



STATE OF MICHIGAN
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
LANSING

RICK SNYDER
GOVERNOR

MG GREGORY J. VADNAIS
ADJUTANT GENERAL AND DIRECTOR

March 29, 2012

Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Director:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following are a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Military and Veterans Affairs, Michigan Veterans Trust Fund, Emergency Grant Program.

Report Number 511-0410-11
Audit Period October 1, 2008 through June 30, 2011
Summary of Agency Responses to Recommendations

1. Audit recommendations the agency complied with:

For the Finding concerning 'Administrative Efficiencies and Costs' the following actions were taken to comply with reducing administrative costs;

- The Board of Trustees took action in FY 2009 to leave vacant an authorized FTE and review duties to eliminate inefficient tasks and distribute priority tasks among three other employees (position descriptions revised). The FTE remains vacant.
- Nine service agreements were also reviewed as the opportunity arose with counties and more efficient county service agreements were negotiated for the audit review period. An additional three service agreements were completed since the audit review (06/30/11 through 12/31/12) and one service agreement was completed in Jan. 2012. Total cost reductions of \$10,676.00 resulted for future years. Review of county administrative cost reductions will be ongoing.

2. Audit recommendations the agency agrees with and will comply:

- Administrative policies will be reviewed for efficiencies in FY 2012.

- State administrative cost allocations by other departments and by DMVA charged to the Trust Fund having a negative impact on the administrative cost ratio will be reviewed for savings by end of FY 2012.
 - The annual detailed statutorily required report will now include specific efforts taken to reduce program costs.
3. Audit recommendations the agency disagrees with:
- Combining counties to form a district can not be mandated. All opportunities will be reviewed if county governments enact district service contracts to determine if MVTF can also create a district MVTF committee operation with cost savings.
 - The process of collecting data required to provide metrics for the program is already efficient and highlights ineligible applications automatically. Minimal action is needed for the Board of Trustees to take action and remain fully accountable for the funds. No cost savings would be achieved by changing the data collection methods.
 - Sample methodology is not authorized within statute and would not affect cost savings.
 - County administrative operations are not linked to number of hours of operation or number of applications completed. Operational priority is for accessibility for veterans to make applications. Operations are linked to an individual accepting a stipend or a county accepting a service agreement to complete applications for committees to determine grant decisions and account for grant applications and payments.

Findings and Action Plans

Finding 1 - Administrative Efficiencies and Costs:

- The Board of Trustees took action FY 2009 to leave vacant an authorized FTE and review duties to eliminate inefficient tasks and distribute priority tasks among three other employees. The FTE remains vacant.
- Service agreements were also reviewed as the opportunity arose with counties and more efficient county operation agreements were negotiated resulting in administration expense reductions of over \$10,000 with 6 in FY 2009, 1 in FY2010, 5 in FY 2011 and 1 in FY2012 so far. Reviews are ongoing as county government situations present opportunities.
- Administrative guidelines provide reasons for disapproval of grants and available funds are not a reason to disapprove a grant. Training materials outline that this issue is reviewed consistently when committee/agent training is conducted.
- Combining counties to form a district (MCL 35.606) can only occur if the county governments align in such a manner. Counties cannot be mandated to provide service for another county (Headlee). Only 4 counties to date have allowed this combination with another county and cost efficient service agreements are in place for these four district committee operations. Further consideration is given to the distance veterans must travel to make an application in an emergency financial situation. If other counties reach agreements to form a district for service delivery, MVTF will work to create a district under MCL 35.606.

a. Inefficient processes reviewed:

- Recurrent data from all applications is entered into a data base. The information in the data base is reviewed annually to determine if it is still relevant information to capture. The data provides reports required by statute or requested by the Legislature, Veterans Groups and constituents. Based on the experience of the employee, the law and policy criteria for the program are easily identified on the application when data is being entered. It was discussed with auditors that we had not identified how many errors and what kind of program policy errors we had internally corrected that avoided an ineligible grant being approved.
 - The data base will now identify this by listing the policies in columns and marking a check in the policy column of the error discovered. Initiated FY2012, 10/01/11.
- Sample methodology was discussed but not agreed on as Public Act 9, MCL 35.602; Section 2 clearly outlines eligibility for the program and does not authorize an acceptable error rate. Trustees are stewards of the Veterans Trust Fund and as such maintain 100% accountability of the funds.
 - Trustees will review all policies in the next year and revise administrative tasks if appropriate to improve efficiency.

b. Counties and Districts:

1. Language in Public Act 9, MCL.606, Section 6 outlines that a committee of certain appointed veterans will administer the county grant programs and be reimbursed for only actual and necessary expenses (mileage). Committees in the counties have 3 to 5 members but nearly all of them are unable to complete the administrative documents. They use individual agents (paid stipends) or an existing county Veteran Service Office if a Service Agreement can be accepted. County government offices can not be mandated to provide administrative support.

- Nine Service Agreements were negotiated and accepted during the audit period. Every opportunity is reviewed if conditions change in a county office that could provide more cost efficient administrative support. Four additional service agreements have been completed since the audit review and total expenses will be reduced over \$10,000.00 per fiscal year.
- State employee expense is cost prohibitive at the county level.
- Agents, County offices with Service Agreements, and Committee Members are all volunteer administrators of the program and cost efficiencies are strongly discussed but can not be forced.
- Consistency of administrative operations is imperative to reduce the stress experience a veteran or applicant has when applying for a grant.

2. County operation expense is not linked to the number of hours of operation or the number of applications completed.

- Access, convenience and availability to make applications are priorities.
- Steady, consistent rates for stipends and service agreements are the goal.

- Many service agreements have been in place for 5 to 10 years with no increase to the expense.
- 3. Review of applications and expense for the past five years (on average) is made when determining new rates for stipends or service agreements as opportunities arise.
- Board Policy change reduced the number of applications in all counties due to restrictions on repetitive or recurring applications by the same applicant.

Finding 2 - The MVTF Board did not provide all the statutorily required updates on the efforts to reduce Emergency Grant Program administrative costs.

- Section 208 of the Appropriations Act that includes MVTF requires a detailed report on the program.
 - A detailed report has been provided annually as required.
 - The reports clearly stated the administrative cost totals and provided a five year comparison.
 - All future reports beginning with the FY 2011 annual report will provide specific details on efforts made to reduce expenses.

Questions regarding the summary table or corrective action plans should be directed to the Director of the Michigan Veterans Trust Fund, Anne-Marie Dutcher who can be contacted at 517-241-3938 or dutchera@michigan.gov.

Sincerely,

Signature Redacted

MG Gregory J. ~~Vadnais~~
Adjutant General and Director
Department of Military and Veterans Affairs

cc: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Senate Appropriation Subcommittee, State Police and Military Affairs
House Appropriation Subcommittee, Military and Veterans Affairs
Senate Committee for Veterans, Military Affairs and Homeland Security
House Committee for Military, Veterans Affairs and Homeland Security
Jason Allen, Director, Veterans Affairs Directorate