

EXECUTIVE DIGEST

**GRAND RAPIDS HOME FOR VETERANS AND
THE D.J. JACOBETTI HOME FOR VETERANS**

INTRODUCTION

This report contains the results of our financial audit, including the provisions of the Single Audit Act, of the Grand Rapids Home for Veterans and the D.J. Jacobetti Home for Veterans, Department of Military Affairs, for the period October 1, 1991 through September 30, 1993.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

Our audit supplements the financial audit of the Department of Military Affairs for the period October 1, 1991 through September 30, 1993 for the Department's compliance with federal laws and regulations in accordance with the Single Audit Act of 1984, *Audits of State and Local Governments*. During our audit period, both the Grand Rapids Home for Veterans and

the D.J. Jacobetti Home for Veterans were directly responsible for the administration of their federal financial assistance programs.

BACKGROUND

The Grand Rapids Home for Veterans (GRHV) was established in 1885 and provides domiciliary and nursing care to aged and disabled military veterans of the State. The D.J. Jacobetti Home for Veterans (JHV), located in Marquette, began operations in 1981 to provide domiciliary and nursing care to aged and disabled military veterans in the Upper Peninsula. Both homes operate under Sections 36.1 - 36.12 of the *Michigan Compiled Laws* (Act 152, P.A.1885). Amendments to the enabling statute extended admission eligibility to widows, widowers, spouses, former spouses, and parents of State veterans.

Executive Reorganization Order 1991-7 transferred administration of the homes from the Department of Public Health to the Department of Military Affairs in September 1991. A Board of Managers establishes operating policies for the homes under the direction of the Department. During the audit period, the homes were directly responsible for administration of their federal financial assistance programs.

As of September 30, 1993, GRHV had 140 beds for domiciliary care and 623 beds for nursing care. As of the same date, GRHV had 73 residents in domiciliary care and 529 residents in nursing care. As of September 30, 1993, GRHV had 468 employees. For the fiscal year ended

September 30, 1993, the total expenditures and operating transfers out for GRHV were \$26,440,486.

As of September 30, 1993, JHV had 59 beds for domiciliary care and 184 beds for nursing care. As of the same date, JHV had 28 residents in domiciliary care and 179 residents in nursing care. As of September 30, 1993, JHV had 139 employees. For the fiscal year ended September 30, 1993, the total expenditures and operating transfers out for JHV were \$8,495,918.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the adequacy of GRHV's and JHV's internal control structures, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structures did not disclose any material weaknesses. However, our assessment did disclose reportable conditions in the areas of expenditure processing, vendor invoice controls, time and attendance reports, gross pay adjustment approvals, and inventory control (Findings 1 through 5).

Our assessment included internal control areas which we also reviewed in our performance audits of GRHV and JHV. Our assessment disclosed that GRHV did not separate the duties of payroll document preparation, approval, entry, and reconciliation. This issue is more fully explained in our report on the performance audit of GRHV, dated April 25, 1995. In addition, our assessment disclosed that JHV's internal control structure could be improved in the areas of approval of payroll and personnel transactions, reconciliation of the

daily transaction control log, and inventory reconciliations. These issues are more fully explained in our report on the performance audit of JHV, dated March 22, 1995.

Audit Objective: To assess GRHV's and JHV's compliance with both State and federal laws and regulations that could have a material effect on either their financial schedules or their major federal financial assistance programs.

Conclusion: Our assessment of GRHV's and JHV's compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on their financial schedules. However, we determined that the Veterans Administration (VA) found, in its October 1992 and October 1993 inspections, that GRHV did not comply with VA standards for minimum nursing care staffing levels. In addition, the VA inspection report for October 1993 found that GRHV did not comply with VA standards for use of physical restraints and for controlled access to medications for domiciliary care residents. These issues are more fully explained in our report on the performance audit of GRHV, dated April 25, 1995. The VA inspection report for 1994 found that GRHV was in compliance with the VA standards. Our audit did not disclose any questioned costs related to GRHV's and JHV's federal financial assistance programs for the audit period.

Audit Objective: To audit GRHV's and JHV's financial schedules for the fiscal years ended September 30, 1993 and September 30, 1992.

Conclusion: We expressed an unqualified opinion on GRHV's and JHV's financial schedules for the fiscal years ended September 30, 1993 and September 30, 1992.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Grand Rapids Home for Veterans and the D.J. Jacobetti Home for Veterans for the period October 1, 1991 through September 30, 1993. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY

Our audit report includes 5 findings and 6 recommendations.

RESPONSES

GRHV and JHV agreed with all of our findings and informed us that they have implemented or will implement the applicable recommendations.