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Missouri State Auditor

Missouri Veterans Commission

Capital Improvement Trust Fund



November 2015
Report No. 2015-101

<http://auditor.mo.gov>



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Missouri Veterans Capital Improvement Trust Fund

| | |
|------------|--|
| Background | The Missouri Veterans Commission Capital Improvement Trust Fund supports the construction, maintenance, and equipment needs of veterans' homes and cemeteries in the state. It also pays for medals and certificates issued in honor of Missouri veterans. This audit is required under RSMo 42.300 and is limited in scope to review expenditure compliance with the law. |
| Findings | The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures as they relate to the fund. No findings resulted from this audit. |

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Missouri Veterans Commission Capital Improvement Trust Fund

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Lane Roberts, Director
Department of Public Safety
and
Larry D. Kay, Director
Missouri Veterans Commission
Jefferson City, Missouri

We have audited the Missouri Veterans Commission Capital Improvement Trust Fund, as required by Section 42.300.4, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2014 and 2013. The objectives of our audit were to:

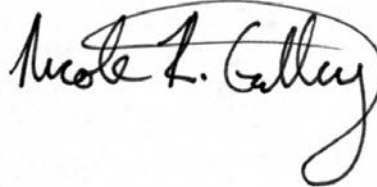
1. Evaluate internal controls over significant management and financial functions related to the fund.
2. Evaluate compliance with certain legal provisions related to the fund.
3. Evaluate the economy and efficiency of certain management practices and operations related to the fund, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agencies that administer the fund; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Missouri Veterans Commission's management and was not subjected to the procedures applied in our audit of the fund.

For the areas audited, we identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Missouri Veterans Commission Capital Improvement Trust Fund.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

| | |
|-----------------------|------------------------------|
| Deputy State Auditor: | John Luetkemeyer, CPA |
| Director of Audits: | Douglas J. Porting, CPA, CFE |
| Audit Manager: | Lori Melton, M.Acct., CPA |
| In-Charge Auditor: | Wayne Kauffman, MBA |
| Audit Staff: | Nancy McDowell |
| | Anh Nguyen |

Missouri Veterans Commission Capital Improvement Trust Fund

Organization and Statistical Information

The Missouri Veterans Commission Capital Improvement Trust Fund was established by Section 42.300, RSMo. The fund receives monies transferred from the Gaming Commission Fund as authorized by Section 313.835, RSMo, and is used for the construction, maintenance, renovation, or equipment needs of homes; construction, maintenance, renovation, equipment needs and operation of cemeteries; and fund transfers to the Missouri Veterans Homes Fund to maintain the solvency of that fund. In 2012, state law was amended to include the administration of the Missouri Veterans Commission as an authorized use of the fund. It also funds the medallion recognition programs.

The Missouri Veterans Commission is composed of nine members. Two members shall be members of the Senate, one appointed by the President Pro Tem of the Senate and one appointed by the Senate Minority Floor Leader, two members shall be members of the House of Representatives, one appointed by the Speaker of the House of Representatives and one appointed by the House Minority Floor Leader, and in appointing such members, preference shall be given to current or former members of the military and their spouses, parents, and children. Members appointed from the House of Representatives and the Senate shall be appointed for a 2-year term or until a successor is appointed and may be reappointed to the Commission. Five members, who shall be veterans, are appointed by the Governor, with the advice and consent of the Senate, for a 4-year term; except that initial appointments to the Commission shall consist of two veterans to serve 4-year terms, two veterans to serve 3-year terms, and one veteran to serve a 2-year term. In addition, the chair of the Missouri Military Preparedness and Enhancement Commission or the chair's designee shall be an ex officio member of the Commission.

At June 30, 2014, the Commission was composed of three veterans, appointed for 3-year terms and one veteran appointed to a 4-year term by the Governor and confirmed by the Senate, two members of the Senate, and two members of the House of Representatives. There was one vacant Commission seat as of June 30, 2014.

Commission Members at June 30, 2014

| Commissioner | Term Expires |
|------------------------------|------------------|
| Paul E. Connors (1) | November 2, 2012 |
| Scott C. Englund (1) | November 2, 2013 |
| Nancy M. Nelson (1) | March 17, 2013 |
| Charles R. Wooten | November 2, 2015 |
| Senator David Pearce (1) | August 4, 2011 |
| Senator Scott Sifton | January 22, 2015 |
| Representative Denny Hoskins | January 23, 2015 |
| Representative Michael Frame | June 30, 2016 |

(1) Commissioners continue to serve until a successor is appointed.



Missouri Veterans Commission Capital Improvement Trust Fund Organization and Statistical Information

The Commission appoints an executive director who implements policies and is responsible for the statewide management of veterans programs. The executive director reports regularly to the Commission concerning all aspects of program operations through quarterly Commission meetings. Larry Kay has served as Executive Director since August 2008.

The Office of Administration also receives appropriations which are expended on behalf of the Commission for the design, construction, and leasing of Commission facilities and cemeteries.

Appendix A

Veterans Commission Capital Improvement Trust Fund

Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

| | Year Ended June 30, | |
|---|----------------------|-------------------|
| | 2014 | 2013 |
| RECEIPTS | | |
| Federal receipts | \$ 817,076 | 1,729,075 |
| Other | 5,083 | 12,077 |
| Interest | 109,490 | 112,281 |
| Total Receipts | <u>931,649</u> | <u>1,853,433</u> |
| DISBURSEMENTS | | |
| Salaries and wages | 3,407,303 | 3,300,566 |
| Travel | 142,080 | 126,772 |
| Supplies | 557,811 | 558,908 |
| Professional development | 10,066 | 5,506 |
| Communication services and supplies | 104,325 | 95,951 |
| Professional services | 47,840 | 58,438 |
| Equipment | 170,419 | 348,882 |
| Property and improvements | 981,889 | 3,347,301 |
| Building lease payments | 2,987,495 | 2,740,362 |
| Equipment rental and lease payments | 9,765 | 6,938 |
| Maintenance and repair services | 32,177 | 27,125 |
| Housekeeping and janitor services | 13,469 | 11,399 |
| Fuel and utilities | 10,201 | 8,165 |
| Other | 6,699 | 9,093 |
| Program distributions | 1,382,856 | 1,405,525 |
| Total Disbursements | <u>9,864,395</u> | <u>12,050,931</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | | |
| BEFORE TRANSFERS | (8,932,746) | (10,197,498) |
| TRANSFERS FROM: | | |
| Gaming Commission Fund | 26,792,691 | 29,900,000 |
| Federal Stimulus - DPS MVC Fund | 0 | 561,387 |
| Proceeds of Surplus Property Fund | 4,887 | 333 |
| TRANSFERS TO: | | |
| Missouri Veterans Homes | (7,600,000) | (16,000,000) |
| Missouri Consolidated Health Care Plan | (728,435) | (715,309) |
| Retirement System | (596,840) | (497,923) |
| Old Age, Survivors, Disability and Health Insurance Program | (244,739) | (237,360) |
| OA-Cost Allocation Plan | (1,218) | (69,778) |
| OA-Workers' Compensation | (381) | (39,485) |
| Total Transfers | <u>17,625,965</u> | <u>12,901,865</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS AND | | |
| TRANSFERS | 8,693,219 | 2,704,367 |
| CASH AND INVESTMENTS, JULY 1 | <u>21,644,528</u> | <u>18,940,161</u> |
| CASH AND INVESTMENTS, JUNE 30 | <u>\$ 30,337,747</u> | <u>21,644,528</u> |

Appendix B

Veterans Commission Capital Improvement Trust Fund
Comparative Statement of Appropriations and Expenditures

| | Year Ended June 30, | | | | | |
|---|-------------------------|--------------|-----------------|-------------------------|--------------|-----------------|
| | 2014 | | | 2013 | | |
| | Appropriation Authority | Expenditures | Lapsed Balances | Appropriation Authority | Expenditures | Lapsed Balances |
| MISSOURI VETERANS COMMISSION | | | | | | |
| Veterans Homes - Personal Service | \$ 28,610 | 24,099 | 4,511 | 28,337 | 26,411 | 1,926 |
| Veterans Recognition Program - Expense and Equipment (1) | 136,732 | 6,662 | 130,070 | 538,840 | 42,012 | 496,828 |
| Administration and Service to Veterans - Personal Service | 3,498,093 | 3,305,921 | 192,172 | 3,469,057 | 3,197,393 | 271,664 |
| Administration and Service to Veterans - Expense and Equipment | 1,307,855 | 1,061,216 | 246,639 | 1,307,855 | 1,158,782 | 149,073 |
| Veterans Service Officer Program | 1,600,000 | 1,382,206 | 217,794 | 1,600,000 | 1,403,838 | 196,162 |
| Maintenance, repairs, replacements, unprogrammed requirements, emergency requirements, operational maintenance and repair; and improvements at facilities statewide (1) | 0 | 0 | 0 | 26,375 | 7,875 | 18,500 |
| Emergency generators at various veterans homes (1) | 0 | 0 | 0 | 4,294,717 | 5,945 | 4,288,772 |
| Sprinkler installation at the St. James Veterans Home (1) | 0 | 0 | 0 | 1,546,549 | 0 | 1,546,549 |
| Roof replacement at the St. James Veterans Home (1) | 0 | 0 | 0 | 781,255 | 0 | 781,255 |
| Construction of a solarium at the Warrensburg Veterans Home (1) | 0 | 0 | 0 | 102,779 | 0 | 102,779 |
| Construction of a new chapel and renovation of the existing chapel for conference/training room space at the Warrensburg Veterans Home (1) | 0 | 0 | 0 | 686,838 | 0 | 686,838 |
| Construction of a new columbarium wall and spoils area at the Higginsville Veterans Cemetery (1) | 0 | 0 | 0 | 2,179,353 | 21,160 | 2,158,193 |
| Construction of a new columbarium wall at the Springfield Veterans Cemetery (1) | 0 | 0 | 0 | 1,383,405 | 25,394 | 1,358,011 |
| Construction of a new columbarium wall at the Springfield Veterans Cemetery (1) | 0 | 0 | 0 | 52,795 | 0 | 52,795 |
| Construction of a new chapel and renovation of the existing chapel for conference/training room space at the Cameron Veterans Home (1) | 0 | 0 | 0 | 635,784 | 0 | 635,784 |
| Veterans Recognition Program - Personal Service (1) | 91,715 | 77,286 | 14,429 | 90,891 | 76,761 | 14,130 |
| Operation of institutional facilities, utilities, systems furniture, and structural modifications (1) | 2,786,011 | 2,786,011 | 0 | 2,547,527 | 2,547,527 | 0 |
| Maintenance, repairs, replacements, unprogrammed requirements, emergency requirements, operational maintenance and repair, and improvements at facilities statewide (1) | 107,662 | 107,662 | 0 (2) | 502,664 | 502,664 | 0 |
| Construction, renovations, and improvements at state veterans homes (1) | 1,535,136 | 712,677 | 822,459 (2) | 2,783,991 | 2,783,990 | 1 |
| Payment of real property leases, utilities, systems furniture, and structural modifications (1) | 124,913 | 101,230 | 23,683 | 181,775 | 86,740 | 95,035 |
| Operation of state-owned facilities, utilities, systems furniture, and structural modifications (1) | 116,783 | 116,783 | 0 (2) | 116,383 | 116,382 | 1 |
| Design and construction of a storage building at the St. Louis Veterans Home (1) | 1,076,625 | 0 | 1,076,625 (2) | 0 | 0 | 0 |
| Installation of electronic medical records at veterans homes statewide (1) | 2,362,500 | 0 | 2,362,500 (2) | 0 | 0 | 0 |
| Maintenance, repairs, replacements, and improvements at facilities statewide (1) | 1,000,000 | 52,202 | 947,798 (2) | 0 | 0 | 0 |
| Repairs, replacements, and improvement at the Cameron Veterans Home (1) | 524,300 | 0 | 524,300 (2) | 0 | 0 | 0 |
| Repairs, replacements, and improvements at the Cape Girardeau Veterans Home (1) | 3,966,030 | 0 | 3,966,030 (2) | 0 | 0 | 0 |
| Repairs, replacements, and improvement at the Mexico Veterans Home (1) | 791,350 | 0 | 791,350 (2) | 0 | 0 | 0 |
| Repairs, replacements, and improvements at the St. James Veterans Home (1) | 6,202,980 | 0 | 6,202,980 (2) | 0 | 0 | 0 |
| Repairs, replacements, and improvements at the Warrensburg Veterans Home (1) | 1,460,249 | 0 | 1,460,249 (2) | 0 | 0 | 0 |
| Installation of anti-wander systems at veterans homes statewide (1) | 2,362,500 | 85,485 | 2,277,015 (2) | 0 | 0 | 0 |
| Installation of electronic medical records at veterans homes statewide | 2,362,500 | 0 | 2,362,500 | 0 | 0 | 0 |
| Total Missouri Veterans Commission | 33,442,544 | 9,819,440 | 23,623,104 | 24,857,170 | 12,002,874 | 12,854,296 |
| OFFICE OF ADMINISTRATION | | | | | | |
| Information Technology Services Division - Expense and Equipment | 44,980 | 44,305 | 675 | 46,395 | 46,370 | 25 |
| Reimbursing the Division of Employment Security benefit account for claims paid to former state employees for unemployment insurance coverage and for related professional services | 5,017 | 650 | 4,367 | 5,017 | 1,687 | 3,330 |
| Total Office of Administration | 49,997 | 44,955 | 5,042 | 51,412 | 48,057 | 3,355 |
| Total Veterans Commission Capital Improvement Fund | \$ 33,492,541 | 9,864,395 | 23,628,146 | 24,908,582 | 12,050,931 | 12,857,651 |

(1) The amounts include Office of Administration appropriations which were expended on behalf of the Missouri Veterans Commission (MVC) for design and construction and leasing of MVC facilities and cemeteries and Adjutant General appropriations which were expended on behalf of the MVC for the Veterans Recognition Program.

(2) Biennial appropriations set up in 2014 are re-appropriations to fiscal year 2015. After the fiscal year-end processing has been completed, the unexpended fiscal year 2014 appropriation balance for a biennial appropriation is established in fiscal year 2015. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2014.

Appendix C

Veterans Commission Capital Improvement Trust Fund Comparative Statement of Expenditures (From Appropriations)

| | Year Ended June 30, | | | | |
|------------------------------------|---------------------|-------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Salaries and wages | \$ 3,407,304 | 3,300,566 | 1,430,244 | 1,480,704 | 1,359,178 |
| Travel, in-state | 140,136 | 125,733 | 22,325 | 28,695 | 29,674 |
| Travel, out-of-state | 1,944 | 1,039 | 1,922 | 4,125 | 4,576 |
| Fuel and utilities | 10,201 | 8,165 | 0 | 0 | 0 |
| Supplies | 557,811 | 558,908 | 448,593 | 306,776 | 210,919 |
| Professional development | 10,066 | 5,506 | 4,459 | 4,249 | 3,257 |
| Communication service and supplies | 104,325 | 95,951 | 60,452 | 59,511 | 55,712 |
| Services: | | | | | |
| Professional | 47,840 | 58,438 | 84,006 | 253,495 | 299,285 |
| Housekeeping and janitorial | 13,469 | 11,399 | 7,297 | 17,465 | 8,609 |
| Maintenance and repair | 32,177 | 27,125 | 19,689 | 58,494 | 54,043 |
| Equipment: | | | | | |
| Computer equipment | 0 | 1,008 | 3,123 | 859 | 27,936 |
| Motorized equipment | 114,031 | 290,469 | 284,318 | 186,137 | 210,951 |
| Office equipment | 35,300 | 28,823 | 12,438 | 25,857 | 20,150 |
| Other equipment | 21,087 | 28,582 | 43,942 | 85,271 | 94,740 |
| Property and improvements | 981,889 | 3,347,301 | 2,427,401 | 3,045,138 | 3,508,545 |
| Building lease payments | 2,987,495 | 2,740,362 | 57,442 | 57,858 | 43,595 |
| Equipment rental and leases | 9,765 | 6,938 | 4,363 | 2,833 | 694 |
| Miscellaneous expenses | 6,699 | 9,093 | 4,272 | 5,234 | 3,346 |
| Program distributions | 1,382,856 | 1,405,525 | 1,505,974 | 1,020,453 | 1,005,017 |
| Total Expenditures | \$ <u>9,864,395</u> | <u>12,050,931</u> | <u>6,422,260</u> | <u>6,643,154</u> | <u>6,940,227</u> |

Appendix D

Veterans Commission Capital Improvement Trust Fund
Statement of Changes in General Capital Assets

| | Land | Land Improvements | Buildings | Equipment | Construction in Progress | Total General Capital Assets |
|------------------------|--------------|----------------------|------------|-----------|-----------------------------|---------------------------------|
| Balance, July 1, 2012 | \$ 30,000 | 561,966 | 70,812,665 | 2,898,882 | 8,464,331 | 82,767,844 |
| Additions | 0 | 23,900 | 2,712,685 | 317,323 | 3,334,267 | 6,388,175 |
| Dispositions | 0 | 0 | 0 | (75,311) | (2,712,243) | (2,787,554) |
| Balance, June 30, 2013 | 30,000 | 585,866 | 73,525,350 | 3,140,894 | 9,086,355 | 86,368,465 |
| Additions | 2,066,412 | 0 | 24,426 | 135,798 | 803,137 | 3,029,773 |
| Dispositions | 0 | 0 | 0 | (53,532) | 0 | (53,532) |
| Balance, June 30, 2014 | \$ 2,096,412 | 585,866 | 73,549,776 | 3,223,160 | 9,889,492 | 89,344,706 |