

STATE OF WEST VIRGINIA
REPORT
OF

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
BARBOURSVILLE STATE VETERANS' HOME
TRUST ACCOUNTS
FOR THE PERIOD
JULY 1, 1982 - DECEMBER 8, 1985



OFFICE OF LEGISLATIVE AUDITOR
CAPITOL BUILDING
CHARLESTON, WEST VIRGINIA 25305

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
BARBOURSVILLE STATE VETERANS' HOME
TRUST ACCOUNTS
FOR THE PERIOD
JULY 1, 1982 - DECEMBER 8, 1985



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the trust accounts of the Barboursville State Veterans' Home of the West Virginia Department of Veterans' Affairs.

Our examination covered the period July 1, 1982 through December 8, 1985. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/jaw, spg

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

TRUST ACCOUNTS

TABLE OF CONTENTS

Exit Conference	1
Introduction	2
Implementation of Prior Audit Recommendations	4
Administrative Officers and Staff	5
Summary of Findings, Recommendations and Responses	6
General Remarks	11
Auditors' Opinion	22
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	23
Note to Financial Statement	25
Supplemental Information	26
Certificate of Legislative Auditor	30

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
BARBOURSVILLE STATE VETERANS' HOME
TRUST ACCOUNTS
EXIT CONFERENCE

We met with the Director of the West Virginia Department of Veterans' Affairs, Fiscal Officer of the West Virginia Department of Veterans' Affairs and the Administrative Officer of the Barboursville State Veterans' Home on October 2, 1986 and discussed our findings and recommendations with them. The above named officials' responses are included in italics in the Summary of Findings, Recommendations and Responses and in the General Remarks sections of this report.

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

TRUST ACCOUNTS

INTRODUCTION

The establishment of the West Virginia State Veterans' Home was authorized by legislation passed during the regular session of the 1975 State Legislature, which placed the management and supervision of the Home under the West Virginia Department of Veterans' Affairs.

In accordance with the law, the Home is a "domiciliary" type home. The purpose of domiciliary care is to provide a non-institutional community setting for persons, primarily the aged, who require social care, but not medical care. Domiciliary care is provided in a home-like atmosphere. Since domiciliary facilities are not considered medical facilities, Medicare and Medicaid do not provide payment.

Domiciliary facilities provide care to ambulatory patients who, because of financial, age, mental, or health conditions, are dependent on others for their basic needs. Patients in domiciliary facilities may have health impairments, but not to the extent requiring skilled nursing or intermediate care. Domiciliary facilities are not for persons whose physical or mental conditions require care in a medical or psychiatric facility.

Specifically, Chapter 9A, Article 2, Section 1 of the West Virginia Code defines "qualified veterans" as follows: "... As used in this article the term 'qualified veteran' means a disabled veteran as determined by the department of veterans' affairs, who: (a) Is ambulatory and is able to attend to his personal needs, dress himself and attend a general mess; (b) served on active duty in the armed forces of the United States of America or a nation allied

therewith during wartime; (c) is a resident of the State of West Virginia for one year or more prior to the filing for admission; and (d) who was discharged or separated with an honorable discharge or with a general discharge under honorable conditions.

"In the event that the veteran served during peacetime and attained the age of sixty-five years, he shall be deemed a qualified veteran if he has met conditions (a), (c) and (d).

"In the event that the veteran is under sixty-five years of age with a service incurred or aggravated disability and is eligible for hospital-domiciliary benefits administered by the veterans' administration pursuant to the provisions of Title 38, United States Code, he shall be deemed a qualified veteran if he has met conditions (a), (c) and (d)."

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
BARBOURSVILLE STATE VETERANS' HOME
TRUST ACCOUNTS
IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

In the prior audit completed by our office on the Barboursville State Veterans' Home covering the period January 1, 1978 through June 30, 1982, there were three recommendations contained within the report relating to the trust accounts. During the current audit period, we noted that one of these recommendations has not been implemented.

1. The Veterans' Home failed to reconcile residents' ledger balances with the checkbook balance of the Trustee Account. As a result, numerous errors and omissions occurred in the individual residents' ledger accounts as well as mathematical errors and were not discovered until the current audit.

The error found in 1982 was corrected; however, accounts have not been maintained properly. Postings were not kept up-to-date. Reconciliations were not made, and accounts were not balanced each month. As a result, many discrepancies in accounts have been found by the ongoing audit. It is our intention to eliminate Trustee Accounts at the Veterans Home and transfer all accounts to a local bank. We will maintain only Maintenance Accounts, Welfare Account, and other internal accounts in the future. At present, we are waiting the final results of the audit and are hesitant to make any changes at this time. I am aware of the current situation and lack of internal controls. Every step will be taken to insure adequate controls are established and maintained. (See page 17.)

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

TRUST ACCOUNTS

ADMINISTRATIVE OFFICERS AND STAFF

DECEMBER 8, 1985

Department

John W. Moon Director
Anthony Alston Assiatant Director
Gary Rogers Administrative Assistant
Charles H. Prather, Jr. Fiscal Officer

Veterans' Home

H. Woody Williams Commandant
July 1, 1982 - May 31, 1983
Gary Rogers Acting Administrator
(Temporary Assignment)
June 1, 1985 - December 8, 1985
Kermit Barnett Registrar

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
BARBOURSVILLE STATE VETERANS' HOME
TRUST ACCOUNTS
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

AREAS OF NONCOMPLIANCE

Cash Shortage - Trustee Account

1. We noted a cash shortage of \$29,341.23 in the Trustee Account at December 8, 1985. Also, it appears a change fund of \$500.00 for the Trustee Account was improperly created from funds in the Welfare Account and \$1,744.70 of medical payments were not considered in adjusting charged maintenance.

We recommend the Veterans' Home request a refund of \$1,744.70 from the Resident Maintenance Collections Account (8260-13) and deposit the refund in the Trustee Account to correct overcharged maintenance and transfer \$500.00 to the Welfare Account from the Trustee Account to reimburse the amount utilized to establish the Trustee Account change fund. Also, we recommend the Home seek to recover \$29,341.23 from the party responsible for the cash shortage or the bonding agent and deposit any recovery in the Trustee Account.

We will comply with this recommendation. (See pages 12-14.)

Improper Use of Welfare Account

2. We noted the Veterans' Home utilized the Welfare Account to purchase current expense items and make cash advances to employees.

We recommend the Veterans' Home utilize the Welfare Account only for its intended purposes.

We will comply with this recommendation. (See pages 14-15.)

Failure to Transfer All Charged Maintenance

3. We noted the Veterans' Home transferred \$24,434.06 from the Trustee Account to the Resident Maintenance Collections Account (8260-13) on September 30, 1985. The proper amount of charged maintenance for the period was \$25,434.06 resulting in a \$1,000.00 underpayment of charged maintenance.

We recommend the Veterans' Home transfer \$1,000.00 from the Trustee Account to the Resident Maintenance Collections Account (8260-13).

We have complied with this recommendation. (See page 15.)

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

Failure to Control Postings to Subsidiary Ledgers

4. We noted the Veterans' Home did not maintain cash receipts or cash disbursements journals for any of the trust accounts during the audit period; checkbook balances were not reconciled with the subsidiary ledger balances and account balances were not confirmed monthly with the residents.

We recommend the cash receipts and cash disbursements journals be maintained for the trust accounts and the totals recorded in the journals be reconciled monthly with the postings made to the subsidiary ledgers. Also, we recommend the checkbook balance be reconciled monthly with the subsidiary ledger balances and all account balances be confirmed monthly with residents.

We will comply with this recommendation. (See page 17.)

Errors and Deficiencies In Accounting Records

5. We noted errors and deficiencies in the accounting records. We noted 67 mathematical errors in the residents' ledgers, located \$6,281.46 of disbursements which had not been posted to the individual residents' ledgers, and numerous disbursements and receipts posted to the wrong resident's ledger or in an improper amount.

We recommend that greater care be taken in the posting of transactions to the residents' ledgers.

We will comply with this recommendation. (See pages 17-18.)

Valuables Stored in Barboursville Veterans' Home Safe

6. We discovered valuables belonging to residents were stored in the Barboursville Veterans' Home safe. We noted a perpetual inventory system was not utilized and valuables were not always returned to residents at their discharge.

We recommend the Veterans' Home establish a perpetual inventory system as well as utilize receipt forms and release forms for all personal items placed in the Veterans' Home safe. Also, we recommend the Veterans' Home contact the Attorney General to ascertain the proper disposition of items currently in the safe.

We will comply with this recommendation. (See pages 18-19.)

Voucher Requests Not Prenumbered

7. We noted voucher request forms were not prenumbered. As a result, it was possible for supporting documentation to be lost by not being traceable to a particular check or used to cover bogus disbursements.

We recommend the Veterans' Home utilize prenumbered voucher requests to reduce the probability of lost supporting documents or fraudulently supported disbursements.

We concur with this recommendation. (See pages 19-20.)

Failure to Control Change Fund

8. We noted the Veterans' Home established a change fund in the amount of \$500.00 for the Trustee Account by withdrawing monies from the Welfare Account. However, we observed the Veterans' Home drew funds from the Trustee Account in larger amounts than those necessary to replenish the change fund. As a consequence, a cash shortage of \$29,341.23 resulted in the Trustee Account.

We recommend the Veterans' Home maintain a change fund in an amount deemed appropriate by the Administrator of the Veterans' Home and that cash vouchers written to support disbursements from the Trustee Account be limited to amounts necessary to replenish the change fund.

We will comply with this recommendation. (See pages 20-21.)

Voucher Requests Not Signed

9. We noted that voucher requests for disbursements in the trust accounts were in most instances not signed by an appropriate official of the Veterans' Home but instead had the individual's name typed on the voucher request.

We recommend the Administrator of the Veterans' Home require all voucher requests be signed by an appropriate designated employee.

We will comply with this recommendation. (See page 21.)

Failure to Utilize Prenumbered Receipt Books

10. We noted the Veterans' Home did not always utilize prenumbered receipt books for recording receipts in the trust accounts.

We recommend the Veterans' Home utilize prenumbered receipt books in all cases.

We will comply with this recommendation. (See page 21.)

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

TRUST ACCOUNTS

GENERAL REMARKS

INTRODUCTION

We have completed a special examination of the trust accounts of the Barboursville State Veterans' Home of the West Virginia Department of Veterans' Affairs. The examination covered the period July 1, 1982 through December 8, 1985.

TRUST ACCOUNTS

In order to have cash available for specific local Veterans' Home operations, local bank accounts are used for managing funds required on a day-to-day basis. The trust accounts utilized for these purposes during our audit period are described as follows:

Trustee Account

Receives residents' personal funds; disbursements made for residents' maintenance and personal use.

Welfare Account

Receives contributions from outside sources, vending commissions and meal ticket sales; disbursements for residents' benefits as deemed applicable by the Home. Periodically, the meal ticket sales are transferred to the State Treasury.

Recreation Fund

Receipts from Home's residents on a monthly voluntary basis and donations from outside sources; disbursements for goods and/or services deemed appropriate by Home officials.

AREAS OF NONCOMPLIANCE

Chapter 9A, Articles 1 and 2 of the West Virginia Code generally govern the West Virginia Department of Veterans' Affairs and the Barboursville State Veterans' Home. We tested applicable sections of the above plus general State

regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

Cash Shortage - Trustee Account

The Trustee Account of the Veterans' Home is used solely for the management of the personal funds of the residents at the Home. Individual subsidiary ledgers are maintained for each resident of the Home and the balances of the individual subsidiary accounts should match the reconciled bank balance of the Trustee Account.

Our examination of the Trustee Account revealed a gross cash shortage of \$31,085.93 existed in the account at December 8, 1985. We completed a reconstruction of all transactions in the Trustee Account for all residents housed at the Veterans' Home between July 1, 1982 and December 8, 1985. Based on our audit procedures, we were able to document \$29,341.23 in shortages in the Trustee Account. The amount of \$29,341.23 is based on the following findings:

Checks Written in Excess of Supporting Documentation:	
Year Ended June 30, 1984	\$ 3,623.40
Year Ended June 30, 1985	13,830.65
Period Ended December 8, 1985	<u>7,372.50</u>
	24,826.55
Checks Written With No Supporting Documentation:	
Year Ended June 30, 1984	4,149.06
Year Ended June 30, 1985	-0-
Year Ended December 8, 1985	<u>-0-</u>
	4,149.06
Less: Supporting Documentation in Excess of Checks Written:	
Year Ended June 30, 1984	(432.25)
Year Ended June 30, 1985	(194.58)
Period Ended December 8, 1985	<u>(45.00)</u>
	(671.83)
	28,303.78
Unidentified Difference	<u>1,037.45</u>
Shortage in Trustee Account	<u><u>\$29,341.23</u></u>

Also, our examination of the Trustee Account revealed the Home maintained a policy of allowing residents to write-off certain medical payments as a deduction against charged maintenance between November 1, 1982 and June 30, 1985. Our examination revealed the Home failed to consider \$1,744.70 of medical adjustments. The aforementioned amount would reduce the gross shortage of \$31,085.93 and result in an amount of \$29,341.23 which is representative of the net shortage in the trust accounts.

In addition, we noted that the Home established a change fund for the Trustee Account on March 8, 1983 by withdrawing \$500.00 from the Welfare Account. The purpose of the Welfare Account is to provide for the needs of all residents as deemed appropriate by Home officials. It appears the change fund should not have been created from funds contained in the Welfare Account.

We recommend the Veterans' Home request a refund of \$1,744.70 from the Resident Maintenance Collections Account (8260-13) and deposit the refund in the Trustee Account to correct overcharged maintenance and transfer \$500.00 to the Welfare Account from the Trustee Account to reimburse the amount utilized to establish the Trustee Account change fund. Also, we recommend the Home seek to recover \$29,341.23 from the party responsible for the cash shortage or the bonding agent and deposit any recovery in the Trustee Account.

We concur in the recommendation that \$1,744.70 as listed in the audit printout, be refunded from the Resident Maintenance Collections Account (8260-13) and deposited in the Trustee Account of the Barboursville Veterans Home to correct overcharged residents maintenance; however, on September 8, 1986, Mrs. Polly Drown, Audit Clerk at the Barboursville Veterans Home, submitted a request for a refund in the amount of \$1,105.90 from Account 8260-13 for deposit to the Trustee Account, which has been accomplished. Based on that transaction we should have a remaining balance of \$638.80 outstanding which we will initiate action to transfer from Account 8260-13 to the Trustee Account.

The recommendation to reimburse the Welfare Account \$500.00, which was initially used to establish the Trustee Account Charge Fund, is concurred in.

We further concur in the recommendation to seek recovery of the \$29,341.23 cash shortage noted in the Trustee Account; however, this matter has been referred to the Commission on Special Investigations for appropriate action and this Department will comply with whatever guidance and/or direction they recommend.

Improper Use of Welfare Account

We noted in the course of our examination, the Veterans' Home Welfare Account was used for several purposes that were not consistent with the purpose of the account. On December 2, 1982, the Veterans' Home purchased curtains and other office furnishings in the amount of \$90.00 drawn on Check No. 318. Also, on June 13, 1983 the Veterans' Home purchased badges for the Home's Security Department totaling \$107.08 drawn on Check No. 453.

It appears the above purchases result in the use of the Welfare Account to make purchases which should have been made from the Home's appropriated Current Expense Account. We noted the Welfare Account was reimbursed in all instances by a warrant drawn on the Barboursville Veterans' Home Current Expense Account (4010-01).

Also, we observed the Home utilized the Welfare Account as a clearing account to transfer remittances to the West Virginia Public Employees Insurance Board for employees who were on extended medical leave or other circumstances and required to pay for their own insurance coverage. Likewise, we observed that employees of the Home were given cash advances from the Welfare Account for various reasons. Included among these reasons were:

1. Employees required to make unexpected travel for the benefit of the Home;
2. Employees who lost their payroll check; and,
3. Employees who were issued payroll checks for less than the proper amount.

In all instances, we noted the Welfare Account was reimbursed by the individual who received the cash advance. However, it appears the aforementioned practices of purchasing current expense items and providing employees with cash advances are in violation of the Home's internal policy in establishing the Welfare Account which was to provide for the needs of all residents as deemed appropriate by Home officials.

We recommend the Veterans' Home utilize the Welfare Account only for its intended purposes.

We concur in the recommendation that the Welfare Fund be used to provide for the needs of residents only.

Failure to Transfer All Charged Maintenance

We noted the Veterans' Home drew Check No. 3300 on September 30, 1985 in the amount of \$24,434.06 from the Trustee Account for transfer to the Resident Maintenance Collections Account (8260-13). Our examination of supporting documentation indicates the actual amount of resident maintenance contributions for the period totaled \$25,434.06. As a result, the Home failed to remit \$1,000.00 of resident maintenance contributions.

We recommend the Veterans' Home transfer \$1,000.00 from the Trustee Account to the Resident Maintenance Collections Account (8260-13).

Once this error was brought to the attention of the Audit Clerk, it was immediately corrected on May 9, 1986, by depositing \$1,000.00 from the Trustee Account to the Resident Maintenance Collection Account (8260-13).

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance

thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objectives of internal accounting control is to provide reasonable, but not absolute assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period July 1, 1982 to December 8, 1985, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be material weaknesses.

Failure to Control Postings to Subsidiary Ledgers

We noted the Veterans' Home did not maintain cash receipts or cash disbursements journals for any of the trust accounts during the audit period. In effect, the Veterans' Home utilized the checkbook balance of the individual trust accounts as a controlling account but failed to reconcile the subsidiary ledger balances with the checkbook balance. As a result, the likelihood for errors and omissions in postings to the subsidiary ledgers was created and the probability of these errors and omissions being discovered by employees was decreased. As will be noted later in this report, such errors and omissions were discovered by our current audit. Also, account balances were not confirmed monthly with the residents which would provide additional opportunity to locate errors and omissions.

We recommend that cash receipts and cash disbursements journals be maintained for the trust accounts and the totals recorded in the journals be reconciled monthly with the postings made to the subsidiary ledgers. Also, we recommend the checkbook balance be reconciled monthly with the subsidiary ledger balances and all account balances be confirmed monthly with residents.

We concur in the recommendation to maintain a cash receipts and cash disbursements journal for local accounts with the totals recorded in those journals reconciled monthly with the postings made to the subsidiary ledgers. We plan to implement the recommended procedure in the near future.

Errors and Deficiencies in Accounting Records

During the course of reconstructing the activities in the Trustee Account, we noted errors and deficiencies in the accounting records. As a preliminary step in our examination, we footed the activity shown by the Veterans' Home on each resident's ledger to establish the reliability of the Veterans' Home records relative to mathematical accuracy of the individual resident's balances.

We noted a total of 67 mathematical errors in the residents' ledgers during the audit period. Also, we noted that \$6,281.46 of disbursements had not been posted to the individual residents' ledger incorrectly inflating those residents' ledger balance, as well as numerous disbursements posted to the wrong resident's ledger. Likewise, we located receipts which had not been posted to residents' ledgers or posted in an improper amount.

As a concluding step in our examination, we examined all voided checks in the Trustee Account and verified the transactions had not been posted to the individual residents' ledger accounts. We located one voided check which had been posted to the resident's ledger and as a result incorrectly decreased the resident's ledger balance.

We recommend that greater care be taken in the posting of transactions to the residents' ledgers.

While we concur in the recommendation contained in the draft report, it is our opinion that the vast majority of the errors and deficiencies noted were created intentionally.

Valuables Stored in Barboursville Veterans' Home Safe

During the course of our audit of the Veterans' Home, it was discovered that personal valuables of the residents placed in the safe at the fiscal office of the Veterans' Home were not returned to them at the time of their discharge. As a result, an inventory of the safe's contents was made. The inventory revealed 23 sealed envelopes containing 21 residents' valuables. Among the items located in the safe were rings, watches, bonds and coins; a detailed listing of all contents was prepared. We discovered that only four of the 21 residents having valuables in the safe are currently residing at the Veterans' Home, the remainder having been discharged or deceased.

The Veterans' Home, in assuming responsibility for the safeguarding of these personal items, should maintain a perpetual inventory system for valuables housed in the safe. A perpetual inventory system would show the daily activity of items entering and leaving the Veterans' Home safe. An individual independent of the safekeeping function should prepare receipts for those valuables accepted for safekeeping; a copy should be given to the resident and a copy retained by the Veterans' Home. Both copies should be signed by the resident and the individual preparing the receipt to indicate agreement as to the items placed in the possession of the Veterans' Home. All residents retrieving valuables should be required to sign a release form to indicate the valuables have been properly returned.

We recommend the Veterans' Home establish a perpetual inventory system as well as utilize receipt forms and release forms for all personal valuables placed in the Veterans' Home safe. Also, we recommend the Veterans' Home contact the Attorney General to ascertain the proper disposition of items currently in the safe.

Concur in this recommendation. We have received a verbal opinion from the Attorney General's Office that disposition of said valuables be made direct to the resident upon discharge or in accordance with each resident's written authorization on file in their personnel folder maintained in the Registrar's Office.

Voucher Requests Not Prenumbered

The Veterans' Home disbursement procedures included a voucher request for each resident for which funds were withdrawn by check from the Trustee Account. As a practical matter, a check drawn on the Trustee Account could be supported by one or many voucher requests. The Veterans' Home included a cover sheet with a number corresponding to the check number when a check included disbursements for several residents; however, the individual voucher requests

were not prenumbered. As a result, it was possible for supporting documentation to be lost by not being traceable to a particular check or used to cover bogus disbursements. The Veterans' Home could continue to utilize essentially the same disbursement procedures with prenumbered voucher requests; however, the cover sheet would have to show the beginning and ending sequence numbers of the supporting voucher requests.

We recommend the Veterans' Home utilize prenumbered voucher requests to reduce the probability of lost supporting documents or fraudulently supported disbursements.

We concur in this recommendation; however, we have recently reordered vouchers and it is possible that prenumbering was not requested.

Failure to Control Change Fund

We noted the Veterans' Home established a change fund in the amount of \$500.00 for the Trustee Account by withdrawing monies from the Welfare Account. The purpose of the change fund is to meet necessary cash needs of the veterans. During the course of our examination, we noted the Veterans' Home drew funds from the Trustee Account in larger amounts than those necessary to replenish the change fund.

The drawing of funds from the Trustee Account in amounts larger than those necessary to replenish the change fund circumvents the change fund's purpose of providing strong internal control over the disbursement of cash. As a result of the failure to control the change fund, the conditions were created which resulted in a cash shortage of \$29,341.23 in the Trustee Account.

We recommend the Veterans' Home maintain the Trustee Account change fund in an amount deemed appropriate by the Administrator of the Veterans' Home and that cash vouchers written to support disbursements from the Trustee Account be limited to amounts necessary to replenish the change fund.

Concur. The Administrative Officer will direct a specific amount of money to be utilized in the Trustee Account Change Fund, or establish a new system for handling residents fiscal matters.

Voucher Requests Not Signed

We noted that voucher requests for disbursements in the trust accounts were in most instances not signed by an appropriate official of the Veterans' Home but instead had the individual's name typed on the voucher request. In order to ensure that all voucher requests are properly reviewed, an appropriate official of the Veterans' Home should sign all voucher requests.

We recommend the Administrator of the Veterans' Home require all voucher requests be signed by an appropriate designated employee.

Concur. The Administrative Officer will designate an employee of the Barboursville Veterans Home to sign all voucher requests.

Failure to Utilize Prenumbered Receipt Books

We noted the Veterans' Home did not always utilize prenumbered receipt books for recording receipts in the trust accounts. The failure to utilize prenumbered receipt books increases the probability that cash receipts may not be deposited promptly and as they were received.

We recommend the Veterans' Home utilize prenumbered receipt books in all cases.

Concur. The Administrative Officer will order a supply of prenumbered receipt books for recording cash transactions.

AUDITORS' OPINION

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

We have examined the statement of cash receipts, disbursements and changes in cash balances of the trust accounts of Barboursville State Veterans' Home of the West Virginia Department of Veterans' Affairs for the period ended December 8, 1985 and the years ended June 30, 1985, June 30, 1984 and June 30, 1983. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note A, the financial statement was prepared using the cash basis of accounting. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the statement of cash receipts, disbursements and changes in cash balances of the trust accounts of the Barboursville State Veterans' Home of the West Virginia Department of Veterans' Affairs presents fairly cash transactions for the period ended December 8, 1985 and the years ended June 30, 1985, June 30, 1984 and June 30, 1983.

Our examination was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

September 4, 1986

Auditors: Michael E. Sizemore, CPA, Supervisor
Randal L. Thomas, Auditor-in-Charge
Lisa A. Ruble
David M. Lonchar
David P. Given
Joseph G. Giles

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
 BARBOURSVILLE STATE VETERANS' HOME
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 TRUST ACCOUNTS

	Period Ended December 8, 1985
Cash Receipts:	
Residents' Personal Funds	\$294,163.32
Meal Ticket Sales, Donations, Reimbursement of Cash Advances and Vending Commissions	10,692.66
Donations from Residents and Others	10.00
Earned Interest	316.15
	<u>305,182.13</u>
Disbursements:	
Residents' Personal Expenses	82,016.70
Transfers to Resident Maintenance Collections Account (8260-13)	388,574.04
Refunds to Residents	21,519.53
Residents' Prizes	2,279.51
Residents' Recreational Activities	1,379.64
Refunds to Appropriations - Meal Sales	3,491.00
Current Expenses	3,616.30
Cash Advances to Residents and Employees	104.25
Transfers to WV Public Employees Insurance Board	-0-
	<u>502,980.97</u>
Cash Receipts (Under) Over Disbursements	(197,798.84)
Shortage in Trustee Account	(7,738.12)
Beginning Balance	<u>361,825.72</u>
Ending Balance	<u><u>\$156,288.76</u></u>

See Note to Financial Statement

<u>Year Ended June 30,</u>		
<u>1985</u>	<u>1984</u>	<u>1983</u>
\$637,237.82	\$569,492.40	\$290,090.67
32,754.23	26,838.82	25,459.66
31.30	-0-	-0-
564.80	15.31	-0-
<u>670,588.15</u>	<u>596,346.53</u>	<u>315,550.33</u>
292,858.57	271,268.79	120,313.45
31,124.09	229,664.88	35,651.96
52,372.58	67,863.41	27,445.63
7,534.33	13,361.35	4,780.41
1,724.49	528.51	-0-
8,425.53	8,384.86	10,316.99
12,967.48	4,332.09	5,137.32
980.00	277.73	9,493.68
-0-	41.60	58.50
<u>407,987.07</u>	<u>595,723.22</u>	<u>213,197.94</u>
262,601.08	623.31	102,352.39
(13,830.65)	(7,772.46)	-0-
<u>113,055.29</u>	<u>120,204.44</u>	<u>17,852.05</u>
<u>\$361,825.72</u>	<u>\$113,055.29</u>	<u>\$120,204.44</u>

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

TRUST ACCOUNTS

NOTE TO FINANCIAL STATEMENT

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed. Therefore, certain revenue and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND

CHANGES IN CASH BALANCE

TRUST ACCOUNT

Trustee Account	Period Ended		Year Ended June 30,	
	December 8, 1985	1985	1984	1983
Cash Receipts:				
Residents' Personal Funds	\$294,163.32	\$637,237.82	\$569,492.40	\$290,090.67
Disbursements:				
Residents' Personal Expenses	82,016.70	292,858.57	271,268.79	120,313.45
Transfers to Resident Maintenance Collections Account (8260-13)	388,574.04	31,124.09	229,664.88	35,651.96
Refunds to Residents	21,519.53	52,372.58	67,863.41	27,445.63
Transfers to Welfare Account	230.00	2,815.00	3,587.42	3,060.98
Transfers to Recreation Fund	-0-	2,318.40	2,242.72	-0-
	<u>492,340.27</u>	<u>381,488.64</u>	<u>574,627.22</u>	<u>186,472.02</u>
Cash Receipts (Under) Over Disbursements	(198,176.95)	255,749.18	(5,134.82)	103,618.65
Shortage in Trustee Account	(7,738.12)	(13,830.65)	(7,772.46)	-0-
Beginning Balance	<u>347,714.44</u>	<u>105,795.91</u>	<u>118,703.19</u>	<u>15,084.54</u>
Ending Balance	<u>\$141,799.37</u>	<u>\$347,714.44</u>	<u>\$105,795.91</u>	<u>\$118,703.19</u>

Ending Balance:

Deposit in Transit
Cash in Bank

\$ 1,857.22	\$ -0-	\$ -0-	\$ -0-
<u>139,942.15</u>	<u>347,714.44</u>	<u>105,795.91</u>	<u>118,703.19</u>
<u>\$141,799.37</u>	<u>\$347,714.44</u>	<u>\$105,795.91</u>	<u>\$118,703.19</u>

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS
 BARBOURSVILLE STATE VETERANS' HOME
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCE

TRUST ACCOUNT

<u>Welfare Account</u>	Period Ended December 8, <u>1985</u>	<u>Year Ended June 30,</u>		
	<u>1985</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>
Cash Receipts:				
Meal Ticket Sales, Donations, Reimbursement of Cash Advances and Vending Commissions	\$10,922.66	\$35,569.23	\$30,426.24	\$28,520.64
Earned Interest	275.42	479.20	-0-	-0-
	<u>11,198.08</u>	<u>36,048.43</u>	<u>30,426.24</u>	<u>28,520.64</u>
Disbursements:				
Cash Advances to Residents and Employees	104.25	980.00	277.73	9,493.68
Current Expenses	3,616.30	12,953.48	4,332.09	5,137.32
Refunds to Appropriations - Meal Sales	3,491.00	8,425.53	8,384.86	10,316.99
Residents' Prizes	2,279.51	7,534.33	13,361.35	4,780.41
Transfer to WV Public Employees Insurance Board	-0-	-0-	41.60	58.50
	<u>9,491.06</u>	<u>29,893.34</u>	<u>26,397.63</u>	<u>29,786.90</u>
Cash Receipts Over (Under) Disbursements	1,707.02	6,155.09	4,028.61	(1,266.26)
Beginning Balance	<u>11,684.95</u>	<u>5,529.86</u>	<u>1,501.25</u>	<u>2,767.51</u>
Ending Balance	<u>\$13,391.97</u>	<u>\$11,684.95</u>	<u>\$ 5,529.86</u>	<u>\$ 1,501.25</u>
Ending Balance:				
Cash on Hand	\$ 500.25	\$ 500.00	\$ 500.00	\$ 500.00
Cash in Bank	<u>12,891.72</u>	<u>11,184.95</u>	<u>5,029.86</u>	<u>1,001.25</u>
	<u>\$13,391.97</u>	<u>\$11,684.95</u>	<u>\$ 5,529.86</u>	<u>\$ 1,501.25</u>

WEST VIRGINIA DEPARTMENT OF VETERANS' AFFAIRS

BARBOURSVILLE STATE VETERANS' HOME

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND

CHANGES IN CASH BALANCE

TRUST ACCOUNT

<u>Recreation Fund</u>	Period Ended	Year Ended June 30,		
	December 8, 1985	1985	1984	1983
Cash Receipts:				
Donations from Residents and Others	\$ 10.00	\$2,349.70	\$2,242.72	\$ -0-
Redeposits of Advances to Employees	28.12	54.95	-0-	-0-
Earned Interest	40.73	85.60	15.31	-0-
	<u>78.85</u>	<u>2,490.25</u>	<u>2,258.03</u>	<u>-0-</u>
Disbursements:				
Residents' Recreational Activities	1,407.76	1,779.44	528.51	-0-
Current Expenses	-0-	14.00	-0-	-0-
	<u>1,407.76</u>	<u>1,793.44</u>	<u>528.51</u>	<u>-0-</u>
Cash Receipts (Under) Over Disbursements	(1,328.91)	696.81	1,729.52	-0-
Beginning Balance	<u>2,426.33</u>	<u>1,729.52</u>	<u>-0-</u>	<u>-0-</u>
Ending Balance	<u>\$1,097.42</u>	<u>\$2,426.33</u>	<u>\$1,729.52</u>	<u>\$ -0-</u>

Ending Balance:
Cash in Bank

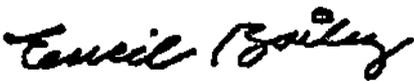
\$1,097.42 \$2,426.33 \$1,729.52 \$ -0-

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 7th day of October, 1986.


Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the West Virginia Department of Veterans' Affairs; State Veterans' Home; Governor; State Auditor; and, Attorney General.