



**DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2004-48  
June 15, 2004  
[www.auditor.mo.gov](http://www.auditor.mo.gov)**

# AUDIT REPORT



Office Of  
Missouri State Auditor  
Claire McCaskill

June 2004

**The following problems were discovered as a result of an audit conducted by our office of the Department of Public Safety, Missouri Veterans Commission, Warrensburg Veterans' Home.**

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The Warrensburg Veterans' Home Assistance League is a not-for-profit organization which raises private funds to benefit residents of the Warrensburg Veterans' Home. Donations, as well as canteen and vending machine proceeds, are used for this purpose. A review of purchases noted some expenditures did not appear to benefit the residents. During 2002 and 2003, \$10,233 was spent for costs related to volunteer banquets and staff recognition awards, including \$4,675 for employee recognition and retention and \$5,459 for two volunteer banquets.

Residents, employees, and visitors may all purchase items from the vending machines owned and operated by an independent vendor. The facility receives commissions from the vendor and deposits these into a separate fund within the Fund. These monies are used for employee recognition awards, flowers for staff members, the annual staff picnic, and the annual employee Christmas party. As a result, these expenditures do not appear to benefit the residents. Recent audits of other homes noted that vending machine profits at those homes are deposited in the Assistance League accounts to be used for the benefit of the residents. To ensure consistency with other homes operating in the state, vending commissions should be used for the benefit of the residents.

Some state paid employees at the facility spend a portion of their workweek performing job duties for the Assistance League. Allowing state paid employees to perform duties associated with the Assistance League appears to be a violation of the Missouri Constitution, which prohibits state agencies from making donations to not-for-profit corporations.

The audit also included recommendations to the Assistance League regarding the petty cash fund.

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YELLOW SHEET

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-10

<u>Number</u>	<u>Description</u>	
1.	Assistance League Fund.....	5
2.	Expenditures .....	10
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....		11-17

Appendix

A	Comparative Statement of Expenditures (By Budget Object), Years Ended June 30, 2003 and 2002 .....	15
B	Missouri Veterans' Home Fund, Comparative Statement of Receipts, Years Ended June 30, 2003 and 2002 .....	16
C	Auxiliary Funds, Comparative Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents, Years Ended June 30, 2003 and 2002 .....	17

## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Bob Holden, Governor  
and  
Charles R. Jackson, Director  
Department of Public Safety  
and  
Missouri Veterans Commission  
and  
Stan Smith, Administrator  
Warrensburg Veterans' Home  
Warrensburg, MO 64093

We have audited the Department of Public Safety, Missouri Veterans Commission, Warrensburg Veterans' Home. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2003 and 2002. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.
2. Review compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the facility, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to 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 significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and was not subjected to the procedures applied in the audit of the facility.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Public Safety, Missouri Veterans Commission, Warrensburg Veterans' Home.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

March 18, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Luetkemeyer, CPA
In-Charge Auditor:	Heather M. Thompson
Audit Staff:	Jennifer Martin

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1. Assistance League Fund</b>
----------------------------------

The Warrensburg Veterans' Home Assistance League is a not-for-profit organization which raises private funds to benefit residents of the Warrensburg Veterans' Home. Donations, as well as canteen and vending machine proceeds, are used for this purpose. The Assistance League is governed by a board of directors. As provided for in the Assistance League by-laws, the Treasurer is the custodian of the league assets, and has the authority to make purchases related to canteen operations or for donor specified purposes. The Treasurer shall see that an accounting system is maintained in such a manner as to give a true and accurate accounting of the financial transactions of the league, report such transactions promptly to the Board of Directors, ensure expenditures are made to the best possible advantage of the league, and to ensure that all accounts payable are presented promptly for payment. In addition, the Treasurer shall maintain and make available for audit a record of receipts and disbursements. While the Treasurer is a volunteer and not a state employee, the Accountant and Director of Volunteer Services at the facility also perform some services for the Assistance League. These services include collecting donations, maintaining the petty cash fund, and scheduling volunteers to work in the canteen. Because of the fiscal and managerial responsibilities that state employees have assumed for the Assistance League, we reviewed the League's records and procedures and noted some areas where improvements are needed.

- A. The Assistance League purchases items to sell through the canteen, coordinates and pays for events and activities for residents, and purchases items for common areas located in the facility. The Assistance League's by-laws provide that expenditures from the league assets should provide for the social well-being of the veterans residing in the Warrensburg Veterans' Home.

A review of purchases noted some expenditures did not appear to benefit the residents. During 2002 and 2003, \$10,233 was spent for costs related to volunteer banquets and staff recognition awards, including \$4,675 for employee recognition and retention and \$5,459 for two volunteer banquets.

- B. Residents, employees, and visitors may all purchase items from the vending machines owned and operated by an independent vendor. The facility receives commissions from the vendor and deposits these into a separate fund within the Assistance League account known as the Employee Recognition and Retention Fund. The fund received approximately \$1,305 and \$1,096 from the vending machine commissions for the years ended June 30, 2003 and 2002, respectively. These monies are used for employee recognition awards, flowers for staff

members, the annual staff picnic, and the annual employee Christmas party. As a result, these expenditures do not appear to benefit the residents.

In addition, during our review of vending machine commissions, we noted the facility did not receive commission checks for two months during the year ended June 30, 2003. Although the contract with the independent vendor requires an invoice documenting the time period covered and how the commission amount was determined; the facility does not currently receive these invoices.

Recent audits of other homes (including Mt. Vernon, St. Louis, and St. James) noted that vending machine profits at those homes are deposited in the Assistance League accounts to be used for the benefit of the residents. To ensure consistency with other homes operating in the state, vending commissions should be used for the benefit of the residents. In addition, to maximize revenues and ensure compliance with the contract, the home should ensure procedures are in place to monitor vending machine profits so discrepancies between amounts owed and amounts received can be investigated and resolved in a timely manner.

- C. The Assistance League's by-laws provide that the custodians of the assets should make every reasonable effort to ensure the wishes of the donor are complied with and should notify the donor if those wishes cannot be accommodated. Our review of accounting procedures noted separate funds were not established to account for donations until March 2003. At that time fund balances were retroactively calculated, however bank reconciliations have never been performed. Currently, total fund balances of the Assistance League exceed the reconciled bank balance by \$1,198.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to ensure errors are detected and corrected in a timely manner. In addition, it is imperative that facility personnel research noted differences and make the appropriate adjustments in the financial records. Ignoring these errors could allow misuse or theft of monies to go undetected.

- D. The facility does not have a written policy for use of the funds from the Assistance League petty cash fund. The fund is maintained by the Accountant and the Director of Volunteer Services at the facility to provide cash for items including resident outings, stamps, and employee recognition and retention awards. The petty cash fund is not maintained on an imprest basis. The Accountant indicated that the fund varies from approximately \$50 to \$250 and is only replenished when the balance is low. The Assistance League Treasurer prepares and signs the checks to replenish the petty cash fund.

The facility maintains a petty cash ledger to document receipts and disbursements from the fund. Disbursements from the petty cash fund totaled \$2,164 and \$1,712 for the years ended June 30, 2003 and 2002, respectively. The Accountant indicated employees sign out the petty cash funds and document the amount and

purpose of the funds. However, this is not performed on a consistent basis. The Accountant also indicated she periodically reconciled the petty cash ledger to the amount of petty cash on hand. During our review of disbursements from the petty cash fund, we noted some withdrawals had not been signed out by the employee using the funds and other withdrawals were not recorded on the petty cash ledger.

To ensure all disbursements are proper, the facility should maintain the petty cash on an imprest basis and retain all documentation to support the disbursements of the fund. In addition, the facility should update the petty cash ledger on a timely basis, which would assist in the monthly reconciliation of the petty cash fund.

- E. As discussed above, some state paid employees at the facility spend a portion of their workweek performing job duties for the Assistance League. One state paid employee estimated approximately 242 hours annually is spent performing various duties for the not-for-profit organization, including collecting all donations received at the Veterans' Home, scheduling volunteers to work in the not-for-profit's canteen, and providing tours of the Veterans' Home to outside organizations that contribute to the not-for-profit entity. In addition, another state paid employee estimated that she spent about 128 hours annually performing accounting functions related to the not-for-profit organization.

The salary of each employee varies but the estimated annual cost associated with the duties performed by employees to accomplish their Assistance League duties is approximately \$5,510, excluding any fringe benefit costs.

Allowing state paid employees to perform duties associated with the Assistance League appears to be a violation of Article III, Section 38 and 39 of the Missouri Constitution, which prohibits state agencies from making donations to not-for-profit corporations.

**WE RECOMMEND:**

- A&B. The Assistance League ensure that all disbursements benefit the residents. In addition, the facility should determine a more appropriate funding source for expenditures such as volunteer banquets and employee recognition and retention awards. The facility should also ensure procedures are in place to monitor vending machine commissions due to the home and investigate and resolve commissions not received on a timely basis.
- C. The Assistance League prepare monthly bank reconciliations for the Assistance League Account. In addition, the Assistance League should ensure all errors and discrepancies noted during preparation of the reconciliations are investigated and corrected in a timely manner.
- D. The Warrensburg Veterans' Home establish a written policy for the Assistance League petty cash fund, maintain the fund on an imprest basis, and retain

adequate documentation for all petty cash disbursements. In addition, the petty cash ledger should be updated timely and reconciled on a monthly basis.

- E. The Warrensburg Veterans' Home establish procedures to track the time state paid employees spend performing Assistance League job duties and recoup the cost associated with these duties from the Assistance League. These funds should be deposited into the Missouri Veterans' Home Fund.

### **AUDITEE'S RESPONSE**

*A&B. The West Central Missouri Veterans Assistance League (VAL) maintains that funding utilized by the VAL to support volunteer and employee recognition events are appropriate and consistent VAL objectives. The VAL formally endorsed supporting volunteer and employee recognition activities as essential parts of its overall goals. Record of these endorsements are found in VAL meeting minutes made available to the audit team and occurred during properly held VAL meetings in October 2000 and January 2002. The VAL is considering bylaw changes to ensure no confusion exists as to the organization's support of these two objectives as essential to the organization's primary goal of benefiting the quality of life of the veterans living at the Warrensburg Veterans' Home.*

*During the 2002 and 2003 audit periods, members of the greater Warrensburg community volunteered over 7,497 and 11,900 hours, respectively, in service to veterans living within the Home. The facility employed approximately 150 staff during this period. The source of funds for volunteer recognition events came from either in kind donations by community businesses or undesignated gifts from donors. The source of funds for employee recognition events is derived from vending machines utilized by employees in the facility, fundraising activities conducted by employees for this purpose or unsolicited donations specifically designated for employee recognition purposes.*

*The Home and VAL have created new procedures for monitoring vending commissions from its machines. These procedures will allow for timely reconciliation of all commission funds owed to the VAL from vending machine sales. During the audit, two months vending commissions were not received by the VAL. These commissions amounted to approximately \$70 in earned commissions. The vending company has been contacted and is providing reimbursement for this amount to the VAL.*

- C. *Reporting by the VAL Treasurer, of its bank balance and other financial assets is made to the VAL Board at its quarterly meetings. The VAL accepts the recommendation to review the current fund balances to the reconciled bank balance for a possible discrepancy. The VAL Treasurer will re-verify current fund balances to the reconciled bank balance and report the findings to the VAL at its July 2004 meeting.*
- D. *The VAL accepts this recommendation and effective May 1, 2004, established a written policy for use of VAL petty cash. A written policy has also been established for maintaining the fund on an imprest basis, retaining adequate documentation, and reconciling it on a timely basis.*

E. *Because of the nature of the duties of the Supervisor of Volunteer Services, it is difficult to distinguish between time spent on activities that benefit the Assistance League versus activities that benefit only the home. The State of Missouri, Office of Administration, Division of Personnel, job description for the Supervisor of Volunteer Services provides examples of work for this position, including, but not limited to, the following:*

- 1. Confers with department heads with regard to specific needs for volunteers,*
- 2. Plans and conducts recruitment campaigns to stimulate interest in the program and attract suitable candidates; interprets program philosophy and objectives to lay organizations and professional groups,*
- 3. Interviews applicants to determine aptitudes, interests, abilities, skills, and other qualifications; classifies applicants according to qualifications, time available for duty, and other characteristics,*
- 4. Plans, develops and coordinates an information and public relations program to acquaint the community and organizations in the community with facility and agency program objectives and accomplishments,*
- 5. Conducts tours of the facility for interested individuals and groups and interprets programs and services provided,*
- 6. Receives requests for volunteer services and makes referrals of available volunteers to department heads on the basis of qualifications,*
- 7. Arranges periodic reassignment of volunteers to sustain interest and to utilize abilities; meets with volunteers to discuss individual problems that relate to their assignment,*
- 8. Compiles and maintains records of placements and working hours, prepares reports on activities and performance of volunteers, and*
- 9. Develops and maintains working relationships with community organizations and the news media.*

*The Supervisor of Volunteer Services conducts tours of the Warrensburg Veterans' Home to interested individuals and organizations. These individuals or organizations could have a number of reasons for requesting a tour. They may have a family member who is interested in applying to the home to be a resident. They could also have a community interest in the home, which could result in volunteer hours for the home. In fiscal years 2002 and 2003, the number of volunteer hours provided to the Warrensburg Veterans Home was 7,497 and 11,900, respectively, which was a direct benefit to the residents of the home. Also, the Missouri Veterans Commission administers the Veterans Trust Fund, a state fund that accepts donations. The tours could also result in increased contributions to this state fund.*

*Volunteers staff the canteen located in the veterans' home. Having the facility personnel maintain the canteen's inventory ensures continuity in the personnel who account for this important function.*

*Finally, Section 42.007.5(5), RSMo., states the Missouri Veterans Commission shall "Arrange for and accept through such mutual arrangements as may be made, the volunteer services, equipment, facilities, properties, supplies, funds and personnel of all federal, welfare, civic and service organizations, and other organized groups and individuals which are in furtherance of the purposes of Section 42.002 to 42.140."*

*Regarding the accounting functions related to the not-for-profit organization, the Home is working toward discontinuing the accounting services of the VAL.*

<b>2. Expenditures</b>
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The receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. Six of 27 (approximately 22 percent) invoices tested did not indicate if goods or services were received. In addition, state sales tax totaling approximately \$100 was paid on two of 52 (approximately 4 percent) invoices tested. Since the Warrensburg Veterans' Home is a state entity, it is exempt from paying state sales taxes.

Proper review and documentation of the receipt of goods or services is necessary to ensure the facility actually received the items or services. Additionally, paying sales tax on state purchases is not proper and violates the state's sales tax exemption letter.

**WE RECOMMEND** the facility ensure the receipt of goods or services is indicated on invoices prior to being approved for payment. We also recommend the facility discontinue paying state sales taxes on purchases.

**AUDITEE'S RESPONSE**

*The facility accepts these recommendations and has established a policy to ensure that staff making purchases on behalf of the Home do not include state sales tax. The Home Accountant also performed a review of invoices for the period beginning March 2004 and found 100% compliance with this policy. The Home implemented procedures in 2003 to ensure that invoices are only paid with proper documentation of receipt and approval. The Auditor's finding for this item was primarily related to purchases made in 2002. The facility will only pay for goods and services with proper proof of receipt and not pay state sales tax on purchases.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Warrensburg Veterans' Home is a 200-bed nursing home care facility, providing care to Missouri veterans who are unable to support or adequately care for themselves. The facility was completed in May 2000, with the first residents being admitted in September 2000. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. The cost is shared by the resident, based on ability to pay, the Federal Veterans' Administration, and the state's General Revenue Fund.

The Warrensburg Veterans' Home Assistance League, a not-for-profit corporation, was formed 6 years prior to the opening of the facility to receive donations to be spent for the benefit of all residents. The Assistance League also funds the canteen operations.

The Missouri Veterans Commission operates seven homes for veterans of the state. The homes are located in St. James, Mount Vernon, Mexico, Cape Girardeau, Cameron, Warrensburg, and St. Louis. Members of the Missouri Veterans Commission, as of June 30, 2003, include:

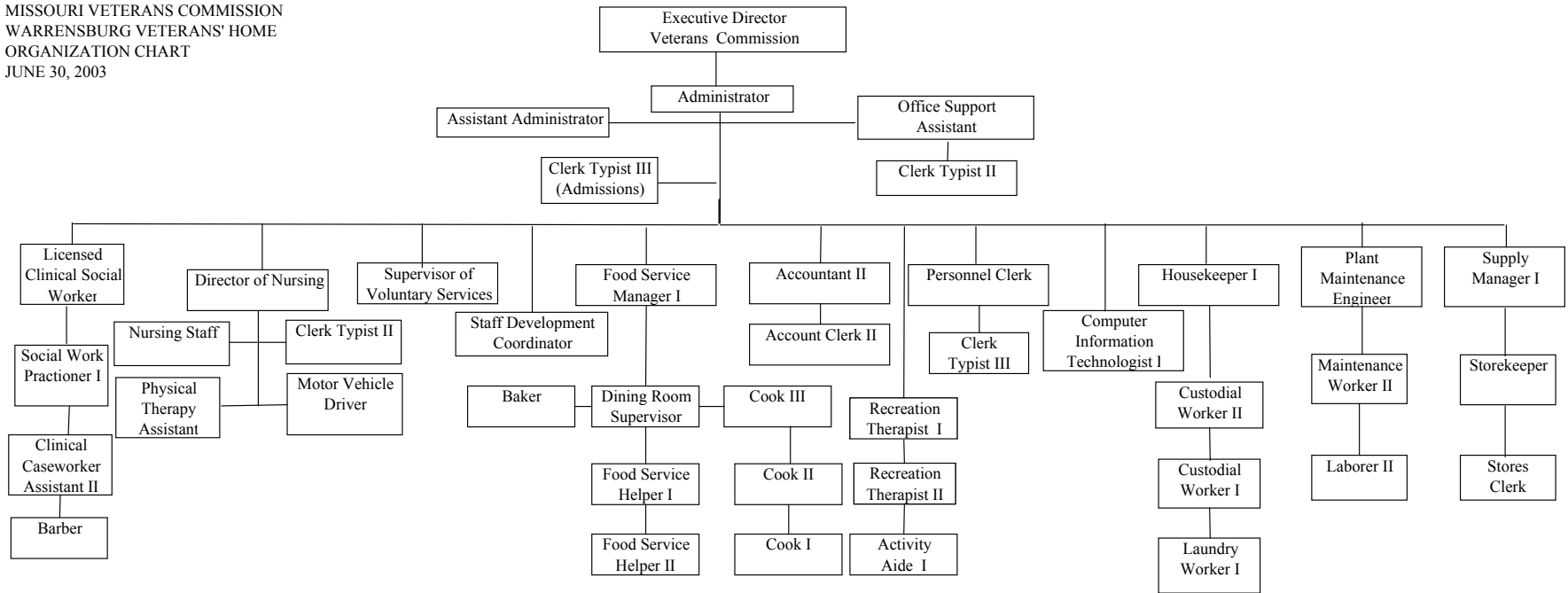
<u>Members</u>	<u>Term Expires</u>
Carl H. Niewoehner, Chairman	November 2, 1997*
Donald Gralike, Vice-Chairman	November 2, 2003*
Carson Ross	November 2, 2004
Bernadette Miller	December 11, 2004
Emmett Fairfax	November 2, 2005

\* Term has expired. Member continues to serve until successor is appointed.

As of June 30, 2003, the Warrensburg Veterans' Home employed 191 full-time employees. These employees were assigned to various administrative and service sections. Stan Smith assumed the position of Administrator on September 1, 2000, and currently serves in that capacity.

An organization chart and statistical data follow:

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
ORGANIZATION CHART  
JUNE 30, 2003



DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
STATISTICAL DATA

	Year Ended June 30,	
	<u>2003</u>	<u>2002</u>
RESIDENTS	177	129
OCCUPANCY		
Total number of beds	200	150 *
Average daily census	145	120
Bed occupancy percentage	73%	80%
RESIDENT COST		
Total resident costs	\$ 7,909,896 **	6,794,962 **
Total resident days	<u>52,778</u>	<u>43,652</u>
Average Daily Resident Cost	\$ <u><u>150</u></u>	<u><u>156</u></u>

\* An additional 50 bed wing was subsequently opened in October 2002.

\*\* These cost amounts include employee fringe benefits, whereas the salary and wage expenditure amounts on Appendix A do not. In addition, these amounts do not include property and improvement expenditures, whereas Appendix A does include these expenditure amounts.

Appendix A

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
COMPARATIVE STATEMENT OF EXPENDITURES (BY BUDGET OBJECT)

	Year Ended June 30,	
	2003	2002
Salaries and wages	\$ 4,613,336	3,940,940
Travel:		
In-State	28,982	15,373
Out-of-State	239	1,145
Fuel and utilities	312,402	315,520
Supplies	1,043,253	892,781
Professional development	140,662	22,441
Communication services and supplies	39,759	30,989
Services:		
Professional	96,195	114,571
Housekeeping and janitorial	25,170	18,247
Maintenance and repair	54,169	43,681
Equipment:		
Computer	4,070	4,495
Motorized	457	8,438
Office	32,009	7,873
Other	35,950	55,375
Property and improvements	970,170	2,147,711
Building lease payments	172	1,425
Equipment rental and leases	30,273	48,391
Miscellaneous expenses	2,578	2,724
Total Expenditures	\$ <u>7,429,846</u>	<u>7,672,120</u>

Appendix B

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
MISSOURI VETERANS' HOME FUND  
COMPARATIVE STATEMENT OF RECEIPTS

		Year Ended June 30,	
		2003	2002
Payments from Veterans	\$	2,427,398	1,867,789
Veterans Administration Per Diem		2,934,909	2,128,684
Other		25,651	36,829
Total Receipts	\$	<u>5,387,958</u>	<u>4,033,301</u>

Appendix C

DEPARTMENT OF PUBLIC SAFETY  
MISSOURI VETERANS COMMISSION  
WARRENSBURG VETERANS' HOME  
AUXILIARY FUNDS

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND CASH EQUIVALENTS

	Year Ended June 30,			
	2003		2002	
	Residents Fund	Assistance League Fund	Residents Fund	Assistance League Fund
RECEIPTS				
Residents' deposits	\$ 258,857	0	683,149	0
Donations/sales from canteen	0	36,285	0	27,917
Total Receipts	<u>258,857</u>	<u>36,285</u>	<u>683,149</u>	<u>27,917</u>
DISBURSEMENTS				
Residents' withdraws	249,250	0	669,321	0
Benefit of residents/cost of goods sold	0	24,087	0	18,711
Total Disbursements	<u>249,250</u>	<u>24,087</u>	<u>669,321</u>	<u>18,711</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,607	12,198	13,828	9,206
CASH AND CASH EQUIVALENTS, JULY 1	<u>29,823</u>	<u>13,505</u>	<u>15,995</u>	<u>4,299</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 39,430</u>	<u>25,703</u>	<u>29,823</u>	<u>13,505</u>