

STATE OF WEST VIRGINIA
AUDIT REPORT
OF

WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS
WEST VIRGINIAN VETERANS HOME

RESIDENT TRUSTEE ACCOUNT
IMPREST FUND ACCOUNT
VETERANS HOME OPERATING FUND - ACCOUNT 0460
WV VETERAN'S HOME CONTRIBUTIONS FUND - ACCOUNT 6750
WV VETERAN'S HOME IMPROVEMENT FUND - ACCOUNT 6751
WV VETERAN'S HOME RESIDENT MAINTENANCE COLLECTIONS FUND - ACCOUNT 6752
WV VETERAN'S HOME FLOOD DISASTER NOVEMBER 1985 FUND - ACCOUNT 6753
WV VETERAN'S HOME SPECIAL REVENUE OPERATING FUND - ACCOUNT 6754
TRANSFER FROM GOVERNOR'S CIVIL CONTINGENT FUND - ACCOUNT 6755
CONTINGENCY FUNDS - ACCOUNT 6756
CONSOLIDATED FEDERAL FUND VETERAN'S HOME FUND - ACCOUNT 8728



OFFICE OF THE LEGISLATIVE AUDITOR
CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

**WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS
WEST VIRGINIA VETERANS HOME**

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WV VETERAN'S HOME SPECIAL REVENUE OPERATING FUND - ACCOUNT 6754

TRANSFER FROM GOVERNOR'S CIVIL CONTINGENT FUND - ACCOUNT 6755

CONTINGENCY FUNDS - ACCOUNT 6756

CONSOLIDATED FEDERAL FUND VETERAN'S HOME FUND - ACCOUNT 8728

FOR THE PERIOD

JULY 1, 2002 - JUNE 30, 2004

WEST VIRGINIA LEGISLATURE

Joint Committee on Government and Finance

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division
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Area Code (304)
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To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the West Virginia Veterans Home as administered by the West Virginia Division of Veterans' Affairs.

Our examination covers the period July 1, 2002 through June 30, 2004. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Theford L. Shanklin".

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/jda

WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS

WEST VIRGINIA VETERANS HOME

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WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS

WEST VIRGINIA VETERANS HOME

EXIT CONFERENCE

We held an exit conference on July 5, 2005 with the Administrator and Fiscal Officer of the West Virginia Veterans Home, as well as, representatives of the West Virginia Division of Veterans Affairs and all findings and recommendations were reviewed and discussed. The responses of the West Virginia Division of Veterans Affairs and the West Virginia Veterans Home are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS

WEST VIRGINIA VETERANS' HOME

INTRODUCTION

The West Virginia Veterans Home in Barboursville, West Virginia was authorized by legislation passed during the regular session of the West Virginia Legislature in 1975 and opened to veterans in 1981. The management and supervision of the Home is the responsibility of the West Virginia Division of Veterans' Affairs.

The purpose of the Home is to provide domiciliary care to "qualified veterans". A "qualified veteran" must be ambulatory and independent in all activities of daily living such as eating in an open mess, dressing, bathing, self-medicating and light housekeeping. He or she must have served on active duty with the armed forces of the United States during a period of declared war and; if discharged after September 7, 1980; must have served a minimum of twenty-four consecutive months on active duty.

In order to qualify for admission to the Home, the veteran must be a resident of the State of West Virginia for one year or more immediately prior to the date of application to the Home or must have been a resident of the State of West Virginia at the time of enlistment or induction into the armed forces of the United States. Finally, the veteran must have been discharged from active duty with an Honorable Discharge or a General Discharge Under Honorable Conditions.

Qualified Veterans may make application for admission to the West Virginia Veterans Home at the nearest field office of the West Virginia Division of Veterans Affairs or at the Veterans Home. The Administrator of the Veterans Home approves or disapproves

admission of the veteran after consideration of the Admissions Committee recommendation. Once a veteran is approved for admission, he or she must undergo a physical examination in order to be officially admitted as a resident of the Veterans Home.

The Home provides a nursing department with staff nurses and a contract physician for care of the residents. All medical treatment of the residents of the Home is provided by the United States Department of Veterans Affairs Medical Center.

WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS

WEST VIRGINIA VETERANS' HOME

ADMINISTRATIVE OFFICERS AND STAFF

AS OF JUNE 30, 2004

Larry Linch Director, Division of Veterans' Affairs
Larry Blackaby..... Administrator, Veterans Home
Connie S. Hodapp Administrative Services Assistant III, Division of Veterans' Affairs
Sandra K. Duff Office Assistant III, Division of Veterans' Affairs
Charles D. Andrews Registrar, Veterans Home
Donna Hicks..... Fiscal Supervisor, Veterans Home
Chris Cremeans Administrative Services Assistant III, Veterans Home
Betty McCallister Accounting Technician II, Veterans Home
Condalora Collins Purchasing Assistant, Veterans Home
Kellie J. Barker Supervisor II, Veterans Home
Jimmy Flowers Storekeeper II, Veterans Home
John Hutchinson..... Telephone Operator, Veterans Home

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS

WEST VIRGINIA VETERANS HOME

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

Lack of Effective System of Internal Controls

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, the West Virginia Veterans Home (the Home) did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations. We believe an effective system of internal controls would have alerted management to these violations at an earlier date and allowed more timely corrective action.

Auditors' Recommendation

We recommend the Veterans Home comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended and establish a system of internal controls in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Spending Unit's Response

No response by the Veterans Home. (See pages 16-18)

Lack of Stockroom Inventory Records

2. The Home failed to maintain perpetual inventory cards documenting the receipts and subsequent usage of foodstuffs in the stockroom during the period July 2003 through May 2004.

Auditors' Recommendation

We recommend the Veterans Home comply with Section VII of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We have complied with the recommendation. (See pages 19 and 20)

Purchasing Card Administration

3. During our audit of Purchasing Card activity, we noted the practice of card delegation existed at the Home during the period January 9, 2003 through February 11, 2003 while the Purchasing Assistant was off work due to medical reasons. Also, the Home failed to keep invoices supporting purchasing card transactions in chronological order by date of the purchase as required by the State Auditor and we noted 16 itemized invoices did not indicate they were paid by credit card, nor did the itemized log sheets indicate price per unit and total amount paid.

Auditors' Recommendation

We recommend the Veterans Home comply with Sections 3.4, 7.1 and 7.2 of the State Auditor's Purchasing Card Program Policies and Procedures.

Spending Unit's Response

We will comply with your audit recommendations. (See pages 20-25)

Resident Trustee Account Incomplete Vouchers and Checks

4. We observed 24 vouchers paid from the Resident Trustee local bank account which were not initialed by one of the two individuals who signed the check, as

well as, 23 vouchers where the responsible Home employees had not verified the resident had sufficient funds available before writing the check payable from the Resident Trustee local bank account.

Auditors' Recommendation

We recommend the Veterans Home comply with Section I, Subsection 3.B, Article 10 of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We will comply with this recommendation. (See pages 25-29)

Lack of Independent Verification of Resident Income

5. We noted 38 instances where no documentation was present in a resident's file to indicate the Home had verified the resident's income for the purpose of assessing proper maintenance charges to the resident.

Auditors' Recommendation

We recommend the Veterans Home comply with Section I, Subsection 3.B of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

This has been addressed and we will comply with your recommendations. (See pages 29-31)

Splitting of Resident Trustee Account Receipts

6. The Home has a long-established practice of shorting collections in order to provide funds necessary for cashing resident's checks when the resident is paying their monthly maintenance.

Auditors' Recommendation

We recommend the Veterans Home comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Spending Unit's Response

We have complied with this recommendation. (See pages 31-33)

Unclaimed Trustee Accounts of Discharged Residents

7. We observed two residents who left the Home and were due maintenance refunds totaling \$28.25 and \$42.00, respectively, which have not been paid to them. These amounts remain on deposit in the Resident Trustee local bank account; however, they have not been reported to the State Treasurer as unclaimed property.

Auditors' Recommendation

We recommend the Veterans Home comply with Chapter 36, Article 8, Sections 2 and Chapter 36, Article 8, Section 7 of the West Virginia Code.

Spending Unit's Response

We will comply with this recommendation. The amounts indicated will be sent to the Unclaimed Property Division of the State Treasurer's Office this July 2005. (See pages 33-35)

Imprest Fund Replenishment

8. During our audit of the Imprest Fund, we were unable to locate the supporting worksheets for ten replenishments of the account.

Auditors' Recommendation

We recommend the Veterans Home comply with Subsection 3, Article 11 of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We will comply with this recommendation. (See pages 35-37)

Imprest Fund Incomplete Vouchers and Checks

9. During our audit of the Imprest Fund, we noted nine instances where the voucher was not initialed by one of the Home employees who signed the corresponding check from the Imprest Fund; 13 instances where the voucher was not initialed by an appropriate employee certifying adequate funds were on deposit in the Imprest Fund to support the check; 17 instances where the dates the respective residents picked up their winnings or the Home's Recreation Department picked up the cash for an activity was not noted on the voucher and three instances where the residents did not sign the voucher for the money they received.

Auditors' Recommendation

We recommend the Veterans Home comply with Section I, Subsection 3.B, Articles 10 and 11; and Subsection 3, Article 11 of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We will comply with the recommendations. (See pages 37-42)

Contracts

10. We observed numerous contracts which were executed on behalf of the Home by either the Administrator of the Veterans Home or the Fiscal Supervisor of the Home even though State law specifically grants those powers only to the Director of the Division of Veterans Affairs.

Auditors' Recommendation

We recommend the Veterans Home comply with Chapter 9A, Article 1, Section 10, as amended, and Chapter 9A, Article 2, Section 2, as amended of the West Virginia Code.

Spending Unit's Response

We will comply with the audit recommendation. (See pages 42-45)

Free and Reduced Cost Meals

11. The Home has a practice of providing reduced cost meals to employees which we believe is in noncompliance with the West Virginia Ethics Act.

Auditors' Recommendation

We recommend the Veterans Home comply with Chapter 6B, Article 2, Section 5 of the West Virginia Code.

Spending Unit's Response

We do provide free meals to donors who wish to have lunch at our facility as a sign of appreciation for their donation. We also provide Work Release personnel with free meals when they are performing work at the Home and we offer free meals to individuals who perform volunteer work at the Home. While

the meal charge to employees is less than the charge to guests of the Home (friends and/or family of residents and/or employees, previous residents, etc.), the amount charged to employees is sufficient to cover the cost of the meal.

(See pages 45-47)

Federal Per Diem - Errors in Preparation of Form 10-5588

12. The Home overbilled the United States Department of Veterans Affairs approximately \$2,163.00 relating to resident care at the Home.

Auditors' Recommendation

We recommend the Veterans Home comply with the instructions for completing the **Department of Veterans Affairs State Home Report and Statement of Federal Aid Claimed Form (Form 10-5588)**. Also, we recommend the Veterans Home review the filed reports for October 2002 and December 2002 and determine whether the United States Department of Veterans Affairs is owed a refund of \$2,163.06 related to filing errors.

Spending Unit's Response

We will comply with the audit recommendations. (See pages 47-52)

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS

WEST VIRGINIA VETERANS HOME

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the West Virginia Veterans Home (the Home) Resident Trustee Local Account, Imprest Fund Local Account, the Veterans Home Operating Fund - Account 0460, the West Virginia Veteran's Home Contributions Fund - Account 6750, the West Virginia Veteran's Home Improvement Fund - Account 6751, the West Virginia Veteran's Home Resident Maintenance Collections Fund - Account 6752, the West Virginia Veteran's Home Flood Disaster November 1985 Fund - Account 6753, the West Virginia Veteran's Home Special Revenue Operating Fund - Account 6754, the Transfer from Governor's Civil Contingent Fund - Account 6755, Contingency Funds - Account 6756, and the Consolidated Federal Fund Veteran's Home Fund - Account 8728. The audit covers the period July 1, 2002 through June 30, 2004.

GENERAL REVENUE ACCOUNTS

The West Virginia Veterans Home was appropriated funds for the general operations of the Home in the following accounts during the audit period.

<u>Account Number</u>	<u>Description</u>
0460-001	General Operating Fund - Personal Services
0460-004	General Operating Fund - Annual Increment
0460-010	General Operating Fund - Employee Benefits
0460-099	General Operating Fund - Unclassified

0460-364General Operating Fund - Pay Equity Reserve

LOCAL ACCOUNTS

In order to have cash available for specific local operations, local bank accounts are used for managing funds required on a day-to-day basis. These accounts are held at the First State Bank in Barboursville, West Virginia and are described as follows:

Resident Trustee Account

This account is used to receive and disburse funds of residents of the Home who have chosen to allow the Home to manage their financial affairs.

Imprest Account

This local account is used to maintain the Imprest Fund of the Home from which disbursements are made for recreational activities for residents of the Home. The maximum amount authorized by the State Treasurer for the Imprest Fund is \$3,000.00. Periodically, the Imprest Fund local bank account is replenished from the West Virginia Veteran’s Home Contributions Fund - Account 6750.

SPECIAL REVENUE ACCOUNTS

During our audit period the Home operated the following special revenue accounts which are described in greater detail below:

<u>Account Number</u>	<u>Description</u>
6750-099	West Virginia Veteran’s Home Contributions Fund
6751-099	West Virginia Veteran’s Home Improvement Fund
6752-099	West Virginia Veteran’s Home Resident Maintenance Collections Fund

<u>Account Number</u>	<u>Description</u>
6753-096	West Virginia Veteran's Home Flood Disaster - November 1985 Fund
6754-096	West Virginia Veteran's Home Special Revenue Operating Fund
6755-099	Transfers from Governor's Civil Contingent Fund
6756-099	Contingency Funds

West Virginia Veteran's Home Contributions Fund - Account 6750

This account consists of donations and bequests and commissions received from vending machines located at the Home. The collections are to be expended for recreation for residents and special projects as directed by the donor.

West Virginia Veteran's Home Improvement Fund - Account 6751

This account was previously used to account for federal monies received as reimbursement for renovations at the Home. The account balance which totaled \$.07 was expended during the year ended June 30, 2003. With the exception of this transaction, the account was inactive during the audit period. Federal monies received by the Home were accounted for using the Consolidated Federal Fund Veteran's Home Fund - Account 8728 as required by Title 86, Series 2 of the Legislative Rules of the West Virginia Division of Veterans Affairs which became effective on April 22, 1996.

West Virginia Veteran's Home Resident Maintenance Collections Fund - Account 6752

This account was previously used to account for monies collected from residents to defray the cost of room and board (maintenance). The account balance which totaled \$.72 was expended during the year ended June 30, 2003. With the exception of this transaction, the

account was inactive during the audit period. Collections for resident maintenance were accounted for using the West Virginia Veteran's Home Special Revenue Operating Fund - Account 6754 as required by Title 86, Series 2 of the Legislative Rules of the West Virginia Division of Veterans Affairs which became effective on April 22, 1996.

West Virginia Veteran's Home Flood Disaster November 1985 Fund - Account 6753

This account was previously used to account for monies received from the Federal Emergency Management Agency for repair of damages incurred in the Moorefield, West Virginia Office as a result of the November 1985 Flood; however, the account was inactive during our audit period.

West Virginia Veteran's Home Special Revenue Operating Fund- Account 6754

As required by Title 86, Series 2 of the Legislative Rules of the West Virginia Division of Veterans Affairs, this account consists of contributions from residents of fifty-percent (50%) of their monthly income which is to be used to defray the costs of room and board (maintenance), as well as, receipts from the purchase of meal tickets by employees and guests of the Home. The expenditures from this account must be approved by the Administrator of the Home and funds remaining at the end of each year are carried forward to the following year.

Transfer From Governor's Civil Contingent Fund - Account 6755

The account balance which totaled \$.84 was expended during the year ended June 30, 2003. With the exception of this transaction, the account was inactive during the audit period.

Contingency Funds - Account 6756

The account balance which totaled \$.68 was expended during the year ended June 30, 2003. With the exception of this transaction, the account was inactive during the audit period.

FEDERAL ACCOUNT

During our audit period the Home maintained an account to contain monies received from the Federal government for grants for the renovation and construction of facilities and for per diem payments received for the daily care of residents of the Home. As required by Title 86, Series 2 of the Legislative Rules of the West Virginia Division of Veterans Affairs, monies collected from the Federal government were deposited with the West Virginia State Treasurer in the following account:

<u>Account Number</u>	<u>Description</u>
8728-096	Consolidated Federal Fund Veteran’s Home Fund

COMPLIANCE MATTERS

Chapter 9A, Article 2 of the West Virginia Code generally governs the West Virginia Veterans Home. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are listed below.

LACK OF EFFECTIVE SYSTEM OF INTERNAL CONTROL

During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations which

governed the West Virginia Veterans Home, the Home did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities....”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures designed to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of the Home, we found the following violations of State laws or other rules and regulations: **(1)** The Home failed to maintain perpetual inventory cards documenting the receipts and subsequent usage of foodstuffs in the stockroom during the period July 2003 through May 2004. **(2)** During our audit of Purchasing Card activity, we noted the practice of card delegation existed at the Home during the period January 9, 2003 through February 11, 2003 while the Purchasing Assistant was off work due to medical reasons. Also, the Home failed to keep invoices supporting purchasing card transactions in chronological order by date of the purchase as required by the State Auditor and we noted 16 itemized invoices did not indicate they were paid by credit card, nor did the itemized log sheets indicate price per unit and total amount paid. **(3)** We observed 24 vouchers paid from the Resident Trustee local bank account which were not initialed by one of the two individuals who signed the check, as well as, 23 vouchers where the responsible Home employees had not verified the resident had sufficient

funds available before writing the check payable from the Resident Trustee local bank account.

(4) We noted 38 instances where no documentation was present in a resident's file to indicate the Home had verified the resident's income for the purpose of assessing proper maintenance charges to the resident. (5) The Home has a long-established practice of shorting collections in order to provide funds necessary for cashing resident's checks when the resident is paying their monthly maintenance bill. (6) We observed two residents who left the Home and were due maintenance refunds totaling \$28.25 and \$42.00, respectively, which have not been paid to them. These amounts remain on deposit in the Resident Trustee local bank account; however, they have not been reported to the State Treasurer as unclaimed property. (7) During our audit of the Imprest Fund, we were unable to locate the supporting worksheets for ten replenishments of the account. (8) During our audit of the Imprest Fund, we noted nine instances where the voucher was not initialed by one of the Home employees who signed the corresponding check from the Imprest Fund; 13 instances where the voucher was not initialed by an appropriate employee certifying adequate funds were on deposit in the Imprest Fund to support the check; 17 instances where the dates the respective residents picked up their winnings or the Home's Recreation Department picked up the cash for an activity was not noted on the voucher and three instances where the residents did not sign the voucher for the money they received. (9) We observed numerous contracts which were executed on behalf of the Home by either the Administrator of the Veterans Home or the Fiscal Supervisor of the Home even though State law specifically grants those powers only to the Director of the Division of Veterans Affairs. (10) The Home has a practice of providing reduced cost meals to employees which we believe is in noncompliance

with the West Virginia Ethics Act. **(11)** The Home overbilled the United States Department of Veterans Affairs approximately \$2,163.00 relating to resident care at the Home.

We recommend the Veterans Home comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls in order to allow management to identify and correct areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Spending Unit's Response

No response from the West Virginia Division of Veterans' Affairs and the West Virginia Veterans Home.

Lack of Stockroom Inventory Records

We were unable to perform a physical inventory of the stockroom due to the failure of Home personnel to complete the perpetual inventory record cards. The inventory cards, on which all receipts and subsequent issuances of stockroom inventory are to be recorded, were not completed from July 2003 through May 2004. The records of the Home indicate the total amount of food products purchased totaled \$148,831.36 and \$131,629.00 during the fiscal years ended June 30, 2004 and June 30, 2003, respectively. Section VII of the West Virginia Veterans Home Policies and Procedures Manual states in part:

“ . . . The responsibilities of the Storekeeper are as follows: . . .
c.) Maintaining perpetual inventory on all stored items . . .”

The failure of Home personnel to complete perpetual inventory cards causes the Home to lack records of inventory on hand in the stockroom at the Home, as well as, those records necessary to determine whether the stockroom supplies were being used only to provide meals to the residents. We believe the lack of perpetual inventory records regarding stockroom

inventories represents a material weakness in the system of internal controls of the West Virginia Veterans Home. We spoke with the Supervisor I at the West Virginia Veterans Home regarding the inventory cards. She stated that the Storekeeper II is the employee who is responsible for maintaining the inventory records. When we spoke with the Storekeeper II, he stated that he did not have adequate time to complete the inventory cards and perform his other duties related to the storeroom.

We recommend the Veterans Home comply with Section VII of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We have complied with the recommendations. In November 2004, we did a complete inventory of the storeroom. The supervisor for that section is now doing a spot inventory every three months to assure this problem is resolved.

During the first part of 2005 we started looking at computer programs for our facility which included inventory packages. After some research, it became apparent that more time and knowledge of purchasing software was needed. That is on our agenda for FY2006. The Division Director is also communicating with another agency with similar operations about obtaining or adapting their software program for use at the Veterans Home.

Purchasing Card Administration

During our review of the Purchasing Card transactions of the West Virginia Veterans Home, we noted that card delegation had occurred. The Purchasing Assistant was off work for medical reasons from January 9, 2003 until February 11, 2003. During the Purchasing Assistant's absence, another Home employee purchased items the Purchasing Assistant had

generally purchased using her purchasing card. This particular Home employee told us that during this time she would notify the vendor of an order and the vendor would charge the Purchasing Assistant's purchasing card number which was on file with the vendor. The employee went on to state that it would have been difficult to increase her \$1,000 single transaction and \$2,000 monthly purchasing card limits in order to accommodate the amount of purchases generally made by the Purchasing Assistant whose card has a single transaction limit of \$2,500 and a monthly limit of \$31,000. Additionally, it would have been confusing for the vendor had she given them her purchasing card number while the Purchasing Assistant was absent. The employee entered the transaction information onto Log Sheets which were already signed by the Purchasing Assistant in order to document the log sheet information required by the State Auditor as part of the Purchasing Card Program.

We also noted that the Purchasing Assistant signs one blank Log Sheet and copies that sheet for additional pages instead of signing each sheet with an original signature as the transactions are reconciled; therefore, each of her Log Sheets does not contain an actual original signature certifying that the log sheet has in fact been reconciled. She then hand writes the dates on each sheet individually.

Section 3 of the State Auditor's Purchasing Card Program Policies & Procedures, states in part:

“3.4 Card Delegation: Card delegation is the practice of allowing an individual other than the cardholder whose name appears on the front of the purchasing card to have access to the card or card number to initiate or complete a transaction. Card delegation is prohibited.

Card Delegation includes allowing an individual other than the cardholder to:

Have physical possession of the card to make payments to point of sale vendors.

Have access to the card number and expiration date to make payments via telephone, internet, or in person.

Have access to receipts or invoices that display the card number and expiration date.

Purchasing cards are issued in an individual employee's name. Only that person named on the card is an authorized user.

Card delegation increases cardholder liability.

Cardholder is liable for all activity on card.”

Section 7 of the State Auditor's Purchasing Card Program Policies & Procedures also states in part:

“Documentation must be obtained for each transaction placed on the purchasing card and must be available upon request by the Purchasing Card Program. Documentation will include itemized receipts, log sheets, individual statements, and any other documentation required by Purchasing Card Policies or other purchasing guidelines.

“7.1 Receipts: An itemized receipt must be obtained for each transaction place on the card. A receipt must contain certain specific information and meet certain conditions:

Receipts must be itemized and include a description, unit cost, quantity, and total cost for each item. Use of “Miscellaneous” or “Merchandise” is not acceptable.

Receipts must show no balance due or be marked “Paid.”

Receipts must be totaled.

The following may serve as a receipt: detailed cash register receipt which states the name of the vendor, an itemized invoice indicating that it was paid by credit card, or an itemized receiving report that indicates price per item and total amount paid.

A receipt must have an indication that the payment was by credit card. A reference on the receipt such as “credit card” or “purchasing card” is acceptable.

All receipts should be kept in chronological order by date of purchase.”

“7.2 Log Sheets: Each cardholder is required to maintain a log sheet (see Appendix 9) containing the date, vendor name, and an item description, as well as the appropriate object code for each expenditure.

Log sheets can be computerized or manual and must be signed by both the cardholder and the agency coordinator to indicate that all entries have been reconciled and are legitimate.

Log sheets must be completed as payments are initiated.”

Also, during our review of the Purchasing Card transactions of the Home, we noted the invoices supporting purchasing card transactions were not kept in chronological order by date of purchase. The invoices were attached to each of the cardholders’ Log Sheets; however, the invoices were not arranged in any particular order.

We also noted one instance in which one page was missing from a BB&T Purchasing Card master statement dated February 2, 2003. The summary indicated there were four pages; however, only three were attached to the WVFIMS Invoice Cover Sheet.

Lastly, during our review of Purchasing Card transactions, we noted 16 itemized invoices did not indicate that they were paid by credit card. Also, the itemized log sheets did not indicate price per item and total amount paid.

Card delegation and the use of Log Sheets containing copied signatures increase the chance for fraud and unauthorized purchasing card use. Card delegation occurred as a result of the Purchasing Assistant being absent from work for surgery and the reluctance of another

Home employee to increase her card limit to make the purchases that were generally made by the Purchasing Assistant on her purchasing card. The use of Log Sheets with photocopied signatures was the result of the Purchasing Assistant making copies of a signed Log Sheet each time she needs an additional sheet, rather than signing the sheets as the transactions are reconciled.

The Home's failure to maintain invoices in chronological order by date of purchase causes the supporting documentation to be difficult to identify and based on our discussions with Home personnel was the result of clerical error. Additionally, a page missing from the BB&T purchasing account summary causes the records at the Home to be incomplete.

The failure of Home personnel to indicate on the invoice or receipt that it was paid with a Purchasing Card increases the possibility of the invoice or receipt being paid twice. According to Home personnel, these instances were the result of clerical errors and errors on the part of the vendors for not indicating on the invoices the purchases were paid for using the purchasing card. However, there was no indication that Home personnel contacted the vendors regarding these errors or, otherwise, refused to accept the aforementioned invoices which lacked the indication the invoice had already been paid by use of a purchasing card.

We recommend the Veterans Home comply with Sections 3.4, 7.1 and 7.2 of the State Auditor's Purchasing Card Program Policies and Procedures.

Spending Unit's Response

When the employee was on medical leave, we did not transfer to another cardholder for several reasons. The vendors had the current cardholder's number on file and when purchases were delivered they charged the card. We were not aware until this audit that this was not proper procedure. One of the entries on the log sheet was a carry over from

December 2002 and was carried over until February 14, 2003 and was paid when the employee returned to work. One entry was a backorder and when the vendor shipped the backorder the card was charged.

At no time was the card number available to the employee relieving the Purchasing Assistant.

These vendors we use on a regular basis, such as twice a week and some hold statewide contracts. Since these companies are recognized state vendors, or are on statewide contract, we did not foresee a security problem. We would not knowingly allow a supplier of a one-time purchase to file this number for future use.

The Purchasing Assistant is very diligent in reviewing all purchases for correctness and immediately following up on any errors that appear on the card statement or invoices.

We are now changing cardholders when an employee is on medical leave and we temporarily suspend that employees purchasing card until their return to work.

We will no longer have the card numbers on file with the vendor. The Purchasing Assistant or any other card holder will call when merchandise is received and have their card charged at that time.

The employee who was using photocopied signatures is now signing each sheet with an original signature

Some on-line purchases do not indicate on their receipt that a credit card payment was used.

We will comply with your recommendations.

Resident Trustee Account Incomplete Vouchers and Checks

A voucher is to be prepared when a resident wishes to withdraw money deposited to his Trustee Account. The voucher is then signed by the resident and initialed by an employee of the Home who verifies that sufficient funds are on deposit in the sub-account established for the specific resident and a check is then prepared. The check is presented, along with the voucher, to two employees of the Home who are authorized signers on the Resident Trustee bank account. The signers initial the voucher once they have verified that the check and voucher match and then the check is signed and the funds are made available to the resident.

During our review of the Resident Trustee bank account, we noted 24 vouchers which were not initialed by one of the two aforementioned check signers. The affected vouchers are detailed below:

<u>Voucher/Check #</u>	<u>Voucher Date</u>	<u>Voucher Amount</u>
11316	07/05/02	\$ 25.00
11341	08/01/02	398.00
11363	08/26/02	25.00
11366	08/29/02	1,200.00
11394	09/27/02	25.00
11410	10/17/02	500.00
11465	01/08/03	553.50
11504	03/10/03	40.00
11592	06/09/03	6,222.50
11606	06/27/03	5,000.00
11633	07/29/03	8.47
11634	07/30/03	200.00

<u>Voucher/Check #</u>	<u>Voucher Date</u>	<u>Voucher Amount</u>
11663	09/08/03	25.00
11698	10/24/03	25.00
11706	11/03/03	25.00
11736	12/19/03	25.00
11811	03/29/04	25.00
11826	04/12/04	25.00
11840	04/30/04	25.00
11845	05/07/04	6,802.41
11847	05/12/04	399.20
11851	05/13/04	50.00
11876	06/07/04	25.00
11890	06/22/04	<u>25.00</u>
	Total	<u>\$21,674.08</u>

Additionally, we noted 23 vouchers which lacked certification by Home personnel that adequate funds existed in the resident's account at the time the check was prepared. These 23 vouchers are detailed in the following schedule:

<u>Voucher/Check #</u>	<u>Voucher Date</u>	<u>Voucher Amount</u>
11341	08/01/02	\$ 398.00
11373	09/04/02	60.00
11375	09/06/02	25.00
11402	10/07/02	40.00
11403	10/07/02	25.00
11477	01/30/03	25.00

<u>Voucher/Check #</u>	<u>Voucher Date</u>	<u>Voucher Amount</u>
11494	02/25/03	245.14
11592	06/09/03	6,222.50
11623	07/18/03	40.00
11633	07/29/03	8.47
11657	08/28/03	95.00
11687	10/14/03	50.00
11692	10/20/03	25.00
11698	10/24/03	25.00
11706	11/03/03	25.00
11724	12/02/03	349.97
11736	12/19/03	25.00
11824	04/09/04	35.00
11826	04/12/04	25.00
11840	04/30/04	25.00
11847	05/12/04	399.20
11890	06/22/04	25.00
11891	06/22/04	<u>40.00</u>
	Total	<u>\$8,233.28</u>

Section I, Subsection 3.B, Article 10 (Vouchers) of the West Virginia Veterans

Home Policies and Procedures Manual states in part:

“ . . .The voucher will be typed as an explanation for each check issued from the Trustee Account or Imprest Fund.

The voucher will contain the following:

- 6753- Current date;
- 6754- To whom payable;

- 6755- Address;
- 6756- Amount (to be written out and also shown in digits);
- 6757- Request by whom;
- 6758- For what purpose;
- 6759- **Funds Certification (will list the name of the person writing the check and verifying the funds are available;**
- 6760- Picked up by whom (signature required unless check is mailed);
- 6761- Date picked up or mailed; and
- 6762- Check number and the account from which the check is written. . . .

. . .The two persons signing the check should verify that the voucher and the check are the same by initialing the bottom of the voucher.” (Emphasis added)

The failure of Home personnel to verify that vouchers match the corresponding check could result in signatures being applied to checks that have not been properly authorized. The lack of verification that adequate funds exist could result in resident accounts becoming overdrawn. Further, because checks are posted to resident accounts from the voucher, checks may be incorrectly posted to resident accounts resulting in the over or understatement of the individual resident accounts.

Issuing a check from the Resident Trustee Account without the proper signatures may result in a check being issued that has not been properly authorized by the resident. Additionally, a check could be issued without a supporting voucher or with a voucher that does not match the check; therefore, the voucher could be improperly posted to a resident’s account or omitted from the resident’s account.

We recommend the Veterans Home comply with Section I, Subsection 3.B, Article 10 of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We will comply with this recommendation.

Lack of Independent Verification of Resident Income

Thirty-eight instances were noted where documentation was not present in a resident's file showing the Home verified the resident's income. In one of these instances, there was no Resident's Fund Agreement and Financial Statement present in the file. Of the 20 residents that were included in our test, we noted one instance where a Resident's Fund Agreement and Financial Statement for a resident stated he received no income in April 2002; however, he was charged for April 2002 maintenance in September 2002. An employee of the Home informed us the resident did have income and had falsely claimed he did not have any income. In September 2002 the Home employee became aware that the resident had income and charged him for the additional maintenance due from him for April 2002 through August 2002. The Home employee also informed us another resident received an increase in his income in January 2004, but there was no documentation of an increase in his file.

Section I, Subsection 3.B of the West Virginia Veterans Home written Policies and Procedures states in part:

“ . . . Residents' monthly maintenance will be 50% of the residents' total monthly income. This includes:
6753- Earnings
6754- Social Security benefits
6755- VA Pension or Compensation
6756- Annuities
6757- Retirement benefits
. . . Residents' maintenance must be paid by the fifth of each month. Any exceptions to this must be approved by the Administrator and an “Intent to Pay” form completed.
. . . When a resident is admitted, maintenance will be pro-rated for the actual number of days of residency. A resident will not be

charged for the day of admission but will be charged for the day of discharge. Upon discharge pro-rated maintenance is permitted in the first 5 days of the month only. . . .”

The instances where documentation was not present in a resident’s file showing the Home verified the resident’s income may increase the occurrence of resident’s failing to report all of their current income or changes in their income that would increase the amount of maintenance owed by them. The failure of the Home to include documentation in a resident’s file concerning an income increase results in the Home being unaware of how much income the resident receives and how much maintenance to charge the resident. Additionally, the failure of the Home to obtain a Resident’s Fund Agreement and Financial Statement for a resident causes the Home to be unaware of how much income the resident receives and how much maintenance to charge the resident.

The lack of documentation in the resident’s files showing the Home verified the resident’s income or change in income means the Home did not perform sufficient procedures to identify the sources of income for the resident. As a result, the Home may have not charged and collected the correct amount of maintenance from the resident.

We recommend the Veterans Home comply with Section I, Subsection 3.B of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit’s Response

This has been addressed and we will comply with your recommendations.

Splitting of Resident Trustee Account Receipts

When the Home receives a payment that is to be divided between a resident’s Maintenance Account and the resident’s Trustee Account, the check is included in collections to

be deposited by the Home to the Maintenance Account - Account 6754. Thereafter, cash and/or checks in the amount which is to be credited to the resident's Trustee Account is diverted from current Maintenance collections by the Home and deposited instead in the Resident Trustee local bank account. Because the splitting of checks is not detailed on the receipt given to the resident and the deposit slips are not properly itemized, we were unable to trace the deposit of these checks, intact, into the Resident Trustee local bank account or the Revenue Clearing Account maintained by the State Treasurer at the First State Bank of Barboursville for the purpose of receiving collections of State funds and which is used by the West Virginia Veterans Home to deposit collections with the State Treasurer.

In seven of the 43 instances that were noted where a payment was split between the aforementioned accounts, the resident had requested some cash back. Cash was taken from current Trustee Account receipts or Maintenance collections and given back to the resident; however, the resident did not sign a receipt for the cash received and we were unable to determine what account the cash was taken from. Also, the type of the receipt (cash or check) and payor (Ex. Veterans Administration, Social Security) is not always listed on the Trustee Account receipt.

Specifically, Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states:

“(a) All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia shall keep a daily itemized record of moneys so received for deposit in the state treasury and shall deposit within twenty-four hours with the state treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever. The treasurer shall be authorized to review the procedures and methods used by officials and employees authorized to accept moneys due the state and change such procedures and methods if he or she determines it to

be in the best interest of the state: *Provided*, That the treasurer shall not be authorized to review or amend the procedures by which the department of tax and revenue accepts moneys due the state. The treasurer shall propose rules, in accordance with the provisions of article three, chapter twenty-nine-a of this code governing the procedure for deposits.

The official or employee making such deposits with the treasurer shall prepare deposit lists in the manner and upon report forms as may be prescribed by the treasurer. Certified or receipted copies shall be immediately forwarded by the state treasurer to the state auditor and to the secretary of administration. The original of the deposit report shall become a part of the treasurer's permanent record."

The practice of splitting receipts between the Maintenance Account - Fund 6754 and the Resident Trustee local bank account by moving deposits among these accounts results in a situation where receipts to each account are not deposited to the respective accounts intact. When a "split check" is deposited, in full, to one bank account and the check is returned by the bank for non-sufficient funds, the required charge back to the resident's Trustee sub-account in the records of the Home is in excess of the amount initially credited to the resident's account. Further, checks cannot be traced due to the failure of the Home to itemize the checks and deposits. Additionally, by giving cash back to residents from the Maintenance Account, the Home is operating a change fund which has not been authorized by the State Treasurer.

According to Home personnel, they believed that the use of this practice was the only way that they could properly distribute the receipts among the accounts while still being able to provide change to residents who wished to pay their monthly maintenance using checks received by them from the Social Security Administration, Veterans Administration, private retirement accounts, etc. In November 2004, the Home notified residents that they will no longer give cash back to residents in this manner.

We recommend the Veterans Home comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended.

Spending Unit's Response

We have complied with this recommendation. We have corrected this and are currently depositing all money into the state account with an adjustment to the Trustee Account. We now have an appropriate audit trail with this procedure.

Unclaimed Trustee Accounts of Discharged Residents

During our review of the Resident Trustee local bank account, we noted a resident of the Home received a medical discharge from the Home on December 3, 2001 which resulted in a refund of a portion of his maintenance charges for the month of December 2001. When the Home received the discharged resident's refund, a Trustee Account was established on behalf of the former resident in the amount of \$28.25. As of July 2004, this \$28.25 remains in a Resident Trustee Account in the name of the discharged resident. We also noted a Resident Trustee Account balance for June 30, 2004 in the amount of \$42.00 for another former resident of the Home who was absent without leave as of June 22, 2003.

Chapter 36, Article 8, Section 2 of the West Virginia Code, states in part:

“(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:

. . . (11) Property held by a court, government, governmental subdivision, agency or instrumentality, one year after the property becomes distributable;”

In addition, Chapter 36, Article 8, Section 7 of the West Virginia Code, states in part:

“(a) A holder of property presumed abandoned shall make a report to the administrator concerning the property.

(b) The report must be verified and must contain:

(1) A description of the property; . . .

(6) The date, if any, on which the property became payable, demandable or returnable, and the date of the last transaction with the apparent owner with respect to the property; and

(7) Other information that the administrator by rule prescribes as necessary for the administration of this article . . .

(d) The report must be filed before the first day of November of each year and cover the twelve months next preceding the first day of July of that year . . .”

When the Veteran’s Home holds a discharged resident’s refund in a Trustee Account for an extended period of time the individual may be unaware that he received a Maintenance Refund which is due him. Additionally, because the funds have not been forwarded to the State Treasurer’s Unclaimed Property Division, there is no ongoing effort to notify the former resident so that they may claim the money which is due them. According to Home personnel, they have not released funds to the Unclaimed Property Division of the State Treasurer’s Office for several years.

We recommend the Veterans Home comply with Chapter 36, Article 8, Sections 2 and Chapter 36, Article 8, Section 7 of the West Virginia Code.

Spending Unit’s Response

We will comply with this recommendation. The amounts indicated will be sent to Unclaimed Property Division of the State Treasurer’s Office this July 2005.

Imprest Fund Replenishment

The Veteran’s Home Imprest Fund account has been established with a balance of \$3,000.00 and the account is periodically replenished through transfers from the West Virginia

Veteran's Home Contributions Fund - Account 6750. The replenishment request is calculated by adding together actual expenditures made from the Imprest Fund since the previous replenishment was requested. We noted that ten of the 12 instances where the Imprest Fund was replenished during the period July 1, 2002 through June 30, 2004, had no supporting worksheets detailing the use of the moneys for which replenishment was being sought. As a result, the audit trail did not generally tie the replenishment with the voucher numbers making up the disbursements from the Imprest Fund.

Further, one instance was noted in which the replenishment requested was more than actual expenditures which had occurred since the previous replenishment. Check Number 6259 in the amount of \$20.00 was requested for the purchase of fishing bait. The cost of the bait was \$6.36; therefore, the Recreation Department returned \$13.64 as shown on Receipt Number 19470. On the calculator tape, attached to the FIMS coversheet for the replenishment of the Imprest Fund, the amount of the change returned, \$13.64, was included as the amount disbursed rather than the \$6.36 that was spent.

We also noted one instance where an expenditure made in July 2002 was not included in the replenishment until September 2002. Voucher Number 5947 for bingo was dated July 3, 2002; however, it was not included in the replenishment of the Imprest Fund until the September 2002 replenishment.

Subsection 3, Article 11 of the West Virginia Veterans Home Policies and Procedures Manual regarding the Imprest Fund states in part:

“. . . As funds are depleted, a FIMS cover sheet must be completed and all documents attached verifying expenses from this fund. . . .”

The ten instances where there were no supporting reimbursement worksheets for the replenishment requests result in the lack of an audit trail necessary to document the activities of the Imprest Fund. The request for replenishment of an amount that was in excess of the actual expenditures resulted in the balance of the Imprest Fund exceeding the authorized maximum level of \$3,000. Additionally, the effect of not including all expenditures made since the previous replenishment of the Imprest Fund in the current replenishment is that the expenditure(s) could be overlooked when requesting replenishment and Home personnel might be unable to fully reconcile the Imprest Fund.

We were told the preparation of the supporting reimbursements worksheets is a relatively new procedure which has only recently been used by the Home. The request for replenishment of an amount in excess of the actual expenditures was the result of a clerical error on the part of the Home employee. In addition, the expenditure made in July 2002 which was not included in the replenishment until September 2002 was also the result of a clerical error by the same Home employee. She believes she overlooked the particular voucher while preparing the request for replenishment of the Imprest Fund relating to July 2002 expenditures.

We recommend the Veterans Home comply with Subsection 3, Article 11 of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We will comply with this recommendation.

Imprest Fund Incomplete Vouchers and Checks

The funds in the Imprest Fund bank account are to be used for recreational activities of the residents of the Home and the supplies necessary for the implementation of these

activities. For each disbursement from the Imprest Fund local bank account, a voucher and check with coordinating numbers are prepared. The recreational activity for which the money is to be used is indicated on both the check and the voucher. Home personnel, generally the Accounting Technician II, will initial the voucher certifying that adequate funds exist in the account to cover the disbursement. The checks written from the Imprest Fund local bank account require two signatures and the two individuals signing the check are required by Home policy to verify that the voucher and the check are the same by initialing the bottom of the voucher.

If cash is required for an activity, a check will be cashed by the Accounting Technician II or the Supervisor I, then the Recreation Department picks up the cash and signs the voucher. If the activity is a game that results in resident prizes, the residents pick up the cash from the Home’s Fiscal Office and sign the voucher when the cash is picked up. During our audit of the Imprest Account, we noted the following:

2. Nine instances where a voucher was not initialed by one of the individuals who signed the corresponding check drawn on the Imprest Fund local bank account.
3. Thirteen instances where the voucher was not initialed by an appropriate employee of the Home certifying adequate funds existed in the Imprest Fund. The affected vouchers were as follows:

<u>Voucher/Check #</u>	<u>Voucher/Check Amount</u>
6055	\$ 45.00
6139	32.00
6172	32.00
6179	32.00
6184	32.00
6206	225.00

6296	32.00
6327	32.00
6359	32.00
6364	32.00
6394	32.00
6423	32.00
6630	<u>225.00</u>
Total	<u>\$815.00</u>

2. Seventeen instances where the date the respective residents picked up their winnings or the Home's Recreation Department picked up the cash for an activity was not noted on the voucher.
3. Three instances where the residents did not sign the voucher for the money they received.
4. The Home paid each resident \$15.00 for "Resident Christmas Money/Gifts" in December 2002 and December 2003. On December 18, 2002 a check was prepared in the amount of \$1,800.00, however, \$15.00 was later receipted back to the account. On December 19, 2003 a check was prepared in the amount of \$1,635.00. The checks are made payable to WVH and cashed by an employee of the Home; however, none of the residents signed for receipt of the money. At least two Home employees are supposed to participate in the process of disbursing the Christmas gifts to the residents.
5. One instance where a voucher, number 6442, had "Trustee Account" written in the check number line rather than "Imprest Account."
6. Two instances where a check was dated incorrectly. Check number 6179 is dated January 6, 2003; however, the checks in sequence before and after number 6179 were dated in February 2003. Additionally, the voucher is dated January 6, 2003; however, the date is marked out with February 6, 2003 written over it. According to other records, the recreational activity relating to this disbursement took place on February 6, 2003 and the residents picked up their winnings on February 6, 2003.

Checks number 6601 and 6602 also appear to have been dated incorrectly. Both checks and corresponding vouchers are dated January 4, 2004; however, the date on the vouchers were marked out and February 4, 2004 was written in. Again, the checks in sequence before and after these checks were dated in February 2004.

Once again, according to other records, the activities relating to these disbursements were held on February 4, 2004 and February 5, 2004, respectively. For voucher/check number 6601 the residents received their winnings on February 4, 2004 and the Recreation Department picked up the cash for voucher/check number 6602 on February 4, 2004.

7. Check and voucher number 6045 were dated September 16, 2002. The date on the voucher had been marked out and October 4, 2002 had been written in. The date the money was picked up by the Recreation Department was October 4, 2002, 18 days after the check was prepared, as indicated by the voucher.
8. Seven instances were noted where the activity typed on the check was different from the activity typed on the voucher. Further, two of the seven checks were posted to the journal with the canceled activity as the description for the checks.

Section I, Subsection 3.B, Article 10 (Vouchers) of the West Virginia Veterans

Home Policies and Procedures Manual states in part:

“. . .The voucher will be typed as an explanation for each check issued from the Trustee Account or Imprest Fund.

The voucher will contain the following:

- 6753- Current date;
- 6754- To whom payable;
- 6755- Address;
- 6756- Amount (to be written out and also shown in digits);
- 6757- Request by whom;
- 6758- For what purpose;
- 6759- **Funds Certification (will list the name of the person writing the check and verifying the funds are available;**
- 6760- Picked up by whom (signature required unless check is mailed);
- 6761- Date picked up or mailed; and
- 6762- Check number and the account from which the check is written. . . .

. . .**The two persons signing the check should verify that the voucher and the check ar[e] the same by initialing the bottom of the voucher.” (Emphasis added)**

Also, Section I, Subsection 3.B - Fiscal Resources, Article 11 (Imprest Fund) of the West Virginia Veterans Home Policies and Procedures Manual states in part:

“ . . .A control ledger will be kept. It will show receipts and disbursements, as well as the source of the receipts and the reason for disbursements. . . .”

Additionally, Subsection 3, Article 11 of the West Virginia Veterans Home Policies and Procedures Manual states in part:

“The funds in the Imprest Fund are for recreational activities and the supplies necessary for the implementation of these activities....”

The failure of the check signor to verify that the information on the check and voucher match could result in the signing of a check that does not match the corresponding voucher and; therefore; has not been properly authorized by the requestor. Further, the issuance of a check with only one of the two required signatures could result in the misappropriation of funds by Home personnel. Additionally, failure of Home personnel to certify that adequate funds exist prior to preparing a check could result in the Imprest Account becoming overdrawn.

The failure to obtain the individual’s signature and the date on the voucher when cash is picked up from the Home’s Fiscal Office could result in the misappropriation of funds and the inability to determine if and when an individual received money that was owed to them. Also, the use of money from the Imprest Fund for Resident Christmas Gifts may result in a shortage of funds for recreational activities.

In addition, the practice of incorrectly indicating that the check was written from the “Trustee Account” on the voucher rather than the “Imprest Account” could result in the check being written on the incorrect account. Additionally, the voucher could be erroneously

filed with Trustee Account vouchers and/or improperly recorded in or omitted from the journals resulting in the misstatement of the Imprest Fund, the Resident Trustee Account or both accounts. The incorrect dating of checks results in the date listed on the checks and voucher being inconsistent with the date listed on the Imprest Fund Journal and can also lead to the conclusion that checks were being used out of sequence.

The holding of cash for an extended period of time may result in the loss or misappropriation of the money. Additionally, the changing of an activity and the related information on an approved voucher results in the use of money for an activity that is not properly supported by a voucher. Lastly, these changes result in inconsistencies between information listed on the corresponding checks, vouchers, and the Imprest Fund Journal.

According to Home personnel, with the exception of one instance in which a resident did not sign for cash that he received, these various instances were all the result of clerical error. The aforementioned instance where a resident did not sign for cash that was received resulted from this resident being physically and visually impaired. Generally, a member of the Home staff will sign on behalf of this particular resident because he is unable to sign and will initial the signature; however, on this particular occasion it was overlooked. In regard to the \$15.00 resident Christmas gifts, Home staff put each resident's money into an envelope with that resident's name written on the outside. This policy is how they make certain that each resident receives his/her gift.

According to Home personnel, the two instances where checks were dated incorrectly were also the result of clerical error. The delay of the Recreation Department in picking up cash requested for an activity was the result of the cancellation of an Alcoholics

Anonymous meeting. The meeting was rescheduled for a later date and rather than cancelling the voucher and redepositing the cash, the Home employee held the cash until the rescheduled meeting was held. The instances in which the activity listed on the check was different from the activity indicated on the approved voucher resulted from the cancellation of the activity and scheduling of a new activity in its place. When this occurred, the Home employee changed the activity description on the voucher; however, she did not change the activity listed on the check. Because the Imprest Fund Journal is posted from the vouchers, two of the seven checks were posted with the canceled activity as the description.

We recommend the Veterans Home comply with the Section I, Subsection 3.B, Articles 10 and 11; and Subsection 3, Article 11 of the West Virginia Veterans Home Policies and Procedures Manual.

Spending Unit's Response

We will comply with this recommendations.

The resident's Christmas gifts is distributed by two employees. One hands out the card and another employee checks them off our current resident list. We do not ask them to sign for this since it is a gift for Christmas.

We watch our funds in the Imprest Fund very closely during this Christmas gift giving to assure that we have the funds for all of our other activities.

Contracts

During our review of contracts and agreements entered into by and on behalf of the West Virginia Veterans Home, we noted that 28 contracts or agreements with 13 different vendors were signed by individuals other than the Director of the West Virginia Division of

Veterans Affairs (Director of Veterans Affairs) even though State law indicates that only the Director of Veterans Affairs is authorized to execute contracts on behalf of the Home. The payments made to those vendors totaled \$445,214.29 during the period July 1, 2002 through June 30, 2004.

Additionally, vending machines located at the West Virginia Veterans Home are owned and serviced by a private vending company. According to the Home's contract with the vending company which expired on March 1, 2000; the Home was to receive a 24 percent commission on the gross sales from the vending machines. During the period July 1, 2002 through June 30, 2004, the Home received vending machine commissions totaling \$15,864.81.

Chapter 9A, Article 2, Section 2 of the West Virginia Code, as amended, states as follows:

“§9A-2-2. Funds collected from the federal government; others sources; use of funds.

The division of veterans' affairs is hereby authorized and directed to receive moneys from the federal government, any agency thereof, from state appropriations, from resident contributions or from any other appropriate source, for the purpose of maintaining the state veterans' home at Barboursville, which purpose shall include, but not limited to, expenditures for improvement and renovation of physical facilities, personal care costs and medical, nursing and dental services.

The money so collected shall be placed in special accounts according to the source of funds and limitation on the use of the funds. **These accounts shall be administered by the director of the West Virginia division of veterans' affairs. These funds shall be deposited in the state treasury and paid out only on such vouchers as may be authorized and approved by the director of the West Virginia division of veterans' affairs, in the same manner and under the same restrictions as are now provided by law for the disbursement of funds by that division.** These funds shall only be used as directed or restricted by the source of the funds.” (Emphasis added)

And, Chapter 9A, Article 1, Section 10 of the West Virginia Code, as amended, states in part:

“§9A-1-10. Powers and duties of director.

The director shall be the executive and administrative head of the division, and as such shall have the power and duty, subject to the provisions of section four hereof, to:

. . . (d) Sign and execute, in the name of the state by "West Virginia division of veterans' affairs," and by and with the consent of the veterans' council, any contract or agreement with the federal government or its agencies, other states, subdivisions of this state, corporations, associations, partnerships or individuals;

. . . (o) Delegate to all or any of his appointees, assistants or employees all powers and duties vested in the director, except the power to sign and execute contracts and agreements, but the director shall be responsible for the acts of such appointees, assistants and employees.”

The signing of contracts and agreements by individuals other than the Director of the Division of Veterans Affairs, may result in the Director lacking knowledge regarding those agreements and contracts for which he is responsible under State law. The failure to rebid contracts for services after they have expired may result in the Home paying more for services under the expired contracts or accepting services under these expired contracts which may be of a lesser quality than the Home would have received if the contracts were rebid. Additionally, the failure of the Home to rebid the vending contract may result in the Home receiving less commissions than it may have received if the Home had rebid the contract.

We spoke with the Administrator of the West Virginia Veterans' Home regarding the authority to sign contracts and he was unaware that contractual arrangements of the Home should be executed by the Director of Veterans' Affairs and he was unaware that he and the Fiscal Supervisor lack the authority to contract on behalf of the Home.

We also spoke with a Home employee regarding the expired vending contract. She stated that the vending contract had originally been awarded to a different vendor; however, the previous Administrator had canceled the contract and awarded it to the current vendor effective March 1, 1999. She said that the Home has never rebid the contract.

We recommend the Veterans Home comply with Chapter 9A, Article 1, Section 10, as amended and Chapter 9A, Article 2, Section 2, as amended of the West Virginia Code.

Spending Unit's Response

Contracts at the Veterans Home have always been completed and signed by either the Administrator or the Fiscal Supervisor. We were unaware of the code that only the director has the authority.

The vending contract was signed in 1999 by the previous administrator. We signed a new agreement with this vendor in November 2004. We were approached by another vendor but they could not meet the commission of our current vendor.

The cable service is a sole source. We did not have a current contract with them but they also had never raised their rates. We have a current contract with them that was signed June 2003.

Free and Reduced Cost Meals

During our review of meal ticket sales of the Home, we noted that certain individuals that are not residents of the Home may eat in the cafeteria without being charged or may receive reduced cost meals. Chapter 6B, Article 2, Section 5 of the West Virginia Code outlines ethical standards for public employees and states in part,

“(b) Use of public office for private gain. - (1) A public official or public employee may not knowingly and intentionally use his or

her office or the prestige of his or her office for his or her own private gain or that of another person....”

We were informed by Home personnel that some individuals who donate goods to the Home may be invited to eat in the cafeteria free of charge. Additionally, individuals with a Work Release Program are sometimes provided meals free of charge while working at the Home. Home personnel also told us that certain individuals who do volunteer work in the Country Store at the Home are not charged for meals. During fiscal years 2004 and 2003, we noted these volunteers were listed in the Meal Ticket Log 18 times for eating in the cafeteria at no charge. Meanwhile, Work Release individuals were listed on the Meal Ticket Log a total of 44 times. The Meal Ticket Log listed a total of 115 people who ate in the cafeteria at no charge from July 1, 2002 to June 30, 2004. We believe the West Virginia Division of Veterans Affairs should consider seeking an amendment to the legislative rules to allow the Veterans Home to provide free meals under certain circumstances which would be set forth in such rules.

We also noted that Meal Tickets are available for sale to employees at a discounted rate. These Meal Tickets, which can be purchased either at the cafeteria or in the Administration building, are available to guests at a rate of \$3.00 are discounted to \$2.00 for employees of the Home and other non-employees who are providing contract services to the Home.

Allowing Home employees to eat in the cafeteria at a reduced rate may prevent the Home from recovering the costs incurred by the Home in providing those meals and is specifically not allowed by State law where the beneficiary of the reduced or free meal is an employee of the Home.

We recommend the Veterans Home comply with Chapter 6B, Article 2, Section 5 of the West Virginia Code.

Spending Unit's Response

When the Veterans Home receives large donations of either cash or goods, there are times when the donor wishes to have lunch at our facility. After a large donation, we feel that it appears unappreciative if we ask them to pay for their lunch so we have in the past offered them a complimentary lunch.

Work release personnel are used on occasion to perform work at the Home. These personnel do not have the means to purchase meals nor are provided meals by Work Release program and they are allowed to eat lunch free of charge. Also, we have an auxiliary that has volunteer personnel providing services to the home and are allowed free meals.

Employees are not offered a discount rate for lunch. Our average cost of a meal per person is from \$1.50 to \$1.75. So therefore employees are not paying a discount rate.

Guests are friends and/or family of residents and/or employees, previous residents, etc. It has been our policy to charge \$3.00 to discourage over utilization of our cafeteria since the price of our meals are priced low. Our dietary staff does not prepare for guests. This could create a shortage at any certain meal for our residents living at our facility if we had large numbers of unexpected guests.

Federal Per Diem - Errors in Preparation of Form 10-5588

During our review of the Federal Per Diem cash receipts of the Veterans Home, we noted several errors in the preparation of the **Department of Veterans Affairs State Home Report and Statement of Federal Aid Claimed Form (Form 10-5588)** filed by the Home.

This particular form is filed with the United States Department of Veterans Affairs in order to claim Per Diem based upon the number of days of care provided by the Home to eligible residents for the month. The “Days of Care” is multiplied by the lesser of the Federal Per Diem rate or one-half of the average daily cost for the month to arrive at the amount the Home is to receive for the month. The errors noted by us were as follows:

1. We noted one instance in which the Home used the incorrect Average Daily Cost on a Form 10-5588 that was filed with the Veterans Administration. Form 10-5588 filed for October 2002 listed 3,456 Days of Care rather than the correct number of Days of Care; 3,546. The Home corrected the Form 10-5588; however, they did not recalculate the Average Daily Cost. The Average Daily Cost is calculated by taking the total monthly expenditures for the Home and dividing that number by the Days of Care. The Home initially claimed per diem for October 2002 at the rate of \$24.40 (federal per diem rate @ October 2002) for a total of \$86,522.40. When the Home revised the Form 10-5588 to correct the Days of Care, as mentioned above, they calculated a Per Diem rate of \$23.57 (rounded up) or one half of Total Expenses (\$162,865.97) divided by the incorrect number of days of care (3,456), for total per diem of \$83,579.22. In order to correct this difference, the Home shorted the Per Diem request by \$2,943.18 (\$86,522.40 - \$83,579.22) for December 2002. However, for October 2002, the correct Per Diem calculation for the Home was one half of Total Expenses (\$162,865.97) divided by the actual number of days of care (3,546) or \$22.96; for a total claim of \$81,416.16; therefore, the Home was overpaid in the amount of \$2,163.06 (\$83,579.22 - 81,416.16).
2. We noted, in recalculating the Total Veteran Patients Or Members Remaining End of Month, that the total is incorrect on each of the 10-5588 forms. This amount is calculated by taking the Total Veteran Patients Or Members Remaining End of Prior Month and adding Admissions and Returns From Leave of Absence of More Than 96 Hours and subtracting Discharges, Deaths, and To Leave of Absence More Than 96 hours. However, the Home calculated the amount by taking a head count of the residents at the Home on the last day of the month. The differences, we were told, are the residents who are in transition (either leaving or being admitted to the Home).
3. We also noted the Average Daily Census on three of Form 10-5588's filed by the Home were miscalculated. The Average Daily Census is computed by dividing the number of Days of Care figure by the number of calendar days in the month, carried to one decimal point. The three instances where the census was miscalculated are detailed in the following schedule:

<u>Month/Year</u>	<u>Days of Care</u>	<u>Average Daily Census Per Home</u>	<u>Audited Average Daily Census</u>	<u>Difference</u>
7/2002	3589	122	3589/31 = 115.8	6.2
8/2002	3683	122	3683/31 = 118.8	3.2
9/2002	3457	118	3457/30 = 115.2	2.8

The Department of Veterans Affairs Instructions For State Home Report and Statement of Federal Aid Claimed state in part:

“c. Lines 1 through 12 are to be completed for each level of care.... The sum of lines 1 through 4 must equal the sum of lines 5 through 9 in all columns.

- (6753) Line 1, Total Veteran Residents Remaining End of Prior Month. Enter the number of veteran eligible resident present and remaining on the rolls of the State home as of midnight on the last day of the prior month. Entries on this line will be the same as those shown on line 9 for the prior month.
- (6754) Line 2, Admissions (Change of Status). Enter the number of eligible veterans whose status was changed by transfer from one level of care to another.
- (6755) Line 3, Admissions (Other). Enter the number of eligible veterans admitted to the State home during the report month.
- (6756) Line 4, Return from Leave of Absence of More Than 96 Hours. Enter the number of eligible veterans who returned from a leave of absence of more than 96 hours.
- (6757) Line 5, Discharges (Change of Status). Enter the number of eligible veterans whose status was changed by transfer to another level of care in the State home. The total entries on line 2 and 5 for the month will be the same.
- (6758) Line 6, Discharges (Others). Enter the number of eligible veterans who were discharged form the State home or dropped from the rolls, except for deaths.
- (6759) Line 7, Deaths. Enter the number of eligible veterans who died during the report month. Attach a separate sheet identifying deaths by name.

- (6760) Line 8, Leave of Absence of More Than 96 Hours. Enter in the appropriate column the number of eligible veterans who departed on an absence of more than 96 hours or who were absent during the month for more than 96 hours. . . .
- (6761) Line 9, Total Veteran Residents Remaining End of Month. Enter the number of eligible male and female veterans present and remaining as of midnight on the last day of the report month. This entry will be equal to the sum of lines 1, 2, 3 and 4 minus lines 5, 6, 7 and 8.
- (6762) Line 10, Total Veterans Days of Care Furnished. Enter total number of days of care furnished, including days of care for eligible veterans absent 96 hours or less. One day of care may be counted for a veteran either on the day they are shown as a gain or on the day they are counted as a loss, but not both. A gain and a loss on the same day will be reported as one day of care. . . .
- a. Column J, Days of Care . . . Enter from line 10 . . .to show the total number of days . . . for the month.
- b. Column K, Average Daily Census . . . Enter the average daily census computed by dividing the appropriate entry in column J by the number of calendar days in the month, carried to one decimal place.
- c. Column L, Per Diem Cost . . . Enter on the appropriate line the per diem costs for the month
- d. Column M, Per Diem Claimed . . .Enter the authorized maximum per diem rate or one-half the amount shown in column L carried to two decimal places whichever is lesser . . .”

The instance in which the Home used the incorrect Average Daily Cost were the result of clerical error. Additionally, the incorrect calculation of the Total Veteran Patients or Members Remaining End of Month on each of the Form 10-5588's and the Daily Census on three Form 10-5588's was the result of Home personnel using the wrong formulas. We were told by the Registrar that these errors are always in favor of the Home.

We recommend the Veterans Home comply with the instructions for completing the **Department of Veterans Affairs State Home Report and Statement of Federal Aid**

Claimed Form (Form 10-5588). Also, we recommend the Veterans Home review the filed reports for October 2002 and December 2002 and determine whether the United States Department of Veterans Affairs is owed a refund of \$2,163.06 related to filing errors.

Spending Unit's Response

Item #1 and 2. VAMC Huntington approves our 10-5588 for payment. Around January 2003, it was brought to our attention by the Huntington VAMC, who had received their information from Washington, DC, that we were calculating the per diem incorrectly.

We have completed and submitted per diem the same way since the being of the Veterans Home operation. VA Manual M1 Para 3.10 c. state "Total VA aid payments to a State for a fiscal year may not exceed one-half of the total allowable cost of care of the veterans in a home". That is the criteria being followed by both the Veterans Home and VAMC. Though payments exceeded one-half in some months, it was not exceeded for the year.

We held a meeting at the Veterans Home concerning the Form 10-5588. After much discussion it was agreed that the correct procedure would begin with the beginning of the federal fiscal year, October 1. Any debt which may have been corrected prior to that was forgiven. We corrected the October 2002, November 2002, and December 2002 reports as per the Huntington VAMC. August and September 2002 were not corrected because they were before the beginning of the fiscal year.

We have auditors from the Veterans Administration here every year. The mistake for October 2002 in the amount of \$2,163.06 was not discovered by them at that time.

We figure the overpaid amount is \$2,127.60. We will contact them concerning this overpayment as to what action they wish us to take.

Item #3 and 4. We have corrected these at the same time the calculation of the per diem was corrected.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the West Virginia Veterans Home (the Home) for the years ended June 30, 2004 and June 30, 2003. The financial statement is the responsibility of the management of the Home. Our responsibility is to express an opinion on the financial statement based on our audit.

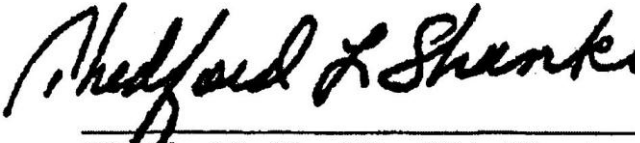
Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to satisfy ourselves that the foodstuffs purchased by the Home and maintained in the Home's stockroom were adequately accounted for and such foodstuffs were only used to provide meals to residents of the Home, guests of the Home and for other legitimate purposes as a result of the Home's failure to maintain the perpetual inventory records during the period from approximately July 1, 2003 through May 31, 2004; nor were we able to satisfy ourselves as to inventories of such foodstuffs in the possession of the Home during this period.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform tests of the perpetual inventory of items contained in the Home's stockroom, the financial statement referred to in the first paragraph above present fairly, in all material respects, the and the revenues collected and expenses paid for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Theoford L. Shanklin, CPA, Director
Legislative Post Audit Division

December 30, 2004

Auditors: Michael E. Sizemore, CPA, Audit Manager
Amy J. Swain, CPA, Auditor-in-Charge
Stacy L. Sneed, CPA
Debra A. Burkhardt
India R. Welder

**WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS/CASH RECEIPTS, EXPENDITURES/DISBURSEMENTS
AND CHANGES IN FUND BALANCES**

	<u>General Revenue</u>	<u>Year Ended June, 30, 2004</u>		<u>Combined Totals</u>
		<u>Special Revenue</u>	<u>Federal Programs</u>	
Appropriations/Cash Receipts:				
Appropriations	\$1,133,038.00	\$ 0.00	\$ 0.00	\$1,133,038.00
Donations/Contributions	0.00	13,817.19	0.00	13,817.19
Commissions	0.00	5,909.15	0.00	5,909.15
Laundry Supply Vending	0.00	14.35	0.00	14.35
Interest Earned (local bank account)	0.00	0.00	0.00	0.00
Resident Maintenance Collections	0.00	398,843.58	0.00	398,843.58
Federal Grant - Renovations	0.00	0.00	1,094,689.66	1,094,689.66
Federal Per Diem	<u>0.00</u>	<u>0.00</u>	<u>980,111.20</u>	<u>980,111.20</u>
	1,133,038.00	418,584.27	2,074,800.86	3,626,423.13
Expenditures/Disbursements:				
Personal Services	616,466.23	0.00	194,311.95	810,778.18
Annual Increment	12,750.00	0.00	0.00	12,750.00
Employee Benefits	310,751.29	0.00	80,507.19	391,258.48
Current Expenses	82,116.07	352,423.32	381,658.60	816,197.99
Repairs and Alterations	3,022.73	22,196.10	7,766.94	32,985.77
Assets	8,730.52	21,260.99	1,001,144.75	1,031,136.26
Public Employees' Insurance Reserve Transfer	5,924.00	0.00	0.00	5,924.00
Refunds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>1,039,760.84</u>	<u>395,880.41</u>	<u>1,665,389.43</u>	<u>3,101,030.68</u>
Appropriations/Cash Receipts Over Expenditures/Disbursements	93,277.16	22,703.86	409,411.43	525,392.45
Expirations & Expenditures - After June 30	93,277.16	0.00	(110,961.60)	(17,684.44)
Beginning Balance	<u>0.00</u>	<u>542,977.23</u>	<u>1,112,098.73</u>	<u>1,655,075.96</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$565,681.09</u>	<u>\$1,632,471.76</u>	<u>\$2,198,152.85</u>

See Notes to Financial Statement

<u>General Revenue</u>	<u>Year Ended June 30, 2003</u>		<u>Combined Totals</u>
	<u>Special Revenue</u>	<u>Federal Programs</u>	
\$1,132,669.00	\$ 0.00	\$ 0.00	\$1,132,669.00
0.00	16,353.10	0.00	16,353.10
0.00	8,841.86	0.00	8,841.86
0.00	24.30	0.00	24.30
0.00	162.26	0.00	162.26
0.00	385,836.00	0.00	385,836.00
0.00	0.00	0.00	0.00
<u>0.00</u>	<u>0.00</u>	<u>1,018,081.25</u>	<u>1,018,081.25</u>
1,132,669.00	411,217.52	1,018,081.25	2,561,967.77
592,200.99	0.00	218,842.92	811,043.91
13,383.32	0.00	0.00	13,383.32
267,433.79	0.00	72,255.77	339,689.56
114,977.12	301,810.25	377,975.96	794,763.33
11,500.78	19,105.86	24,522.05	55,128.69
8,642.40	6,382.50	41,024.37	56,049.27
5,885.00	0.00	0.00	5,885.00
<u>0.00</u>	<u>0.00</u>	<u>5,040.41</u>	<u>5,040.41</u>
<u>1,014,023.40</u>	<u>327,298.61</u>	<u>739,661.48</u>	<u>2,080,983.49</u>
118,645.60	83,918.91	278,419.77	480,984.28
118,955.60	0.00	(67,500.00)	51,455.60
<u>310.00</u>	<u>459,058.32</u>	<u>766,178.96</u>	<u>1,225,547.28</u>
<u>\$ 0.00</u>	<u>\$542,977.23</u>	<u>\$1,112,098.73</u>	<u>\$1,655,075.96</u>

WEST VIRGINIA DIVISION OF VETERANS' AFFAIRS

WEST VIRGINIA VETERANS HOME

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures paid after June 30 in the carry-over period and expirations were as follows:

	<u>Expenditures</u>		<u>Expirations</u>	
	<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Personal Services	\$ 0.00	\$ 0.00	\$ 8,355.77	\$18,022.69
Annual Increment	0.00	0.00	1,400.00	0.00
Employee Benefits	2,258.71	9,905.58	0.00	7,152.63
Unclassified	74,011.90	57,403.30	6,881.78	26,471.40
Pay Equity Reserve	<u>0.00</u>	<u>0.00</u>	<u>369.00</u>	<u>0.00</u>
	<u>\$76,270.61</u>	<u>\$67,308.88</u>	<u>\$17,006.55</u>	<u>\$51,646.72</u>

Combined Totals: The combined totals contain the totals of similar accounts for the various funds. Since the appropriations and cash receipts are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than that provided by such laws, rules and regulations.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their annual compensation and employees have vested rights under certain circumstances. The West Virginia Division of Veterans Affairs - West Virginia Veterans Home matches contributions at 10.5% (for fiscal year 2003 the rate was 9.5%) of the compensation on which the employees made contributions. The West Virginia Division of Veterans Affairs - West Virginia Veterans Home's pension expenditures for the 2004 and 2003 fiscal years were as follows:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Veteran's Home General Operating Fund (0460-010)	<u>\$64,519.79</u>	<u>\$55,593.77</u>
Consolidated Federal Fund Veteran's Home Fund (8728)	<u>19,582.58</u>	<u>19,683.39</u>
	<u>\$84,102.37</u>	<u>\$75,277.16</u>

Note C - Meal Ticket Sales

Employees and guests of the Veterans Home may purchase Meal Tickets that are redeemable for meals in the Veterans Home Cafeteria. The cost is \$3.00 for guests and \$2.00 for employees. The receipts associated with the sale of these meals are recorded as a reduction in expenditures from Fund 6754 for Current Expenses (Food Products - object code 033) rather than revenue. Meal ticket sales for fiscal years 2004 and 2003 are as follows:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Meal Ticket Sales - Fund 6754</u>	<u>\$8,907.00</u>	<u>\$5,634.50</u>

Note D - Resident Trustee Accounts

As required by Chapter 5, Article 25, Section 1 of the West Virginia Code, the West Virginia Veterans Home has established a local Resident Trustee bank account at the First State Bank in Barboursville, West Virginia. This account is comprised of all of the monies belonging to residents of the Home who have chosen to allow the Home to manage their financial affairs. The activities of the Resident Trustee bank account, including the balances, have not been included in the basic financial statements. The activities of the Resident Trustee bank account for fiscal years 2004 and 2003 were as follows:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Beginning Balance - Resident Trustee Account	<u>\$12,638.16</u>	<u>\$11,845.90</u>
Receipts	<u>30,221.35</u>	<u>51,773.03</u>
Disbursements	<u>32,605.36</u>	<u>50,980.77</u>
Ending Balance - Resident Trustee Account	<u>\$10,254.15</u>	<u>\$12,638.16</u>

Note E - Imprest Fund

The Veterans Home has established a local bank account to manage the Home's \$3,000.00 Imprest Fund. The Imprest Fund is used for recreational and other activities for the benefit of the residents of the Home and is periodically replenished from the WV Veteran's Home Contributions Fund - Fund 6750. The activities of the Imprest Fund bank account for fiscal years 2004 and 2003 were as follows:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Beginning Balance - Imprest Fund Account	<u>\$ 2,509.21</u>	<u>\$ 2,198.76</u>
Receipts	<u>21,049.38</u>	<u>23,354.21</u>
Disbursements	<u>21,803.87</u>	<u>23,043.76</u>
Ending Balance - Imprest Fund Account	<u>\$ 1,754.72</u>	<u>\$ 2,509.21</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Personal Services - Account 0460-001</u>		
Appropriations	\$630,746.00	\$615,382.00
Expenditures:		
Personal Services	616,466.23	578,136.99
Annual Increment	0.00	13,383.32
Employee Benefits	0.00	(46.00)
Public Employees' Insurance Reserve Transfer Out	<u>5,924.00</u>	<u>5,885.00</u>
	<u>622,390.23</u>	<u>597,359.31</u>
	8,355.77	18,022.69
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 8,355.77</u>	<u>\$ 18,022.69</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Annual Increment - Account 0460-004</u>		
Appropriations	\$14,150.00	\$13,800.00
Expenditures:		
Annual Increment	<u>12,750.00</u>	<u>13,800.00</u>
	1,400.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$ 1,400.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Employee Benefits - Account 0460-010</u>		
Appropriations	\$313,010.00	\$284,492.00
Expenditures:		
Employee Benefits	<u>313,010.00</u>	<u>277,339.37</u>
	0.00	7,152.63
Transmittals Paid After June 30	<u>2,258.71</u>	<u>9,905.58</u>
Balance	<u>\$ 2,258.71</u>	<u>\$ 17,058.21</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS

WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Unclassified - Account 0460-099</u>		
Appropriations	\$174,763.00	\$218,995.00
Expenditures:		
Current Expenses	151,405.64	169,811.42
Repairs and Alterations	7,745.06	14,069.78
Assets	<u>8,730.52</u>	<u>8,642.40</u>
	<u>167,881.22</u>	<u>192,523.60</u>
	6,881.78	26,471.40
Transmittals Paid After June 30	<u>74,011.90</u>	<u>57,403.30</u>
Balance	<u>\$ 80,893.68</u>	<u>\$ 83,874.70</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Pay Equity Reserve - Account 0460-364</u>		
Appropriations	\$369.00	\$ 0.00
Reappropriations - Fiscal Year 2002	<u>0.00</u>	<u>310.00</u>
	369.00	310.00
Expenditures:		
Personal Services	0.00	264.00
Employee Benefits	<u>0.00</u>	<u>46.00</u>
	<u>0.00</u>	<u>310.00</u>
	369.00	0.00
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$369.00</u>	<u>\$ 0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>WV Veteran's Home Contributions -</u>		
<u>Account 6750-099</u>		
Cash Receipts:		
Donations/Contributions	\$13,817.19	\$16,353.10
Commissions	5,909.15	8,841.86
Laundry Supply Vending	14.35	24.30
Interest (Local Imprest Account)	<u>0.00</u>	<u>162.26</u>
	19,740.69	25,381.52
Disbursements:		
Current Expenses	32,424.63	24,729.17
Repairs and Alterations	0.00	422.93
Assets	<u>2,848.99</u>	<u>0.00</u>
	<u>35,273.62</u>	<u>25,152.10</u>
Cash Receipts (Under)/Over Disbursements	(15,532.93)	229.42
Beginning Balance	<u>37,686.56</u>	<u>37,457.14</u>
Ending Balance	<u>\$22,153.63</u>	<u>\$37,686.56</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>WV Veteran's Home Improvement - Account 6751-099</u>		
Cash Receipts:	\$0.00	\$0.00
Disbursements:		
Current Expenses	<u>0.00</u>	<u>0.07</u>
Cash Receipts (Under) Disbursements	0.00	(0.07)
Beginning Balance	<u>0.00</u>	<u>0.07</u>
Ending Balance	<u>\$0.00</u>	<u>\$0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>WV Veteran's Home Resident</u>		
<u>Maintenance Collections - Account 6752-099</u>		
Cash Receipts:	\$0.00	\$0.00
Disbursements:		
Current Expenses	<u>0.00</u>	<u>0.72</u>
Cash Receipts (Under) Disbursements	0.00	(0.72)
Beginning Balance	<u>0.00</u>	<u>0.72</u>
Ending Balance	<u>\$0.00</u>	<u>\$0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>WV Veteran's Home Flood Disaster</u>		
<u>November 1985 Fund - Account 6753-096</u>		
Cash Receipts:	\$0.00	\$0.00
Disbursements:		
Current Expenses	<u>0.00</u>	<u>0.00</u>
	0.00	0.00
Beginning Balance	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$0.00</u>	<u>\$0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Veteran's Home Special Revenue Operating Fund -</u>		
<u>Account 6754-096</u>		
Appropriations	\$466,000.00	\$466,000.00
Expenditures:		
Current Expenses	319,998.69	277,078.77
Repairs and Alterations	22,196.10	18,682.93
Assets	<u>18,412.00</u>	<u>6,382.50</u>
	<u>360,606.79</u>	<u>302,144.20</u>
	105,393.21	163,855.80
Transmittals Paid After June 30	<u>0.00</u>	<u>0.00</u>
Balance	<u>\$105,393.21</u>	<u>\$163,855.80</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS

WEST VIRGINIA VETERANS HOME

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

CASH CONTROL - ACCOUNT 6754

VETERAN'S HOME SPECIAL REVENUE OPERATING FUND

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Beginning Balance	\$505,290.67	\$421,598.87
Cash Receipts:		
Resident Maintenance Collections	<u>398,843.58</u>	<u>385,836.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$904,134.25</u>	<u>\$807,434.87</u>
Ending Balance	\$543,527.46	\$505,290.67
Disbursements:		
Current Expenses	319,998.69	277,078.77
Repairs and Alterations	22,196.10	18,682.93
Assets	<u>18,412.00</u>	<u>6,382.50</u>
	<u>360,606.79</u>	<u>302,144.20</u>
Add Disbursements Paid July 1-31 Beginning and (Less) Disbursements Paid July 1-31 Ending:		
Current Expenses	0.00	0.00
(Current Expenses)	0.00	0.00
Repairs and Alterations	0.00	0.00
(Repairs and Alterations)	0.00	0.00
Assets	0.00	0.00
(Assets)	<u>0.00</u>	<u>0.00</u>
	<u>360,606.79</u>	<u>302,144.20</u>
TOTAL CASH ACCOUNTED FOR	<u>\$904,134.25</u>	<u>\$807,434.87</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Transfer from Governor's Civil Contingent Fund -</u> <u>Account 6755-099</u>		
Cash Receipts	\$0.00	\$0.00
Disbursements:		
Current Expenses	<u>0.00</u>	<u>0.84</u>
Cash Receipts (Under) Disbursements	0.00	(0.84)
Beginning Balance	<u>0.00</u>	<u>0.84</u>
Ending Balance	<u>\$0.00</u>	<u>\$0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Contingency Funds - Account 6756-099</u>		
Cash Receipts	\$0.00	\$0.00
Disbursements:		
Current Expenses	<u>0.00</u>	<u>0.68</u>
Cash Receipts (Under) Disbursements	0.00	(0.68)
Beginning Balance	<u>0.00</u>	<u>0.68</u>
Ending Balance	<u>\$0.00</u>	<u>\$0.00</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS
WEST VIRGINIA VETERANS HOME
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FEDERAL FUNDS

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Consolidated Federal Funds Veteran's Home Fund -</u>		
<u>Account 8728-096</u>		
Appropriations	\$2,503,780.00	\$885,880.00
Expenditures:		
Personal Services	194,311.95	218,842.92
Employee Benefits	80,507.19	72,255.77
Current Expenses	381,658.60	377,975.96
Repairs and Alterations	7,766.94	24,522.05
Assets	<u>1,001,144.75</u>	<u>41,024.37</u>
	<u>1,665,389.43</u>	<u>734,621.07</u>
	838,390.57	151,258.93
Transmittals Paid After June 30	<u>178,461.60</u>	<u>67,500.00</u>
Balance, June 30	<u>\$1,016,852.17</u>	<u>\$218,758.93</u>

WEST VIRGINIA DIVISION OF VETERANS AFFAIRS

WEST VIRGINIA VETERANS HOME

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

CASH CONTROL - ACCOUNT 8728

CONSOLIDATED FEDERAL FUNDS VETERAN'S HOME FUND

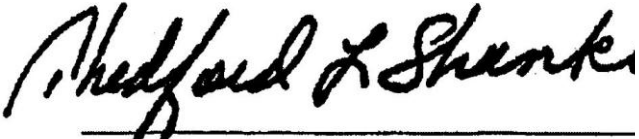
	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Beginning Balance	\$1,112,098.73	\$ 766,178.96
Cash Receipts:		
Federal Grant - Renovations	1,094,689.66	0.00
Federal Per Diem	<u>980,111.20</u>	<u>1,018,081.25</u>
	<u>2,074,800.86</u>	<u>1,018,081.25</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$3,186,899.59</u>	<u>\$1,784,260.21</u>
Ending Balance	\$1,632,471.76	\$1,112,098.73
Cash Disbursements:		
Personal Services	194,311.95	218,842.92
Employee Benefits	80,507.19	72,255.77
Current Expenses	381,658.60	377,975.96
Repairs and Alterations	7,766.94	24,522.05
Assets	1,001,144.75	41,024.37
Refunds	<u>0.00</u>	<u>5,040.41</u>
	<u>1,665,389.43</u>	<u>739,661.48</u>
Add Disbursements Paid July 1-31 Beginning and (Less) Disbursements Paid July 1-31 Ending:		
Personal Services	0.00	0.00
(Personal Services)	0.00	0.00
Employee Benefits	0.00	0.00
(Employee Benefits)	(8,748.00)	0.00
Current Expenses	67,500.00	0.00
(Current Expenses)	0.00	(67,500.00)
Repairs and Alterations	0.00	0.00
(Repairs and Alterations)	0.00	0.00
Assets	0.00	0.00
(Assets)	<u>(169,713.60)</u>	<u>0.00</u>
	<u>(110,961.60)</u>	<u>(67,500.00)</u>
	<u>1,554,427.83</u>	<u>672,161.48</u>
TOTAL CASH ACCOUNTED FOR	<u>\$3,186,899.59</u>	<u>\$1,784,260.21</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 10th day of July 2005.



**Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division**

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the West Virginia Division of Veterans' Affairs; West Virginia Veterans Home; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.