

# STATE OF WEST VIRGINIA

## AUDIT REPORT

OF

DEPARTMENT OF VETERANS' AFFAIRS

FOR THE PERIOD

JULY 1, 1968 - JUNE 30, 1978



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

**West Virginia**



**LEGISLATIVE AUDITOR**

**CHARLESTON**

The Honorable Encil Bailey  
Legislative Auditor  
State Capitol - Main Unit  
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Article 2, Chapter 4, as amended, we have examined the accounts of the Department of Veterans' Affairs.

Our examination covered the period July 1, 1968 to and including June 30, 1978. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1978 and June 30, 1977 are included in this report. The financial statements covering the period July 1, 1968 to and including June 30, 1976 are included in our audit workpapers.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thedford L. Shanklin".

Thedford L. Shanklin, CPA, Director  
Legislative Postaudit Division

TLS:rmh

AUDIT REPORT  
OF  
DEPARTMENT OF VETERANS' AFFAIRS  
FOR THE PERIOD  
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DEPARTMENT OF VETERANS' AFFAIRS

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## HISTORY OF WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

With the cessation of hostilities and demobilization of service personnel, the Legislature of the State of West Virginia, foreseeing the need of a State Department of Veterans' Affairs, created and established in 1945 by the passage of House Bill No. 152, the West Virginia Department of Veterans' Affairs, for the purpose of aiding, assisting, counseling and advising and looking after the rights and interests of all persons known as veterans who are citizens and residents of this State, and their widows, dependents and orphans who are or have become citizens and residents of this State, or all persons known as veterans who have served in the armed forces of the United States in the Army, Navy, Marine Corps, or Coast Guard, as defined by the laws of the United States and whose separation therefrom has been other than dishonorable. Pursuant to the Act a five-member Veterans Council selected with special reference to their ability and fitness to effectuate the purpose of the Act, was appointed.

The Department, by authority of the Act, took over the work, funds and property of the Division of Veterans Service of the Department of Public Assistance and continued to operate three established offices at Huntington, Charleston and Clarksburg.

The first formal meeting of the Council was called by Governor Clarence W. Meadows on July 23, 1945 and was held in the conference room of the State Superintendent of Public Institutions. It was recommended by the Council in this first meeting that offices be opened at Lewisburg, Martinsburg, Wheeling, Beckley and Parkersburg. It was discussed by the Council that a statement of general policy and rules to govern the Department be drawn up and presented for consideration.

On October 5, 1945 the Council approved the establishment of a regional office to be located at Welch. On March 25, 1946, it was authorized by the Council that an office should be established at Fairmont. On May 26, 1946 the Council in this meeting authorized the establishment of offices at Spencer and Logan. In addition, the Council authorized the creation of the Division of the Information, Special Services, Employment, and Housing. These divisions were created to function within the Department.

DEPARTMENT OF VETERANS' AFFAIRS

SUMMARY OF FINDINGS AND RECOMMENDATIONS

INVOICES

1. Copies of retained invoices are not marked in any way indicating receipts and/or payment.

We recommend that the following statement be placed on every invoice and signed by an authorized person:

"I certify that - - - - have been received."

"Signature"

TRANSMITTALS

2. The administrative assistant performs all of the following duties: (a) purchasing, (b) receiving, (c) handled all invoices, (d) prepares and signs all transmittals, and (e) accounting.

We recommend that these duties be delegated to two or more persons.

3. The administrative assistant signs the director's name on all transmittals and then places his initials thereon.

We recommend that the person authorizing the transmittal should sign his name instead of initialing. We further recommend that the director or the assistant director sign each transmittal.

INACTIVE ACCOUNT

4. We noted that a balance of \$19.16 in Veterans' Fund Account No. 8260-06 has been carried forward since June 30, 1969.

We recommend that this balance of \$19.16 be expended in order to close this account.

DEPARTMENT OF VETERANS' AFFAIRS

GENERAL REMARKS

APPROPRIATED ACCOUNTS

All expenditures required for the operation of the Department of Veterans' Affairs are made from the following

appropriated accounts:

Account No. 4030-06 - Aid of Veterans Day Patriotic Program  
Account No. 4040-00 - Personal Services  
Account No. 4040-01 - Current Expense  
Account No. 4040-03 - Equipment  
Account No. 4040-07 - Educational Opportunities for Children of War Veterans

All expenditures from these accounts were reviewed to determine that the proper authorization was made and standard state policies adhered to.

SPECIAL REVENUE ACCOUNTS

These were two special revenue accounts which were established during the period of this audit as follows:

Account No. 8360-06 - Veterans' Fund  
Account No. 8260-08 - West Virginia Veterans' Home

The Veterans' Fund was used for the expenses of the Soldier's Home at Weston State Hospital and was funded by federal funds.

The West Virginia Veterans' Home accounts were established for a contribution received from Brigadier General James A. Herbert on July 1, 1975.

EXPENDITURES

During our review of the internal control system we discovered the same person was performing all functions of the accounting, purchasing, receiving, and preparing and signing all transmittals for all expenditures. We also noted this same person was signing the director's name on the transmittals and putting his initials thereon.

It is our opinion that this constitutes poor internal control and we recommend that the foregoing duties be segregated between two or more employees. We especially recommend that the director or the assistant director approve and



sign the transmittals.

We also noted that retained copies of invoices were not marked in any way indicating receipt and/or payment.

We recommend that the following statement be placed on every invoice and signed by an authorized person:

"I certify that - - - - have been received."

"Signature"

INACTIVE ACCOUNT

We noted that a balance of \$19.16 in the Veterans' Fund Account No. 8260-06 has been carried forward since June

30, 1969.

We recommend that this account be closed in order to eliminate the time and expense in carrying this balance on the records from year to year.

PAYROLL

We distributed payroll checks for the payroll period March 1-16, 1979. We obtained a certificate from the director to the effect all mailed checks were to bona fide employees of the Department. It is our opinion that the personal services account appears to be fairly stated and in compliance with regulations of the Department.

EQUIPMENT

We conducted a physical inventory of equipment located in the Central Office and reviewed written inventory information from each District office. All equipment appears to be adequate and well maintained.

EXIT CONFERENCE

We held an exit conference with the director, assistant director, and administrative assistant at 1:00 p.m., March 21, 1979. We discussed all findings and recommendations. They concurred with our findings and recommendations.

AUDITORS' OPINION

The Honorable Encil Bailey  
Legislative Auditor  
State Capitol - Main Unit  
Charleston, West Virginia

Sir:

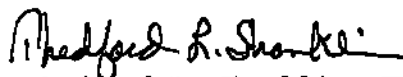
We have examined the financial statements of the Department of Veterans Affairs for the years ended June 30, 1978 and June 30, 1977, as listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

As described in Note A, the Department's policy is to prepare its financial statements on a cash basis; consequently, certain revenue 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 accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, the appropriations and expenditures for the years ended June 30, 1978 and June 30, 1977, on a basis consistent with that of the preceding year.

The accompanying supplemental information is not necessary for fair presentation of the financial statements, but is presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director  
Legislative Postaudit Division

March 21, 1979

Auditors: James R. Blake, Supervisor-in-Charge  
Kenneth M. Sutphin, Auditor-in-Charge  
Monte K. Fitzwater

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>	
	<u>1978</u>	<u>1977</u>
Reappropriation	\$ 419.16	\$ 6,668.31
- Appropriations	<u>579,782.00</u>	<u>534,500.00</u>
	580,201.16	541,168.31
- Expenditures:		
Aid to Veterans Day Patriotic Program	4,750.00	5,000.00
Personal Services	448,475.62	424,237.26
Current Expense	79,303.98	76,814.41
Equipment	981.60	873.20
Educational Opportunities for Children of War Veterans	<u>19,050.00</u>	<u>14,749.00</u>
	552,561.20	521,673.87
	<u>27,639.96</u>	<u>19,494.44</u>
Transmittals Paid July 1 - July 30	<u>10,812.31</u>	<u>11,076.16</u>
Balance	<u>\$ 38,452.27</u>	<u>\$ 30,570.60</u>

See notes to financial statements

DEPARTMENT OF VETERANS' AFFAIRS

NOTES TO FINANCIAL STATEMENTS

Note A - Significant Account Policies

Account Method: The Department's accounting method is on a cash basis. Therefore, certain revenue 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. Expenditures for office furniture and equipment are charged to operations when purchased; accordingly, depreciation is not recognized in the accounts.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are  $4\frac{1}{2}\%$  of their annual compensation and contributions by the West Virginia Public Employees' Retirement Board of  $9\frac{1}{2}\%$  of the employees' annual compensation.

SUPPLEMENTAL INFORMATION

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30,  
1978                      1977

Aid of Veterans Day Patriotic Program - Account 4030-06

Appropriations	\$ 5,000.00	\$ 5,000.00
Expenditures	<u>4,750.00</u>	<u>5,000.00</u>
	250.00	-0-
Transmittals Paid July 1 - July 30	<u>4,750.00</u>	<u>5,000.00</u>
Balance	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>

Personal Services - Account 4040-00

Appropriations	\$453,882.00	\$420,000.00
Transfers from Educational Opportunities for Children of War Veterans (Account 4040-07)	<u>-0-</u>	<u>6,706.00</u>
	453,882.00	426,706.00
Expenditures	<u>448,475.62</u>	<u>424,237.26</u>
	5,406.38	2,468.74
Transmittals Paid July 1 - July 30	<u>-0-</u>	<u>1,007.00</u>
Balance	<u>\$ 5,406.38</u>	<u>\$ 3,475.74</u>

Current Expense - Account 4040-01

Appropriations	\$ 95,400.00	\$ 84,000.00
Expenditures	<u>79,303.98</u>	<u>76,814.41</u>
	16,096.02	7,185.59
Transmittals Paid July 1 - July 30	<u>6,062.31</u>	<u>5,069.16</u>
Balance	<u>\$ 22,158.33</u>	<u>\$ 12,254.75</u>

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>	
	<u>1978</u>	<u>1977</u>
Equipment - Account 4040-03		
Appropriations	\$ 5,500.00	\$ 5,500.00
Expenditures	<u>981.60</u>	<u>873.20</u>
	4,518.40	4,626.80
Transmittals Paid July 1 - July 30	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 4,518.40</u>	<u>\$ 4,626.80</u>
Educational Opportunities for Children of War Veterans - Account 4040-07		
Appropriations 1978	\$ 20,000.00	\$ -0-
Appropriations 1977	-0-	20,000.00
Appropriations 1974	-0-	6,249.15
Transfers to Personal Services (Account 4040-00)	<u>-0-</u>	<u>(6,706.00)</u>
	20,000.00	19,543.15
Expenditures 1978	19,050.00	-0-
Expenditures 1977	-0-	8,499.85
Expenditures 1974	<u>-0-</u>	<u>6,249.15</u>
	<u>19,050.00</u>	<u>14,749.00</u>
Balance	<u>\$ 950.00</u>	<u>\$ 4,794.15</u>
Veterans' Fund - Account 8260-06		
Balance Brought Forward	\$ 19.16	\$ 19.16
Expenditures	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 19.16</u>	<u>\$ 19.16</u>

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	<u>Year Ended June 30,</u>	
	<u>1978</u>	<u>1977</u>
West Virginia Veterans' Home -- Account 8260-08		
Balance Brought Forward	\$ 400.00	\$ 400.00
Expenditures	<u>-0-</u>	<u>-0-</u>
Balance	<u>\$ 400.00</u>	<u>\$ 400.00</u>



STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Article 2, Chapter 4, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 25<sup>th</sup> day of

September, 1979.

*Encil Bailey*

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the Department of Veterans' Affairs; Attorney General; Governor; and State Auditor.