



**DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
MEXICO VETERANS' HOME**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-05
January 16, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2004

The following problems were discovered as a result of an audit conducted by our office of the Department of Public Safety, Missouri Veterans Commission, Mexico Veterans' Home.

The Mexico Veterans' Home Assistance League is a not-for-profit organization which raises private funds to benefit residents of the Mexico Veterans' Home. Donation, as well as canteen proceeds, are used for this purpose. The Assistance League purchases items to sell through the canteen, coordinates and pays for events and activities for residents, and purchases items for common areas located in the facility. Some expenditures did not appear to benefit residents, including approximately \$8,300 spent for costs related to volunteer banquets and recognition awards. Additionally, proper authorization was not obtained for expenditures as required by the league's by-laws.

Several league expenditures reviewed did not have proper supporting documentation. We noted several cash withdrawals from the league's bank account, which were used to fund outings for the residents. Cash amounts withdrawn were frequently for several hundred dollars. The related documentation was limited and generally consisted of some notations showing the anticipated number of participants and estimated costs; however, there was no documentation submitted to support the monies spent.

Some state paid employees at the facility spend a portion of their work week performing job duties for the Assistance League. Allowing state paid employees to perform duties associated with the Assistance League appears to be a violation of the Missouri Constitution, which prohibits state agencies from making donations to not-for-profit corporations.

The audit also included recommendations to the Assistance League regarding a formal bidding policy and collateralized securities. In addition, the audit includes recommendations related to the facility's background checks and payroll procedures.

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YELLOW SHEET

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
MEXICO VETERANS' HOME

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Charles R. Jackson, Director
Department of Public Safety
and
Missouri Veterans Commission
and
Cheryl Goodwin, Administrator
Mexico Veterans' Home
Mexico, MO 65265

We have audited the Department of Public Safety, Missouri Veterans Commission, Mexico Veterans' Home. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2003 and 2002. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable statutes, regulations, and facility policy.
2. Review the efficiency and effectiveness of certain management practices and operations.
3. Review certain revenues received and certain expenditures made by the Mexico Veterans' Home.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the minutes of meetings, written policies, financial records, and other pertinent procedures and documents, and interviewed various personnel of the facility.

As part of our audit, we assessed the facility's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and was not subjected to the procedures applied in the audit of the facility.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Public Safety, Missouri Veterans Commission, Mexico Veterans' Home.



Claire McCaskill
State Auditor

September 12, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
MEXICO VETERANS' HOME
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.

Assistance League Fund

The Mexico Veterans' Home Assistance League is a not-for-profit organization which raises private funds to benefit residents of the Mexico Veterans' Home. Donations, as well as canteen proceeds, are used for this purpose. The Assistance League is governed by a board of trustees. Because of the fiscal and managerial responsibilities that state employees have assumed for the Assistance League, we reviewed the League's records and procedures and noted some areas where improvements are needed.

- A. The Assistance League purchases items to sell through the canteen, coordinates and pays for events and activities for residents, and purchases items for common areas located in the facility. The Assistance League's by-laws provide that disbursements of up to \$500 for any single expenditure can be made without a vote of the Board of Trustees provided approval of the expenditure is made by the home administrator. Disbursements for any single expenditure of \$500 or more require approval of a majority of the Board of Trustees. A review of expenditures made during fiscal years 2002 and 2003 noted several concerns.
- 1) Some expenditures did not appear to benefit residents. Of the expenditure transactions we reviewed, approximately \$8,300 was spent for costs related to volunteer banquets and recognition awards.
 - 2) Proper authorization was not obtained for expenditures. Although required by the league's by-laws, neither board approval or home administrator approval was obtained. Rather, the board president, board treasurer, or chief accountant of the facility (also the board's assistant treasurer) signed the checks as their approval of the expenditure.
 - 3) Several invoices did not contain an indication of receipt of goods or services. Indication of receipt of goods or services is necessary to ensure that amounts presented for payment represent legitimate costs of the Assistance League.
 - 4) Several expenditures reviewed did not have proper supporting documentation. We noted several cash withdrawals from the league's bank account, which were used to fund outings for the residents, such as the state fair, a baseball game, and a train trip. Cash amounts withdrawn were frequently for several hundred dollars. The related documentation

was limited and generally consisted of some notations showing the anticipated number of participants and estimated costs. In some cases, unused monies were returned for re-deposit into the league's bank account. However, there was no documentation (such as a log of residents and staff in attendance, parking stubs, meal receipts, ticket stubs, etc.) submitted to support the monies spent. While it may not always be practical to obtain receipts for all monies spent in these situations, those that are available should be retained as support.

Expenditures should be supported by paid receipt slips or vendor-provided invoices, when practical. Without such documentation, it is unclear whether these purchases are valid and necessary expenditures, and whether appropriate monies have been returned for re-deposit into the league's account.

- 5) The Assistance League does not have a formal bidding policy. Based on a review of supporting documentation, it appeared there had been an effort to obtain comparative prices for some purchases; however, this process was not clearly documented or regularly completed.

Formal bidding procedures for purchases would provide a framework for economical management of league resources and help ensure the league receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the league's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised seal bid. Various approaches are appropriate based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why certain bids were awarded.

- B. The Assistance League has no procedures in place to ensure that amounts in its bank accounts are insured, collateralized, or held in custody to minimize risk if a loss occurs. As a result, the Assistance League Board's funds on deposit exceeded the Federal Deposit Insurance Corporation (FDIC) coverage by approximately \$204,000 during June 2002. No collateral securities were pledged by the depository bank to cover the monies in excess of the FDIC coverage. The high balance periods were primarily due to the Assistance League receiving a large donation in 2002. Inadequate collateral securities leave the Assistance League Board funds unsecured and subject to loss in the event of a bank failure.

In addition, the Assistance League Board has not entered into written depository agreements with their depository banks. Written depository agreements should be established with each depository bank selected, outlining the services to be provided by the bank, the charges for the services, and the collateral to be pledged to secure the deposits.

WE RECOMMEND the Assistance League:

- A.1. Ensure that all league disbursements benefit the majority of the residents. In addition, the facility should determine a more appropriate funding source for expenditures such as volunteer banquets and recognition awards.
 2. Ensure that proper authorization for purchases is obtained as required.
 3. Ensure all invoices contain an indication of receipt of goods or services.
 4. Ensure proper supporting documentation is retained.
 5. Establish formal bidding policies and procedures, including documentation requirements regarding bids or quotes received and justification for the bids awarded.
- B. Establish monitoring procedures to ensure depository banks pledge adequate collateral securities at all times, and enter into written depository agreements with all depository banks.

AUDITEE'S RESPONSE

- A.1. *In fiscal year 2003, the Home received benefits of 14,753 volunteer hours and a total of \$130,000 in monetary and material donations. The Residents of our facility benefit directly from these contributions. Therefore, we feel the recognition by the Assistance League of the individual volunteers and those making donations is very appropriate. The Assistance League board is currently considering adopting changes to their by-laws that will reflect their support of these programs.*
 2. *The by-laws of the Assistance League were recently modified to reflect more practical operating procedures. The requirement of dual signatures on all expenditures was implemented in October 2003, thus increasing the system of controls that are in place.*
 3. *Every effort is being made to ensure that documentation indicating receipt of goods or services is being maintained.*
 4. *Every effort is being made to ensure that documentation is being retained to support expenditures.*
 5. *The Assistance League board has chosen not to develop a formal bidding policy; however, every effort will be made when practical to obtain and document competitive pricing.*
- B. *The Assistance League received a donation in excess of \$200,000 from an individual in fiscal year 2003. While the board was considering investment options these funds were allowed to remain in one financial institution, thus creating the situation of assets in*

excess of the FDIC coverage. This situation was corrected as of March 2003 when funds were distributed to various financial institutions.

2.

Personnel and Payroll Issues

- A. Some state paid employees at the facility spend a portion of their workweek performing job duties for the Assistance League. The facility's supervisor of volunteer services indicated that duties related to her facility position are so integrated with duties performed for the not-for-profit organization that it would be difficult to distinguish between time spent on activities for the facility and the assistance league. She performs various duties for the assistance league including collecting donations received at the Veterans' Home, scheduling volunteers to work in the not-for-profit organization's canteen, and providing tours of the Veterans' Home to outside organizations that contribute to the not-for-profit organization. In addition, another state paid employee estimated approximately three to four days a month are spent performing various job duties for the not-for-profit organization, including serving on the organization's executive committee as the assistant treasurer.

Allowing state paid employees to perform duties associated with the Assistance League appears to be a violation of Article III, Section 38 and 39 of the Missouri Constitution, which prohibits state agencies from making donations to not-for-profit corporations.

- B. Background checks were not always performed for all employees and are not adequately documented. The facility conducts background checks when hiring its staff. This includes contacting the Missouri State Highway Patrol and the employee's former employer, and checking the state's Family Care Safety Registry. After reviewing personnel records, it was determined that registry verification had not been obtained on all employees until January 2003. Prior to this, only licensed nursing staff were being checked on the registry. In addition, it was noted that the documentation of these checks was not always kept in the personnel records. The Missouri Veterans Home Administrative Policy Manual, Section B-6, indicates all employees are subject to background checks and documentation of these checks is to be retained in the personnel records.
- C. The facility requires the use of annual leave to be approved by the employee's immediate supervisor; however, we noted several instances where leave request forms had no approval signature or were not approved by the appropriate supervisor. In addition, several of the facility's departments did not retain leave request forms for fiscal year 2002.

The Missouri Veterans Home Administrative Policy Manual, Section B-22, indicates employees are to obtain approval to use annual leave from their

immediate supervisor. Proper control over payroll requires documentation, such as leave request forms, signed by the employees and approved by their supervisors, to provide evidence of time worked and/or leave taken each month. Retention of approved leave request forms is necessary to ensure the validity of the timekeeping system information and provide support for possible payroll adjustments.

WE RECOMMEND the facility:

- A. Establish procedures to track the time state paid employees spend performing Assistance League job duties and recoup the cost associated with these duties from the Assistance League. These funds should be deposited into the Missouri Veterans' Home Fund.
- B. Ensure that background checks are performed for all employees and adequately documented in the personnel files.
- C. Ensure employee leave request forms are approved and signed by the appropriate supervisor, and retained for appropriate time periods.

AUDITEE'S RESPONSE

- A. *Because of the nature of the duties of the Supervisor of Volunteer Services, it is difficult to distinguish between time spent on activities that benefit the Assistance League versus activities that benefit only the home. The State of Missouri, Office of Administration, Division of Personnel, job description for the Supervisor of Volunteer Services provides examples of work for this position, including, but not limited to, the following:*
 - 1. *Confers with department heads with regard to specific needs for volunteers,*
 - 2. *Plans and conducts recruitment campaigns to stimulate interest in the program and attract suitable candidates; interprets program philosophy and objectives to lay organizations and professional groups,*
 - 3. *Interviews applicants to determine aptitudes, interests, abilities, skills, and other qualifications; classifies applicants according to qualifications, time available for duty, and other characteristics,*
 - 4. *Plans, develops and coordinates an information and public relations program to acquaint the community and organizations in the community with facility and agency program objectives and accomplishments,*
 - 5. *Conducts tours of the facility for interested individuals and groups and interprets programs and services provided,*
 - 6. *Receives requests for volunteer services and makes referrals of available volunteers to department heads on the basis of qualifications,*
 - 7. *Arranges periodic reassignment of volunteers to sustain interest and to utilize abilities; meets with volunteers to discuss individual problems that relate to their assignment,*
 - 8. *Compiles and maintains records of placements and working hours, prepares reports on activities and performance of volunteers, and*

9. *Develops and maintains working relationships with community organizations and the news media.*

The Supervisor of Volunteer Services conducts tours of the Mexico Veterans Home to interested individuals and organizations. These individuals or organizations could have a number of reasons for requesting a tour. They may have a family member who is interested in applying to the home to be a resident. They could also have a community interest in the home, which could result in volunteer hours for the home. In fiscal year 2003, the number of volunteer hours provided to the Mexico Veterans Home was 14,753, which was a direct benefit to the residents of the home. Also, the Missouri Veterans Commission administers the Veterans Trust Fund, a state fund that accepts donations. The tours could also result in increased contributions to this state fund.

Finally, Section 42.007.5(5), RSMo., states the Missouri Veterans Commission shall "Arrange for and accept through such mutual arrangements as may be made, the volunteer services, equipment, facilities, properties, supplies, funds and personnel of all federal, welfare, civic and service organizations, and other organized groups and individuals which are in furtherance of the purposes of section 42.002 to 42.140."

The Missouri Veterans Homes and the Assistance Leagues now have signed agreements which state that the value of the donations by the Assistance Leagues to the homes will equal or exceed the value of the employees' time spent on Assistance League functions. The homes will document that the benefits of the Assistance Leagues outweigh the costs.

- B. *Policy revisions occurred August 25, 2003, to outline requirements for criminal record reviews for all employees which includes both Criminal Background Checks through Missouri State Highway Patrol and screening through the Employee Disqualification List with the Department of Health and Senior Services. This screening process has been in place since January 2003 and documentation/verification of this screening is maintained in the personnel department.*
- C. *The issue described here is related to the Nursing Scheduler evaluating leave requests and granting leave based upon staffing requirements. Not all leave slips were signed as approved by the immediate supervisors. This issue has been remedied. Immediate supervisors are signing off in approval of leave requests once the scheduler evaluates the feasibility of allowing employees' leave requests.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
MEXICO VETERANS' HOME
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Mexico Veterans' Home is a 150-bed nursing home care facility, providing care to Missouri veterans who are unable to support or adequately care for themselves. Construction of the Mexico facility began in June 1983, and on April 8, 1985, the first resident was admitted. By June 30, 1985, one floor was essentially filled, the second floor opened in August 1985, and the third floor opened in September 1986. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. The cost of care is shared by the resident, based on ability to pay, the Federal Veterans' Administration, and the state's General Revenue Fund.

The Mexico Veterans' Home Assistance League, a not-for-profit corporation, was formed in January 1982, at the St. James Veterans' Home to receive donations to be spent for the benefit of all the residents of the Mexico facility. These funds were physically transferred to the Mexico Veterans' Home facility in March 1985. The Assistance League also funds the canteen operations.

The Missouri Veterans Commission operates seven homes for veterans of the state. The homes are located in St. James, Mount Vernon, Mexico, Cape Girardeau, Cameron, Warrensburg and St. Louis. Members of the Missouri Veterans Commission, as of June 30, 2003, include:

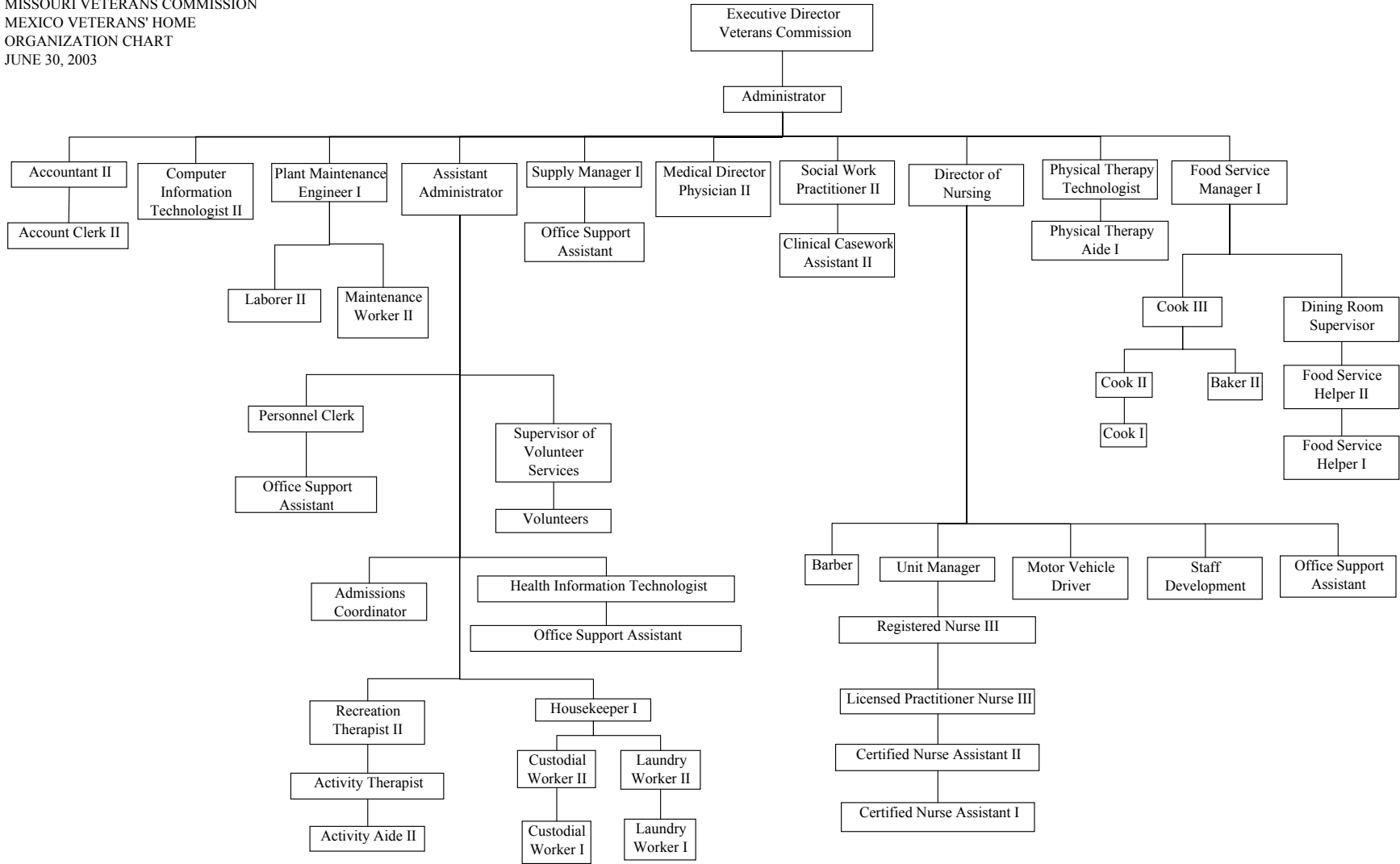
<u>Members</u>	<u>Term Expires</u>
Carl H. Niewoehner, Chairman	November 2, 1997*
Donald Gralike, Vice-Chairman	November 2, 2003
Carson Ross	November 2, 2004
Bernadette Miller	December 11, 2004
Emmett Fairfax	November 2, 2005

* Term has expired. Member continues to serve until a successor is appointed.

As of June 30, 2003, the Mexico Veterans' Home employed 161 full and part-time employees. These employees were assigned to various administrative and service sections. Cheryl Goodwin assumed the position of Administrator on March 21, 1997, and currently serves in that capacity.

An organization chart and statistical data follow:

DEPARTMENT OF PUBLIC SAFETY
 MISSOURI VETERANS COMMISSION
 MEXICO VETERANS' HOME
 ORGANIZATION CHART
 JUNE 30, 2003



DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
MEXICO VETERANS' HOME
STATISTICAL DATA

	Year Ended June 30,	
	<u>2003</u>	<u>2002</u>
RESIDENTS	148	136
OCCUPANCY		
Total number of beds	150	150
Average daily census	142	134
Bed occupancy percentage	95%	89%
RESIDENT COST		
Total resident costs	\$ 6,640,020 *	6,902,691 *
Total resident days	<u>51,709</u>	<u>48,752</u>
Average Daily Resident Cost	\$ <u><u>128</u></u>	<u><u>142</u></u>

* These cost amounts include employee fringe benefits and depreciation, whereas the salary and wage expenditure amounts on Appendix A do not. In addition, these amounts do not include property and improvement expenditures, whereas Appendix A does include these expenditure amounts.

Appendix A

DEPARTMENT OF PUBLIC SAFETY
 MISSOURI VETERANS COMMISSION
 MEXICO VETERANS' HOME
 COMPARATIVE STATEMENT OF EXPENDITURES (BY BUDGET OBJECT)

	Year Ended June 30,	
	2003	2002
Salaries and wages	\$ 3,743,361	3,751,613
Travel:		
In-State	12,786	13,604
Out-of-State	798	1,111
Fuel and utilities	224,551	226,289
Supplies	1,071,626	1,198,195
Professional development	21,877	13,151
Communication services and supplies	23,612	21,854
Services:		
Professional	49,058	60,625
Housekeeping and janitorial	28,270	19,012
Maintenance and repair services	65,652	77,439
Equipment:		
Computer	6,381	0
Office	0	4,113
Other	6,055	277,558
Property and improvements	4,723	580
Building lease payments	305	1,046
Equipment rental and leases	9,422	8,750
Miscellaneous expenses	172	207
Total Expenditures	\$ <u>5,268,649</u>	<u>5,675,147</u>

Appendix B

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS COMMISSION
MEXICO VETERANS' HOME
MISSOURI VETERANS' HOME FUND
COMPARATIVE STATEMENT OF RECEIPTS

	Year Ended June 30,	
	<u>2003</u>	<u>2002</u>
Payments from Veterans	\$ 2,352,004	2,086,407
Veterans Administration Per Diem	2,888,768	2,584,287
Other	45,543	18,006
Total Receipts	<u>\$ 5,286,315</u>	<u>4,688,700</u>

Appendix C

DEPARTMENT OF PUBLIC SAFETY
 MISSOURI VETERANS COMMISSION
 MEXICO VETERANS' HOME
 AUXILIARY FUNDS
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND CASH EQUIVALENTS

	Year Ended June 30,			
	2003		2002	
	Residents Fund	Assistance League Fund	Residents Fund	Assistance League Fund
RECEIPTS				
Residents' deposits	\$ 2,608,618	0	2,275,378	0
Donations/sales from canteen	0	169,713	0	326,259
Total Receipts	<u>2,608,618</u>	<u>169,713</u>	<u>2,275,378</u>	<u>326,259</u>
DISBURSEMENTS				
Residents' withdraws	2,585,627	0	2,253,280	0
Benefit of residents/cost of goods sold	0	109,051	0	118,271
Total Disbursements	<u>2,585,627</u>	<u>109,051</u>	<u>2,253,280</u>	<u>118,271</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	22,991	60,662	22,098	207,988
CASH AND CASH EQUIVALENTS, JULY 1	<u>85,134</u>	<u>289,139</u>	<u>63,036</u>	<u>81,151</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 108,125</u>	<u>349,801</u>	<u>85,134</u>	<u>289,139</u>