



Audit Highlights

Highlights of Legislative Auditor report on the Office of Veterans' Services issued on February 19, 2004. Report #LA04-12.

Background

The Office's mission is to provide assistance and services to veterans and residents of Nevada serving in the military. The Office is responsible for helping veterans and their families obtain services, compensation, and government benefits to which they are entitled. There are five offices throughout the State, including offices in Reno and Las Vegas, cemeteries in Fernley and Boulder City, and the Nevada Veterans' Nursing Home in Boulder City. Funding consists of General Fund appropriations, administrative fees, burial reimbursements and fees, Medicare, Medicaid, federal Veterans' Affairs payments, nursing home residents' fees, donations, and proceeds from special license plate sales.

Purpose of Audit

The purpose of this audit was to evaluate the Office's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures. Our audit included the financial activities of the Office for fiscal year 2002, and activities through June 2003 for certain audit issues.

Audit Recommendations

This report contains 13 recommendations to improve the Office's controls over its Guardianship Program, contracts, revenues, expenditures, and other administrative duties. Specifically, the Office should develop and implement policies and procedures to ensure wards' assets are safeguarded and financial information is accurate. In addition, the Office should develop and implement controls over establishing and maintaining contracts, processing revenues, and safeguarding assets such as property and outside bank accounts.

The Office of Veterans' Services accepted all 13 recommendations.

Status of Recommendations

The Office's 60-day plan for corrective action is due on May 13, 2004. In addition, the six-month report on the status of audit recommendations is due on November 15, 2004.

Office of Veterans' Services

Results in Brief

The Office of Veterans' Services frequently did not comply with state laws and regulations, or its policies and procedures related to its financial and administrative practices. In some cases, written policies and procedures were lacking. In other cases, supervision was not sufficient to ensure employees complied with established policies and procedures. Although many control weaknesses are longstanding, a contributing factor was management turnover at the recently opened Nursing Home. Between September 2002 and April 2003, the Nursing Home had four different directors or acting directors. Management sets the tone for internal control in an organization; when excessive turnover occurs, the controls of an organization are weakened.

Principal Findings

The Office has not reconciled the wards' accounts to the state accounting system. We identified over \$110,000 in errors posted to either the wards' accounts or the state accounting system during the period from July 1, 2002, through March 31, 2003. If those errors are corrected, the state accounting system balance will be \$38,210 in excess of the total of the wards' account balances. The Office is unsure of the source of the difference and, due to incomplete records, will not be able to determine the origin of the errors.

Other problems noted with the Guardianship Program included not maintaining adequate supporting documentation for wards' transactions. Supporting documentation, such as receipts, invoices, bills, or agreements, was not maintained for over \$734,000 in revenue and almost \$167,000 in expenditures. In addition, there were few controls over cash and checks. We found 17 instances where checks were prepared for cash, endorsed by Office staff, and not adequately safeguarded. Furthermore, the Office has not adopted procedures on how the administrative fee charged to wards is to be assessed or how some administrative expenses are to be paid.

The audit found several problems with processing and accounting for receipts. First, neither the Office nor Nursing Home used a cash receipt log or pre-numbered receipts to control revenues. Of the 45 revenue transactions tested, 37 were not recorded on a log or on pre-numbered receipts. As a result, we could not determine if these revenues were deposited timely. Second, some receipts were held longer than allowed by state law before being deposited. Our review of the Guardianship Program administrative fees found that checks written by the Office from its outside bank account were held up to 4 months before being deposited in the Office's operating budget account. Third, duties related to processing revenues were not adequately segregated at the Office or the Nursing Home. The duties of receiving, recording, and depositing revenues were not always performed by different people. Finally, the Office recorded federal reimbursements for burials and administrative fees from the Guardianship Program in the wrong fiscal year. Had these revenues been properly recorded, the Office should have reverted an additional \$176,000 to the General Fund at the end of fiscal years 2001 and 2002.

Our testing found several problems with controls over expenditures and other administrative functions. Employee access to the Integrated Financial System was not removed promptly when employees resigned positions. Two outside bank accounts were not in the name of the State of Nevada, as required by state law, and three required only one signature on checks. Seven of 56 timesheets did not have a supervisor's signature; another four did not contain the employee's signature. Of 14 personnel files tested, 9 did not contain all required employee evaluations. In addition, of the seven supervisors performing those evaluations that were completed, the Office did not have evidence that four attended required training.

Since the Nursing Home hired its first director in fiscal year 2000, the Legislature had questions about the efficiency of the Nursing Home's operations and the number of staff. Staff were hired based on the anticipated opening of the Nursing Home. Because of delays in opening, nearly \$2.1 million in personnel costs occurred before any residents were admitted. As the Nursing Home continues to accept new residents and expand operations, management will have the opportunity to evaluate and improve operational efficiency. This includes evaluating the number of staff needed to provide quality care and service, as well as the value of outsourcing some services.