



Thomas A. Schweich
Missouri State Auditor

Missouri Veterans Commission Capital Improvement Trust Fund

August 2013
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<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

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

Cost Allocation Transfers	The Office of Administration (OA) continues to transfer monies from the Missouri Veterans Commission Capital Improvement Trust Fund to the General Revenue Fund to cover a cost allocation for central services provided by state offices, such as the OA, State Auditor, Governor, Lieutenant Governor, Secretary of State, Attorney General, General Assembly, Capitol Police, and Department of Revenue. However, Section 42.300.1, RSMo, requires the fund to be used solely by the Missouri Veterans Commission for construction, maintenance, renovation or equipment needs of veterans' homes and cemeteries in Missouri; transfers defined in the statute; and the administration of the Missouri Veterans Commission. The fund may also be used for matching fund grants for veterans' service officer programs and expenses associated with providing medals, medallions and certificates for service during World War II, the Korean Conflict, and the Vietnam War.
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In the areas audited, the overall performance of this entity was **Good**.*

American Recovery and Reinvestment Act (Federal Stimulus)	The Missouri Veterans Commission Capital Improvement Trust Fund did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

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

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Missouri Veterans Commission Capital Improvement Trust Fund

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THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Jerry Lee, Director
Department of Public Safety
and
Larry D. Kay, Director
Missouri Veterans Commission
Jefferson City, Missouri
and
Douglas Nelson, Commissioner
Office of Administration
Jefferson City, Missouri

We have audited the Missouri Veterans Commission Capital Improvement Trust Fund, as required by Section 42.300.4, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2011. The objectives of our audit were to:

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

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

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

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

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) noncompliance with a legal provision, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Missouri Veterans Commission Capital Improvement Trust Fund.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: John Luetkemeyer, CPA
Audit Manager: Chris Vetter, CPA
In-Charge Auditor: Matthew Schulenberg, CFE

Missouri Veterans Commission Capital Improvement Trust Fund Management Advisory Report State Auditor's Findings

Cost Allocation Transfers

Central services cost allocation transfers made by the Office of Administration (OA) from the Missouri Veterans Commission Capital Improvement Trust (VCCIT) Fund to the General Revenue Fund continue to appear questionable based on legal restrictions. In addition, while the OA made changes to its procedures in response to a 2010 State Auditor's office report, current procedures still do not require personnel to document reasons for including a fund in the cost allocation plan. The OA transferred \$20,761 and \$60,145 from the VCCIT Fund for a portion of central services costs during the years ended June 30, 2012 and 2011, respectively.

Central services are services provided to other state agencies by state offices including the OA, State Auditor, Governor, Lieutenant Governor, Secretary of State, Attorney General, General Assembly, Capitol Police, and Department of Revenue. Examples of central services costs allocated include accounting services, facilities management, technology services, budget and planning, personnel, and purchasing services provided by the OA; audits performed by the State Auditor's office; and the administration of revenue and taxation duties by the Department of Revenue.

Report No. 2010-29, *Central Services Cost Allocation Plan*, issued in March 2010, questioned the propriety of some cost allocation transfers, including those from the VCCIT Fund based on statutory language limiting the fund's use. While state law regarding the fund has changed since that report was issued, the use of VCCIT Fund monies for cost allocation transfers remains questionable. Currently Section 42.300.1, RSMo, indicates the fund shall be used solely by the Missouri Veterans Commission for construction, maintenance, renovation, or equipment needs of veterans' homes and cemeteries in Missouri; transfers defined in the statute; and the administration of the Missouri Veterans Commission. According to the statute this fund may also be used for ". . . matching fund grants for veterans' service officer programs to any federally chartered veterans' organization or municipal government agency that is certified by the Veterans Administration to process veteran claims within the Veterans Administration System. . . ." The statute also indicates the fund may be used for ". . . payment of Missouri National Guard and Missouri veterans commission expenses associated with providing medals, medallions and certificates in recognition of service in the armed forces of the United States during World War II, the Korean Conflict, and the Vietnam War."

The OA changed cost allocation procedures in response to the 2010 audit report, including formalizing the review of fund eligibility through an analysis model to ensure consistency and performing an additional examination of all funds classified in earlier fiscal years. Officials provided us with documentation of the review of all funds for the year ended June 30, 2012, and indicated the annual review includes a review of statutory language. The OA classifies the VCCIT Fund as eligible for inclusion in



Missouri Veterans Commission
Management Advisory Report - State Auditor's Finding

cost allocation plan transfers, but there are no comments or other justification provided to indicate why the OA considers central services cost allocation transfers from the fund allowable.

If the OA intends to continue making transfers from the VCCIT Fund, a clear and sufficient legal basis for doing so should be documented.

Recommendation

The OA review the legal basis for including the VCCIT Fund in the cost allocation transfer and document specific reasons why the transfer is allowable.

Auditee's Response

The OA provided the following response:

One component of OA's analysis model that is used to determine if a fund should be included or excluded from the cost allocation plan is a review of the statutory authorization of the fund. Programs established in statute could not function without the associated administrative costs and those administrative costs are part of the cost of the program. Therefore, unless the statute specifically prohibits use of a fund for administrative purposes, it is assumed that administrative expenses are permitted. This is consistent with the legislative process that annually appropriates the authority to charge funds for central administrative costs. The VCCIT fund (42.300.1(8) RSMo) authorizes funding of the administration of the Missouri Veterans Commission. The Missouri Veterans Commission and the other programs authorized for funding under this section require administrative costs in order to function, the annual cost allocation transfer that is appropriated by the legislature acknowledges those costs, and the VCCIT fund statute does not prohibit use of the fund for administrative purposes.

Missouri Veterans Commission Capital Improvement Trust Fund Organization and Statistical Information

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

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

At June 30, 2012, the Commission was composed of five veterans, appointed for 4-year terms by the Governor and confirmed by the Senate, two members of the Senate, and two members of the House of Representatives.

Commission Members At June 30, 2012

Commissioner	Term Expires
John Comerford	August 1, 2012
Paul E. Connors	November 2, 2013
Scott C. Englund	November 2, 2013
Nancy M. Nelson	November 2, 2013
Charles R. "Chuck" Wooten	November 1, 2015
Senator Victor Callahan	December 31, 2012
Senator David Pearce	December 31, 2014
Representative Barney Fisher	December 31, 2012
Representative Jason Kander	December 31, 2012

The Commission appoints an executive director who implements policies and is responsible for the statewide management of veterans programs. The



Missouri Veterans Commission Capital Improvement Trust Fund Organization and Statistical Information

executive director reports regularly to the Commission concerning all aspects of program operations through quarterly Commission meetings. Larry Kay has been the Executive Director since appointed to the position on May 18, 2009.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Missouri Veterans Commission Capital Improvement Trust Fund did not receive any federal stimulus monies during the 2 years ended June 30, 2012.

Appendix A

Veterans Commission Capital Improvement Trust Fund
 Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

	Year Ended Juned 30,	
	2012	2011
RECEIPTS		
Federal receipts	\$ 624,523	2,612,932
Other	4,705	14,750
Interest	115,948	128,786
Total Receipts	<u>745,176</u>	<u>2,756,468</u>
DISBURSEMENTS		
Salaries and Wages	1,430,244	1,480,704
Travel	24,247	32,820
Supplies	448,593	306,776
Professional Development	4,459	4,249
Communication Services and Supplies	60,452	59,511
Professional Services	84,006	253,495
Equipment	343,821	298,124
Property and Improvements	2,427,401	3,045,138
Other	93,063	141,884
Program Distributions	1,505,974	1,020,453
Total Disbursements	<u>6,422,260</u>	<u>6,643,154</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		
BEFORE TRANSFERS	(5,677,084)	(3,886,686)
TRANSFERS FROM:		
Gaming Commission Fund	6,001,044	6,600,617
TRANSFERS TO:		
Missouri Consolidated Health Care Plan	(333,474)	(367,588)
Retirement System	(206,670)	(204,756)
Old Age, Survivors, Disability and Health Insurance Program	(101,827)	(105,051)
OA-Cost Allocation Plan	(20,761)	(60,145)
OA-Workers' Compensation	(5,227)	(1,236)
Total Transfers	<u>5,333,085</u>	<u>5,861,841</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS		
	(343,999)	1,975,155
CASH AND INVESTMENTS, JULY 1	19,284,160	17,309,005
CASH AND INVESTMENTS, JUNE 30	<u>\$ 18,940,161</u>	<u>19,284,160</u>

Appendix B

Veterans Commission Capital Improvement Trust Fund
 Comparative Statement of Appropriations and Expenditures (1)

	Year Ended June 30,					
	2012			2011		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
MISSOURI VETERANS COMMISSION						
Veterans Homes Personal Service	\$ 27,804	26,700	1,104	27,804	25,800	2,004
Maintenance and Repair Statewide						
Veterans Commission Capital Improvement Trust Fund	0	0	0	1,802	1,802	0
Maintenance and Repair Cape Girardeau-Mexico Home	0	0	0	3,271	0	3,271
Veterans Recognition Program Expense and Equipment	538,840	7,091	531,749	538,840	19,371	519,469
Statewide Maintenance and Repair	0	0	0	28,616	27,488	1,128
Veterans Home Emergency Generators	202,411	202,411	0 (2)	1,182,485	1,182,485	0
Cape Girardeau Veterans Home Fire Lane Hydrant	0	0	0	1,000	1,000	0
Administration and Service Personal Service	1,412,245	1,328,232	84,013	1,412,245	1,367,985	44,260
Administration and Service Expense and Equipment	1,040,479	929,774	110,705	1,040,479	958,226	82,253
Veterans Officer Program	1,600,000	1,499,374	100,626	1,000,000	1,000,000	0
Critical Maintenance and Repair	439,057	412,682	26,375 (2)	60,943	60,943	0
Veterans Emergency Generators	4,508,055	213,338	4,294,717 (2)	346,622	346,622	0
St James Sprinklers	1,604,892	58,343	1,546,549 (2)	372,094	372,093	1
St James Veterans Home Roof	878,538	97,283	781,255 (2)	344,938	344,937	1
Mexico Veterans Home Roof	0	0	0	248,501	0	248,501
Warrensburg Veteran Solarium	213,655	110,876	102,779 (2)	105,817	105,816	1
Warrensburg Veteran Chapel	742,236	55,398	686,838 (2)	136,359	136,358	1
Higginsville Veterans Cemetery	2,401,351	221,998	2,179,353 (2)	195,980	195,979	1
Springfield Veterans Cemetery	1,450,130	66,725	1,383,405 (2)	68,935	68,935	0
Cameron Veterans Solarium	224,708	171,913	52,795 (2)	76,821	76,820	1
Cameron Veterans Chapel	707,348	71,564	635,784 (2)	147,923	147,923	0
Veterans Recognition Program Personal Service	89,181	75,312	13,869	89,181	86,918	2,263
Department of Public Safety-Institutional	57,132	57,132	0	57,132	57,132	0
Critical Maintenance and Repair	700,000	89,674	610,326 (2)	0	0	0
Missouri Veterans Commission Critical Capital Improvements Proje	5,000,000	680,873	4,319,127 (2)	0	0	0
Total Missouri Veterans Commission	23,838,062	6,376,693	17,461,369	7,487,788	6,584,633	903,155
OFFICE OF ADMINISTRATION						
Department of Public Safety Information Technology Consolidation						
Consolidation Expense and Equipment	39,000	38,967	33	39,000	38,068	932
Unemployment Benefits	6,601	6,600	1	20,455	20,453	2
Total Office of Administration	45,601	45,567	34	59,455	58,521	934
Total Veterans Commission Capital Improvement Fund	\$ 23,883,663	6,422,260	17,461,403	7,547,243	6,643,154	904,089

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

(2) Biennial appropriations set up in 2012 are re-appropriations to fiscal year 2013. After the fiscal year-end processing has been completed, the unexpended fiscal year 2012 appropriation balance for a biennial appropriation is established in fiscal year 2013. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2012.

Appendix C

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

	Year Ended June 30,				
	2012	2011	2010	2009	2008
Salaries and wages	\$ 1,430,244	1,480,704	1,359,178	1,108,207	983,819
Travel, in-state	22,325	28,695	29,674	18,291	14,735
Travel, out-of-state	1,922	4,125	4,576	4,594	947
Fuel and utilities	0	0	0	40,575	40,474
Supplies	448,593	306,776	210,919	189,164	332,457
Professional development	4,459	4,249	3,257	564	1,450
Communication service and supplies	60,452	59,511	55,712	34,833	21,122
Services:					
Professional	84,006	253,495	299,285	408,753	285,650
Housekeeping and janitorial	7,297	17,465	8,609	7,297	4,942
Maintenance and repair	19,689	58,494	54,043	48,316	34,510
Equipment:					
Computer equipment	3,123	859	27,936	29,177	0
Motorized equipment	284,318	186,137	210,951	230,049	82,995
Office equipment	12,438	25,857	20,150	12,744	8,187
Other equipment	43,942	85,271	94,740	21,888	9,074
Property and improvements	2,427,401	3,045,138	3,508,545	1,787,893	550,953
Building lease payments	57,442	57,858	43,595	577	0
Equipment rental and leases	4,363	2,833	694	2,221	819
Miscellaneous expenses	4,272	5,234	3,346	2,979	3,196
Program distributions	1,505,974	1,020,453	1,005,017	999,714	753,836
Total Expenditures	\$ <u>6,422,260</u>	<u>6,643,154</u>	<u>6,940,227</u>	<u>4,947,836</u>	<u>3,129,166</u>

Appendix D

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

	Land	Land Improvements	Buildings	Equipment	Construction in Progress	Total General Capital Assets
BALANCE, July 1, 2010	\$ 30,000	426,966	68,316,668	2,538,600	12,449,478	83,761,712
Additions	0	135,000	9,186,542	286,421	2,997,205	12,605,168
Dispositions	0	0	0	(156,468)	(9,313,416)	(9,469,884)
BALANCE, June 30, 2011	30,000	561,966	77,503,210	2,668,553	6,133,267	86,896,996
Additions	0	0	0	305,519	2,331,064	2,636,583
Dispositions	0	0	(6,690,545)	(75,190)	0	(6,765,735)
BALANCE, June 30, 2012	\$ 30,000	561,966	70,812,665	2,898,882	8,464,331	82,767,844