

**Report 17-8  
May 2017**

# **Revenues, Expenditures, and Capital Projects**

*Wisconsin Veterans Home at King*

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **Revenues, Expenditures, and Capital Projects**

*Wisconsin Veterans Home at King*

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# STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman  
State Auditor

May 5, 2017

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed the first phase of our evaluation of the Wisconsin Veterans Home at King, as requested by the Joint Legislative Audit Committee. This report includes analyses of revenues, expenditures, and capital projects. King is administered by the Department of Veterans Affairs (DVA). In 2016, King provided skilled nursing care to an average of 685 veterans and their spouses per day. Operating expenditures for King increased from \$68.8 million in fiscal year (FY) 2011-12 to \$76.7 million in FY 2015-16.

King generated operating revenue of more than \$8.0 million in excess of its expenditures each year from FY 2011-12 through FY 2015-16. At the end of FY 2015-16, the cash balance in King's institutional operations account totaled \$35.2 million. DVA has not established a formal plan for the use of King's cash balance, and we recommend that it do so.

Large capital projects are primarily funded by federal revenue and revenue from bonds issued by the State of Wisconsin. From FY 2011-12 through FY 2015-16, capital project expenditures for King totaled \$20.2 million. From July 2011 through December 2016, 19 of the 29 capital projects King requested were initiated, but not all were initiated promptly, including the replacement of soiled carpeting in one of its skilled nursing facilities that took more than seven years to initiate. In addition, DVA has not created a ten-year facilities plan for the Wisconsin Veterans Homes that would facilitate its ability to plan for capital projects.

Our analyses of resident care needs, compliance with regulatory requirements, complaints, and staffing will be completed in the second phase of our evaluation. We appreciate the courtesy and cooperation extended to us by DVA and the Department of Administration. DVA's response follows the appendices.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'Joe Chrisman'.

Joe Chrisman  
State Auditor

JC/PS/ss





## Introduction ■

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The Wisconsin Veterans Home at King (King), located in Waupaca County, is operated by the Department of Veterans Affairs (DVA). DVA also operates the Wisconsin Veterans Home at Union Grove in Racine County, and it contracts for the operation of the Wisconsin Veterans Home at Chippewa Falls in Chippewa County. King provides care to eligible veterans, their spouses, surviving spouses, and the parents of veterans. In December 2016, King provided long-term care to 670 residents.

In response to concerns about the physical conditions and care provided to residents at King, as well as questions about staffing and the transfer of revenue from King to the Veterans Trust Fund and other accounts, the Joint Legislative Audit Committee directed us to conduct a comprehensive evaluation of King. This report is the first phase of that evaluation and includes analyses of:

- trends in revenues and expenditures;
- trends in the cash balance maintained to fund King's institutional operations;
- the transfer of funds from King's institutional operations account to other accounts; and
- the process DVA used to identify and address maintenance and capital needs.

## Eligibility Requirements

***Statutes establish eligibility requirements for admission.***

Eligibility requirements for admission to Wisconsin Veterans Homes are established in s. 45.51 (2), Wis. Stats. To qualify for admission, veterans must:

- be permanently incapacitated from any substantially gainful occupation because of physical disability or age;
- not have been convicted of a felony or crime of moral turpitude or, if so, have produced sufficient evidence of subsequent good conduct and reformation;
- have care needs that the veterans home is able to meet; and
- provide a complete financial statement in order to assess the applicant's financial circumstances.

Eligible applicants include veterans, spouses or surviving spouses of veterans, and parents of persons who died while serving in the armed forces. If there are no current vacancies, priority in admissions is given first to veterans, followed by spouses of living veterans, surviving spouses, and lastly parents. Exceptions may be made to prevent the separation of a husband and wife and in cases where there is an immediate need for medical care. Under 38 CFR s. 52.210 (d), at least 75.0 percent of residents must be veterans if, like King, the facility was acquired, constructed, or renovated using federal funds. Section 45.51 (3) (b), Wis. Stats., further stipulates that surviving spouses and parents may not be admitted unless overall occupancy is below optimal levels, which the Board of Veterans Affairs set at 99.0 percent in 2012. During the five-year period we reviewed, one parent of a veteran resided at King from 2011 to 2013. In October 2016, 123 (17.9 percent) of the 687 residents were spouses.

## Admissions Process

***In 2016, 93.5 percent of the 417 applicants to King were Wisconsin residents.***

Prospective residents are required to document their medical needs, residency, and military service and to provide a financial statement detailing their income sources and assets. King admissions staff review completed applications to determine the eligibility of applicants. As shown in Table 1, the number of applications King approved increased from 197 in 2012 to 213 in 2016. Of the 417 applicants in 2016, 390 (93.5 percent) were Wisconsin residents

and 27 (6.5 percent) were residents of other states. Of the 27 applicants who resided in other states, 19 were admitted.

Table 1

**Disposition of Applications<sup>1</sup>**

Category	2012		2016	
	Number	Percentage	Number	Percentage
Approved	197	60.8%	213	51.1%
Denied	50	15.4	41	9.8
Withdrawn	54	16.7	74	17.8
On Hold <sup>2</sup>	23	7.1	89	21.3
<b>Total</b>	<b>324</b>	<b>100.0%</b>	<b>417</b>	<b>100.0%</b>

<sup>1</sup> Includes the disposition of the most recent application for those individuals who submitted more than one application within the same year.

<sup>2</sup> Includes applicants who were placed on hold pending the submission of additional documentation or who needed to delay admission for personal or financial reasons.

In 2016, King denied admission to:

- 30 individuals whose care needs the home could not meet;
- 6 individuals who did not require skilled nursing care;
- 3 individuals who had committed felonies or other serious crimes; and
- 2 individuals who did not meet other eligibility requirements.

In determining whether applicants have care needs that King is able to meet, staff consider applicants' need for skilled nursing care, including their physical, behavioral, and mental health needs, as well as whether applicants can be placed at King without being a safety risk to themselves, other residents, or staff. King will accept applicants with behavioral or mental health care needs, such as alcoholism, if they have received treatment to stabilize their condition before admission. This practice is consistent with the conditions of licensure specified in s. DHS 132.51 (2) (a), Wis. Adm. Code, which

states that persons who require services that a nursing facility does not provide or make available shall not be admitted.

## Occupancy Trends

***King's occupancy rate was at least 95.0 percent from 2012 to 2016.***

The number of licensed beds at King totaled 721 during each year from 2012 through 2016 and, as shown in Table 2, the occupancy rate was at least 95.0 percent. The occupancy rate declined from a high of 97.8 percent in 2014 to a low of 95.0 percent in 2016.

Table 2

### Skilled Nursing Bed Capacity and Occupancy Rates, by Year

	2012	2013	2014	2015	2016
Average Daily Number of Residents	697	700	705	698	685
Licensed Beds	721	721	721	721	721
Occupancy Rate	96.7%	97.1%	97.8%	96.8%	95.0%

King operates four residence halls that provide skilled nursing care to its residents: Ainsworth Hall, MacArthur Hall, Olson Hall, and Stordock Hall. In addition to resident rooms, each residence hall includes bathing facilities, dining areas, and kitchenettes, as well as resident common areas such as a lobby, chapel, and central meeting area. King also provides residents with amenities such as a bowling alley, fishing dock, movie theater, and veterans museum. In December 2016, the occupancy rates of the halls ranged from 86.0 percent for Olson Hall to 96.0 percent for Stordock Hall, as shown in Table 3.

Table 3

**Skilled Nursing Bed Capacity and Occupancy Rates, by Residence Hall**  
(as of December 31, 2016)

	Year Constructed	Number of Residents	Licensed Beds	Occupancy Rate
Ainsworth Hall <sup>1</sup>	1993	195	205	95.1%
MacArthur Hall	1986	111	116	95.7
Olson Hall	1966	172	200	86.0
Stordock Hall	1968	192	200	96.0
<b>Total</b>		<b>670</b>	<b>721</b>	<b>92.9</b>

<sup>1</sup> Includes two secured units with a total of 99 licensed beds for residents who require memory care services.

***King has two secured units for providing memory care services but also serves residents with memory care needs in other units.***

Of the 205 licensed beds in Ainsworth Hall, 99 beds (48.3 percent) are located within two secured units for providing memory care services to residents with Alzheimer’s disease, dementia, and other types of memory issues. However, not all residents requiring memory care services reside within these secured units. Officials indicated that they prioritize placing residents in the least restrictive care setting available and allow them to “age in place.” This practice allows residents to make one move into a residence hall where they receive a continuity of care in a familiar, personal environment for the remainder of their time at King.

Residents with memory care needs who are at risk of wandering may live in any of the four residence halls at King and use a tracking wristband. The wristbands establish specific boundaries for each resident, which may limit a resident’s access to his or her own residence hall or provide broader access to the King campus. Doorways and elevators are equipped with sensors that alert nearby care staff and security staff should a resident attempt to leave an approved area.

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## Operating Expenditures ■

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The Wisconsin Veterans Home at King is supported with state funds, federal funds, and payments from those residents who pay for their own care. In fiscal year (FY) 2015-16, over 80 percent of all operating expenditures were for the salaries and fringe benefits of staff. In addition, approximately 70 percent of all operating expenditures were for the direct care of residents. The institutional operations at King have generated a cash balance totaling \$35.2 million at the end of FY 2015-16. DVA anticipates that a portion of the balance will be used to support the Veterans Trust Fund through at least FY 2017-18.

### **Primary Revenue and Expenditure Categories**

***The operations of King are funded with program revenue.***

The operations of King are funded with program revenue, which includes:

- Medical Assistance payments, which are funded with state and federal revenue;
- payments by some residents at daily private pay rates;
- federal per diem payments for those residents who are veterans, but not for their spouses;

- payments by the federal Department of Veterans Affairs through the Service-Connected Disability Program for eligible veterans who were disabled by injury or illness during active military duty; and
- federal Medicare payments.

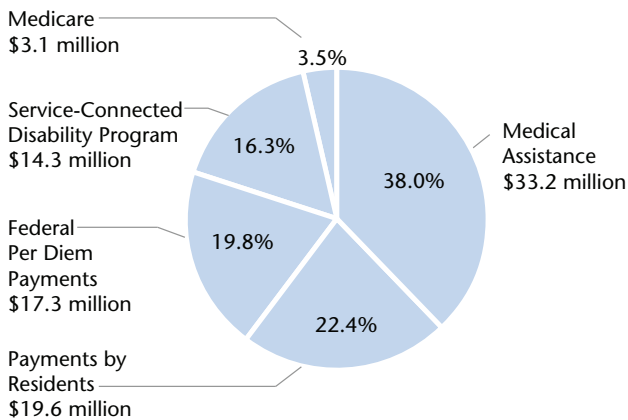
**The largest funding source for King in FY 2015-16 was Medical Assistance payments.**

As shown in Figure 1, the largest funding source for King in FY 2015-16 was Medical Assistance payments, which accounted for 38.0 percent of total revenues. The second largest funding source was payments by residents, which accounted for 22.4 percent of total revenues. Salaries and fringe benefits combined accounted for 81.6 percent of total operating expenditures in FY 2015-16.

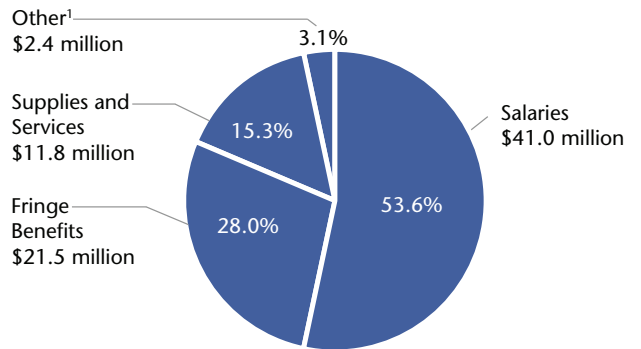
Figure 1

Revenues and Expenditures for King, by Type  
FY 2015-16

**Revenues**



**Expenditures**



<sup>1</sup> Includes utilities, maintenance, and repair.

In FY 2015-16, \$62.5 million in salaries and fringe benefits funded 884.3 authorized full-time equivalent (FTE) positions. As shown in Table 4, 500.8 FTE positions (56.6 percent) were nurses and certified nursing assistants. As noted, the second phase of our evaluation to be released later this year will include analyses of staffing and other issues at King.



Table 4

**Authorized Full-Time Equivalent Positions at King  
June 2016**

	FTE Positions	Percentage of Total
Certified Nursing Assistants	344.0	38.9%
Registered Nurses	81.6	9.2
Licensed Practical Nurses	75.2	8.5
Subtotal	500.8	56.6
Other Positions	383.5	43.4
<b>Total</b>	<b>884.3</b>	<b>100.0%</b>

**Private Pay Rates**

Residents whose costs are not covered by Medical Assistance or other funding sources are responsible for paying the cost of their care at the daily private pay rate. Private pay rate setting for Wisconsin Veterans Homes is governed by s. VA 6.01 (16), Wis. Adm. Code, which:

- requires DVA to calculate the private pay rates each January based upon the estimated costs of care to be incurred during the following year;
- provides for rate changes in July to reflect updated cost estimates; and
- specifies that charges shall be made for actual care and maintenance provided to a resident.

***Private pay rates are set lower for veterans than for spouses because King receives federal per diem payments on behalf of veterans.***

Table 5 shows the daily private pay rates for skilled nursing care provided to residents at King in January of each year from 2012 to 2017. Private pay rates are set lower for veterans than for spouses because of federal per diem payments that are made directly to King by the federal Department of Veterans Affairs on behalf of the veterans. Spouses are charged higher rates to reflect the full cost of care, which equals the rate for veterans plus the amount received as federal per diem payments for veterans from the federal Department of Veterans Affairs. In October 2016, King received federal per diem payments on behalf of 578 veterans. Appendix 1 shows the private pay rates at King for all levels of nursing home care from January 2012 through January 2017.

Table 5

Daily Private Pay Rates and Veteran Per Diem Payments for Skilled Nursing Care at King<sup>1</sup>

Year	Veteran Daily Rate	Veteran Per Diem Payment <sup>2</sup>	Spouse Daily Rate
2012	\$199	\$ 96	\$295
2013	224	97	321
2014	197	100	297
2015	204	102	306
2016	204	104	308
2017	206	106	312

<sup>1</sup> Based on the rates set by DVA in January of each year for care provided to veterans and their spouses. Rates may be adjusted in July of each year to reflect changes in costs.

<sup>2</sup> Excludes payments associated with those veterans having service-connected disabilities. In October 2016, 20.9 percent of veterans were eligible for a larger per diem payment as a result of a service-connected disability.

In a previous audit report released in August 2010, we recommended that ch. VA 6, Wis. Adm. Code, be amended to include a formula for calculating private pay rates for care at the Wisconsin Veterans Homes, and that rate-setting terms such as “costs of care” be clearly defined. As of March 2017, ch. VA 6, Wis. Adm. Code, had not been amended to include a formula for calculating private pay rates at the Wisconsin Veterans Homes or to clearly define rate-setting terms. DVA staff indicated that the process was delayed when DVA transitioned from a board-governed agency to one governed directly by DVA’s Secretary in July 2011. DVA indicated it is currently revising a draft statement of scope for the administrative rule.

**Recommendation**

*We again recommend the Department of Veterans Affairs amend ch. VA 6, Wis. Adm. Code, to include a formula for calculating private pay rates for nursing home and assisted living care at the Wisconsin Veterans Homes and to clearly define rate-setting terms, such as “costs of care.”*

**Operating Revenues and Expenditures**

**King’s revenues exceeded its operating expenditures each year from FY 2011-12 through FY 2015-16.**

As shown in Table 6, King’s revenues and expenditures have fluctuated from FY 2011-12 through FY 2015-16. Both its revenues and expenditures decreased from FY 2011-12 to FY 2012-13, and both have increased in each of the subsequent three fiscal years. King’s

revenues exceeded its operating expenditures during each of these five years. From FY 2011-12 through FY 2015-16, King generated excess operating revenue totaling \$56.5 million.

Table 6  
Operating Revenues and Expenditures at King

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
<b>Revenues</b>					
Medical Assistance	\$41,167,600	\$31,847,600	\$35,429,000	\$35,981,700	\$33,212,600
Payments by Residents	18,942,800	17,737,300	18,213,200	18,769,300	19,568,600
Federal Per Diem Payments	17,509,900	16,773,400	17,333,800	17,738,400	17,326,500
Federal Service-Connected Disability Program	5,212,200	8,504,600	11,244,700	12,836,000	14,250,500
Medicare Part D <sup>1</sup>	1,605,300	1,142,700	1,591,400	1,356,300	1,087,600
Medicare <sup>2</sup>	–	–	–	122,400	2,053,600
<b>Total</b>	<b>84,437,800</b>	<b>76,005,600</b>	<b>83,812,100</b>	<b>86,804,100</b>	<b>87,499,400</b>
<b>Expenditures</b>					
Salaries <sup>3</sup>	\$36,599,200	\$36,244,000	\$38,889,900	\$41,265,400	\$41,042,600
Fringe Benefits <sup>3</sup>	19,024,700	18,545,100	20,538,500	21,629,700	21,495,800
Supplies and Services	10,525,000	10,405,600	10,403,100	10,919,000	11,756,600
Utilities	1,555,100	1,526,700	1,717,500	1,437,600	1,461,400
Maintenance and Repair	1,087,600	1,125,900	1,164,400	788,600	917,900
<b>Total</b>	<b>68,791,600</b>	<b>67,847,300</b>	<b>72,713,400</b>	<b>76,040,300</b>	<b>76,674,300</b>
<b>Revenues in Excess of Expenditures</b>	<b>\$15,646,200</b>	<b>\$8,158,300</b>	<b>\$11,098,700</b>	<b>\$10,763,800</b>	<b>\$10,825,100</b>

<sup>1</sup> Payments for prescription medication.

<sup>2</sup> In FY 2014-15, King became certified to receive Medicare payments related to skilled nursing care.

<sup>3</sup> Includes allocated expenditures for some employees in DVA's central office who perform functions to support King.

The excess revenue resulted from several factors, including the financing methodology that applies to King's Medical Assistance payments. The Department of Health Services (DHS) establishes Medical Assistance payments for veterans homes separately from payments to all other nursing facilities. Under federal regulations, Medical Assistance payments to King may actually exceed the cost of providing care, provided that the amount paid by the Medical Assistance program does not exceed what would have been paid for the same services had care been provided under the Medicare

program, which generally has higher reimbursement rates. DHS currently makes Medical Assistance payments for care provided at King at a rate equal to the Medicare rate.

***Federal per diem payments are not counted by the federal government when determining the amount of Medical Assistance payments King receives.***

Medical Assistance payments to King are further augmented because federal per diem payments received by King on behalf of residents who are veterans are not counted by the federal government when determining the amount of Medical Assistance payments King receives. Medical Assistance payments were highest in FY 2011-12 because the federal Department of Health and Human Services retroactively increased Medical Assistance rates for care provided in FY 2010-11 and FY 2011-12, resulting in additional payments to DVA for care provided in those years. In addition, payments to King through the Service-Connected Disability Program increased by \$9.0 million (173.4 percent) from FY 2011-12 through FY 2015-16, as a result of both an increase in payment rates and an increase in the number of residents eligible for these payments.

***DVA also generates revenue in excess of expenditures by attempting to maximize the number of residents at King.***

DVA has also attempted to maximize the number of residents served by its veterans homes, which facilitates its ability to generate revenue in excess of expenditures. Since 2011, DVA has had the goal of achieving an average daily occupancy rate of 92.0 percent or more. As noted, we found that the average annual occupancy rate at King was at least 95.0 percent every year from 2012 through 2016.

As part of its reporting requirements to the federal Department of Veterans Affairs, DVA reports expenditures for King as either direct care or indirect care. Direct care expenditures relate directly to providing care to residents and include expenditures for nursing services, rehabilitative services, food services, pharmaceutical services, and resident activities. Indirect care expenditures include expenditures for administration and services such as custodial services, laundry services, and building maintenance. As shown in Table 7, King reported that over two-thirds of its annual expenditures were spent on direct care each year from FY 2011-12 through FY 2015-16. DVA staff attribute the annual variation in expenditures for direct care largely to changes in the number of vacancies for positions providing direct care services, such as nurses and certified nursing assistants.

Table 7

**Percentage of King Expenditures Spent on Direct and Indirect Care<sup>1</sup>**

Fiscal Year	Direct Care	Indirect Care
2011-12	68.6%	31.4%
2012-13	69.9	30.1
2013-14	70.6	29.4
2014-15	73.8	26.2
2015-16	68.8	31.2

<sup>1</sup> Based on reports DVA submitted to the federal Department of Veterans Affairs.

**Transfer of Funds**

***From FY 2003-04 through FY 2015-16, \$55.0 million was transferred from King to other accounts that do not directly benefit King.***

The operation of the Wisconsin Veterans Home at King has generated revenue in excess of its expenditures for many years. As a result, funds have at times been transferred from the account established to fund King’s institutional operations to other accounts. We reviewed information provided by DVA on the transfers made from King’s institutional operations account to other accounts that do not directly benefit King. This excludes \$7.1 million in transfers to the Building Trust Fund that were used to fund capital projects for DVA and have primarily benefitted Wisconsin Veterans Homes. From FY 2003-04 through FY 2015-16, a total of \$55.0 million was transferred from King’s institutional operations account to other accounts that do not directly benefit King, as shown in Table 8. These transfers included:

- \$28.4 million (51.6 percent) to the Wisconsin Veterans Home at Union Grove because that home’s skilled nursing and assisted living facilities were not generating sufficient revenue to cover their costs;
- \$20.1 million (36.5 percent) to help maintain the solvency of the Veterans Trust Fund, which funds a variety of services for veterans and their families;
- \$3.9 million (7.1 percent) to the State’s General Fund;

- \$2.3 million (4.2 percent) to the Wisconsin Veterans Home at Chippewa Falls to help fund certain start-up and utility costs prior to the time these costs became the responsibility of the vendor that provides skilled nursing care at this facility; and
- \$207,200 (0.4 percent) to the Veterans Mortgage Loan Repayment Fund to help fund mortgage loans for veterans.

Table 8

**Transfers from King’s Institutional Operations Account to Other Accounts That Do Not Directly Benefit King**

Fiscal Year	Veterans Home at Union Grove	Veterans Trust Fund	State’s General Fund	Veterans Home at Chippewa Falls	Veterans Mortgage Loan Repayment Fund	Total
2003-04	–	–	\$ 891,300 <sup>1</sup>	–	–	\$ 891,300
2004-05	\$ 5,016,300	–	809,800 <sup>1</sup>	–	–	5,826,100
2005-06	4,292,500	–	–	–	–	4,292,500
2006-07	5,777,800	\$ 1,131,200 <sup>2</sup>	–	–	–	6,909,000
2007-08	3,329,000	–	–	–	–	3,329,000
2008-09	2,819,000	7,000,000 <sup>3</sup>	–	–	–	9,819,000
2009-10	629,700	–	962,900 <sup>4</sup>	–	–	1,592,600
2010-11	–	–	1,221,200 <sup>4</sup>	–	–	1,221,200
2011-12	4,524,700	–	–	51,900	–	4,576,600
2012-13	2,045,100	–	27,700 <sup>5</sup>	2,217,800	–	4,290,600
2013-14	–	–	–	–	\$207,200 <sup>6</sup>	207,200
2014-15	–	–	–	–	–	–
2015-16	–	12,000,000 <sup>7</sup>	–	–	–	12,000,000
<b>Total</b>	<b>\$28,434,100</b>	<b>\$20,131,200</b>	<b>\$3,912,900</b>	<b>\$2,269,700</b>	<b>\$207,200</b>	<b>\$54,955,100</b>

<sup>1</sup> Represents a lapse to the State’s General Fund required by 2003 Wisconsin Act 33.

<sup>2</sup> 2005 Wisconsin Act 468 allowed DVA to transfer up to \$16.0 million from the appropriation for institutional operations of the Wisconsin Veterans Homes to the Veterans Trust Fund, provided the balance of the appropriation was in excess of the amount needed for resident care.

<sup>3</sup> 2007 Wisconsin Act 20 allowed DVA to transfer up to \$7.0 million from the appropriation for institutional operations of the Wisconsin Veterans Homes to the Veterans Trust Fund, provided the balance of the appropriation was in excess of the amount needed for resident care and with the approval of the Joint Committee on Finance.

<sup>4</sup> Represents a lapse to the State’s General Fund required by 2009 Wisconsin Act 28.

<sup>5</sup> Represents a lapse to the State’s General Fund required by 2011 Wisconsin Act 32.

<sup>6</sup> Represents a transfer to the Veterans Mortgage Loan Repayment Fund made by DVA under the authority granted to it by 2013 Wisconsin Act 20.

<sup>7</sup> Transfer was initiated by DVA under the authority granted to it by 2013 Wisconsin Act 20, which provides DVA with ongoing authority to transfer all or part of the unencumbered balances from four appropriations related to the operation of the Wisconsin Veterans Homes and veterans cemeteries to both the Veterans Trust Fund and to the Veterans Mortgage Loan Repayment Fund without the need for additional legislative authorization.

## Authorization for Transfers

Because funding for institutional operations for all three veterans homes is contained within a single statutory appropriation, DVA does not need legislative approval to transfer revenue from King's account within the appropriation to the accounts of the other veterans homes.

In order to respond to declines in the balance of the Veterans Trust Fund, revenue was transferred to the Veterans Trust Fund on three occasions. The first two transfers were specifically authorized by biennial budget acts. 2005 Wisconsin Act 468 allowed DVA to transfer up to \$16.0 million to the Veterans Trust Fund from the appropriation for institutional operations of the veterans homes, provided the balance of the appropriation was in excess of the amount needed for resident care. 2007 Wisconsin Act 20 allowed DVA to transfer up to \$7.0 million to the Veterans Trust Fund from the appropriation for institutional operations of the veterans homes, provided the balance of the appropriation was in excess of the amount needed for resident care and with the approval of the Joint Committee on Finance.

***In FY 2015-16, DVA used its statutory authority to transfer \$12.0 million in surplus King revenue to the Veterans Trust Fund.***

More recently, 2013 Wisconsin Act 20 granted DVA ongoing authority to transfer all or part of the unencumbered balances from four appropriations related to the operation of the Wisconsin Veterans Homes and veterans cemeteries to both the Veterans Trust Fund and to the Veterans Mortgage Loan Repayment Fund without the need for additional legislative authorization. In FY 2015-16, DVA used its recently acquired statutory authority to transfer \$12.0 million in surplus King revenue to the Veterans Trust Fund. During the current fiscal year, DVA transferred \$9.0 million to the Veterans Trust Fund through March 2017. In addition, DVA plans to transfer an additional \$9.0 to \$10.0 million by September 2017. In a report to the Joint Committee on Finance in July 2016, DVA estimated that the Veterans Trust Fund will require an additional \$6.5 million in FY 2016-17 and \$12.1 million in FY 2017-18 in order to remain solvent.

2017 Senate Bill 146 and 2017 Assembly Bill 202, which were introduced in March and April 2017, respectively, would require DVA to obtain the prior approval of the Joint Committee on Finance before transferring excess veterans home funds to the Veterans Trust Fund or the Veterans Mortgage Loan Repayment Fund. It should be noted that while statutes and budget acts have authorized the transfer of funds from several DVA appropriations, including the one that funds operations for all three Wisconsin Veterans Homes, all \$55.0 million in transfers has come from the account established to fund King's institutional operations. This account is the only DVA

account that has consistently generated significant revenue in excess of its expenditures.

**Future Use of Cash Balance**

If the veterans homes at Union Grove and Chippewa Falls continue generating sufficient revenue to cover their own costs, the majority of transfers in the future will likely be directed to the Veterans Trust Fund. DVA staff indicated that King’s institutional operations account will be the primary source of funding used to maintain the future solvency of the Veterans Trust Fund.

***The year-end cash balance in King’s institutional operations account totaled \$35.2 million for FY 2015-16.***

We found the year-end cash balance in King’s institutional operations account has grown during the past five years. As shown in Table 9, after all transfers and encumbrances have been taken into account, King’s year-end cash balance increased from \$17.3 million at the end of FY 2011-12 to \$35.2 million at the end of FY 2015-16, or by 103.5 percent.

Table 9

**Year-End Cash Balance of King’s Institutional Operations Account**

Fiscal Year	Cash Balance <sup>1</sup>	Percentage Change
2011-12	\$17,301,000	–
2012-13	19,952,800	15.3%
2013-14	29,766,000	49.2
2014-15	38,994,400	31.0
2015-16	35,211,800	(9.7)

<sup>1</sup> Reflects year-end balances after transfers and encumbrances have been taken into account.

***DVA has no formal plan for the use of King’s cash balance.***

DVA staff indicated that no formal plan has been developed for the use of King’s account balance, other than a stated intention to continue to support the Veterans Trust Fund. DVA further indicated that there are few limitations on how the balance may be used if DVA is granted the statutory authority. As noted, \$3.9 million was transferred from King’s institutional operations account to the State’s General Fund from FY 2003-04 through FY 2015-16.



In determining how the cash balance should be used in the future if granted the spending authority by the Legislature, DVA may wish to consider opportunities to strengthen its overall financial position. Because DVA does not earn interest on its cash balance, it may wish to consider paying more toward the principal of any bond debt that is eligible for prepayment and is free of prepayment penalties. This could reduce the total amount of interest DVA will pay.

***Some of the cash balance could be used to restore certain goods and services that have been eliminated as cost-saving measures.***

In addition, DVA may wish to consider whether some of the cash balance should be used to improve the overall quality of life for King residents, such as providing certain goods and services that have been eliminated or have not been funded in recent years as cost-savings measures but that have raised concerns among some residents, employees, and advocates for veterans. For example, in March 2016, DVA replaced its staffed coffee shop with vending machines and discontinued providing homemade food items, such as chicken and beef sandwiches. In March 2017, DVA indicated that it plans to restore the coffee shop.

DVA may also wish to consider whether the cash balance should be used to help improve employee satisfaction and retention. Examples of strategies used by other organizations include expanding training opportunities and instituting cash bonuses for employees who help to recruit resident care staff. However, efforts to address employee satisfaction and retention that involve payments to employees would likely require the approval of the Department of Administration (DOA). As noted, the second phase of our evaluation will provide additional analyses of staffing at King.

***DVA could assess the extent to which the cash balance could be used to more promptly address deferred maintenance needs.***

Finally, DVA could assess the extent to which these and other funds could be used to more promptly address deferred maintenance needs. In July 2016, DVA submitted to DOA a list of 21 deferred maintenance projects at King. Of these 21 projects, 3 projects totaling \$5.7 million were included as part of DVA's 2017-19 capital budget request, and funding for 18 projects totaling an estimated \$11.1 million had not been requested through February 2017. Examples of these 18 projects include renovating the ceilings and floors of two residence halls (\$3.7 million), renovating the fishing dock used by residents (\$15,000), and replacing in a residence hall two sump pumps that are beyond their useful lives (\$5,000). Appendix 2 provides a list of all deferred maintenance projects for King, including whether they may have a potential effect on resident safety.

**Recommendation**

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*We recommend the Department of Veterans Affairs:*

- *determine the cash balance in its account for operation of the Wisconsin Veterans Home at King that it believes is appropriate to maintain;*
- *develop, and routinely update, a detailed plan for the management and proposed use of the cash balance in the account; and*
- *report to the Joint Legislative Audit Committee by September 1, 2017, on the status of its efforts.*

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## Capital Projects ■

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Large capital projects at King are primarily paid with federal revenue and revenue from bonds issued by the State of Wisconsin. From FY 2011-12 through FY 2015-16, capital project expenditures for King totaled \$20.2 million. Over this period, 19 of the 29 capital projects King requested were initiated, but not all were initiated promptly. In addition, DVA has not created a ten-year facilities plan for the Wisconsin Veterans Homes that would facilitate its ability to plan for capital projects.

### **Capital Budgeting Process**

Construction and maintenance projects with budgets of \$5,000 or less are independently initiated by state agencies and are funded through an agency's operating budget. In order for larger projects to proceed, funding is generally approved through the State's capital budgeting process. Each state agency identifies the capital projects for which it will seek funding during the upcoming biennium and submits its request to the Division of Facilities Development in DOA. Each agency's request is based on its individualized six-year facilities plan, which agencies are required to update every two years in order to detail their facility needs. The first two years of each agency's six-year plan establishes the basis of its biennial budget request.

***Projects with budgets over \$760,000 are generally required to be enumerated.***

DOA staff review each agency's capital budget request and the results of this review are used by the Governor in making recommendations to the State of Wisconsin Building Commission. Projects with budgets over \$760,000 are generally required to be enumerated, which means that the projects are listed separately as part of the capital budget process with their title, budget amount, and funding sources. Projects recommended by the Building Commission for enumeration are listed individually in the nonstatutory provisions of the biennial budget bill for action by the Legislature.

Projects with budgets of \$760,000 or less are not required to be enumerated and are included in the category "All Agency" projects. Rather than being listed and approved individually, the Building Commission and the Legislature authorize funding for these smaller capital projects under broad categories, such as "facility maintenance and repair" and "utilities repair and renovation," which provides state agencies with greater flexibility in using the funds to meet their capital needs.

Finally, after funding for capital projects is approved through the biennial budget process, additional approval is required before work may begin. Under policies established by the Building Commission, the initiation of capital projects with budgets of \$185,000 or less require administrative approval by DOA. Capital projects with budgets of more than \$185,000, excluding those that are exclusively for design, require separate approval from the Building Commission to proceed. This approval is required even for enumerated projects for which funding was specifically authorized through the biennial budget process.

## **Capital Project Expenditures**

Large capital projects at King are primarily funded by federal revenue and revenue from bonds issued by the State of Wisconsin. The federal government reimburses up to 65.0 percent of qualifying state veterans home construction and renovation projects that exceed \$400,000. From FY 2011-12 through FY 2015-16, capital project expenditures totaled \$20.2 million, as shown in Table 10.

Table 10

**Capital Project Expenditures at King, by Funding Source**

Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	Total
Federal Revenue <sup>1</sup>	\$ 549,500	\$ 226,900	\$3,020,900	\$6,629,300	\$ 181,000	\$10,607,600
GPR-Supported Borrowing	1,225,400	333,900	995,900	974,700	854,800	4,384,700
Segregated Revenue <sup>2</sup>	392,400	621,300	455,800	182,500	1,190,400	2,842,400
Program Revenue-Supported Borrowing	2,465,800	877,200	2,186,800	(3,669,900) <sup>3</sup>	468,500	2,328,400
<b>Total</b>	<b>\$4,633,100</b>	<b>\$2,059,300</b>	<b>\$6,659,400</b>	<b>\$4,116,600</b>	<b>\$2,694,700</b>	<b>\$20,163,100</b>

<sup>1</sup> Estimated by DVA.

<sup>2</sup> Includes revenue DVA transferred to the Building Trust Fund to help finance capital projects.

<sup>3</sup> This amount is negative because program revenue-supported borrowing was replaced by federal funding in FY 2014-15.

From FY 2011-12 through FY 2015-16, 41 capital projects at King incurred expenditures, as shown in Table 11. Projects with budgets of more than \$760,000 totaled \$16.6 million and represented 82.4 percent of all capital expenditures for King. Of the 41 projects with expenditures, 30 had been completed, and 11 were ongoing as of February 2017.

Table 11

**Capital Project Expenditures at King, by Project Size**  
FY 2011-12 through FY 2015-16

Project Budget	Number of Projects	Percentage of Projects	Amount	Percentage of Amount
More than \$5,000, up to \$185,000 <sup>1</sup>	22	53.7%	\$ 1,627,000	8.1%
More than \$185,000, up to \$760,000	8	19.5	1,915,700	9.5
More than \$760,000	11	26.8	16,620,400	82.4
<b>Total</b>	<b>41</b>	<b>100.0%</b>	<b>\$20,163,100</b>	<b>100.0%</b>

<sup>1</sup> Construction and maintenance projects with budgets of \$5,000 or less are not considered to be capital projects and are funded through King's operating budget.

From FY 2011-12 through FY 2015-16, the projects with the largest expenditures included:

- \$3.7 million for a project expanding capacity and upgrading fire protection systems of elevators, which was completed in December 2015;
- \$2.8 million for a project upgrading water heating and softening equipment, which was completed in September 2014;
- \$2.5 million for a project replacing the telephone system, which was completed in March 2014;
- \$2.3 million for a road and sidewalk reconstruction project, which was completed in November 2011; and
- \$2.1 million for a project upgrading heating, ventilation, and air conditioning systems, which was completed in November 2014.

***Nine of the 41 capital projects with expenditures from FY 2011-12 through FY 2015-16 were exclusively associated with the residence halls.***

Of the 41 capital projects, 9 (22.0 percent) were exclusively associated with the residence halls; 15 (36.6 percent) involved both the residence halls and other King facilities; and 17 (41.5 percent) did not involve the residence halls. Expenditures for the nine projects that were exclusively associated with the residence halls totaled \$3.1 million and included projects such as carpeting replacements and renovations to resident smoking areas that were repurposed. Expenditures for the 15 projects that involved both the residence halls and other King facilities totaled \$12.1 million and included projects such as the installation of a security system and upgrades to the heating, ventilation, and air conditioning systems. Expenditures for the 17 projects that did not involve the residence halls totaled \$4.9 million and included projects such as a road and sidewalk reconstruction project.

***DOA was responsible for managing 28 of the 30 completed capital projects.***

Of the 41 capital projects included in our review, 30 had been completed at the time of our fieldwork. DOA managed 28 of the projects, and it delegated management of two projects to DVA. Combined, these 30 projects incurred expenditures totaling \$23.7 million, which was 5.1 percent less than the budgeted amounts. A total of 19 projects (63.3 percent) incurred expenditures equal to or less than the initial budget amounts, while 11 projects (36.7 percent) incurred expenditures exceeding the initial budget amounts. The 11 projects that exceeded the initial budgets were all managed by DOA.

Of the 11 projects that exceeded their initial budget amounts, 4 projects had budget increases approved after the projects began. Under Building Commission policy, a budget increase may be approved by DOA if it does not exceed \$100,000 or 10.0 percent of the project's initial budget. Requests for larger increases must be approved by the Building Commission. Of the four projects that received adjustments to their initial budgets:

- the Building Commission authorized a project budget increase of \$1.6 million (297.5 percent) for a project to replace windows in Olson Hall;
- the Building Commission authorized a project budget increase of \$178,100 (50.5 percent) for a project to paint and repair King's water tower;
- the Building Commission authorized a project budget increase of \$241,900 (10.5 percent) for a project to repair and repave roads and sidewalks; and
- DOA approved a project budget increase of \$100,000 (4.2 percent) to replace King's telephone system.

None of the four projects that received budget increases exceeded their revised budget amounts. The other seven projects that exceeded their initial budget amounts did not require construction approval from the Building Commission. Therefore, they did not require authorization to exceed their budgeted amounts. As shown in Table 12, the 11 projects exceeded their initial budgets by a total of \$1.8 million, or an average of 28.9 percent. Some budgets were exceeded because the initial estimates were inaccurate or because there were unexpected costs, while others were exceeded because the scopes of the projects were expanded.

Table 12

**Expenditures in Excess of Initial Budgets for Completed Capital Projects at King<sup>1</sup>**  
 FY 2011-12 through FY 2015-16

Project	Initial Budget	Expenditures	Expenditures in Excess of Initial Budget	Reason for Expenditures Exceeding Initial Budget <sup>2</sup>
Window Replacement in Olson Hall <sup>3</sup>	\$ 530,000	\$1,352,500	\$ 822,500	The project's scope was changed to include installation of new windows rather than renovation of existing windows.
Design of Road and Sidewalk Project	149,500	633,500	484,000	The project's cost was underestimated when project design was separated from project construction, and two projects with separate budgets were created.
Painting and Repair of Water Tower <sup>3</sup>	352,700	528,800	176,100	Some project costs were unexpected because more work was needed than anticipated.
Telephone System Replacement <sup>4</sup>	2,367,700	2,455,000	87,300	The project required additional equipment that was not anticipated.
Sprinkler Installation in Central Services and Underground Tunnels	95,700	153,300	57,600	The project's scope was broadened to include additional upgrades, such as replacement of deficient sprinkler heads and valves.
Carpeting Replacement in Ainsworth Hall	118,800	172,300	53,500	The project's budget estimate was inaccurate.
Asbestos Abatement	10,500	37,300	26,800	Unknown
Therapy Room Renovation in MacArthur Hall	80,000	104,800	24,800	The project's budget estimate was inaccurate.
Chapel Renovation in MacArthur Hall	48,800	72,200	23,400	Project costs were higher because work on a heating, cooling, and ventilation system was more complex than anticipated.
Road and Sidewalk Repair and Repavement <sup>3</sup>	2,300,000	2,314,400	14,400	Some project costs were unexpected because more work was needed than anticipated.
Resident Smoking Shelter Construction	100,000	108,000	8,000	The project's scope was broadened to include lighting.
<b>Total</b>	<b>\$ 6,153,700</b>	<b>\$7,932,100</b>	<b>\$1,778,400</b>	

<sup>1</sup> Each of these projects was managed by DOA.

<sup>2</sup> Reasons identified by DVA staff.

<sup>3</sup> The State of Wisconsin Building Commission authorized an increase to the project's budget after the project was underway.

<sup>4</sup> DOA authorized an increase to the project's budget after the project was underway.



### Duration of Capital Projects

Sufficient information was available to allow us to calculate a completion duration for 22 of the 30 completed capital projects that had expenditures from FY 2011-12 through FY 2015-16. The time taken to complete capital projects increased as the size of the projects increased, as shown in Table 13. Overall, the time from when DVA initiated a project, which is when it requested authorization for the project from DOA, through completion averaged 21.6 months for the 22 projects for which duration information was available.

Table 13

#### Duration of Completed Capital Projects at King FY 2011-12 through FY 2015-16

Project Budget	Number of Projects Completed <sup>1</sup>	Average Number of Months from Initiation to Completion
More than \$5,000, up to \$185,000 <sup>2</sup>	9	13.6
More than \$185,000, up to \$760,000	4	16.5
More than \$760,000	9	32.0
<b>Total</b>	<b>22</b>	<b>21.6</b>

<sup>1</sup> Insufficient information was available to allow us to calculate a completion duration for 8 of the 30 completed capital projects.

<sup>2</sup> Construction and maintenance projects with budgets of \$5,000 or less are not considered to be capital projects and are funded through King’s operating budget.

Projects that took the longest time to complete within each budget category included:

- a \$137,900 project to remove wallpaper and paint in MacArthur Hall that took 21.0 months to complete;
- a \$587,600 project to upgrade liquid oxygen storage and filling equipment that took 21.7 months to complete; and

- a \$4.6 million project to expand capacity and upgrade fire protection systems of elevators that took 52.6 months to complete.

DVA indicated that the project to expand elevator capacity and upgrade fire protection took substantially longer than average because construction was conducted separately on each elevator so that others could remain available for resident and staff use. In addition, after the project was initiated and work had begun, it was determined that the elevator shafts were in worse condition than had been anticipated and required additional maintenance.

### Debt Service Expenditures

***DVA and DOA pay debt service associated with the repayment of principal and interest on debt issued to fund capital projects at King.***

In addition to operating and capital expenditures for King, DVA and DOA also pay debt service associated with the repayment of principal and interest on debt issued to fund capital projects at King. These expenditures are not included in the operating and capital expenditures shown in Table 6 and Table 10. DVA pays debt service on program revenue-supported borrowing, and DOA pays debt service on GPR-supported borrowing. As shown in Table 14, debt service expenditures for King have fluctuated from FY 2011-12 through FY 2015-16. GPR-supported debt service expenditures for King were lowest in FY 2011-12 as a result of the refinancing of existing debt authorized by 2011 Wisconsin Act 32, which shifted some of these costs to subsequent years.

Table 14

#### Debt Service Expenditures for King

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
GPR-Supported Debt Service	\$367,900	\$1,675,400	\$1,433,800	\$1,203,900	\$1,309,900
Program Revenue-Supported Debt Service	209,300	233,400	249,900	262,900	333,200
<b>Total</b>	<b>\$577,200</b>	<b>\$1,908,800</b>	<b>\$1,683,700</b>	<b>\$1,466,800</b>	<b>\$1,643,100</b>

As of January 2017, total projected debt service payments for King totaled \$18.2 million. Appendix 3 shows projected debt service payments each year from FY 2016-17 through FY 2035-36.

## Assessing Capital Needs

***State agencies submit six-year facilities plans to DOA in even-numbered years.***

Section 13.48 (4), Wis. Stats., requires state agencies to report to the Building Commission on their proposed capital projects. The process that DOA has established for this reporting involves the development of six-year facilities plans. These plans, which are submitted to DOA in even-numbered years, identify each agency's facility-related needs and the specific capital projects intended to address them over the upcoming six-year period.

In developing its six-year facilities plans, DVA uses several sources of information. For example, DVA indicated that, for the six-year facilities plans completed since 2010, it has relied heavily on the reports of a private architectural and engineering firm that were issued from November 2009 through January 2010. The reports include structural and condition assessments of the main buildings on King's campus, including compliance with building codes. In addition, DVA also uses information from inspections of King that are performed by DHS and the federal Department of Veterans Affairs, and observations and assessments of building conditions made by King's maintenance staff. However, DVA has not developed a systematic process for comprehensively identifying and assessing capital-related project needs.

Using this information, staff at King compile a list of projects and work with the Commandant at King to prioritize the projects based on factors such as cost and level of need. The project list is then submitted to DVA managers for their review. DVA managers assess the projects submitted by King, along with those requested by managers of other DVA programs, in determining which projects to formally request by forwarding them to the Division of Facilities Development in DOA.

***At the time they were last assessed in 2009 and 2010, all of King's residence halls were in "good" or better condition.***

The overall condition of King's main facilities and the future work identified are shown in Table 15. At the time of these assessments, November 2009 through January 2010, all four of the residence halls were determined to be in "good" or better condition, but other facilities, such as the heating and cooling plant, fire station, and maintenance building were determined to be in "fair to good" condition. Although the chapel was determined to be in "fair" condition, staff note that each of the residence halls also has its own chapel.

Table 15

## Condition of Main Facilities at King

Facility	Year Constructed	Function	Condition <sup>1</sup>	Future Work Identified
<b>Residence Halls</b>				
Ainsworth Hall <sup>2</sup>	1993	Skilled Nursing Care	Good to Excellent	May renovate ceilings and floors by 2021.
MacArthur Hall	1986	Skilled Nursing Care, Hospital Care, Pharmacy	Good	May renovate ceilings and floors by 2021.
Olson Hall	1966	Skilled Nursing Care	Good	To be determined.
Stordock Hall	1968	Skilled Nursing Care	Good	Replace by 2019.
<b>Resident Services</b>				
Chapel <sup>3</sup>	1890	Religious Services	Fair	No work identified.
Marden Center	1972	Resident Activities, Museum	Good	To be renovated at some point in the future.
Underground Tunnels	1996	Connects Main Buildings	Good	No work identified.
<b>Support Buildings</b>				
Burns Clemens Hall	1959	Vacant (former residence hall)	Fair to Good	Demolish in 2017.
Central Services	1963	Food Preparation, Laundry, Offices, Shipping and Receiving	Good	May make improvements to food preparation system and replace laundry equipment by 2019.
Fire Station	1968	Fire and Security Services	Fair to Good	No work identified.
Heating and Cooling Plant	1951	Heating, Cooling, and Electrical Services	Fair to Good	No work Identified.
Maintenance Building	1968	Maintenance Vehicle Storage, Workshops	Fair to Good	No work identified.
Ove Center <sup>3</sup>	1929	Offices, DVA Housing Program (former hospital)	Poor to Fair	Demolish in 2017.
Surface Water Plant	1967	Well Water Storage, Workshop	Poor to Fair	No work identified.
<b>Other</b>				
Commandant's Residence <sup>3</sup>	1890	Meeting and Event Space	Fair	May be converted into a museum.
Cottages <sup>3</sup>	1892 to 1926	Vacant (former resident and employee housing)	Fair to Good	Demolish by 2019. <sup>4</sup>
Employee Dorm	1968	Vacant (former employee housing)	Fair to Good	Demolish in 2017.

<sup>1</sup> Based on assessments of King's facilities by a private firm from November 2009 through January 2010.

<sup>2</sup> Includes two secured units with a total of 99 licensed beds for residents who require memory care services.

<sup>3</sup> On the National Register and State Register of Historic Places.

<sup>4</sup> One of the 20 cottages will be restored and maintained for historical purposes.

***Of the 427 employees who responded to our survey question, 82.2 percent indicated that King’s facilities were in “good” or “very good” condition.***

In November 2016, we conducted an anonymous electronic survey of all 956 individuals employed at King at that time. One of the questions asked respondents to indicate their “opinion of the overall physical condition of the nursing and other facilities at King.” Of the 427 individuals who responded to this question, 82.2 percent indicated the facilities were in “good” or “very good” condition, and 17.8 percent indicated they were in “poor” or “very poor” condition. The results of other survey questions will be included in the second phase of our evaluation.

In its 2015–2016 strategic plan, DVA indicated that it would create a ten-year facilities plan for the Wisconsin Veterans Homes. However, it has not done so. Developing such a plan would facilitate DVA’s capital planning process, especially given that the last comprehensive assessment of King’s facilities was conducted more than seven years ago.

### **Recommendation**

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*We recommend the Department of Veterans Affairs:*

- *establish a systematic process for comprehensively identifying and assessing the capital-related project needs for all Wisconsin Veterans Homes;*
- *use this information to complete a ten-year facilities plan for the Wisconsin Veterans Homes and to help develop its required six-year facilities plans in the future; and*
- *report to the Joint Legislative Audit Committee by September 1, 2017, on the status of its efforts.*

## **Addressing Identified Needs**

We attempted to assess the extent to which all capital projects at King had been initiated in a timely manner. However, prior to May 2013, DVA maintained documentation only for requests made by King that proceeded through the formal capital budgeting process. Therefore, we analyzed project requests for the period from July 2011 through December 2016 for which documentation was available.

**Of the 29 capital projects requested by King for the period from July 2011 through December 2016, 19 were initiated.**

For this period, we identified requests made by King for a total of 29 capital projects. Of these 29 projects, 19 projects with budgets totaling \$26.6 million were initiated, and 10 projects with budgets totaling \$23.2 million were not initiated, as shown in Table 16. Of the 19 projects that were initiated, 12 projects (63.2 percent) may have a potential effect on resident safety. These include projects such as a fire alarm system upgrade and the installation of sprinklers in the Marden Center and Central Services facilities. Of the 10 projects that were not initiated, 3 projects (30.0 percent) may have had a potential effect on resident safety. These projects included the installation of electronic door locks; flooring and ceiling renovations in residence halls; and sidewalk, parking lot, and other paving work throughout the campus.

Table 16

**Projects Requested by King**  
July 2011 through December 2016

Projects	Number	Percentage	Budget	Percentage
Initiated	19	65.5%	\$26,554,600	53.4%
Not Initiated	10	34.5	23,179,000	46.6
<b>Total</b>	<b>29</b>	<b>100.0%</b>	<b>\$49,733,600</b>	<b>100.0%</b>

In addition to the 10 projects requested by King that were not initiated, DVA included an “All Agency” project for \$800,000 to renovate sidewalks and curbs as part of its 2015-17 capital budget request. This project was requested by DVA although it had not been formally requested by King. The 2015-17 Biennial Budget Act did not include any “All Agency” funding. However, DVA undertook a portion of the sidewalk and curb renovation using operating revenue and incorporated the remaining work as part of another pavement renovation project that it included in its 2017-19 capital budget request.

**Ten capital projects requested by King as part of the 2015-17 biennial budget process totaling \$23.2 million were not initiated.**

Table 17 shows the 10 projects requested by King from July 2011 through December 2016 that were not initiated. These projects, which King requested be included in DVA’s 2015-17 budget proposal, had estimated budgets totaling \$23.2 million. Of the 10 projects:

- 4 projects were not included in DVA’s capital budget request;
- 3 projects were included in DVA’s capital budget request but were deferred by the Building Commission;

- 2 projects were requested by King during the 2015-17 budget process, but DVA did not include them in its capital budget request until 2017-19 where they are currently pending; and
- 1 project included in DVA’s capital budget request did not require budget approval by the Building Commission, but it was not initiated because DVA chose to address the identified need through an alternate project.

Table 17

**Capital Projects Requested by King That Were Not Initiated<sup>1</sup>**  
July 2011 through December 2016

Project	Estimated Budget	Reason Project Not Initiated
Lighting and Emergency Generator Upgrade throughout King <sup>2</sup>	\$4,982,000	Deferred by State of Wisconsin Building Commission.
Flooring and Ceiling Replacement and Other Renovations in Ainsworth, MacArthur, and Olson Halls <sup>3</sup>	4,508,000	Deferred by State of Wisconsin Building Commission.
Food Production and Service System Upgrade <sup>4</sup>	4,212,000	Deferred by State of Wisconsin Building Commission.
Electronic Health Record and Digital X-ray System Upgrades	4,200,000	Not included in DVA’s capital budget requests.
Washing Machine Replacement in Central Services	1,600,000	Deferred by DVA for two years and remains pending as part of its 2017-19 capital budget request.
Preservation and Renovation of Cottages	1,500,000	Not included in DVA’s capital budget requests.
Parking Lot and Road Paving throughout King	725,000	Deferred by DVA for two years and remains pending as part of its 2017-19 capital budget request.
Storage System Replacement in MacArthur Hall	616,000	Not initiated by DVA because the need will be met through an alternate project.
Keyless Lock and Security System Upgrade <sup>2</sup>	436,000	Not included in DVA’s capital budget requests.
Clock System Upgrade	400,000	Not included in DVA’s capital budget requests.

<sup>1</sup> Includes only those projects for which documentation was available.

<sup>2</sup> DVA’s current six-year facilities plan indicates it will request funding for this project as part of the 2019-21 capital budget process.

<sup>3</sup> DVA’s current six-year facilities plan indicates it will request funding for this project for Ainsworth Hall and MacArthur Hall as part of the 2019-21 capital budget process. The future of Olson Hall has not been determined.

<sup>4</sup> This project is included in DVA’s 2017-19 capital budget request with a budget of \$7.0 million.

Highlighted projects may have had a potential effect on resident safety.

We reviewed more closely an issue raised in media reports during summer 2016. It had been reported that urine-soaked carpeting in one of the secured memory care units in Ainsworth Hall had not been replaced. DVA staff indicated that carpeting had been thought to be a good flooring choice when it was installed because it would help to protect residents from injuries should they fall. However, because residents in need of memory care often have incontinence issues, King staff indicated that it has been difficult to keep the carpet clean. As a result, King has been working to replace the carpeting with flooring that is easier to clean.

In September 2004, DVA requested \$1.1 million in “All Agency” funding. DVA indicated in its 2005-07 capital budget request that it intended to use \$225,000 to replace carpeting on the first floor of Ainsworth Hall. DVA further indicated that the carpeting was 11 years old and stated in its request, “Despite an active, ongoing cleaning program, the flooring has become urine soaked and soiled to the point where acceptable cleaning is not possible. In addition, during cleaning processes, odors are so strong that resident and employee health and wellbeing suffers.” Although DVA received “All Agency” funding during the 2005-07 biennium, it did not initiate the project at that time. A December 2005 letter from a DOA staff member to DVA appears to suggest that DVA was not eligible for “All Agency” funding. However, DOA records confirm that DVA was provided with \$2.9 million in “All Agency” funding during the 2005-07 biennium, including \$1.7 million for three projects at King after the letter was issued.

***In July 2012, DVA sought approval to replace soiled carpeting in Ainsworth Hall, more than seven years after it first requested the funding.***

In September 2006, DVA requested \$1.3 million in “All Agency” funding, including \$282,200 for the project to replace carpeting on the first floor of Ainsworth Hall that had not been initiated. DVA used the same justification for the project as it did in its 2005-07 capital budget request. Although DVA was allocated a total of \$1.5 million in “All Agency” funding for the 2007-09 biennium, it again did not initiate the project. In July 2012, DVA sought administrative approval from DOA to initiate the project, more than seven years after the funding was first requested. DOA approved the project with a budget of \$118,800 in September 2012, and it was completed in November 2013 at a cost of \$172,300.

In October 2014, DVA requested \$4.5 million to replace carpeting and other flooring in Ainsworth, MacArthur, and Olson Halls as part of its 2015-17 capital budget request. DVA indicated that the flooring to be replaced was original to each hall and was stained and damaged. This project was deferred by the Building Commission in March 2015. However, in December 2015, DVA sought approval from the Building Commission for a more-limited project to replace soiled carpeting on the second floor of Ainsworth Hall, which was



budgeted at \$360,400. The Building Commission approved the project in December 2015, and the project was completed in September 2016 at a cost of \$352,400.

### **Future Plans**

As part of its 2017-19 capital budget request, DVA requested \$12.4 million to fund three enumerated projects for the Wisconsin Veterans Home at King:

- \$7.0 million for food service system upgrades, including the purchase and installation of new cooking and meal delivery equipment;
- \$3.0 million for electrical substation replacement; and
- \$2.4 million for modifications to King's water system to improve water quality and facilitate system maintenance.

***Three enumerated projects for King are included in the 2017-19 Biennial Budget Bill.***

In March 2017, all three enumerated projects were approved by the Building Commission for inclusion in the 2017-19 Biennial Budget Bill. If authorized by the Legislature, the projects will be funded initially with a combination of program revenue-supported and GPR-supported borrowing, although DVA expects to receive federal reimbursement for an estimated \$8.0 million (65 percent) of the projects' total costs.

DVA also plans to begin construction on the John R. Moses Skilled Nursing Facility at King, which is a 192-bed facility intended to replace Stordock Hall. The project was enumerated in 2013 Wisconsin Act 187. A total of \$80.0 million, \$52.0 million in federal funding and \$28.0 million of program revenue-supported borrowing, was authorized by 2015 Wisconsin Act 55. In June 2017, DVA plans to request Building Commission approval to proceed with construction. If approved, construction would likely begin in November 2017 and be completed by December 2019.

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## **Appendices ■**

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Appendix 1

**Daily Private Pay Rates for Nursing Home Care at King**

		Intensive Skilled Nursing	Skilled Nursing	Hospice	Intermediate Care 1	Intermediate Care 2
January 2012	Veteran	\$251	\$199	\$184	\$146	\$111
	Spouse	347	295	280	242	207
January 2013	Veteran	287	224	209	161	119
	Spouse	384	321	306	258	216
January 2014	Veteran	253	197	183	141	104
	Spouse	353	297	283	241	204
January 2015	Veteran	262	204	190	146	108
	Spouse	364	306	292	248	210
January 2016	Veteran	262	204	186	145	106
	Spouse	366	308	290	249	210
January 2017	Veteran	265	206	206	146	107
	Spouse	371	312	312	252	213



## Appendix 2

### **Deferred Maintenance Projects for King**

As of February 2017

Project	Estimated Budget
Upgrade Heating, Ventilation, and Air Conditioning Controls	\$ 3,778,400
Renovate Ceilings and Floors in Ainsworth and MacArthur Halls	3,704,000
Replace Electrical Distribution System <sup>1</sup>	2,913,000
Replace Marden Center Windows	2,000,000
Replace Nurse Call System <sup>1</sup>	1,710,000
Conduct Paving and Asphalt Work throughout Campus <sup>1</sup>	1,047,000
Replace Retaining Wall Near Marden Center	681,000
Repair Balcony in Marden Center	382,000
Replace Deteriorating Sidewalks throughout Campus	200,000
Repair Exterior Stone Wall Adjacent to Road	131,300
Replace Medical Apparatus in MacArthur Hall	68,800
Repair and Replace Fire Sprinkler Systems	38,000
Replace Electrical System Components (Location Not Specified)	35,000
Replace Electrical System Component in Olson Hall	30,000
Replace Ice Machines in Ainsworth, MacArthur, and Olson Halls	27,000
Clean and Repair Building Exteriors throughout King	25,000
Label Electrical Boxes throughout King	24,000
Renovate Fishing Dock	15,000
Inspect Water Tower and Well	10,000
Remove Dying or Dead Trees	7,500
Replace Sump Pumps in MacArthur Hall	5,000
<b>Total</b>	<b>\$16,832,000</b>

<sup>1</sup> Project included in DVA's 2017-19 capital budget request.

  Highlighted projects may have a potential effect on resident safety.





Appendix 3

**Debt Service Schedule for King**

As of January 2017

Fiscal Year	General Purpose Revenue <sup>1</sup>	Program Revenue <sup>2</sup>	Total
2016-17	\$1,082,600	\$277,900	\$1,360,500
2017-18	1,348,600	305,900	1,654,500
2018-19	1,267,800	289,300	1,557,100
2019-20	1,303,700	305,900	1,609,600
2020-21	1,866,400	361,600	2,228,000
2021-22	1,592,200	376,800	1,969,000
2022-23	762,100	373,200	1,135,300
2023-24	612,200	379,000	991,200
2024-25	589,300	405,500	994,800
2025-26	388,000	430,300	818,300
2026-27	292,800	331,400	624,200
2027-28	279,800	220,800	500,600
2028-29	240,000	226,200	466,200
2029-30	230,200	222,000	452,200
2030-31	219,300	222,500	441,800
2031-32	130,300	256,700	387,000
2032-33	99,800	240,300	340,100
2033-34	87,000	239,100	326,100
2034-35	83,500	235,800	319,300
2035-36	49,700	22,400	72,100

<sup>1</sup> To be paid by DOA.

<sup>2</sup> To be paid by DVA.



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## Response ■

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May 4, 2017

Joe Chrisman, State Auditor  
Legislative Audit Bureau  
22 East Mifflin St., Suite 500  
Madison, WI 53703

Dear Mr. Chrisman:

On behalf of all Wisconsin Veterans, thank you for the opportunity to comment on the Legislative Audit Bureau's evaluation of the revenues, expenditures, and capital projects related to the Wisconsin Veterans Home at King, representing the first phase of the more comprehensive assessment of King's operations and performance. We strive to be honest, forthright, and transparent in all that we do, and your report enables us to continue making necessary improvements as well as re-affirm areas of success.

In my short tenure as Secretary, I have learned that the four licensed skilled nursing facilities making up the Wisconsin Veterans Home at King, the largest skilled nursing home campus in the state, exceed local, state, and national averages in almost all measured areas to include the key components of quality of care, survey citations, and employee retention. Most importantly, regarding quality of care, King's federal rating of 4.75 out of 5 stars far outpaces the state and national averages of 3.5 and 3.2 stars, respectively. This success is a tribute to the dedicated workforce at King.

The staff at King cares for Veterans, many at the end of life, in the highly-regulated environment that is a state Veterans home. The success indicated by industry measurements speaks proudly to our achievement compared to others in the industry.

While much of our success is a tribute to the dedicated workforce at King, I readily acknowledge a need for improvement. Our comprehensive 2040 strategic planning process, begun in February 2017, has already identified many of the report's concerns. I look forward to completing this long-term strategic plan in the coming months. We believe a plan that looks well beyond LAB's suggested 10 years is critical to successfully meeting the evolving needs of Veterans in the future.

After careful review, the WDVA concurs with the LAB's recommendations and, in some cases, will exceed them in execution. I would like to briefly comment on some issues discussed in the report:

#### **Future Use of Cash Balance**

WDVA agrees with the LAB recommendation to identify an "appropriate" cash reserve at King. However, WDVA will include all state Veterans homes in this cash reserve. Likewise, WDVA will develop a plan for the use of the funds within the cash reserve (Institutional Operations) account. As noted in the report, the current plan for the account includes funding for statewide Veterans programs, benefits and services.

## Capital Projects

The timely completion of maintenance and improvement projects is critical to maintaining a safe environment that promotes a high quality of life for our residents and our workforce. WDVA will develop a more comprehensive and “systematic process” for identifying capital needs/projects not only at King but at WDVA facilities statewide.

We share the concern regarding the flooring project that was initiated in the 2005-2007 budget. As good stewards of state resources, King staff responsibly employed other measures to adequately mitigate the carpet damage. After these mitigation measures were no longer adequate, WDVA requested and DOA approved the flooring project again in September 2012 and it was completed in November 2013. While the report identified this isolated example from several biennia past, it is important to note that from 2005 through 2016 the department allocated over \$118 million for capital projects at King. Department staff works every day to ensure delays of projects do not occur.

We also acknowledge the need for long-term planning. As noted in the report, the King Veterans Home already prepares the required six-year facilities plan and we have also completed a twenty-year master plan for King, last updated in 2014. Further, as I previously mentioned, we have already initiated a long-term 2040 strategic planning process for all of WDVA to include our homes – of which an integral part is the proposed 24-hour skilled nursing care facility in Dane County. This long-term strategic plan exceeds LAB recommendations.

I would again thank you and your team for your thorough examination of King’s revenues, expenditures, and capital projects. This audit is an opportunity to improve our financial and planning practices, and in turn our service to Veterans and their families. Your analysis is a valuable tool for the Department. It is our obligation to not only ensure that all Veterans and their families have access to the critical programs, benefits and services they have earned, but also to do so in a responsible and transparent manner. Your analysis will help us to achieve these ends.

I look forward to providing a full report on your recommendations to the Joint Legislative Audit Committee on or before September 1, 2017.

Sincerely,



Daniel J. Zimmerman  
Secretary