules and that they know how to properly maintain and document the required information on the wait list template. Management should also ensure that staff follow the

42. Chapter 1200-13-01.06(3) of the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare*.

ongoing monitoring procedures to ensure the wait lists are complete and accurate so that prospective residents can remain informed of the homes' availability.

Management's Comment

TSVH currently follows the state's rule governing the wait list. Management provided additional training on the waitlist on June 26, 2025, to Administrators and Case Managers at each facility. Management continues to monitor the wait lists quarterly and provide training, if necessary.

Nursing Coverage

Veterans' homes' management must ensure that each home has adequate registered nursing staff to provide quality care to its residents. Our goal was to follow up on the prior audit finding and to determine whether veterans' homes' management prioritized resident care, including having the required nursing staff present at each home. Our review resulted in no findings or observations.

Background

The Tennessee State Veterans' Homes Board (the board) ensures that the veterans' homes' management provide residents of veterans' homes with direct care and rehabilitation through 24-hour registered nursing care and multi-disciplinary teams.

Title 38, *Code of Federal Regulations*, Part 51, Section 130(b), requires nursing facilities to have a registered nurse (RN) on duty at all times, as well as other nursing staff. Although all nurses and medical staff possess medical skills, the regulation requires an RN to be present at all times to ensure the constant presence of someone who possesses the level of expertise necessary for certain situations. Management can fulfill this requirement when any RN, including those in supervisory positions, is on duty.

Nursing Staff Assignments

In order to ensure that each work shift has adequate nursing coverage, staffing coordinators at each home generate a monthly nursing schedule that includes both hourly and salaried supervisory nurses. Once approved by the Director of Nursing, the monthly schedule is placed at the home's nursing station, and the staffing coordinator creates and distributes daily schedules, showing which nurses will be working and their shift assignments. If a nurse cannot work an assigned shift, the nurse or the staffing

coordinator finds a replacement. Management, the staffing coordinator, or any nurse present may write the staff change on the daily schedule.

Documentation of Time Worked

Veterans' homes' management currently contracts with Automatic Data Processing (ADP)⁴³ for payroll and timekeeping software. Most RNs are paid hourly and must clock in and out of work using their fingerprints on a biometric device. The device automatically records the shift worked to the exact minute.

However, RNs in management positions, such as the Director of Nursing at each home, are salaried employees and do not record their hours worked. Instead, a supervisor or staffing coordinator enters the salaried nurses' regular shift schedules into the ADP system. As currently designed, ADP automatically deducts 30 minutes from the regular shift schedule to account for the salaried employees' 30-minute unpaid lunch break. ADP is also not designed to account for any additional time worked by salaried, management-level employees.

Results of the Prior Audit

In the November 2022 performance audit report, we reported a finding that management's documentation of an onsite RN at each home for 24 hours a day, 7 days a week, was not sufficient. Management concurred in part and stated that they did not document RN coverage in ADP at all homes, but ensured an RN was in each home. In the department's 6-month follow-up, management stated that the Financial Compliance Officer's review of a sample of 1 week each month from April 1, 2022, to June 10, 2023, indicated RN coverage was documented. Additionally, management stated that the Financial Compliance Officer would continue to monitor documented RN coverage.

Current Audit

We focused our review on management's corrective action and documentation of onsite RN coverage 24 hours a day, 7 days a week, from July 1, 2022, through December 31, 2024, to determine whether there were any gaps in coverage. Our review did not result in any findings or observations. See **Appendix 1** for our detailed audit objectives, conclusions, and methodologies.

43. ADP is a comprehensive global provider of cloud-based human capital management solutions that unite human resources, payroll, talent, time, tax, and benefits administration and is a leader in business outsourcing services, analytics, and compliance expertise.

APPENDICES

Appendix 1: Objectives, Conclusions, and Methodologies

Prior Audit Follow-up

Audit Objective: In response to the prior audit finding, did the Tennessee State Veterans' Homes Board (the board) ensure veterans' homes' management provided for the safety of residents by maintaining up-to-date lists of volunteers and screening the volunteers who have direct contact with residents?

Conclusion: Based on our review, the board ensured that veterans' homes' management provided for the safety of residents by eliminating the use of volunteers who had direct contact with residents at the five veterans' homes.

Methodology to Address the Audit Objective

To address the audit objective, we reviewed the veterans' homes' December 2022 "Volunteers" policy and interviewed the Activity Directors or facility Administrators at the five veterans' homes to gain an understanding of the volunteer process. We obtained and reviewed the volunteer sign-in log for the period January 1, 2023, through February 25, 2025, to determine if any volunteers classified as Group 2 volunteers, who could have direct unsupervised contact with residents, were allowed to do so.

Current Audit

Board of Directors

Audit Objective: Did the board meet the statutory requirements and have policies and procedures regarding member composition, quorum, attendance, board member conflict-of-interest disclosures requirements, and open meetings, including minutes?

Conclusion: Based on our audit work, we noted minor deficiencies with the board's statutory requirements for oversight of the homes and the provisions of Title 8, Chapter 11, of the Tennessee Open Meetings Act. Specifically, the board did not provide adequate public notice for one board meeting during fiscal year 2024.

Methodology to Address the Audit Objective

To address our audit objective related to board member requirements, we met with the board chair and reviewed the board's bylaws and Section 58-7-102, *Tennessee Code Annotated*, to determine the statutory requirements for the board's composition. We examined board minutes and reviewed a list of board members on both the board's and the Tennessee Secretary of State's websites to determine if there were 13 board members, including the Commissioner of the Department of Veterans Services, the Commissioner of the Department of Finance and Administration, and at least 3 members from each grand division of the state (East, Middle, and West). We examined appointment letters provided by the Governor's Office and oath of office letters from the Tennessee Secretary of State website to determine if at least 1 member met the statutory requirements to be a nursing home administrator and at least 1 member possessed clinical experience in a nursing home. We used the board member directory to determine that the remaining members were veterans of a variety of branches of the U.S. Armed Forces, as required by statute.

To address our audit objective related to whether the board achieved a quorum of at least 7 voting members for each meeting, we reviewed the board's bylaws and meeting minutes for the 13 meetings that took place between July 1, 2022, and September 17, 2024. Based on our review of the board meeting minutes, we performed an analysis of board member attendance to document the percentage of board meetings each board member attended during each fiscal year, as well as their current and previous term, as they fell within our audit period.

To address our audit objective related to the board's conflict-of-interest requirement, we reviewed Section 58-7-106, *Tennessee Code Annotated*; the board's bylaws; and board policies. We made inquiries with the Director of Finance and obtained and reviewed the available conflict-of-interest disclosures that board members submitted for fiscal years 2023, 2024, and 2025. Furthermore, we performed testwork to determine if all 13 board members annually completed a conflict-of-interest form for fiscal years 2023, 2024, and 2025.

To address our audit objective related to statutory requirements of board meetings, we reviewed the guidelines set forth by the Tennessee Open Meetings Act and the board's bylaws. We also met with the board chair and performed testwork to determine if the board gave adequate public notice of board meetings. From a population of 13 meetings that took place from July 1, 2022, through June 30, 2024, we obtained the board's public notices and board minutes to determine if the board provided adequate public notice of board meetings and promptly provided complete meeting minutes.

Board's Financial Position

Audit Objective: Did management identify the causes of and develop a strategic plan to address the net operating losses and cash balance decline?

Conclusion: Based on our review of the board's processes, interviews with management, and analysis of financial statements, we found that management had identified the causes of the net operating losses and cash balance declines but had not developed a detailed strategic plan with specific steps to analyze and mitigate the losses. See **Finding 1**.

Methodology to Address the Audit Objective

To address our audit objective, we interviewed the Administrator, the Finance Director, and the Assistant Finance Director. We reviewed financial policies; Section 9-4-56, *Tennessee Code Annotated*; internal policy; and Green Book best practices. We observed the budgeting process to gain an understanding of the entity's budget process and financial position. We obtained and reviewed the board's audited financial statements for fiscal years 2020 through 2023, the unaudited fiscal year 2024 financial statements, and the monthly financial statements presented to the board of directors at the quarterly board meetings for the period October 2024 through December 2024. To determine the variances between budgeted and actual amounts, we compared the board's budgeted revenues and expenses to the actual revenues and expenses for fiscal years 2022 through 2025. To determine the growth rates of actual expenditures and the trends for cash balances and net operating losses, we analyzed the actual revenues and expenses, cash balances, and net operating losses for fiscal years 2020 through 2024. We obtained and reviewed the budget estimates and supporting documentation to determine whether management's budgeting process was accurate. We obtained and reviewed management's strategic plan to determine management's plans and prioritization for addressing the entity's net operating loss and declining cash balances.

Residents' Trust Funds and Personal Property

Audit Objective: Did management ensure staff managed residents' funds and personal property in accordance with policies and procedures?

Conclusion: Based on discussions with veterans' homes' staff and the results of our testwork on resident trust fund transactions, we determined that management did not consistently manage residents' funds in accordance with regulations, personal property policy, and resident trust fund policy, including withdrawal procedures and written authorization requirements. See **Finding 2**. Furthermore,

we determined that the Murfreesboro home did not maintain or update lists of the residents' personal property inventory, increasing the risk of losing residents' personal property. See **Observation 1**.

Methodology to Address the Audit Objective

To address our audit objective related to the resident trust fund and residents' personal property, including gaining an understanding of management's procedures for managing resident trust funds and personal property, and assessing management's design, implementation, and operating effectiveness of internal controls significant to the audit objective, we interviewed key personnel, including the Patient Account Representatives at all five homes, the Social Services staff at the Murfreesboro and Clarksville homes, and the full-time receptionist at Murfreesboro. We reviewed the "Resident Funds" policy, the "Resident Trust Deposit & Withdrawal Procedure," and the "Tennessee State Veterans Homes Cash Receipting Procedures for Knox County General Fund, Meal Monies, and Resident Trust." We observed operational processes with the patient trust representatives and the full-time receptionist at the Murfreesboro home to gain an understanding of the resident trust fund and to assess management's implementation of the internal controls.

To determine whether management ensured residents' funds were managed in accordance with policies and procedures, we ran an audit report on the Point Click Care system, which listed all patient trust fund transactions for Murfreesboro from October 1, 2024, through October 31, 2024; for Clarksville, October 1, 2024, through October 31, 2024, and February 1, 2025, through February 29, 2025. We reviewed the corresponding physical documentation for the transactions in the audit report from the Patient Account Representative to determine if that documentation fulfilled the requirements of the veterans' homes' policies and procedures. For our testwork, our population included the most recent 6 months (September 2024 through February 2025) to ensure we were able to obtain the most current information based on the facility's occupancy due to the age and health of the residents. From our population, we selected a nonstatistical, random sample of 1 month to review the resident trust fund transactions. Our testwork included a review of transactions for October 2024 for Clarksville and Murfreesboro, and then we expanded our scope to February 2025 for Clarksville. For the Clarksville home's resident trust fund transactions, we tested 75 transactions that included 56 withdrawals and 19 deposits. We also reviewed 24 resident authorization forms to determine if the residents authorized staff to manage their personal funds. For the Murfreesboro home, we tested 85 transactions that included 41 withdrawals, 42 deposits, and 2 corrections. We also reviewed 36 resident authorization forms to determine if the residents authorized the facility to manage their personal funds. Furthermore, for Clarksville, we recreated the October 2024 and February 2025 bank reconciliations. For Murfreesboro, we recreated the October 2024 bank reconciliation to ensure the staff followed policies and procedures.

To determine whether management documented and maintained a record of all residents' personal property, including clothing, personal possessions, and money that residents brought to the veterans' homes at the time of admission, we obtained the list of residents who resided in the Clarksville and Murfreesboro homes as of March 27, 2025. From the list of 104 Clarksville residents, we selected a nonstatistical, random sample of 25 residents and reviewed the personal property inventory list in Point Click Care. From the list of 104 Murfreesboro residents, we selected a nonstatistical, random sample of 30 residents and requested or reviewed the residents' personal property inventory lists.

Star Rating

Audit Objective: Did management develop plans to correct any low-star Centers for Medicare and Medicaid Services (CMS) quality ratings?

Conclusion: Based on our work, we determined that the board and management did not consistently and effectively take measures to ensure that veterans' homes maintained average or above-average CMS quality ratings. See **Observation 2**.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of the quality of life standards set forth for residents and addressing quality of care issues and improvements, we reviewed Title 38, *Code of Federal Regulations* (CFR), Part 51, Section 100 (quality of life standards); 38 CFR 51.120 (quality of care standards); and 42 CFR 483.75 (quality assurance and performance improvement standards). We interviewed the Executive Director, the Director of Clinical Services, and the Director of Clinical Reimbursement. We obtained and reviewed the executive office's "Quality Assurance Performance Improvement" policy and other relevant documentation to determine how management communicated the standards and incorporated them into the homes' operations.

To determine how CMS rated each home's quality of care for the audit period, we accessed CMS's website and reviewed ratings for each home as of February 2025. To determine the trend of each home's CMS star rating, we obtained from management and reviewed each home's CMS star rating for the period July 2022 through February 2025. To determine management's response to CMS's low ratings, we obtained and reviewed management's performance improvement plans.

Recruiting and Retaining Staff

Audit Objective: Did management take action to recruit and retain staff to provide continuity of care and efficient administration for the homes?

Conclusion: Based on our review, we found the turnover rate at the veterans' homes remains high, and management's actions to retain staff to provide continuity of care and efficient administration for the homes have not been effective. See **Finding 3**, **Finding 4**, and **Observation 3**.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of management's process to recruit and retain staff and management's plans and actions to retain staff, we interviewed the Finance Director, and we reviewed veterans' home policies, grant and contract agreements, and the veterans' homes' employee handbook. To determine the homes' turnover rates, we obtained, reviewed, and recalculated each home's turnover rate for the period July 1, 2022, through March 26, 2025. We obtained and reviewed employee salary information from July 1, 2022, through March 26, 2025, and calculated the average salary per home in each position to determine staff's compensation. We obtained the regular hours worked and the overtime hours worked for the nursing staff to determine how many overtime hours the nursing staff worked from July 1, 2023, through May 1, 2025. To determine if staff adhered to the retention bonus programs' contract and payment procedures, from a population of 176 employees who participated in the retention bonus program, we selected a nonstatistical, random sample of 45 employees and reviewed their retention bonus contracts for signatures, bonus payment documentation to the employees, and invoices submitted to the U.S. Department of Veterans Affairs. We obtained and reviewed payment documentation for employees who participated in the mentor bonus program from December 12, 2022, through December 30, 2024, to determine the number of employees who were paid through the program and how many employees completed the program.

Resident Clinical Assessments

Audit Objective: In response to the prior audit finding, did management and staff perform and document timely clinical assessments as required to develop and provide the most effective resident care plans?

Conclusion: Based on our review, we found that management still did not perform and document timely supplemental clinical assessments as required to help develop or revise the residents' care plans. See **Finding 5**.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of management's process and procedures for performing clinical assessments and assessing management's design and implementation of internal controls significant to our audit objectives, we interviewed the Director of Clinical and the Minimum Data Set Coordinators

at each home location and reviewed completed clinical assessment schedules, policies, and procedures. To determine whether management completed clinical assessments in a timely manner, from a population of 1,359 residents⁴⁴ who resided in the veterans' homes between July 1, 2022, through February 18, 2025, we selected a nonstatistical sample of 60 residents (12 from each home) and reviewed their medical records in Point Click Care for results of the required clinical assessments at the required intervals.

Resident Care and Physician Billing

Audit Objective: Did veterans' homes' management and staff ensure that residents received prescribed care from contracted medical providers and at outside visits, and did fiscal staff follow procedures to ensure contracted providers were only paid for services rendered?

Conclusion: Based on our review, we found that veterans' homes' management and staff ensured that residents received prescribed care from primary care providers and at outside visits. However, staff did not adhere to a consistent process to ensure that residents received prescribed care from contracted mental health providers and that those providers were only paid for services rendered. See **Finding 6**. Additionally, the staff at the veterans' homes did not obtain and maintain consent forms for residents who were scheduled for in-house specialist clinics. See **Observation 4**.

Methodology to Address the Audit Objective

To address our audit objective, including obtaining an understanding of management's process and procedures for providing care to residents and for provider payments and assessing management's design and implementation of internal controls significant to our audit objective, we interviewed key personnel; reviewed legal requirements, policies, and various other documents; and observed personnel demonstrate operational processes.

To determine if management and staff ensured the primary care providers examined residents as often as required by federal regulations, from a population of 577 residents⁴⁵ in all homes on June 23, 2025, we stratified the population by home and selected a nonstatistical, random sample of 60 residents and reviewed their electronic medical records in Point Click Care (PCC) for notes and documentation that primary care

44. The total population included 123 residents at the Cleveland home, 335 at Clarksville, 343 at Humboldt, 255 at Murfreesboro, and 303 at Knoxville.

45. On June 23, 2025, there were 106 active residents in the Clarksville home, 98 in the Cleveland home, 134 in the Humboldt home, 134 in the Knoxville home, and 105 in the Murfreesboro home.

physicians provided required care visits to the residents during the period July 1, 2024, through June 23, 2025.⁴⁶

To determine if management and staff ensured staff monitored mental health provider visits, from a population of 218 invoices⁴⁷ that mental health providers submitted to the veterans' homes AccuShield accounting system between July 1, 2023, and May 31, 2025, we stratified the populations by home and selected a nonstatistical, random sample of 60 provider invoices. For the sample, we reviewed AccuShield for the providers' login dates and compared them to the dates of the invoice, compared the residents listed on the invoice to each home's census log, and reviewed the residents' electronic medical records in PCC for required provider notes. To determine if staff followed physician billing procedures, we reviewed the provider billing logs for documented staff review and approval of the provider billing log for each day listed on the invoice.

To determine if staff obtained residents' consent to participate in specialist provider visits, we obtained each home's participation list for in-house specialist clinics performed at the homes between January 1, 2025, through June 4, 2025, and reviewed PCC for each resident's consent document, either on a consent form or through verbal agreements documented in PCC notes.

Complaints

Audit Objective: In response to the prior audit finding, did the board and management implement procedures to verify that complaints made by residents and their families are satisfactorily resolved in accordance with federal regulations and internal policy, and did management report and investigate abuse allegations in accordance with federal regulations?

Conclusion: Based on our review, we found that management implemented procedures to verify that complaints made by residents and their families are satisfactorily resolved; however, staff did not consistently follow the implemented procedures. See **Observation 5**.

46. We selected 11 residents from the Clarksville home, 10 from the Cleveland home, 14 from the Humboldt home, 14 from the Knoxville home, and 11 from the Murfreesboro home.

47. There was a total of 54 mental health provider invoices submitted for services at the Clarksville home, 29 at the Cleveland home, 75 at the Humboldt home, 34 at the Knoxville home, and 26 at the Murfreesboro home.

Methodology to Address the Audit Objective

To address our audit objective, which included an understanding of the complaint-handling process, including management's response to allegations of abuse, neglect, exploitation, and misappropriation of residents' property, and obtaining an understanding and assessing management's design and implementation of internal controls significant to our audit objective, we interviewed key personnel; reviewed legal requirements, policies and procedures, and other documents; and observed operational processes. Specifically, we reviewed

- Title 38, *Code of Federal Regulations* (CFR), Part 51, Section 70(f);
- 38 CFR 51.100;
- 42 CFR 483.12;
- the board-approved "Grievance Policy";
- the board-approved "Individual Resident Grievance/Complaint Procedures";
- the CareLine log;
- the grievance logs from the five veterans' homes;
- the grievance complaint form; and
- the resident council minutes from the five veterans' homes from July 1, 2022, through February 25, 2025.

We interviewed the Activities Director and Social Services staff at each of the five homes. We also interviewed the Administrator at the Clarksville, Cleveland, Knoxville, and Murfreesboro homes and the Director of Nursing at the Humboldt home. We examined the CareLine and grievance logs used at each of the homes to determine if it was the homes' normal practice to complete all the fields in the log.⁴⁸

To determine if management ensured that the veterans' home staff investigated complaints and documented the results, we performed the following procedures:

- We selected a nonstatistical, random sample of 5 calls from a population of 30 CareLine calls logged from July 1, 2022, through May 5, 2025, and reviewed the supporting investigative documentation for the resolution and completeness of the log fields.

48. Management stated that there were not any relevant calls to the Compliance Hotline during our audit period.

- We stratified the population by home and selected a nonstatistical, random sample of 62 grievances from a population of 773 grievances⁴⁹ from all homes logged from July 1, 2022, through February 28, 2025,⁵⁰ and reviewed the supporting investigative documentation for the resolution and the residents' agreement to the resolution.
- We obtained and reviewed the 5 homes' resident council minutes for meetings held from July 1, 2022, through February 28, 2025,⁵¹ and determined whether staff added any grievances discussed during the meetings to the grievance log and completed a grievance form. We identified 206 concerns at the Clarksville home, 9 at the Cleveland home, 31 at the Knoxville home, and 69 at the Murfreesboro home. The Humboldt home staff did not consider concerns expressed at the resident council meeting as grievances.

To determine if management reported abuse allegations and any subsequent results of their investigation to the Health Facilities Commission within the prescribed time frame, instituted a safety plan during the investigation, and maintained supporting documentation of their investigation, we stratified the population by home and selected a nonstatistical, random sample of 30 abuse allegations from a population of 74 allegations reported at all homes between July 1, 2022, and April 30, 2025.^{52,53} We reviewed the supporting documentation in the investigative file for staff's communication to the Health Facilities Commission and safety plans. We also inquired with staff at the Health Facilities Commission to confirm if staff submitted reports timely.

Resident Wait Lists

Audit Objective: Did the veterans' homes admission staff maintain and update the single wait list of prospective residents as required by the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare* (the rules)?

49. The total grievances at each home were 319 at Clarksville, 22 at Cleveland, 90 at Humboldt, 167 at Knoxville, and 175 at Murfreesboro. We tested 25 from Clarksville, 3 from Cleveland, 7 from Humboldt, 13 from Knoxville, and 14 from Murfreesboro.

50. The Cleveland home opened during our audit period, and its grievance log covered the period from December 28, 2023, through February 28, 2025.

51. The Cleveland home opened during our audit period, and its resident council minutes covered the period from December 28, 2023, through February 28, 2025.

52. The total allegations at each home were 35 at Clarksville, 3 at Cleveland, 10 at Humboldt, 3 at Knoxville, and 23 at Murfreesboro. We tested 12 from Clarksville, 3 from Cleveland, 3 from Humboldt, 3 from Knoxville, and 9 from Murfreesboro.

53. The Cleveland home opened during our audit period in June 2023.

Conclusion: Based on our review, we determined that the veterans' homes admission staff did not maintain and update the single wait list in accordance with the rules. See **Observation 6**.

Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of management's procedures for maintaining the wait list and assessing management's design and implementation of internal controls significant to the audit objective, we obtained and reviewed the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare*, Chapter 1200-13-01-.06(3), and the executive office's "Wait List Policy." We interviewed and conducted walkthroughs with the Financial Compliance Officer and each home's admission staff member responsible for maintaining the wait lists.

To determine whether staff at each of the 5 veterans' homes maintained a wait list and contacted the applicants on the wait list quarterly, we obtained the wait list for each of the 5 veterans' homes as of July 1, 2022, through March 21, 2025, and we reviewed the required demographic information for all 1,577 individuals on the wait lists. To determine if admission staff mailed quarterly update letters, we discussed the mailing process with each home's admission staff and obtained and reviewed the available letters for the period July 1, 2022, through March 21, 2025.

Nursing Coverage

Audit Objective: In response to the prior audit finding, did management ensure a registered nurse (RN) was onsite at each home 24 hours a day, 7 days a week, to ensure residents had continuous clinical oversight as required by Title 38, *Code of Federal Regulations (CFR)*, Part 51, Section 130?

Conclusion: Based on our analysis of the timekeeping system for the RN coverage required 24 hours a day, 7 days a week in all veterans' homes under federal regulations, we noted improvements in management's records. Specifically, while the Automatic Data Processing (ADP) system showed gaps in coverage, the staffing coordinator provided paper schedules that accounted for these periods. However, ADP did not reflect the required nursing code change when an administrative nurse provided coverage.

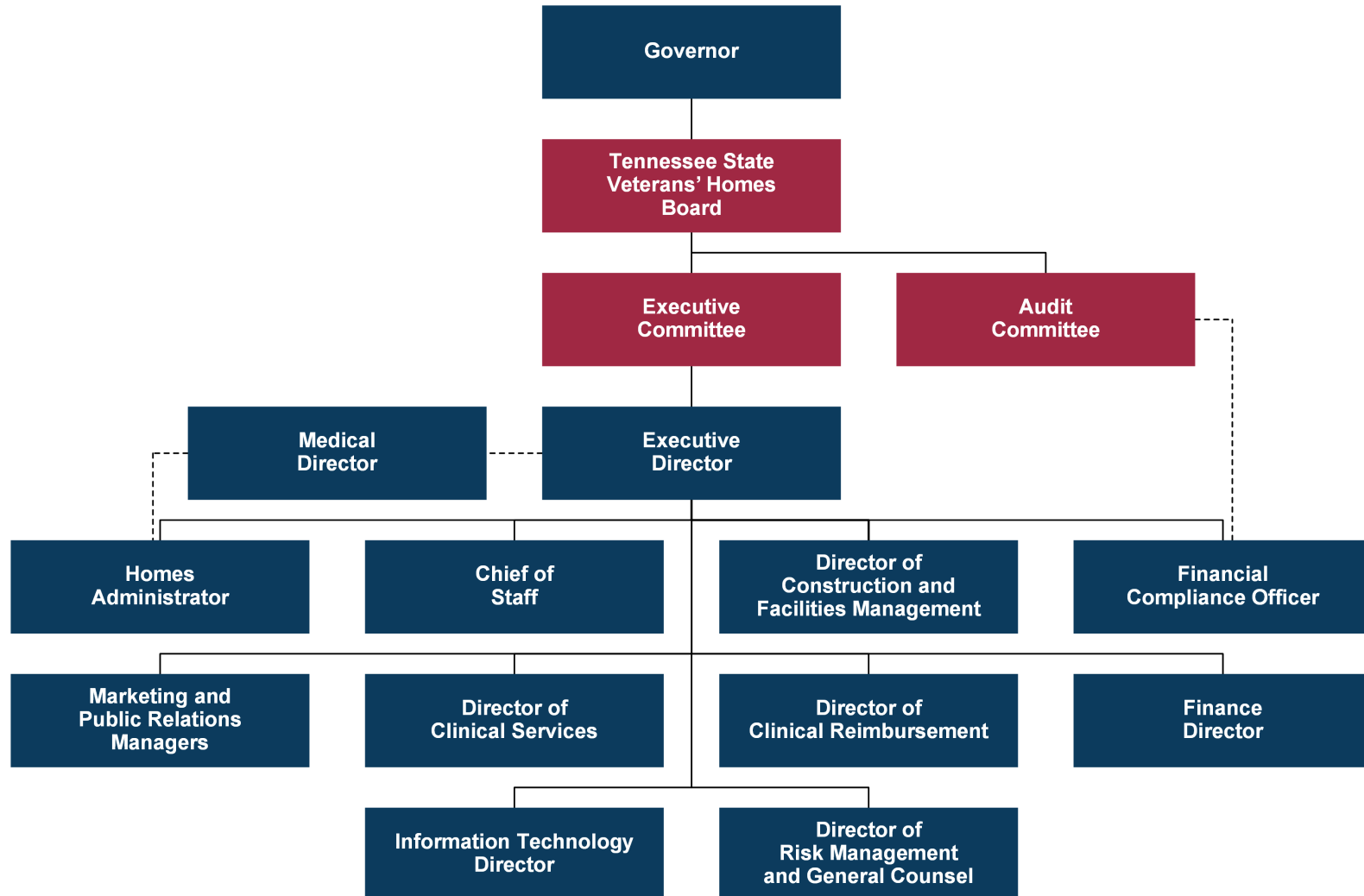
Methodology to Address the Audit Objective

To address our audit objective, including gaining an understanding of management's process for scheduling RNs in advance and recording their actual time worked and assessing management's design and implementation of internal controls significant to our audit objective, we reviewed 38 CFR 51.130, Chapter 0720-18-.04 of the *Rules of*

Tennessee Department of Health, and Chapter 1200-08-06 of the *TennCare Rules*. We interviewed and conducted walkthroughs with the Assistant Financial Director, the Financial Compliance Officer, the Human Resources Generalist, the Staffing Coordinator, and the Director of Nursing for each of the 5 veterans' homes. To determine whether RNs provided continuous clinical oversight at each home, we obtained and analyzed 36,227 timecard entries in ADP for the audit scope, July 1, 2022, through December 21, 2024, for the Murfreesboro, Humboldt, Knoxville, and Clarksville homes, and March 16, 2024, through December 21, 2024, for the Cleveland home. Our analysis identified service gaps of over 15 minutes in which an RN was not checked in, so we examined the Director of Nursing's on-call chart for each of the 5 homes, which displayed the times when the Director of Nursing was the only RN on duty.

Appendix 2: Organizational Chart

Figure 15: Tennessee State Veterans' Homes Board's Organizational Chart as of July 1, 2024



Source: Tennessee State Veterans' Homes Board management.

Appendix 3: Board Members

Figure 16: Tennessee State Veterans' Homes Board Members as of July 24, 2025

Name	Position
Rex Wolfe	Board Chair
Elen Moore	Vice Chair
Karon Uzzell-Baggett	Secretary
Joseph Kyles	Audit Chair
Hugh Lamar	Board Member
Jennifer Vedral-Baron	Board Member
Pat Shull	Board Member
Charles White	Board Member
William Rawls	Board Member
Keith Thompson	Board Member
John Watson	Board Member
Major General Tommy H. Baker, Commissioner of the Department of Veterans Services	Ex-Officio, Voting Member
Thad DelConte, Designated Representative for Commissioner Jim Bryson, Tennessee Department of Finance and Administration	Ex-Officio, Voting Member

Source: Obtained from the Tennessee State Veterans' Homes Board's Administrative Assistant.

Appendix 4: Financial Information

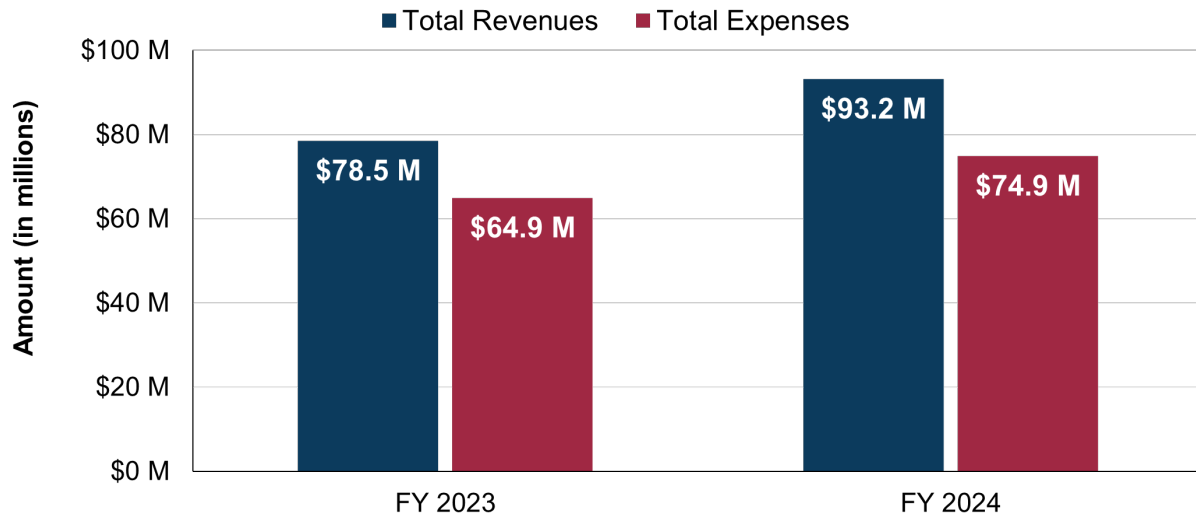
Figure 17: Tennessee State Veterans' Home Board's Expenses and Revenues, Fiscal Years 2023 and 2024

Description	Fiscal Year	
Expenses	2023	2024
Administrative and General	\$10,096,417	\$12,134,244
Nursing Services	29,237,329	33,354,803
Central Services	2,485,254	2,696,651
Ancillary Departments	6,036,523	7,100,780
Dietary	5,387,011	6,221,172
Activities	1,727,155	2,023,263
Social Services	777,254	858,263
Environmental Services	3,508,576	4,143,219
Plant Operations and Maintenance	3,786,929	4,554,891
Depreciation	1,789,673	1,716,387
Interest Expense	73,162	56,654
Miscellaneous Expense	9,600	11,400
Total Expenses*	\$64,914,883	\$74,871,727
Revenues*		
Resident Service Revenue	\$58,578,184	\$71,906,044
Governmental Grants	600,663	19,089,572
Interest Revenue	651,972	817,956
Miscellaneous Revenue	473,137	1,358,769
Capital Contributions	18,178,339	0
Total Revenues	\$78,482,296	\$93,172,342

* Of the reported revenue for fiscal years 2023 and 2024, the Resident Services Revenue represents the operating revenue. As reported in **Finding 1**, the operating expenses exceeded the operating revenue, resulting in operating losses for each fiscal year.

Source: Tennessee State Veterans' Homes Board audited financial statements for fiscal years 2023 and 2024.

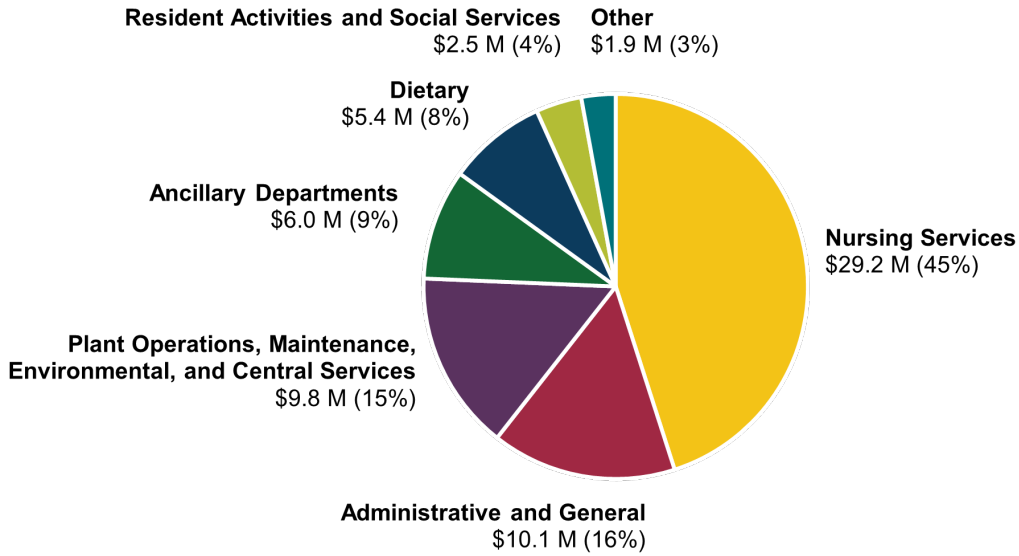
Figure 18: Tennessee State Veterans' Homes Board's Total Expenses and Revenues, Fiscal Years 2023 and 2024



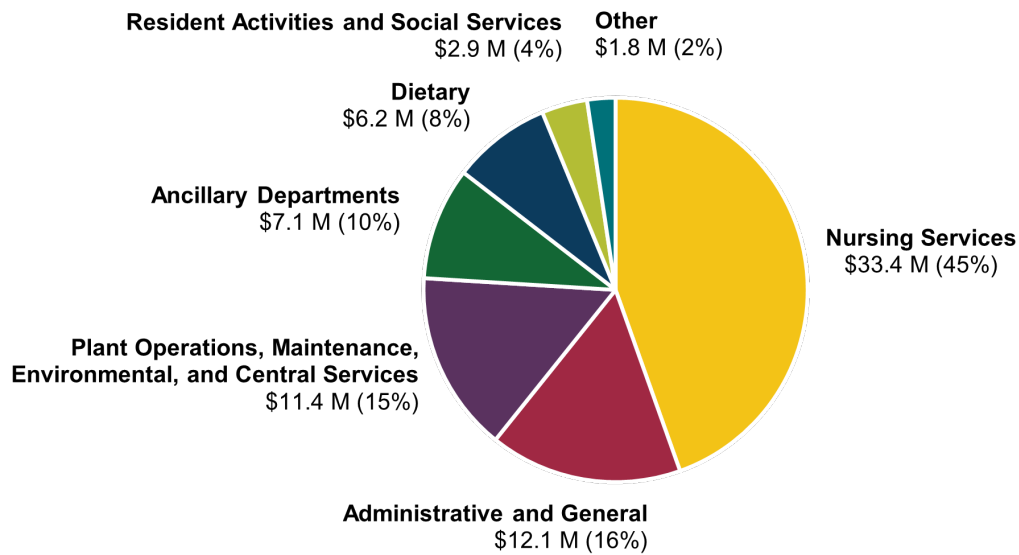
Source: Tennessee State Veterans' Homes Board audited financial statements for fiscal years 2023 and 2024.

**Figure 19: Tennessee State Veterans' Homes Board Expenses
by Fiscal Year (FY), 2023 to 2024**

FY 2023



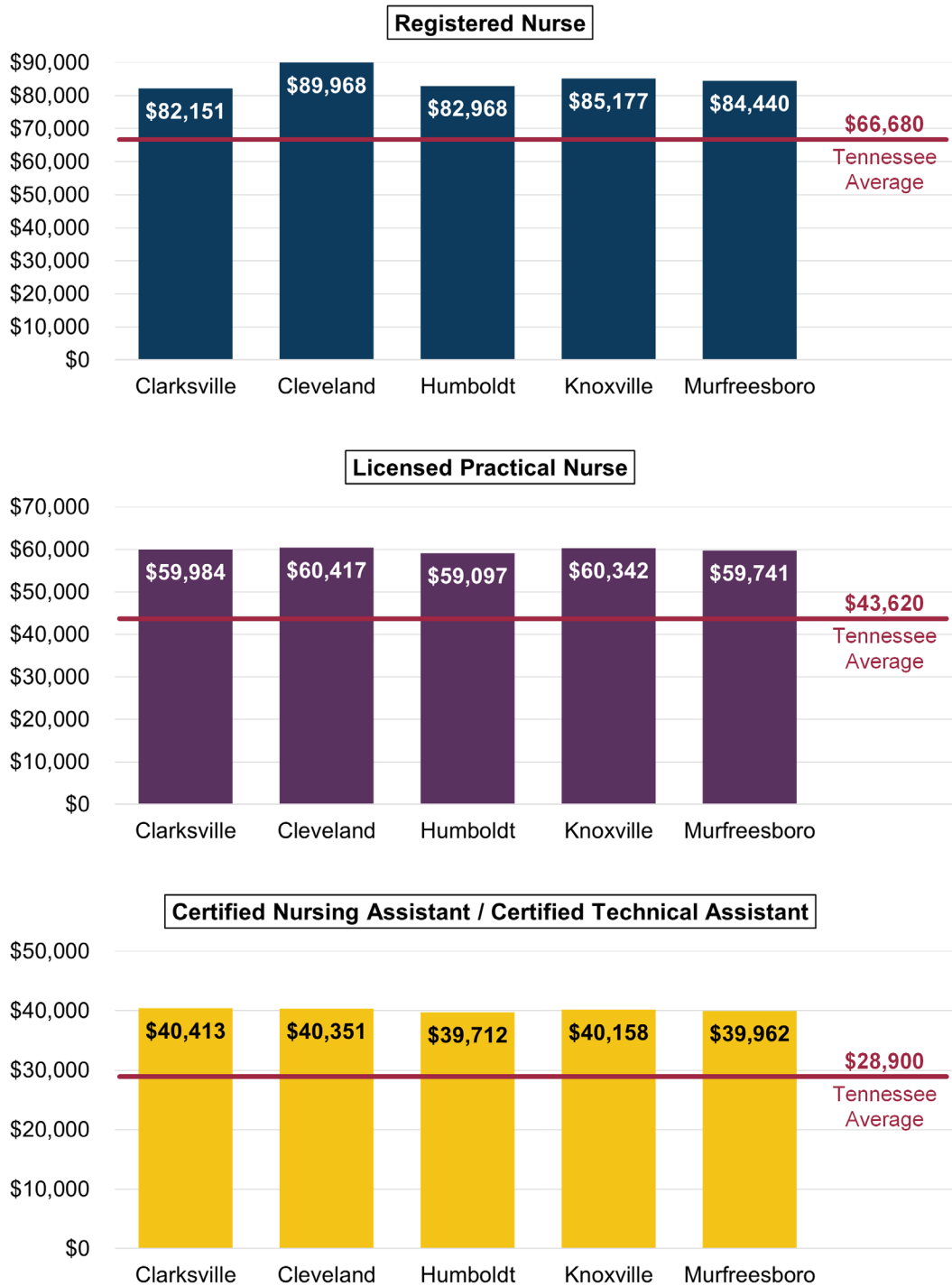
FY 2024



Source: Tennessee State Veterans' Homes Board audited financial statements for fiscal years 2023 and 2024.

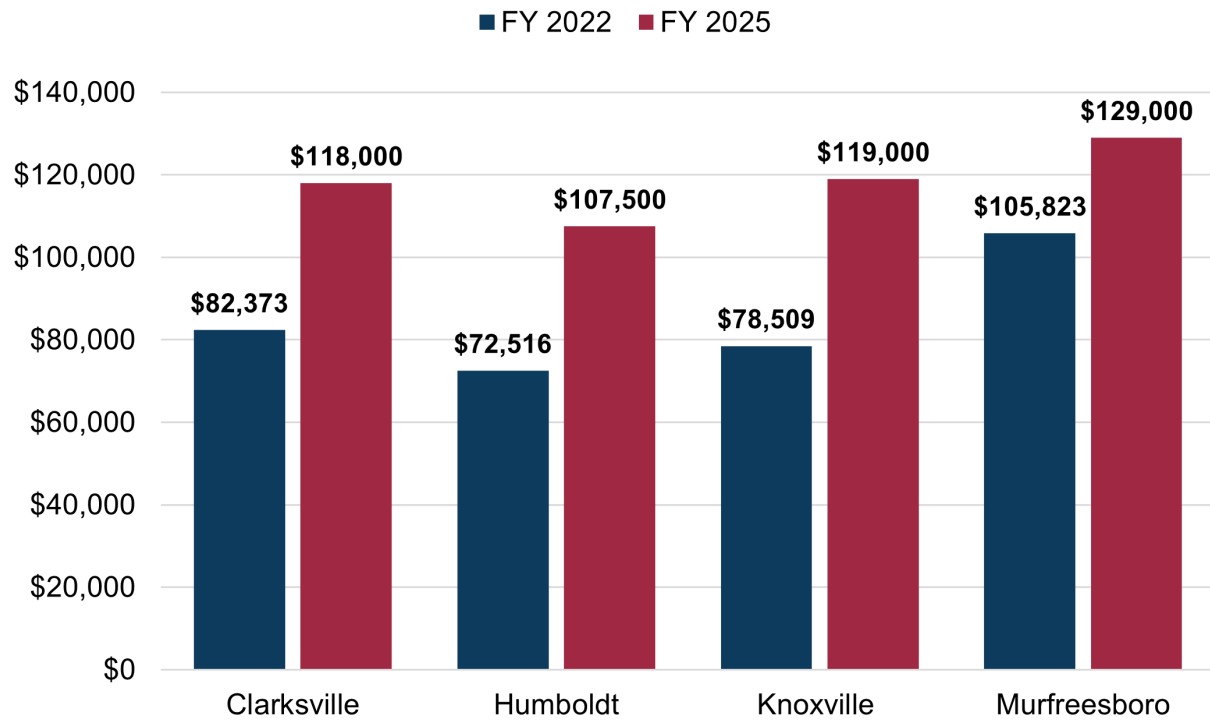
Appendix 5: Staffing Statistics and Grant Funds

Figure 20: Average Annual Nursing Salaries by Position and Home Location as of March 26, 2025



Source: Auditor analysis of veterans' homes salary data obtained from management; Tennessee average nursing salary data obtained from NurseJournal.org.

Figure 21: Nurse Retention Grant Funds, Fiscal Years 2022 and 2025



Source: Auditor created based on information in grant award letters.

Appendix 6: Resident Clinical Assessments

Summary of Clinical Assessment Testwork

Based on our testwork, we found that for 37 of 60 sampled residents (62%), staff did not complete the required internal clinical assessments either upon the resident's admission or at the required quarterly interval for the period July 1, 2022, through February 26, 2025. In addition, for 1 resident, staff did not complete any assessments during our audit period. See **Figure 22**.

Figure 22: Summary of Auditor's Clinical Assessment Testwork

Location	Residents Tested	Residents with Missing Assessments*	Number of Missed Assessments				
			Braden Scale	Fall Risk	Pain	Hydration	Total
Clarksville	12	10	0	2	10	3	15
Cleveland	12	10	0	3	3	12	18
Humboldt	12	10	0	2	12	2	16
Knoxville	12	2	3	1	1	0	5
Murfreesboro	12	5	2	2	9	3	16
Total	60	37	5	10	35	20	70

* The auditor tested for required internal supplemental assessments for the duration of the resident's stay; therefore, residents may have had more than 1 missing assessment for the same assessment type.

Source: Auditor created based on testwork results.

Appendix 7: Resident Wait Lists

Summary of Wait List Testwork Results

We obtained the wait list for each of the 5 veterans' homes as of July 1, 2022, through March 21, 2025, and reviewed the required demographic information for all 1,577 individuals on the wait lists. Based on our testwork, we noted that 4 of the 5 homes (Clarksville, Cleveland, Humboldt, and Murfreesboro) failed to obtain the information required by TennCare rules⁵⁴ and the veterans' homes' "Wait List Policy."

We also noted that 2 of the 5 homes, Clarksville and Knoxville, failed to document why applicants refused admission and were removed from the wait list as required by rules and policy. **Figure 23** outlines these errors.

Figure 23: Missing Documentation for Removing Residents From Wait Lists

	Missing Documentation	Missing Percentage
Clarksville	27 of 91	30%
Knoxville	2 of 264	1%

Source: Auditor created based on testwork results.

Based on our testwork, we noted that 3 of 5 homes (Murfreesboro, Clarksville, and Knoxville) did not send quarterly letters or could not provide documentation that staff sent quarterly letters to update residents of their wait list status (see **Figure 24**). For 1 home, Humboldt, the staff stated that they do not send letters to prospective applicants when they are added to the wait list.

Figure 24: Missing Documentation for Quarterly Update Letters

	Missing Documentation	Missing Percentage
Clarksville	133 of 133	100%
Knoxville	9 of 289	3%
Murfreesboro	158 of 204	77%

Source: Auditor created based on testwork results.

54. Chapter 1200-13-01-.06(3) of the *Rules of the Tennessee Department of Finance and Administration, Division of TennCare*.