

Office of the Auditor General
Performance Audit Report

Michigan Veterans Affairs Agency
Department of Military and Veterans Affairs

February 2018

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

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Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Performance Audit

Michigan Veterans Affairs Agency (MVAA)

Department of Military and Veterans Affairs

Report Number:
511-0105-17

Released:
February 2018

MVAA was established under Executive Order No. 2013-2 within the Department of Military and Veterans Affairs. MVAA's mission is to serve as the central coordinating point, connecting those who have served in the United States Armed Forces and their families to services and benefits throughout the State of Michigan. In fiscal year 2016, Michigan had 608,271 veterans, the 11th largest veteran population compared with other states and the District of Columbia, Puerto Rico, and Guam.

| Audit Objective | | | Conclusion |
|--|--------------------|----------------------|-----------------------------|
| Objective #1: To assess the sufficiency of MVAA's outreach to Michigan veterans and their families. | | | Sufficient |
| Findings Related to This Audit Objective | Material Condition | Reportable Condition | Agency Preliminary Response |
| MVAA had not implemented the necessary processes to identify and contact veterans enrolled in State assistance programs who may be eligible to begin or expand their U.S. Department of Veterans Affairs benefits (<u>Finding #1</u>). | | X | Agrees |

| Audit Objective | | | Conclusion |
|--|--------------------|----------------------|-----------------------------|
| Objective #2: To assess the sufficiency of MVAA's efforts to assist Michigan veterans and their families in obtaining benefits and services. | | | Sufficient, with exceptions |
| Findings Related to This Audit Objective | Material Condition | Reportable Condition | Agency Preliminary Response |
| MVAA could improve contract monitoring by obtaining annual audit reports, establishing measurable performance standards, and validating the accuracy of claims and time reporting. We noted that 11% of Michigan Veterans Coalition claims activity was unsupported and that veterans service organization officers did not work their scheduled days 23% of the time or at their approved locations 8% of the time (<u>Finding #2</u>). | | X | Agrees |

| Observations Related to This Audit Objective | Material Condition | Reportable Condition | Agency Preliminary Response |
|--|----------------------------------|----------------------|-----------------------------|
| Potential disparity between the level of effort incurred and the amount of funding received (<u>Observation #1</u>). | Not applicable for observations. | | |

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February 9, 2018

Major General Gregory J. Vadnais, Director
Department of Military and Veterans Affairs
3411 North Martin Luther King Jr. Boulevard
Lansing, Michigan
and

Mr. James Robert Redford, Director
Michigan Veterans Affairs Agency
222 North Washington Square
Lansing, Michigan

Dear General Vadnais and Mr. Redford:

This is our performance audit report on the Michigan Veterans Affairs Agency, Department of Military and Veterans Affairs.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive style.

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

OUTREACH TO VETERANS AND THEIR FAMILIES

BACKGROUND

The Michigan Veterans Affairs Agency's (MVAA's) vision is for Michigan to be the most veteran-friendly state by providing the advice and assistance veterans need, creating a "no wrong door" customer service culture, and advocating for and on behalf of veterans and their families.

MVAA conducts outreach to Michigan veterans through its Web site, direct mailings, social media, public advertising, and veteran events and activities. Also, MVAA developed a Veterans Community Action Team (VCAT) in each of Michigan's 10 prosperity regions. VCAT membership is composed of federal, State, local, and faith-based organizations that support veterans in their communities. A VCAT's focus is on identifying solutions for addressing gaps in veteran services, reducing duplication of efforts, and simplifying connections with local resources. This community-based system of care for veterans and their families is intended to allow networks of service providers to share information and tools to employ best practices and serve the State of Michigan veterans more effectively.

In addition, MVAA contracts with the Michigan Association of Counties to employ 10 regional coordinators to serve as an extension of MVAA in the field. Regional coordinators help to ensure the success of the VCAT program through planning and implementing outreach events, conducting community assessments and gap analyses to identify underserved veteran areas, coordinating with other agencies, and establishing and maintaining a veteran network in their respective regions.

AUDIT OBJECTIVE

To assess the sufficiency of MVAA's outreach to Michigan veterans and their families.

CONCLUSION

Sufficient.

FACTORS IMPACTING CONCLUSION

- MVAA obtains veteran contact information from the U.S. Department of Defense and the Michigan Secretary of State for outreach purposes.
- MVAA employs numerous outreach mechanisms (Web site, monthly e-newsletters, VCAT coordination, regional coordinators support, social media, veteran events and activities, and public advertising) to help in achieving its charge of reaching 100% of the Michigan veteran population.
- MVAA assesses monthly activity reports from regional coordinators and shares best practices throughout the State.

- MVAA received an Abraham Lincoln Pillar of Excellence Award in 2016 for its implementation of a "no wrong door" philosophy, creating an efficient, sustainable, and low-cost community resource for veterans.
- MVAA established, evaluated, and was on track to achieve its veteran outreach goals* and objectives* by the assigned deadlines.
- Reportable condition* relating to MVAA's outreach efforts to veterans receiving State assistance.

** See glossary at end of report for definition.*

FINDING #1

Outreach efforts to veterans receiving State assistance could be improved.

MVAA could improve its efforts to identify and connect with veterans receiving State assistance to ensure that veterans obtain or maximize the benefits for which they may be eligible. Maximizing veterans' benefits provided by the U.S. Department of Veterans Affairs (VA) could save State Medicaid costs.

MVAA's appropriations acts for fiscal years 2015, 2016, and 2017 require MVAA to work with the Michigan Department of Health and Human Services (MDHHS) to identify Medicaid recipients who are veterans and who may be eligible for federal veteran health care or other benefits.

The U.S. Department of Health and Human Services' Public Assistance Reporting Information System (PARIS) Veterans Affairs Match for May 2017 reported that Michigan had 15,201 veterans and family members who may be receiving some form of State public assistance.

On June 1, 2016, MVAA established an agreement with MDHHS to enable MVAA to obtain data on veterans receiving State assistance; however, as of August 31, 2017, MVAA still did not have access to all required data elements.

Our research identified one state that had implemented similar efforts and identified 15,600 veterans receiving Medicaid benefits, resulting in a shift of over \$68 million from its state Medicaid budget to the VA from 2003 through June 2016.

MVAA indicated that staff turnover, extended employee leave, and MDHHS programming issues delayed implementation of the processes.

RECOMMENDATION

We recommend that MVAA improve its efforts to identify and connect with veterans receiving State assistance who may be eligible to begin or expand their VA benefits.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

MVAA agrees with the finding. While MVAA had a process in place to identify those individuals who were a part of the veteran match file during the audit time line, the data elements provided were not sufficient to conduct outreach. MVAA requested the needed data elements from other agencies in June, August, October, and November of 2017. MVAA was advised the earliest date the data would be fixed would be in January or February of 2018. MVAA has a plan ready to execute upon receipt of the additional data.

MVAA has plans to implement the following through the Veteran Benefit Enhancement Program:

- *An individual outreach program to those currently receiving public assistance identified on the veteran match file in cooperation with MDHHS.*
- *A method by which to track the outreach and resulting outcomes of this program in cooperation with MDHHS.*

ASSIST WITH BENEFITS AND SERVICES

BACKGROUND

MVAA's purpose is to increase Michigan veterans' awareness of available veterans' benefits and services; improve the State's service delivery model; increase efficiency; and foster collaboration among federal, State, and local partners. Accordingly, MVAA:

- Maintains the Michigan Veteran Resource Service Center (MVRSC) and a self-service Web site at michiganveterans.com. MVRSC, a 24/7/365 call center, receives communications in person and via phone, Web mail, e-mail, fax, and referrals. MVRSC staff are trained and provided with the necessary resources to guide veterans and family members to the most beneficial resources available. During business hours, a team of veterans is available to speak directly with callers. During nights, weekends, and State holidays, calls are answered by Michigan 2-1-1, a partner and extension of MVRSC that connects veterans to accredited service officers and resources.
- Partners with multiple agencies and businesses throughout Michigan to assist veterans with healthcare, employment, education, and overall quality of life issues. For example, the Veteran-Friendly Employer program recognizes businesses committed to the training and hiring of veterans, and the Veteran-Friendly School program identifies academic institutions of higher learning that are committed to supporting the needs of student veterans and dependents. Also, MVAA works with Michigan courts and other State agencies, including MDHHS, the Department of State, the Michigan State Housing Development Authority, and the Michigan Works! Association, to share data to help reach and provide veterans with needed services.
- Employs five full-time veteran benefit counselors to assist veterans in gathering claim information, filing and tracking claims, and filing appeals for denied claims.
- Contracts with the Michigan Veterans Coalition* (MVC), composed of seven veterans service organizations (VSOs), to help increase veteran access to accredited service officers.
- Provides training and other grant assistance for county veteran services.

* See glossary at end of report for definition.

AUDIT OBJECTIVE

To assess the sufficiency of MVAA's efforts to assist Michigan veterans and their families in obtaining benefits and services.

CONCLUSION

Sufficient, with exceptions.

**FACTORS
IMPACTING
CONCLUSION**

- MVAA exceeded its goal of submitting 40% of its claims as fully developed claims by reaching 60.7% for fiscal year 2016 and 62.3% for the first quarter of fiscal year 2017.
- MVRSC ensured that the call center contacts that we reviewed were addressed appropriately and in a timely manner.
- MVAA established, evaluated, and was on track to achieve its veteran benefit assistance goals and objectives by the assigned deadlines.
- MVAA partners with numerous businesses and academic institutions to administer the Veteran-Friendly School and Veteran-Friendly Employer programs.
- MVAA received an Abraham Lincoln Pillar of Excellence Award in 2016 for innovation and excellence in delivering services to veterans and was recognized as the first statewide program in the country with a 24/7/365 veteran assistance network.
- Reportable conditions related to the overall monitoring of the MVC contract (Finding #2) and MVAA's outreach efforts to veterans receiving State assistance (Finding #1 under Objective #1).

FINDING #2

Contract monitoring efforts could be improved.

MVAA could improve its monitoring of the MVC contract to help ensure that MVC effectively and efficiently uses State grant funds to maximize assistance provided to veterans.

MVAA's annual appropriations acts for fiscal years 2015, 2016, and 2017 required it to issue performance standards* to and monitor the performance of each VSO that receives grants and ensure that the VSOs use the grant funds for veterans' advocacy and outreach. Also, State of Michigan Administrative Guide to State Government policy 0610 requires departments to manage contracts in a manner that is fiscally responsible and to monitor vendors to ensure that they meet contractual obligations.

For fiscal years 2015, 2016, and 2017, MVAA awarded \$3.8 million, \$3.7 million, and \$3.8 million, respectively, in veteran service grant funds to MVC, a coalition of seven VSOs, to assist MVAA with veteran advocacy and outreach efforts. The grant agreements required MVC to submit monthly claims activity, recovery, and expenditure reports; billable service hour invoices for each VSO; and an annual audit.

Our review of MVAA's monitoring procedures noted:

- a. MVAA did not ensure that MVC submitted an annual audit report and had not conducted a detailed analysis or review of MVC expenditures. Our analysis of MVC's expenditure reports noted monthly fluctuations, primarily in compensation, employee benefits, and professional services, from negative 65% to positive 148% during the 19-month period from October 2015 through April 2017. Significant fluctuations may indicate an increased risk of potential misuse of grant funds.
- b. MVAA could improve the MVC grant agreement by including measurable performance standards. The grant agreement required MVC to submit statistical data, such as the number of claims submitted, number of recoveries received, and VSO expenditures; however, it did not include monthly goals or benchmarks that MVAA and MVC could use to periodically measure performance. Although the grant agreement indicated an aggregate goal of 30,000 processed claims, it did not specify whether those claims could include claims initiated by a county counselor, nor did the grant agreement require MVC to separately account for those claims (see Observation #1).
- c. MVAA did not validate the accuracy or appropriateness of the claims activity reported by VSOs. We reviewed 63 of the 2,621 veteran benefit claims that the VSOs reported had been submitted to the VA during December 2016. We noted 7 (11.1%) claims that had not actually been submitted; that had been submitted directly by another

* See glossary at end of report for definition.

VSO and, therefore, double-counted; or for which the VSO did not have documentation.

- d. MVAA did not ensure that VSO officers adhered to the approved schedule of operations established to provide adequate veteran service assistance throughout the State. We requested 40 weekly VSO officer time sheets for December 2016 and noted:

- (1) Nine (22.5%) time sheets indicated that the VSO officers did not work a total of 14 of their scheduled days, and 3 (7.5%) additional time sheets indicated that the VSO officers did not work at their approved locations. In addition, the VSO officers did not inform MVAA of the scheduling changes, making the online schedule that was available to veterans incorrect.
- (2) MVAA did not have documentation for 3 (7.5%) time sheets.

MVAA informed us that its contract monitoring efforts had been hindered because of a lack of contract monitoring training, the amount of time involved, and MVAA employee turnover.

We noted similar conditions in the prior audit report. MVAA indicated that it agreed with our recommendations and informed us that it had established a new grant agreement with MVC that addressed the establishment of performance standards and quarterly reporting. However, our review of the current contract indicated that measurable performance standards were not established.

RECOMMENDATION

We recommend that MVAA improve its monitoring of the MVC contract.

AGENCY PRELIMINARY RESPONSE

MVAA provided us with the following response:

MVAA agrees with section a. of the finding and notes that it has received the required annual audits from MVC for both fiscal years 2016 and 2017.

In August 2017, MVAA established a new Contract & Grant Compliance Analyst position and in November 2017 implemented a new grant monitoring program to improve contract and grant monitoring.

MVAA agrees with section b. and notes that the most recent version of the VSO grant, executed on January 9, 2018, has made substantial changes to the grant. This is the product of a comprehensive review of processes previously in place, assessments and analysis by MVAA and MVC together with the benefit of current and past reviews by the Office of the Auditor General. These changes include: specific and identifiable goals

and measurable standards addressing the number of service hours performed by MVC VSO officers, fully developed claim rates as well as tracking of the number of claims by type, region, and originator. Additionally, a specific system to monitor and evaluate customer satisfaction of the claims process from the perspective of the veteran being served has been implemented.

MVAA agrees with section c. and, in working with MVC, implemented steps to ensure future compliance.

MVAA's new grant monitoring program includes monthly reviews comparing randomly selected individual activity reports to actual claims activity in MVAA's automated claims processing system VetraSpec and the VA's Veterans Benefit Management System (VBMS) to validate accuracy of claims submitted. Results are recorded and discrepancies in submissions are provided to the MVC program manager, whose response will be required when corrective action is necessary.

MVAA agrees with section d. and, in working with MVC, implemented steps to ensure future compliance.

The new contract obligates MVC to notify MVAA of any planned changes to MVC's work plan and MVC members to report any late arrivals, absenteeism, and early departures as they occur.

MVAA's new grant monitoring program provides a systematic review of VSO hours reported and submitted for billing. The current process of verifying compliance includes a random sampling of time and attendance and a review of individual time sheets to validate time and attendance. The results are recorded and provided to the MVC program manager, whose response will be required if corrective action is necessary.

OBSERVATION #1

Potential disparity between the level of effort incurred and the amount of funding received.

The county counselors may be providing significant claims assistance while receiving minimal funding. However, because the county counselors and VSOs do not maintain documentation to support their incurred levels of effort, we could not assess whether the funding provided had corresponded with the respective levels of effort.

One of MVAA's goals is to increase access to accredited service officers and county counselors to assist veterans with filing veteran benefit claims. To help achieve its goal, as appropriated for fiscal year 2017, MVAA:

- a. Awarded a \$3.8 million veterans service grant to MVC to aid MVAA in achieving its veteran service provision goals and performance objectives. MVC is composed of the following seven veterans service organizations (VSOs):
 - American Legion
 - Disabled American Veterans
 - Marine Corps League
 - Military Order of the Purple Heart
 - Paralyzed Veterans of America
 - Veterans of Foreign Wars
 - Vietnam Veterans of America
- b. Provided \$200,000 in county incentive grants to enhance county capacity and capabilities.
- c. Expended \$50,000 for training to assist county employees with ensuring quality benefit counseling services and VA accreditation continuing education.

Based on our discussions with MVAA, VSOs, and the Michigan Association of County Veteran Counselors, we noted:

- VSO officers and county counselors assist veterans in gathering claim information and filing and tracking claims. This involves counseling the claimant through face-to-face interviews, assembling supporting documents, and completing application forms.
- In many cases, county counselors forward the veterans' completed claim applications to the VSOs, and the VSO officers submit the claims to the VA. This collaborative process provides veterans with local resources while maintaining access to the VSO officers for additional assistance, when necessary.
- VSO officers provide quality assurance on county-prepared claims, monitor claims status, and are responsible for handling claims appeal actions (legal briefs, appeals interviews, and hearings representation) filed under their power of attorney. MVC indicated that 11% to 14% of all claims result in time-consuming appeals actions.

The following chart identifies the claims activities for the first quarter of fiscal year 2017:

| | Number of Claims ¹ | | Number of Claims Appeal Actions |
|-------------------|-------------------------------|-------------------------|---------------------------------|
| | Submitted to the VA | Forwarded to MVC (VSOs) | |
| County Counselors | 2,199 ² | 6,585 ^{2, 3} | Not obtained ⁴ |
| MVC (VSOs) | 10,018 ^{3, 5} | Not applicable | 2,005 ⁵ |

¹ Includes claim appeal-related forms.

² Compiled by the OAG based on unaudited data provided for 53 Michigan counties.

³ Some of the county counselors' 6,585 forwarded claims are included in the 10,018 claims submitted to the VA by the VSOs.

⁴ Not obtained from counties.

⁵ As reported to MVAA by MVC.

SUPPLEMENTAL INFORMATION

UNAUDITED

MICHIGAN VETERANS AFFAIRS AGENCY
 Department of Military and Veterans Affairs
 Summary of Veteran Population and VA Expenditures by State or Territory
 Fiscal Year 2016 and Excerpts from Fiscal Years 2015 and 2014

| State or Territory | Veteran Population | Expenditures | | Compensation and Pension | | Total Medical Care (in thousands) |
|----------------------------|--------------------|-----------------------|---------------------|--------------------------|---------------------|-----------------------------------|
| | | Total (in thousands) | Average Per Veteran | Total (in thousands) | Average Per Veteran | |
| Alabama | 373,761 | \$ 3,429,323 | \$ 9,175 | \$ 2,062,094 | \$ 5,517 | \$ 1,080,667 |
| Alaska | 68,436 | 639,119 | 9,339 | 280,603 | 4,100 | 252,525 |
| Arizona | 515,050 | 3,919,749 | 7,610 | 1,833,525 | 3,560 | 1,568,041 |
| Arkansas | 225,118 | 2,215,940 | 9,843 | 1,129,084 | 5,016 | 941,113 |
| California | 1,735,213 | 15,568,595 | 8,972 | 7,252,271 | 4,179 | 5,933,781 |
| Colorado | 407,616 | 3,638,790 | 8,927 | 1,683,271 | 4,130 | 1,038,820 |
| Connecticut | 191,607 | 1,248,955 | 6,518 | 469,393 | 2,450 | 619,012 |
| Delaware | 72,831 | 441,478 | 6,062 | 231,634 | 3,180 | 161,062 |
| District of Columbia | 28,413 | 2,663,847 | 93,755 | 96,502 | 3,396 | 231,257 |
| Florida | 1,559,778 | 12,738,121 | 8,167 | 6,288,593 | 4,032 | 5,053,073 |
| Georgia | 699,322 | 6,116,767 | 8,747 | 3,528,819 | 5,046 | 1,913,097 |
| Hawaii | 112,944 | 986,114 | 8,731 | 438,961 | 3,887 | 300,816 |
| Idaho | 123,140 | 914,442 | 7,426 | 457,871 | 3,718 | 378,695 |
| Illinois | 646,939 | 4,438,732 | 6,861 | 1,847,960 | 2,856 | 2,136,371 |
| Indiana | 418,579 | 2,874,120 | 6,866 | 1,347,665 | 3,220 | 1,285,458 |
| Iowa | 211,549 | 1,381,697 | 6,531 | 628,838 | 2,973 | 648,364 |
| Kansas | 196,892 | 1,455,708 | 7,393 | 698,221 | 3,546 | 601,881 |
| Kentucky | 298,860 | 2,598,567 | 8,695 | 1,339,620 | 4,482 | 1,034,378 |
| Louisiana | 287,373 | 2,590,020 | 9,013 | 1,325,975 | 4,614 | 927,285 |
| Maine | 116,782 | 1,019,908 | 8,733 | 569,940 | 4,880 | 374,953 |
| Maryland | 399,036 | 2,947,070 | 7,385 | 1,412,897 | 3,541 | 1,095,654 |
| Massachusetts | 336,257 | 2,739,920 | 8,148 | 1,236,294 | 3,677 | 1,200,750 |
| Michigan | 608,271 | 4,004,300 | 6,583 | 2,148,061 | 3,531 | 1,514,874 |
| Minnesota | 337,362 | 2,677,849 | 7,938 | 1,225,675 | 3,633 | 1,180,261 |
| Mississippi | 193,589 | 1,750,776 | 9,044 | 882,755 | 4,560 | 724,650 |
| Missouri | 450,684 | 3,625,705 | 8,045 | 1,773,038 | 3,934 | 1,412,858 |
| Montana | 92,377 | 779,108 | 8,434 | 353,054 | 3,822 | 368,090 |
| Nebraska | 133,003 | 1,157,483 | 8,703 | 594,498 | 4,470 | 433,455 |
| Nevada | 221,996 | 1,979,113 | 8,915 | 944,687 | 4,255 | 880,581 |
| New Hampshire | 108,119 | 732,415 | 6,774 | 344,688 | 3,188 | 312,684 |
| New Jersey | 371,518 | 2,240,502 | 6,031 | 1,126,820 | 3,033 | 810,395 |
| New Mexico | 161,311 | 1,571,479 | 9,742 | 853,572 | 5,291 | 595,604 |
| New York | 806,827 | 6,311,502 | 7,823 | 2,567,691 | 3,182 | 2,914,884 |
| North Carolina | 731,378 | 6,833,376 | 9,343 | 3,875,723 | 5,299 | 2,291,537 |
| North Dakota | 52,043 | 375,097 | 7,207 | 182,453 | 3,506 | 149,345 |
| Ohio | 796,267 | 8,061,430 | 10,124 | 2,412,518 | 3,030 | 2,466,620 |
| Oklahoma | 306,074 | 3,209,604 | 10,486 | 2,011,045 | 6,570 | 883,420 |
| Oregon | 310,333 | 2,738,393 | 8,824 | 1,392,002 | 4,486 | 1,115,065 |
| Pennsylvania | 845,507 | 5,480,864 | 6,482 | 2,612,747 | 3,090 | 2,233,363 |
| Rhode Island | 65,470 | 549,504 | 8,393 | 242,773 | 3,708 | 229,229 |
| South Carolina | 403,948 | 3,691,073 | 9,137 | 2,122,970 | 5,256 | 1,187,375 |
| South Dakota | 65,893 | 642,875 | 9,756 | 258,293 | 3,920 | 325,119 |
| Tennessee | 474,686 | 4,208,541 | 8,866 | 2,292,295 | 4,829 | 1,524,743 |
| Texas | 1,594,564 | 16,117,918 | 10,108 | 8,433,064 | 5,289 | 4,715,251 |
| Utah | 135,988 | 1,133,563 | 8,336 | 499,178 | 3,671 | 447,622 |
| Vermont | 44,271 | 331,098 | 7,479 | 145,689 | 3,291 | 153,616 |
| Virginia | 729,398 | 5,815,407 | 7,973 | 3,154,782 | 4,325 | 1,628,282 |
| Washington | 567,799 | 4,190,747 | 7,381 | 2,351,434 | 4,141 | 1,247,909 |
| West Virginia | 145,309 | 1,949,038 | 13,413 | 763,343 | 5,253 | 719,216 |
| Wisconsin | 373,606 | 2,788,010 | 7,462 | 1,217,552 | 3,259 | 1,307,064 |
| Wyoming | 47,472 | 414,358 | 8,728 | 173,669 | 3,658 | 212,618 |
| Puerto Rico | 82,574 | 1,650,531 | 19,989 | 852,320 | 10,322 | 681,014 |
| Guam | 9,933 | 107,210 | 10,794 | 59,862 | 6,027 | 29,426 |
| Totals and Averages | 20,293,065 | \$ 173,685,850 | \$ 8,559 | \$ 84,028,287 | \$ 4,141 | \$ 63,473,220 |
| Michigan's Rank | 11 | 13 | 48 | 12 | 39 | 13 |
| Michigan | 640,865 | \$ 3,856,572 | \$ 6,018 | \$ 1,959,410 | \$ 3,057 | \$ 1,569,095 |
| National | 21,578,655 | \$ 167,209,900 | \$ 7,749 | \$ 75,787,356 | \$ 3,512 | \$ 65,560,846 |
| Michigan's Rank | 11 | 13 | 49 | 12 | 36 | 11 |
| Michigan | 658,469 | \$ 3,753,563 | \$ 5,700 | \$ 1,983,451 | \$ 3,012 | \$ 1,420,982 |
| National | 21,894,286 | \$ 161,228,849 | \$ 7,364 | \$ 75,265,436 | \$ 3,438 | \$ 59,424,269 |
| Michigan's Rank | 11 | 13 | 48 | 12 | 37 | 11 |

The accompanying description and notes facilitate the understanding of this summary.

Source: The OAG compiled this summary based on the Geographic Distribution of VA Expenditures (GDx) prepared by the VA's National Center for Veterans Analysis and Statistics.

Description and Notes to Summary of Veteran Population and VA Expenditures by State or Territory

Description:

The summary of veteran population and VA expenditures by state or territory presents the estimated veteran population and the direct and indirect expenditures made to veterans and on behalf of veterans in each state or territory of the United States based on the Geographic Distribution of VA Expenditures (GDX) for fiscal year 2016. In addition, the summary presents excerpts from the fiscal year 2015 and 2014 GDXs.

Notes:

Veteran population estimates, as of September 30, 2016, are produced by the VA Office of Predictive Analytics and Actuary.

Expenditure data sources: USASpending.gov for Compensation and Pension expenditures and the Allocation Resource Center (ARC) for Medical Care expenditures.

The **Compensation and Pension** expenditures include dollars for the following programs: veterans' compensation for service-connected disabilities, dependency and indemnity compensation for service-connected deaths, veterans' pension for nonservice-connected disabilities, and burial and other benefits to veterans and their survivors.

The **Medical Care** expenditures include dollars for medical services, medical administration, facility maintenance, educational support, research support, and other overhead items. Medical Care expenditures do not include dollars for construction or other non-medical support. Medical Care expenditures are allocated to the patient's home location, not the site of care.

AGENCY DESCRIPTION

MVAA was established under Executive Order No. 2013-2 within the Department of Military and Veterans Affairs.

MVAA's mission* is to serve as the central coordinating point, connecting those who have served in the United States Armed Forces and their families to services and benefits throughout the State of Michigan. MVAA seeks to identify and break down barriers that veterans face in employment, education, and health care; ensure a quality of life that recognizes and rewards their service; and support veterans who are homeless or incarcerated. In fiscal year 2016, Michigan had 608,271 veterans, the 11th largest veteran population compared with other states and the District of Columbia, Puerto Rico, and Guam.

For fiscal year 2015 through February 28, 2017, MVAA's strategic communications, strategy, and targeted outreach functions incurred expenditures totaling \$34.1 million, including \$8.9 million in grants awarded to MVC. MVAA had 30 employees as of June 30, 2017.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and procedures related to MVAA's outreach and benefit and service assistance to Michigan veterans and their families. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of this audit included MVAA's strategic communications, strategy, and targeted outreach functions and did not include the Michigan Veterans Trust Fund, the Grand Rapids Home for Veterans, or the D.J. Jacobetti Home for Veterans because they are audited separately.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2014 through April 30, 2017.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MVAA's processes and operations in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MVAA's management and staff regarding their functions and responsibilities.
- Reviewed applicable laws, regulations, and boilerplate requirements.
- Reviewed MVAA boilerplate reporting requirements for fiscal years 2015, 2016, and 2017.
- Reviewed MVAA position descriptions, continuity guides, training documents, and annual reports.
- Analyzed MVAA's program expenditures and the VA's GDY report of veteran population and VA expenditures by state or territory (see supplemental information).
- Contacted other states' veteran service agencies to identify best practices, biggest challenges, and most successful programs.

* See glossary at end of report for definition.

OBJECTIVE #1

To assess the sufficiency of MVAA's outreach to Michigan veterans and their families.

To accomplish this objective, we reviewed:

- MVAA's process of informing veterans, recently discharged from service and returning to Michigan, of services offered by MVAA.
- MVAA's outreach efforts to individuals adding a veteran designation to their driver's licenses.
- MVAA's other outreach methods and means of communicating information to veterans.
- MVAA's Web site for appropriate benefit information.
- 6 monthly activity reports completed by each of the 10 regional coordinators. We randomly and judgmentally selected the months during the 25-month period from April 2015 through April 2017 to ensure adequate audit coverage. Therefore, we could not project the results to the overall population.
- MVAA's Action Plan to determine if MVAA had met, or was on track to meet, the fiscal year 2017 veteran outreach goals by their intended deadline.
- MVAA's data sharing agreement with MDHHS related to veterans receiving State assistance, applicable queries associated with the agreement, and MVAA's plan to effectively utilize the data.

OBJECTIVE #2

To assess the sufficiency of MVAA's efforts to assist Michigan veterans and their families in obtaining benefits and services.

To accomplish this objective, we:

- Reviewed MVAA's contract with MVC and conducted the following procedures to test MVC's compliance:
 - Verified the submission of all required reports for the quarter ended December 31, 2016.
 - Selected 40 of the 435 VSO officer time sheets and compared them with the approved work schedule for December 2016 to test whether the VSO officers worked at the approved locations and during the approved times. Our sample was randomly selected to eliminate any bias and to enable us to project the results to this population.
 - Reviewed the appropriateness of monthly contract payments for October 2016 through April 2017.

- Reviewed 63 of the 2,621 MVC-reported claims and 63 of the 2,512 reported recoveries for reporting accuracy. We judgmentally selected our sample of reported claims to ensure representation by prosperity region and claim type. Therefore, we could not project the results to the overall population. We judgmentally and randomly selected our sample of reported recoveries to reduce bias and increase audit efficiency*. Therefore, we could not project the results to the overall population.
- Reviewed the propriety of 54 of the 359 MVC-reported expenditures. We randomly and judgmentally selected our sample of expenditures to ensure adequate coverage. Therefore, we could not project the results to the overall population.
- Visited all 7 of MVC's VSOs to obtain an understanding of their processes and review selected claims, recovery, and expenditure documentation.
- Requested claims data from all Michigan county veteran service offices for the first quarter of fiscal year 2017.
- Analyzed MVRSC call data to assess the reasonableness of response times and the frequency of repeated contacts.
- Selected 25 of the 37,472 MVRSC calls and reviewed individual case files for completeness and accuracy. Our sample was randomly selected to eliminate any bias and to enable us to project the results to this population.
- Reviewed MVAA's Action Plan to determine whether MVAA had met, or was on track to meet, the fiscal year 2017 goals by their intended deadline.
- Analyzed veteran college enrollment data to assess whether the number of veterans receiving VA benefits is greater when a Veteran Resource Representative is on campus.
- Reviewed the Veteran-Friendly Employer program.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

* See glossary at end of report for definition.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 2 findings and 2 corresponding recommendations. MVAA's preliminary response indicates that it agrees with both of the findings.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported findings from our December 2013 performance audit of the Michigan Veterans Affairs Agency, Department of Military and Veterans Affairs (511-0105-13):

| Prior Audit Finding Number | Topic Area | Current Status | Current Finding Number |
|----------------------------|------------------------------------|----------------|------------------------|
| 1 | VSO Performance Standards | Rewritten* | 2 |
| 2 | VSO Performance Monitoring | Rewritten | 2 |
| 3 | Grant Fund Accounting | Complied | Not applicable |
| 4 | County Veteran Counselor Training | Complied | Not applicable |
| 5 | Legislative Reporting Requirements | Complied | Not applicable |

SUPPLEMENTAL INFORMATION

Our audit report includes a summary of veteran population and VA expenditures by state or territory presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

| | |
|--|--|
| efficiency | Achieving the most outputs and the most outcomes practical with the minimum amount of resources. |
| GDX | Geographic Distribution of VA Expenditures. |
| goal | An intended outcome of a program or an entity to accomplish its mission. |
| material condition | A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. |
| MDHHS | Michigan Department of Health and Human Services. |
| Michigan Veterans Coalition (MVC) | A coalition comprised of seven veterans service organizations (VSOs), including the American Legion, Disabled American Veterans, Marine Corps League, Military Order of the Purple Heart, Paralyzed Veterans of America, Veterans of Foreign Wars, and Vietnam Veterans of America. |
| mission | The main purpose of a program or an entity or the reason that the program or the entity was established. |
| MVAA | Michigan Veterans Affairs Agency. |
| MVRSC | Michigan Veteran Resource Service Center. |
| objectives | Specific outcomes that a program or an entity seeks to achieve its goals. |
| observation | A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding. |

| | |
|-----------------------------|---|
| performance audit | An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. |
| performance standard | A desired level of output or outcome. |
| reportable condition | A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred. |
| rewritten | The recurrence of similar conditions reported in a prior audit in combination with current conditions that warrant the prior audit recommendation to be revised for the circumstances. |
| VA | U.S. Department of Veterans Affairs. |
| VCAT | Veterans Community Action Team. |
| VSO | veterans service organization. |



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