



# Legislative Post Audit Performance Audit Report Highlights

Highlights

Kansas Commission on Veterans' Affairs: Evaluating Selected Financial Controls at the Kansas Soldiers Home and the Kansas Veterans Home

## Report Highlights

May 2013 • IR-13-006

### Summary of Legislator Concerns

Legislators were aware of financial issues raised by the Department of Administration at each facility and want to know whether these issues might indicate more systematic problems with each facility's financial controls and processes.

### Background Information

As part of its mission, the Kansas Commission on Veterans' Affairs (KCVVA) provides long-term residential care to honorably discharged veterans and their eligible dependents at two facilities:

- The Kansas Soldiers Home provided transitional living and nursing home services for its 118 residents (December 2012).
- The Kansas Veterans Home provided assisted living and nursing home care for its 122 residents (December 2012).

## QUESTION 1: Do the Kansas Soldiers Home and the Kansas Veterans Home Have Adequate Financial Controls to Prevent or Detect Accounting Errors?

- We identified a number of problems with the financial controls at the Kansas Soldiers Home and the Kansas Veterans Home in the areas we reviewed.
  - Controls were generally adequate for the resident trust funds and for fee funds—the areas with the largest amounts of revenues and expenditures.
  - Controls were generally inadequate for other funds and activities we reviewed.
  - Overall, the problems we identified demonstrate a need for each facility to strengthen its financial controls.

### Findings Related to Areas with Strong Financial Controls

- Fee fund: Overall, the two facilities established and followed strong controls for their fee funds. However, both facilities could strengthen existing controls by improving fee fund transfer policies and procedures.
- Resident trust fund: Both facilities established and followed strong controls for the deposit, withdrawal, and overall management of resident trust fund moneys.
  - However, neither facility had adequate written policies to codify agency approved practices and to guide staff actions.
  - Neither facility was aware of a requirement in state law to transfer individual amounts in excess of \$5,000 to the State Treasurer's Office.

### Findings Related to Areas with Poor Financial Controls

- Credit card controls were inadequate at both facilities.
  - Both facilities relied more heavily on vendor-specific credit cards to make purchases despite the fact that procurement cards are the state's preferred method of payment.
  - Neither facility had adequate controls in place to manage vendor-specific credit cards. Neither facility routinely tracked when staff took a card to make a purchase, or had developed any written policies or procedures.
  - We also identified several significant problems with the controls over state procurement cards at the Kansas Soldiers Home (Fort Dodge). These include not having receipts to support transactions and not making timely payments. (controls at the Kansas Veterans Home were mostly adequate)
  - Neither facility had any written procedures.

- Canteen fund controls were inadequate at both facilities.
  - In our review of the two facilities, we found purchases made without prior approval, transactions with no receipts or invoices, and a transaction where the same person approved, purchased and paid the bill.
  - Neither facility had comprehensive written policies and procedures.
  - Both facilities maintained large and idle cash balances in this fund.
- Benefit fund controls were inadequate at the Kansas Soldiers Home (Fort Dodge) and needed improvement at the Kansas Veterans Home (Winfield).
  - Both facilities had adequate controls for receiving and processing donations, and for making deposits promptly.
  - We identified several significant control problems at the Kansas Soldiers Home, including a lack of receipts to support expenditures.
  - We also identified control problems at the Kansas Veterans Home, including approving purchases after the fact.
- Employee travel reimbursement controls were inadequate at both facilities.
  - The Kansas Soldiers Home lacked supporting documentation for and proper review of several transactions we reviewed.
  - The Kansas Veterans Home overpaid one employee for his travel, and travel documents lacked appropriate review and approval.
  - The superintendents of both facilities took trips without obtaining prior approval from the KCVA executive director.

**Other Findings**

- KCVA's central office has not provided adequate oversight and management of the two facilities' business operations because of confusion over its role. As a result, the business offices at the two facilities have developed significantly different and often inadequate processes to accomplish the same tasks.

**Question 1 Recommendations:**

- We made several recommendations for the KCVA and the facilities to either develop new or modify existing policies and procedures to address the numerous financial control deficiencies identified in this audit, and to codify the agency lines of authority.
- We recommended that KCVA staff work with State Treasurer's Office officials to address the issues related to transferring resident trust fund moneys in excess of \$5,000 to the State Treasurer's Office.

**AGENCY RESPONSE**

The Commission agrees with the findings of this report and has agreed to implement all of the audit's recommendations.

**HOW DO I REQUEST AN AUDIT?**

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

In this audit, we evaluated financial controls for several stand-alone funds that are not included in the state's accounting system.

- Resident Trust funds: Residents' personal savings or income. Business office staff manage these private funds.
- Canteen funds: Funds for operating cafes that sold meals to employees, residents, and the public. Although the cafes are closed, each fund remains active.
- Benefit funds: Funds to record donations received from individuals and companies.

We also evaluated financial controls certain transactions processed through the state's accounting system.

- Fee funds: Fees that residents pay to live at either facility.
- Credit cards: Vendor-specific credit card and state procurement card transactions.
- Employee travel reimbursements: Payments to employees for meals, travel and lodging.

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