



# **COMPLIANCE AND CONTROL AUDIT REPORT**

**Commission on Veterans' Affairs**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
May 1999**



# Legislative Post Audit Committee

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## Legislative Division of Post Audit

The **Legislative Post Audit Committee** and its audit agency, the **Legislative Division of Post Audit**, are the audit arm of Kansas government. The programs and activities of State government now cost about \$8 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of government agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U. S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. These audit standards have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the representatives, three are appointed by the Speaker of the House and two are appointed by the House Minority Leader.

As part of its audit responsibilities, the Division is charged with meeting the requirements of the Legislative Post Audit Act which address audits of financial matters. Those requirements call for two major types of audit work.

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the Legislative Division of Post Audit. The firm is selected by the Contract Audit Committee, which comprises three members of the Legislative Post Audit Committee (in-

cluding the Chairman and Vice-Chairman), the Secretary of Administration, and the Legislative Post Auditor. This audit work also meets the State's audit responsibilities under the federal Single Audit Act.

Second, the Act provides for a regular audit presence in every State agency by requiring that audit work be conducted at each agency at least once every three years. Audit work done in addition to the annual financial statement audit focuses on compliance with legal and procedural requirements and on the adequacy of the audited agency's internal control procedures. These compliance and control audits are conducted by the Division's staff under the direction of the Legislative Post Audit Committee.

### LEGISLATIVE POST AUDIT COMMITTEE

Representative Kenny Wilk, Chair  
Representative Richard Alldritt  
Representative John Ballou  
Representative Lynn Jenkins  
Representative Ed McKechnie

Senator Lana Oleen, Vice-Chair  
Senator Anthony Hensley  
Senator Pat Ranson  
Senator Chris Steineger  
Senator Ben Vidricksen

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Barbara J. Hinton, Legislative Post Auditor

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LEGISLATURE OF KANSAS  
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May 18, 1999

To: Members, Legislative Post Audit Committee

Representative Kenny Wilk, Chair  
Representative Richard Alldritt  
Representative John Ballou  
Representative Lynn Jenkins  
Representative Ed McKechnie

Senator Lana Oleen, Vice-Chair  
Senator Anthony Hensley  
Senator Pat Ranson  
Senator Chris Steineger  
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This report contains the findings, conclusions, and recommendations from our completed compliance and control audit of the Commission on Veterans' Affairs.

We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton  
Legislative Post Auditor



**EXECUTIVE SUMMARY**  
**LEGISLATIVE DIVISION OF POST AUDIT**

**Question 1: Were the Commission's Claims for Federal Reimbursement of Kansas Soldiers' Home Costs Appropriate?**

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**The Commission has established adequate procedures to ensure that its claims for federal reimbursement of Kansas Soldiers' Home costs are appropriate.** ..... page 2  
*To make appropriate claims for federal reimbursement, the Commission's staff at the Soldiers' Home should ensure that the proper reimbursement rate is used, and that the appropriate number of days of care is claimed. The staff's practices were adequately designed to ensure those results, and worked effectively during our audit period.*

**APPENDIX A: Agency response** ..... page 5

This audit was conducted by Randy Tongier, audit manager. If you need any additional information about the audit's findings, please contact Mr. Tongier at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (785) 296-3792, or contact us via the Internet at: [LPA@lpa.state.ks.us](mailto:LPA@lpa.state.ks.us).



## **Commission on Veterans' Affairs**

The Legislative Division of Post Audit has conducted compliance and control audit work at the Commission on Veterans' Affairs, including the Kansas Soldiers' Home, covering fiscal year 1998. Compliance and control audits identify noncompliance with applicable requirements and poor financial-management practices. The resulting audit findings often identify needed improvements that can help minimize the risk of potential future loss or misuse of State resources.

At the direction of the Legislative Post Audit Committee, this audit focused on how the Commission ensures that restricted moneys are properly used. The audit addresses the following specific question:

**1. Were the Commission's claims for federal reimbursement of Kansas Soldiers' Home costs appropriate?**

To answer this question, we identified allowable reimbursement rates and methods for determining days of care. We also reviewed the Commission's procedures, interviewed appropriate agency personnel, and reviewed a sample claim for reimbursement to see if the Commission's practices met the applicable requirements.

In conducting this audit work, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

Our findings are discussed on the following pages.

## **Were the Commission on Veterans' Affairs Claims for Federal Reimbursement of Kansas Soldiers' Home Costs Appropriate?**

The Commission's applicable financial-management practices generally are well designed, and the way they're being applied is likely to ensure that claims for federal reimbursement of Kansas Soldiers' Home costs are appropriate. Among other things, the process makes use of standardized forms, segregates responsibilities for reporting census information, and requires agreement among several different records.

### **The Commission Has Established Adequate Procedures To Ensure That Its Claims for Federal Reimbursement of Kansas Soldiers' Home Costs Are Appropriate**

The Commission on Veterans' Affairs oversees the operation of the Kansas Soldiers' Home. The Soldiers' Home, located near Dodge City, provides basic living and nursing home care for Kansas veterans and their dependents. The daily population at the Soldiers' Home during fiscal year 1998 was about 230, with about 150 of those qualifying for federal reimbursement.

A portion of the Home's operating costs is funded by federal reimbursements. Those reimbursements, paid in response to quarterly claims by the agency, are based on the number of resident-days of care provided. Each day of care provided is reimbursed at the actual cost or the maximum allowed by federal regulations, whichever is lower.

To make appropriate claims for federal reimbursements, the Commission's staff at the Soldiers' Home should take steps to ensure that the proper reimbursement rate is used, and that the appropriate number of days of care is claimed. To do this, the Commission should have put in place certain financial-management practices, including the following:

- having a way to identify the maximum federal reimbursement rates currently in effect
- having a way to identify the actual costs of care
- ensuring that the lower of actual or the federal maximum is claimed
- having a way to determine an accurate daily census
- ensuring that daily census figures are accurately reported and accumulated

To find out the Commission's practices in this area, we interviewed Commission officials, reviewed procedures, and examined a sample of applicable documents.

**The Commission's practices were well designed and operated consistently with the "good practices" outlined above.** During our test period of July through September 1997, the Soldiers' Home reported actual costs of about \$657,000 on the federal reimbursement claim form. The \$33.33 actual daily cost it reported for domiciliary care exceeded the maximum allowable federal reimbursement rate of \$16.13. Likewise, the \$67.04 actual daily cost for nursing home care exceeded the maximum allowable federal reimbursement rate of \$39.74.

As a result, in both cases the Soldiers' Home appropriately claimed federal reimbursement at the maximum allowable rate. That resulted in a total federal reimbursement of about \$360,000 for that quarter, which covered about 55% of the Home's actual costs. For fiscal year 1998, federal reimbursements totaled about \$1.4 million.



## **APPENDIX A**

### **Agency Response**

On January 22, 1999, we provided a copy of the draft audit report to the Commission on Veteran's Affairs. Its response is included as this appendix.



# KANSAS

COMMISSION ON VETERANS' AFFAIRS

# KANSAS

February 1, 1999

Ms. Barbara J. Hinton, Legislative Post Auditor  
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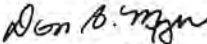
Dear Ms. Hinton:

The draft copy of the compliance and control audit report conducted on the Kansas Commission on Veterans' Affairs for fiscal year 1998 has been reviewed.

The Agency appreciates your review of our Commission's financial-management practices regarding the appropriateness of claims for reimbursement of Kansas Soldiers' Home costs. The Agency agrees with your findings and continues to follow current procedures to identify maximum federal reimbursement rates, identify actual costs of care, and determine and report accurate daily census information.

If you have any questions or need any additional information, please do not hesitate to call Donna Deck at 785-296-3976.

Sincerely yours,

  
Don A. Myer  
Executive Director

cc: Stan Reed, KSH  
Donna Deck

