

Joint Committee on Kansas Security

By Gregg Burden

Executive Director, Kansas Commission on Veterans' Affairs

November 07, 2013

Chairman Goico and members of the Joint Committee on Kansas Security, thank you for inviting us here today to discuss our response and progress on the Legislative Post Audit titled: Performance Audit Evaluating Selected Financial Controls at the Kansas Soldiers Home and the Kansas Veterans Home. I am Gregg Burden, the Executive Director of the Kansas Commission on Veterans' Affairs. Also in attendance is my leadership team consisting of Steve Dunkin, Superintendent of the Kansas Veterans' Home in Winfield, Terry Fritz, interim Superintendent of the Kansas Soldiers' Home at Ft. Dodge, Kim Tatum, Human Resources Director, Marshall Kennedy, Fiscal Officer, Wayne Bollig, Veteran Services Program Director, and Kafer Peele, Cemetery Program Director.

The Kansas Commission on Veterans' Affairs (KCVA) is privileged to support the quarter million veterans who live in the State of Kansas. Our mission is to serve Kansas veterans, survivors, and their dependents with dignity and compassion. The KCVA is a principle advocate in ensuring they receive information, advice, direction, and assistance through the coordination of programs and services on state and federal benefits such as medical care, benefits, social support, and lasting memorials in recognition of their service to Kansas and the nation.

I want to start by thanking Joe Lawhon and Legislative Post Audit (LPA) for their evaluation. Their team provided us with a fair assessment of our programs and also gave us constructive feedback of the areas they reviewed. Although the audit identified a number of deficient areas, our team feels the changes and improvements we have implemented as a result of this audit have made us a much stronger and more accountable organization.

The Kansas Commission on Veterans' Affairs has taken this audit very seriously and has responded with a timely, thorough, and accountable plan to correct the identified deficiencies. Because of the complexity of issues identified by the report, it was important to assign the KCVA Leadership team to tackle the findings and recommendations on page 35-36 of the LPA Performance Audit Report. I also felt it was important to designate one person to lead our team through this tough analysis, coordination, and resolution of issues. We were fortunate to be able to hire a strong and respected resource outside of our organization that has the experience and expertise to take on this challenge. We were able to hire Terry Fritz, the former United States Property and Fiscal Officer for the Kansas National Guard to head up this project.

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Attachment 8-1

Our team started this process by putting together a comprehensive Action Plan Project Task listing that guided us through this project. The team was committed to meeting weekly to discuss, plan, track, and implement changes to address each recommendation. The KCVA also provided monthly written updates to the Legislative Division of Post Audit to share with the LPA Committee. Each of you should have a copy of this five page plan that outlines the task, target date, individuals responsible, and completed date. I encourage you to utilize this spread sheet as I discuss each of the areas Legislative Post Audit identified in their report. All references, paperwork, and responses regarding each action item have been filed into two three inch binders for easy reference and review.

My plan today is to review each of the areas LPA identified and utilize the Performance Audit Report Highlights to provide you with a short synopsis of the action taken and result. If you have any questions or require a more comprehensive response, I have my leadership team available to provide you more detailed information.

The LPA Performance Audit Report asked the question, "Do the Kansas Soldiers' Home and the Kansas Veterans' Home have adequate financial controls to prevent or detect accounting errors?" After completing the audit, the LPA made several recommendations for the KCVA.

Findings Related to Areas with Strong Financial Controls

The LPA Report recognized that both facilities followed strong controls for their Fee Funds accounts. However, both facilities could strengthen their controls with better written policies and procedures. The agency has taken the following actions:

- Fee Fund – See *LPA Action Plan Project Task Handout LPA Item#2a (6)a*
 - The KCVA reviewed the current fee fund processes at the Kansas Soldiers' Home (KSH) and Kansas Veterans' Home (KVH)
 - The agency developed an IMPP to strengthen the written controls in place

- Resident Trust Funds – See *LPA Action Plan Project Task Handout LPA Item#2a (6)c*
 - Reviewed the current Resident Trust Fund processes at the KSH and KVH
 - Developed and implemented IMPP 03-01-021 "Resident Trust Fund Administration"
 - IMPP 03-01-021 addressed all the issues outlined in the LPA Report to include, Establish Operational Guidelines for the KCVA and the KSH and KVH
 - Clearly defined the Designated Custodian of the Benefit Fund, Internal Controls, Accounting Records, and Monthly reconciliations Reports

The LPA Report stated there is a requirement in state law to transfer individual amounts in excess of \$5,000 to the State Treasurer's Office.

- Resident Trust Fund – See *LPA Action Plan Project Task Handout LPA#5 (1-12)*
 - Identified and reviewed State and Federal Regulations
 - Contacted the State Treasurer's Office regarding Resident Trust Fund
 - Agency drafted language to submit to the State Repealer Office
 - Submitted request to State Repealer's Office to repeal Statute

Finding Related to Areas with Poor Financial controls

The LPA Report identified a number of problems with financial controls at the KSH and KVH. The control measures in place for funds and activities were inadequate and demonstrated a need for each facility to strengthen its financial controls in the following areas, Credit Cards, Canteen Fund, Benefit Fund, and Employee Travel Reimbursement. The agency has taken the following actions:

- Credit Cards – See *LPA Action Plan Project Task Handout LPA Item#2a (6)b and LPA Item#3 (1-7)*
 - Reviewed the agency P-Card Process (KSH and KVH included)
 - The KCVA agreed to terminate all vendor-specific credit cards within the agency
 - Developed and implemented IMPP 03-01-017 “Business Procurement Card (BPC) or P-Card”
 - IMPP 03-01-017 addressed all issues in the LPA Report to include; P-Card Coordinator, Issuance of a P-Card, Official State use of P-Card, Appropriate P-Card Purchases, Sales Tax, Transaction Approvals, Transaction Documentation, Lost or Stolen P-Cards
 - Developed P-Card cardholder Agreement

- Canteen Fund – See *LPA Action Plan Project Task Handout LPA#2a (6)d and LPA#4 (1-9)*
 - Reviewed history of the Canteen Fund
 - Canteen Fund terminated at the KVH and funds transferred into the Benefit Fund
 - Canteen Fund remains in place at the KSH
 - Developed Canteen Fund Strategic Plan for the KSH
 - Developed and Implemented IMPP 03-01-020 “Canteen Fund Administration”
 - IMPP 03-01-020 addressed all issues in the LPA Report to include, Designated Custodian of the Canteen Fund, Internal Controls, Accounting Records (purchase, receipts, invoices, sales, inventory, equipment, retained earnings, state and federal taxes and contributed capital), income statements and balances sheets, and designation of staff authorized to sign for disbursements of funds
 - Canteen Fund Custodian is required to prepare a fund balance statement at the end of each fiscal year

- Benefit Fund – See *LPA Action Plan Project Task Handout LPA#2a (6)e*
 - Reviewed the Benefit Fund Process at the KSH and KVH
 - Developed and Implemented IMPP 03-01-019 “Benefit Fund Administration”
 - IMPP 03-01-019 addressed all the issues outlined in the LPA Report to include, Designated Custodian of the Benefit Fund, Internal Controls, Accounting Records, Monthly reconciliations, (receipts, receipts, receivables, disbursements, payables, purchases, inventory, equipment, retained earnings, contributed capital), and designation of staff authorized to sign for disbursements of funds
 - Established a Benefit Fund Committee to approve expenditures at both the KSH and KVH
 - Benefit Fund Committee will meet quarterly
 - Benefit Fund Custodian is required to prepare a fund balance statement at the end of each fiscal year

- Employee Travel Reimbursement – *See LPA Action Plan Task Handout LPA#2a (6)f*
 - Reviewed the travel policy and procedures at both facilities the KSH and KVH
 - Reviewed the travel policy and procedures agency wide
 - Developed and Implemented IMPP 03-01-014 “Agency Travel Policy”
 - IMPP 03-01-014 addressed all the issues outlined in the LPA Report to include, Travel Requests & Approval, State-owned or Leased Motor Vehicles, Clarification on meals provided and exception to the meal allowance, non-travel related expenses, travel reimbursement
 - Developed travel request form

Other Findings

The LPA Report pointed out that the KCVA 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. The KCVA has reviewed, developed, and implemented the following changes.

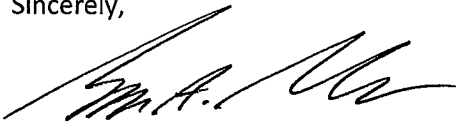
- Agency Oversight and Management – *See LPA Action Plan Task Handout LPA#1 (1-5), LPA#2a (1-5), LPA#2b (1-9), LPA#2c (1-4), and LPA#2d (1-4)*
 - Reviewed applicable statutes
 - Reviewed lines of authority
 - Reviewed, updated and developed positions descriptions at both the KSH and KVH
 - Developed IMPP 03-01-005 “Organizational Structure” to clearly identify lines of authority
 - Centralize the Agency Fiscal Business Office functions
 - Centralize Human Resources functions
 - Updated job descriptions in the business office and human resources department at both facilities to clearly identify lines of authority
 - Updated agency organizational charts
 - Formed team to review financial controls and IMPP’s for business office practices
 - Identify business office processes and procedures for training manual and implement training manual
 - Reviewed surveyor and audit expectation for compliance
 - Reviewed all business office functions
 - Reviewed all software utilized by the business office
 - Continue to review agency business office staffing needs
 - Developed training for new hires and developed schedule for annual training for fiscal staff
 - Review business office communication needs
 - Developed monthly checklist for fiscal office meetings
 - Implemented regular meeting
 - Established in-person training and works sessions for fiscal staff
 - Reviewed current monitoring and audit practices
 - Developed calendar of audit and review of financial transactions
 - Onsite review and audit of both facilities (KSH and KVH) business functions conducted

The KCVA is committed to providing high quality service to our veterans and representing the state of Kansas in a fiscally responsible, accountable, and transparent manner. We sincerely believe that the changes we have implemented will strengthen our programs while providing accurate documentation and oversight. What I have presented today is reflective of what we are trying to accomplish throughout the entire agency. Our goal is to implement best practices, standardize processes and procedures, and transform from an agency that for years has been reactive into an agency that is proactive and progressive.

I have witnessed a significant improvement in our communication and teamwork since starting this action plan and feel everyone is invested in what our agency is trying to accomplish. This is not the end of a process or task but the beginning of an agency self-evaluation. Through this process we have identified other areas that we will address such as our strategic plan and facility master plan which are the next steps in our commitment to continuous improvement. I'm excited about the progress we have made and the direction our agency is going.

On behalf of the KCVA, I would like to thank you for the opportunity to brief the committee and for your continued support. I look forward to working with the Joint Committee on Kansas Security and other parties as we move forward working together to help veterans and their dependents. I will be happy to answer any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "G. A. Burden", written in a cursive style.

Gregg Burden
Executive Director
Kansas Commission on Veterans' Affairs