

Report To

The Mississippi Legislature



A Follow-Up Review of the Veterans' Affairs Board

December 16, 1992

PEER conducted a follow-up of its 1991 review of the Veterans' Affairs Board and determined that the board has made significant progress in correcting deficiencies cited in the initial report.

The Veterans' Affairs Board has reviewed qualifications of its staff, and when necessary, has sought assistance from the State Personnel Board in doing so. The agency has improved its controls over funds donated to the Mississippi State Veterans' Home by individuals and veterans' organizations, and has begun accurately accounting for personal funds which the home keeps for resident veterans. The agency plans to transfer its unidentified balance of \$29,394.54 to the State Treasury, and has responded positively to six of eight critical audit findings cited in the Department of Audit's FY 1990 audit report of the Veterans' Affairs Board.

The Veterans' Affairs Board has also made progress in correcting life safety deficiencies in the Mississippi State Veterans' Home and plans to purchase a new van with a properly designed wheelchair lift. The agency has also promulgated new policies with respect to the use of leave and board members' receipt of travel and per diem compensation.

The PEER Committee

PEER: THE MISSISSIPPI LEGISLATURE'S OVERSIGHT AGENCY

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

An extension of the Mississippi Legislature's constitutional prerogative to conduct examinations and investigations, PEER is authorized by law to review any entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

As an integral part of the Legislature, PEER provides a variety of services, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

A Follow-Up Review of the Veterans' Affairs Board

December 16, 1992

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature
Joint Committee on Performance Evaluation and Expenditure Review
PEER Committee



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December 16, 1992

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HONORABLE TIM FORD, SPEAKER OF THE HOUSE
MEMBERS OF THE MISSISSIPPI STATE LEGISLATURE

At its meeting of December 16, 1992, the PEER Committee authorized release of the report entitled **A Follow-Up Review of the Veterans' Affairs Board.**

A handwritten signature in cursive script that reads "Bill Canon".

Senator Bill Canon, Chairman

**This report does not recommend increased
funding or additional staff.**

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A Follow-Up Review of the Veterans' Affairs Board

December 16, 1992

Executive Summary

PEER conducted this review to determine whether the Veterans' Affairs Board had responded affirmatively to recommendations made in PEER's 1991 **Limited Management Review of the Veterans' Affairs Board**. This report also summarizes action taken in the 1992 legislative session concerning the Veterans' Affairs Board (VAB).

Legislative Action in the 1992 Session

During the 1992 legislative session, concerns of legislators and veterans' groups about the quality of the Veterans' Affairs Board's oversight and leadership helped bring about the passage of Chapter 535, *Laws of 1992*. This act amended MISS. CODE ANN. Section 35-1-1 (1972) by reconstituting the Veterans' Affairs Board and by making future appointments subject to the advice and consent of the Senate. The bill effectively removed five of the seven board members who were sitting on the board when the new law became effective. These members had constituted the leadership of the board at the time PEER conducted its 1991 review.

The change in law also required regular monthly meetings of the board. This changed the historic practice of having only four statutorily required meetings.

Agency Administrative Actions in February 1992

In February 1992, the Executive Secretary of the Veterans' Affairs Board, Frank Godwin, accepted a lesser position in the agency, and the board appointed Jack Stephens as Acting Executive Secretary. Stephens is now the permanent Executive Secretary of the board.

Agency Actions With Respect to PEER Recommendations

The Veterans' Affairs Board has responded positively to many of the recommendations in PEER's 1991 report.

Agency Operations

The Veterans' Affairs Board's oversight of the staff's activities has improved. The agency asked the State Personnel Board to perform desk audits of positions within the agency to determine whether the incumbents were performing the duties and tasks of their positions. The Executive Secretary also reviewed the functions of office staff and attempted to set appropriate limits on each staff member's duties. However, as of the date of this report, the board had not established a formal policy on the board's role in overseeing staff operations. The Executive Secretary notes that the board is evolving into a policymaking board rather than a managerial body.

Accounting and Internal Controls

VAB has greatly improved its accounting and internal controls. The board staff contracted with a certified public accountant to assist in the design of an accounting system to safeguard and protect residents' and the board's assets and hired a fiscal officer to oversee the accounting system. VAB, with the assistance of its contract certified public accountant and the Office of the State Auditor, has now established procedures designed to account properly for funds controlled by VAB.

The VAB staff has also made progress by providing regular reports of funds to the board and residents, obtaining authorization to handle residents' funds, and establishing policies for expendi-

ture of donated funds. VAB also obtained missing records to enable it to account for \$400 in unaccountable donated funds, segregated accounting duties of personnel to allow better internal control of funds, began depositing cash and checks daily into the checking accounts and into the State Treasury, and determined the proper value of land which had been valued on the books at only \$10.

Life Safety Concerns

In the area of life safety, the Veterans' Affairs Board has made improvements in the Mississippi State Veterans Home facility which were sorely needed to bring the home into compliance with state and federal safety standards. Since the release of the 1991 PEER report, the Veterans' Affairs Board has repaired unlighted exit signs, installed smoke detectors, and has changed the doors and locks on the entrances to its "C" wing doors. VAB

has also tested its sprinkler systems and has installed remote fire alarm controls at the nurses' stations. The agency has also begun repairing holes in the smokewalls found in the ceiling, and has begun identifying the locations of dampers in the ceiling which must be able to close automatically to prevent smoke from spreading throughout the building.

The agency plans to purchase a new van with a safe wheelchair lift before the close of this fiscal year. In the interim, the agency has added a non-skid surface and wheel chocks to the old van's lift.

Other Administrative Matters

Regarding other administrative matters, the agency has formulated leave policies and a travel policy effective October 1992. The agency has not devised a capital asset acquisition plan.

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A Follow-Up Review of the Veterans' Affairs Board

Introduction

Authority

At its December 17, 1991, meeting, the PEER Committee began a follow-up review of the Committee's **Limited Management Review of the Veterans' Affairs Board**, issued November 7, 1991. The Committee conducted the review pursuant to MISS. CODE ANN. Section 5-3-57(1972).

Scope and Purpose

PEER sought to determine whether the Veterans' Affairs Board had responded positively to the recommendations made in the 1991 report. These recommendations related to how the agency could strengthen board oversight, improve accounting internal controls to guard against fraud and embezzlement, correct serious life safety code violations cited by the United States Department of Veterans' Affairs and the Mississippi Department of Health, and address general administrative matters such as leave policy, travel, and equipment acquisition policies.

The report also summarizes action taken in the 1992 legislative session concerning the Veterans' Affairs Board.

Methodology

During the course of this review, PEER:

- Reviewed a questionnaire response submitted by the Veterans' Affairs Board;
- Interviewed personnel of the Veterans' Affairs Board; and,
- Inspected records of the Veterans' Affairs Board.

Overview: Actions Taken Subsequent to the 1991 PEER Report

Legislative Action in the 1992 Session

During the 1992 legislative session, concerns of legislators and veterans' groups about the quality of the Veterans' Affairs Board's oversight and leadership helped bring about the passage of Chapter 535, *Laws of 1992*. This act amended MISS. CODE ANN. Section 35-1-1 (1972) by

reconstituting the Veterans' Affairs Board and by making future appointments subject to the advice and consent of the Senate. The bill effectively removed five of the seven board members who were sitting on the board when the new law became effective. These members had constituted the leadership of the board at the time PEER conducted its 1991 review.

The change in law also required regular monthly meetings of the board. This changed the historic practice of having only four statutorily required meetings.

Agency Administrative Actions in February 1992

In February of 1992, the Executive Secretary, Frank Godwin, accepted a lesser position in the agency as a veterans' service officer. The Board at that time appointed Jack Stephens as Acting Executive Secretary. Stephens is now the permanent Executive Secretary of the board.

Agency Actions With Respect to PEER Recommendations

The Veterans' Affairs Board has responded positively to many of the recommendations in PEER's 1991 report (see Exhibit 1, page 3.) The Veterans' Affairs Board's oversight of the staff's activities has improved. Specifically, the board hired a certified public accountant to assist in correcting deficiencies in accounting procedures. Further, the agency asked the State Personnel Board to perform desk audits of positions within the agency to determine if the incumbents were performing the duties and tasks of their positions. The Executive Secretary also reviewed the functions of office staff and attempted to set appropriate limits on each staff member's duties. However, as of the date of this report, the board had not established a formal policy on the board's role in overseeing staff operations. The Executive Secretary notes that the board is evolving into a policymaking board rather than a managerial body.

VAB has greatly improved its accounting and internal controls. The board staff contracted with a CPA to assist in the design of an accounting system to safeguard and protect residents' and board assets and hired a fiscal officer to oversee the accounting system. VAB, with the assistance of its contract CPA and the Office of the State Auditor, has now established procedures designed to account properly for funds controlled by VAB. VAB has also made progress by providing regular reports of funds to the board and residents, obtaining authorization to handle residents' funds, and establishing policies for expenditure of donated funds. VAB also obtained missing records to enable it to account for \$400 in unaccountable donated funds, segregated accounting duties of personnel to allow better internal control of funds, began depositing cash and checks daily into the checking accounts and into the State Treasury, and determined the proper value of

Exhibit 1

PEER 1991 Report Findings, Recommendations and Subsequent Actions
Instituted by the Veterans' Affairs Board and VAB Staff

Agency Operations:

1991 FINDING

The Veterans' Affairs Board has failed in its duty to oversee the agency's Executive Secretary, and staff

RECOMMENDATIONS

1. The Veterans' Affairs Board should comprehensively review the agency's operations in light of this report and develop proposals for correcting deficiencies cited by PEER and other regulatory/oversight agencies. Such proposals should outline a strategy for correcting the deficiencies and should consider preventive measures for the future. Such preventive measures should consist of, but not be limited to:
 - planning for capital acquisitions
 - staff qualifications reviews
 - finding potential problem areas in agency operations
2. The Veterans' Affairs Board should review the division of responsibilities between itself as a unit, its individual members, and its staff.
3. The Veterans' Affairs Board should request the Department of Finance and Administration to provide assistance in the development of accounting procedures, practices, and staffing responsibilities consistent with generally accepted accounting practices and auditing standards.

ACTION TAKEN

- The agency has reviewed staff qualifications. No formal comprehensive agency internal review has occurred.

- No formal board policy has been adopted. The board accepts that the Executive Secretary is responsible for managing the staff.

- The agency procured the services of a CPA to assist in correcting accounting deficiencies.

STATUS OF AGENCY'S PROGRESS

- The agency should continue to improve in this area, showing special concern for devising a capital asset acquisition plan.

- The board should continue to evolve into a policy setting/oversight body for the agency.

- The agency has complied with the recommendation.

Exhibit 1 (Continued)

Accounting and Internal Control: Control Over Personal Funds

1991 FINDING

VAB staff failed to account for and safeguard residents' personal funds properly, resulting in a bank balance of \$3,898 that cannot be traced to its owners (current and/or past residents).

RECOMMENDATIONS

1. The Veterans' Affairs Board should request the Department of Finance and Administration to provide accounting assistance to the board staff to establish and implement an accounting system which properly safeguards and accounts for residents' personal funds.
2. The Veterans' Affairs Board should request the Department of Finance and Administration (DFA) to provide accounting assistance to the board staff to reconcile current personal funds records and determine the proper ownership and accounting of the unaccountable \$3,898 in personal funds. Once owners of the unaccountable funds are identified, board staff should ensure that residents to whom the personal funds belong are given proper credit.

ACTION TAKEN

- The Veterans' Affairs Board requested assistance from the Department of Finance and Administration on September 27, 1991. According to VAB, no response had been received as of December 4, 1992.
- The board hired a CPA to provide accounting assistance and to set up an adequate accounting system.
- In December 1991, prior to the employment of VAB's current Executive Secretary and Fiscal Officer, VAB staff recalculated the balances of veterans' personal funds accounts and adjusted the balances for errors found in the review. In December 1992 PEER reviewed a sample of these files and found that at least one veteran discharged prior to December 1991 had not been refunded \$4.17 found by VAB to be due the veteran. PEER also found that VAB staff did not compile a total of all errors found during its December 1991 review and the resulting adjustments to veterans' accounts.

STATUS OF AGENCY'S PROGRESS

- PEER determined that the new procedures established by VAB and its CPA are designed to account properly for residents' personal funds.
- VAB should:
 - refund the \$4.17 due to the responsible party of a prior VAB resident as determined during PEER's review;
 - review its December 1991 workpapers of all existing and closed personal funds accounts;
 - refund amounts due from VAB to other veterans or their responsible parties if it is determined that additional amounts were not refunded appropriately in December 1991;
 - complete a report on the total adjustments made to the personal funds accounts during the December 1991 review, noting if and when refund checks were sent to residents.

As explained on page 16 of this report under the "Status of Unidentified Funds" section, VAB's contract CPA determined that unidentified funds other than the amounts found due to veterans in December 1991 belonged to the State Treasury. VAB staff had failed to transfer funds from VAB's clearing accounts due to the Treasury for veterans care.

Exhibit 1 (Continued)

Accounting and Internal Control: Control Over Personal Funds

1991 FINDING

VAB staff has not adhered consistently to the board's policies and procedures regarding residents' personal funds.

- VAB staff does not send quarterly statements to all residents (or their responsible parties) as required by the board's personal funds policies and procedures.

RECOMMENDATIONS

3. VAB staff should reconcile monthly the individual personal funds accounts with the accounting ledger to prevent another instance of unaccountable personal funds.
4. The Veterans' Affairs Board should direct the Executive Secretary to fill the vacant Fiscal Officer position immediately to oversee the board's accounting functions, including those relating to personal funds.
5. The board should require its staff to report at the monthly board meetings the balances of residents' personal funds accounts, the changes in the accounts during the month, and the ending balances in the personal funds checking account. The board staff should provide this same information monthly to the residents to whom the personal funds belong.

ACTION TAKEN

- Reconciliation now occurs monthly.
- VAB filled the position on January 6, 1992. The new fiscal officer's previous experience included four years as a fiscal officer and eight years as an accounting clerk.
- The Executive Secretary reported the board receives at each board meeting a monthly statement of receipts and disbursements by type for the personal funds, donations and clearing bank accounts, and the ending cash balances in those accounts.
- VAB staff reported that they mail individual statements monthly to each resident's responsible party.

STATUS OF AGENCY'S PROGRESS

- VAB is currently complying with this recommendation.
- VAB has complied with this recommendation.
- VAB has complied with PEER's recommendation to provide the board a monthly report. PEER recommends that VAB staff make adjustments to its monthly report to the board for purposes of clarification as follows:
 - Include beginning balances in the report.
 - Report separately the beginning balances, changes in accounts and ending balances for all existing bank accounts (currently includes the clearing account, the personal funds account and the donations account) and then summarize the total.
- Based on statements of VAB staff, VAB is complying with this recommendation.

Exhibit 1 (Continued)

Accounting and Internal Control: Control Over Personal Funds

<u>1991 FINDING</u>	<u>RECOMMENDATIONS</u>	<u>ACTION TAKEN</u>	<u>STATUS OF AGENCY'S PROGRESS</u>
<ul style="list-style-type: none">• VAB staff did not consistently obtain written authorization to handle personal funds of the home's residents. • VAB staff has not refunded all personal funds belonging to the survivors of deceased residents.	<ol style="list-style-type: none">6. The board should immediately obtain written authorization from all residents (or their responsible parties) who have personal accounts to allow VAB staff to handle and withdraw these funds. The staff should always obtain authorization signatures of residents (or their designated signatories) when personal funds are withdrawn. 7. The Veterans' Affairs Board should immediately refund personal funds owed to responsible parties of discharged or deceased residents. In the future, board staff should close out the personal funds accounts of discharged or deceased residents monthly and refund amounts owed to them or their responsible parties.	<ul style="list-style-type: none">• VAB staff stated they have obtained authorization forms from all residents with personal funds accounts. From PEER's review of documentation supplied by VAB, it appears that all forms have been obtained. PEER also determined that VAB regularly obtains authorization signatures for withdrawal of funds.• VAB staff refunded amounts owed to two residents whom PEER identified in its 1991 review.• In fall 1992, VAB staff reviewed all accounts of residents discharged or deceased in FY 1992 to determine that all personal funds account balances had been properly refunded.• VAB staff stated that they have implemented a procedure to check the personal funds (for refunds due) of all residents included in a monthly list of discharged and deceased residents.	<ul style="list-style-type: none">• Although authorization procedures are greatly improved, PEER did note a few instances in which authorization signatures were not obtained for September or October 1992 transactions. PEER recommends additional attention in this area to insure that signatures are obtained in every instance that funds are withdrawn. • VAB should review all personal funds accounts of residents discharged or deceased prior to fiscal year 1992 to determine that all balances due have been properly refunded to residents or their responsible parties. To ensure that balances have been refunded, VAB should locate the cancelled checks showing payment on the accounts and create workpapers showing that the review of each file has been completed. VAB should then adjust its unidentified funds balance (see "Status of Unidentified Funds" on page 16 of this report) by the amount of any balances refunded.

Accounting and Internal Control: Control Over Donated Funds

<p><i>The Veterans' Affairs Board's lack of policies governing donated funds has resulted in inadequate protection and accounting of such funds and questionable expenditures.</i></p>	<ol style="list-style-type: none">1. The Veterans' Affairs Board should request DFA to provide accounting assistance to the board staff to establish and implement an accounting system which properly safeguards and accounts for donated funds.	<ul style="list-style-type: none">• According to VAB staff, DFA did not respond to VAB's request for assistance.• The board hired a CPA to provide accounting assistance and to design an adequate accounting system.	<ul style="list-style-type: none">• PEER determined that the new procedures established by VAB and its CPA are designed to account properly for donated funds.
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Exhibit 1 (Continued)

Accounting and Internal Control: Control Over Donated Funds

<u>1991 FINDING</u>	<u>RECOMMENDATIONS</u>	<u>ACTION TAKEN</u>	<u>STATUS OF AGENCY'S PROGRESS</u>
<p><i>Continued--</i></p> <p>• <i>The board's Executive Secretary and staff did not adequately protect and properly account for donated funds.</i></p> <p>• <i>The Executive Secretary, with approval of at least one board member, made questionable expenditures from donated funds.</i></p>	<p>... In addition, the board should request DFA's assistance in determining the status of the \$400 of unaccountable donated funds identified by PEER.</p> <p>2. The Veterans' Affairs Board should immediately transfer the \$500 donation located by PEER from the agency's clearing account to the donated funds account.</p> <p>3. The Veterans' Affairs Board should develop policies which stipulate who may approve the expenditure of donated funds--i.e., the entire board, board chairman only, staff only, or a combination of those. The policies should also address the conditions under which donated funds may be expended and establish dollar limitations for such expenditures.</p>	<p>• VAB pursued PEER's original request from VAB's bank for a photocopy of a \$19,027 deposit slip (which VAB had lost) for the donated funds account along with cancelled checks. After receiving the documentation from the bank which PEER had not been able to obtain during the 1991 review, VAB and its auditors were able to account for the \$400.</p> <p>• In April 1991, VAB's new fiscal officer transferred the \$500 into the proper account.</p> <p>• The board adopted revised policies on October 9, 1992. Donated funds expenditures of any amount cannot be made without the approval of two-thirds of board members present at meetings where a quorum has been established. Expenditures will be made for items such as Christmas presents, entertainment (including equipment), and items for which state or federal funds cannot be used.</p>	<p>• VAB has complied with this recommendation.</p> <p>• VAB has complied with this recommendation.</p> <p>• Because the policy is new, there is not enough information to draw any conclusion about how board members will apply this policy.</p>

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Exhibit 1 (Continued)

Accounting and Internal Control: Response to Department of Audit Recommendations

<u>1991 FINDING</u>	<u>RECOMMENDATIONS</u>	<u>ACTION TAKEN</u>	<u>STATUS OF AGENCY'S PROGRESS</u>
<p><i>At the time of PEER's review, VAB staff had not implemented at least eight FY 1990 audit recommendations of the state Department of Audit, although the Executive Secretary had replied in writing to the State Auditor that the board had complied in those areas.</i></p>	<p>The Veterans' Affairs Board should direct its Executive Secretary to implement immediately all Department of Audit recommendations which have not been fully implemented.</p> <ul style="list-style-type: none">• <i>Segregation of duties--</i> During PEER's 1991 review, one person was preparing deposit slips and application for receipt warrants, depositing funds, posting receipts to the accounting records, and reconciling bank statements and the receipts to the deposit records.• <i>Independent verification--</i> The Department of Audit recommended that VAB personnel independent of the receiving and depositing functions regularly compare receipts logs to bank deposits. VAB had not structured its internal control system to protect VAB assets.• <i>Timely bank deposits--</i> In April and May 1991, VAB waited an average of five days after receipt of funds before depositing them into checking accounts, instead of depositing daily as required by MISS. CODE ANN. Section 7-9-21.	<ul style="list-style-type: none">• During PEER's 1992 review, duties were segregated among personnel to allow for good internal control and protection of funds.• VAB stated that three different employees are responsible for receiving, depositing, and reconciliation functions.• In October 1992, VAB staff had begun to deposit funds daily as required by the MISS. CODE ANN.	<ul style="list-style-type: none">• Based upon VAB's stated separation of staff duties, VAB has complied with this recommendation.• Based upon VAB's stated separation of staff duties, VAB has complied with this recommendation.• VAB has complied with this recommendation.

Exhibit 1 (Continued)

Accounting and Internal Control: Response to Department of Audit Recommendations

<u>1991 FINDING</u>	<u>RECOMMENDATIONS</u>	<u>ACTION TAKEN</u>	<u>STATUS OF AGENCY'S PROGRESS</u>
<i>Continued--</i>	<ul style="list-style-type: none">• <i>Transfer of agency funds from clearing accounts--</i> PEER found in 1991 that VAB staff transferred funds to the state Treasury an average of once every twenty-three days instead of daily or weekly as required by MISS. CODE ANN. Section 7-9-21.• <i>Restrictive endorsement on checks--</i> PEER found in 1991 that not all VAB staff responsible for endorsement of checks had been trained.• <i>Proper submission of purchase orders--</i> The Department of Audit recommended that VAB staff prepare and submit to DFA all purchase orders on or before the day the purchase is made, as required by MISS. CODE ANN. Section 7-7-23.	<ul style="list-style-type: none">• PEER found that by summer 1992 VAB had greatly improved in this area and that VAB began to comply fully with the daily deposit requirement in October 1992.• In December 1992, VAB's receiving clerk demonstrated she was properly trained in this function. VAB staff also stated that a substitute employee had been trained to endorse checks properly and that internal control had improved because VAB personnel responsible for receiving and endorsing checks are now independent of personnel responsible for depositing funds and posting the receipts to the account records.• VAB has made progress toward this recommendation but is still working to comply in the area of drug purchases. Currently VAB is working with the Department of Finance and Administration and the Department of Audit to determine the proper procedures for drug purchases.	<ul style="list-style-type: none">• VAB has complied with this recommendation.• VAB staff demonstrated compliance with this recommendation in December 1992. PEER recommends that VAB retrain substitute employees regularly to ensure continued compliance and separation of duties in the event of the absence of the receiving clerk from work.• VAB should request DFA to specify in writing the exact procedures acceptable for drug purchase orders. VAB should then follow those written procedures and send a letter to the Department of Audit explaining how VAB is complying with the Department of Audit's audit recommendation.

Exhibit 1 (Continued)

Accounting and Internal Control: Response to Department of Audit Recommendations

<u>1991 FINDING</u>	<u>RECOMMENDATIONS</u>	<u>ACTION TAKEN</u>	<u>STATUS OF AGENCY'S PROGRESS</u>
<i>Continued--</i>	<ul style="list-style-type: none">• <i>Inventory records--</i>The Department of Audit recommended that VAB staff research the value of its property and equipment and reconcile its records with those of the department's Division of Property Inventory. • <i>Value of agency's land--</i>The Department of Audit recommended that VAB staff obtain documentation supporting the value of the land donated for construction of the veterans' home and report the fair market value of the land to the department's Division of Property Inventory as required by state accounting policies. <p>The board should request the Department of Audit to perform an unannounced on-site review within the near future to ensure the Executive Secretary's implementation of such recommendations.</p>	<ul style="list-style-type: none">• VAB has adjusted its property and equipment records based on findings of a property control audit conducted in May 1992 by the Department of Audit. • VAB obtained an appraisal on the land on May 7, 1992, and reported it to the Division of Property Inventory. • The board voted at a June 4, 1992, meeting to request a review by the Department of Audit. Before this request was made in writing, the Department of Audit informed VAB that it would conduct a FY 1991 audit in June 1992. PEER reviewed VAB's October 14, 1992, corrective action plan submitted in response to DOA's FY 1991 audit. The majority of findings coincide with PEER's findings and are included in this report as having been corrected or addressed. VAB has developed corrective action plans for other findings of the Department of Audit.	<ul style="list-style-type: none">• VAB should research the value of its property and equipment and reconcile its records with those of the Department of Audit's Division of Property Inventory. • VAB has complied with this recommendation.

Exhibit 1 (Continued)

Life Safety Concerns:

1991 FINDING

The Veterans' Affairs Board and staff have not maintained the State Veterans' Home in accordance with state and federal safety regulations.

The Veterans' Affairs Board van used to transport handicapped residents is not in compliance with recommended federal safety standards for transporting wheelchair-bound persons.

RECOMMENDATIONS

1. The Veterans' Affairs Board should cooperate with the Mississippi Department of Health and the U. S. Department of Veterans' Affairs regarding the correction of physical plant deficiencies cited by the two agencies.
2. Using existing funds, the Veterans' Affairs Board should acquire the proper type of lift to transport handicapped persons safely in the van. Care should be taken to acquire a lift which can be retrofitted to a new van if the lift outlasts the present van.

ACTION TAKEN

- The agency has corrected kitchen deficiencies and broken exit signs, relocated fire alarm panels, repaired repeat violations regarding "C" wing doors, installed smoke alarms, and repaired some holes in the smokewalls.
- The agency has applied a non-skid surface to the old van lift, and has provided the old lift with wheel chocks for wheelchairs. A new control switch has been mounted so that an operator can hold a wheel chair while raising the lift. The agency plans to replace the lift and the van this year with a new van with a custom-designed lift.

STATUS OF AGENCY'S PROGRESS

- The agency has corrected many deficiencies. It should continue to repair holes in smokewalls and work with regulatory agencies regarding the proper operation of duct dampers. The agency must take all reasonable care to prevent new material deficiencies from occurring.
- The agency will substantially comply with the PEER recommendation when it obtains a new van with a lift. The agency has noted that placing a new lift on the old van would not be the best thing to do. The estimated cost of the new van is \$28,000.

Exhibit 1 (Continued)

Other Matters:

1991 FINDING

The Veterans' Affairs Board has violated MISS. CODE ANN. Section 35-1-5 regarding the use of per diem and travel reimbursement by its lack of review and prior authorization for board member's "office visits."

The Veterans' Affairs Board lacks a formal planning methodology governing the acquisition of equipment.

The VAB does not accurately account for the accrual and use of personal and major medical leave.

RECOMMENDATIONS

1. The Veterans' Affairs Board should cease the practice of paying per diem and travel for office visits unless the following conditions occur:
 - The board specifically authorizes such,
 - The board members authorized to incur such travel expenses provide specific and documentable evidence of work performed while visiting VAB offices.
2. The Veterans' Affairs Board should develop a needs assessment system to insure that the highest ordered needs are met when acquiring equipment for VAB or the State Veterans' Home. Such a system should consist of agency and contractor assessment of VAB's needs, a ranking of most critical to least critical, an evaluation of the consequences associated with the failure to meet a need, and an assessment of the costs associated with each need.
3. The Veterans' Affairs Board should maintain accurate leave records consistent with legal requirements.

ACTION TAKEN

- In October 1992, the agency adopted a new travel policy. This policy provides, among other things, that per diem will be available only for days when the board member is primarily engaged in board business.
- The agency has not adopted the recommendation.
- A new agency policy, effective October 1992, requires leave to be accounted for as required by law. This policy also requires pre-approval for leave in excess of eight hours, and Executive Secretary's approval to accrue compensatory time.

STATUS OF AGENCY'S PROGRESS

- According to the Executive Secretary, the intent of this policy is to require prior approval of travel generally. While this may be the policy's purpose, the letter of the policy does not reflect such a purpose. The policy should also reflect the need for proof of performing an agency function in the event that travel is not pre-approved. Because the policy is new, there is not enough information to draw any conclusion about how board members will apply this policy.
- The need for such a procedure still exists as the agency must constantly make decisions about equipment to purchase for the veterans' home. A priority list of critical needs would help the agency make rational decisions on equipment purchases.
- The policy addresses PEER concerns. Because of the newness of the policy, there is insufficient data to determine if actual practice has changed.

land which had been valued on the books at only \$10. PEER recommends additional steps for improvement in Exhibit 1, page 3.

In the area of life safety, the Veterans' Affairs Board has made improvements in the Mississippi State Veterans Home facility which were sorely needed to bring the home into compliance with state and federal safety standards. Since the release of the 1991 PEER report, the Veterans' Affairs Board has repaired unlighted exit signs, installed smoke detectors, and has changed the doors and locks on the entrances to its "C" wing doors. The agency has also tested its sprinkler systems and has installed remote fire alarm controls at the nurses' stations. The agency has also begun repairing holes in the smokewalls found in the ceiling, and has begun identifying the locations of dampers in the ceiling which must be able to close automatically to prevent smoke from spreading throughout the building. The agency plans to purchase a new van with a safe wheelchair lift before the close of this fiscal year. In the interim, the agency has added a non-skid surface and wheel chocks to the old van's lift.

Regarding other administrative matters, the agency has formulated leave policies and a travel policy effective October 1992. The agency has not devised a capital asset acquisition plan.

Details of Veterans' Affairs Board's Action on 1991 PEER Recommendations

Board Oversight of Agency Operations

The 1991 PEER report found fundamental inadequacies in the manner in which the seven-member Veterans' Affairs Board oversaw the activities of the staff. In light of the severe weaknesses in agency accounting and internal control, which gave rise to a documented embezzlement, and the continued citation of life safety violations at the Mississippi State Veterans' Home by state and federal oversight authorities, PEER concluded that the board's methods of overseeing agency operations were in need of overhaul. PEER further commented that the board members' practice of making "office visits" for purposes which often were unclear did not positively contribute to the effective operations of the agency.

To correct these weaknesses, PEER recommended that the agency request assistance from the Department of Finance and Administration to correct accounting and control deficiencies; study the relationships between board/staff duties; review the functions of staff in light of knowledges, skills, and abilities; and devise formal oversight procedures for the board, such as a formal plan for capital acquisitions and monitoring of staff activities (see Exhibit 1, page 3.)

In response to these recommendations, the Veterans' Affairs Board contracted with a certified public accountant who now assists in the development of financial statements for the agency, and who also has assisted in correcting deficiencies in the agency's accounting operations (see page 4). The agency has also obtained assistance from the State Personnel Board in desk auditing certain positions. The audits resulted in the downward reallocation of a farm manager position and serious questioning of whether a former employee actually performed the duties and tasks of an Investigator I--the classification of the former employee's position. The Executive Secretary has studied other office staff positions and has redefined their roles appropriately according to their job descriptions.

As of the date of this report, the board has not devised any formal statement delineating the duties and responsibilities of the board regarding its relationship with the staff, and has not devised a written capital asset acquisition plan. The board should address these matters if it is to become an effective policymaking and oversight body. While these matters are yet to be dealt with effectively, the Veterans' Affairs Board has made considerable effort in correcting deficiencies discussed in the section of the 1991 report concerning board oversight of agency operations.

Accounting and Internal Control

Control Over Personal Funds

PEER found in its 1991 review that VAB staff had failed to account for and safeguard residents' personal funds properly, resulting in a bank balance of \$3,898 that could not be traced to its owners. PEER also found that VAB staff had not consistently followed board policies and procedures for residents' personal funds; VAB staff had failed to: send account statements to all residents or their responsible parties, obtain written authorization to handle all residents' personal funds, and refund all personal funds belonging to the survivors of deceased residents.

To address these concerns, PEER recommended that VAB request the Department of Finance and Administration to provide accounting assistance to the board staff to establish and implement an accounting system to account properly for resident's personal funds and to determine the proper ownership of unidentified funds. PEER further recommended that VAB ensure that residents to whom the personal funds belong be given proper credit, reconcile monthly the individual personal funds accounts with the accounting records of cash balances, fill the vacant Fiscal Officer position, properly report personal fund balances to the board and to residents, obtain all written authorizations to allow VAB staff to handle resident funds, and refund personal amounts owed to responsible parties of discharged or deceased residents.

VAB has made significant progress in following PEER's 1991 recommendations. VAB contracted with a CPA to help set up an adequate accounting system and hired a new fiscal officer to run the accounting system. VAB now reconciles all accounts monthly and operates an accounting system designed to account properly for funds held for residents. The Executive Secretary stated that VAB has also begun providing a monthly report on residents' personal funds to the board, sending monthly personal funds statements to residents or their responsible parties, and implementing a monthly procedure to ensure that proper refunds are made to patients discharged from the home. In addition, VAB has obtained authorization forms for the staff to handle residents' personal funds and has refunded amounts owed to residents identified by PEER.

Status of Unidentified Funds

To determine whether cash in VAB's bank accounts belonged to residents, to the donations fund, or to the State Treasury, VAB's contract CPA reconstructed the accounts by tracing the receipts and disbursements of the personal funds, donated funds, and "clearing" bank accounts from inception. (VAB uses its clearing account to accept payments from residents for their monthly care so that the checks will clear the payor's

bank before being deposited to the State Treasury.) By expanding the review to include the clearing account, the CPA found that a total of \$29,394.54 was unidentified, including the \$3,898 that PEER found in the personal and donated funds accounts.

Although some missing VAB records were never found, the CPA determined that most of the \$29,394.54 was owned by the state. The liability to the state occurred because VAB staff had never reconciled the amounts received into bank accounts from residents for nursing home care to the amounts transferred from the bank accounts to the State Treasury. As a result, VAB failed to transfer enough funds from VAB's clearing account to the Treasury. VAB is now transferring the \$29,394.54 from the bank accounts to the State Treasury amortized over seven months from December 1992 to June 1993. The CPA recommended that the \$29,394.54 not be paid in a lump sum in the event that a resident comes forward during the interim period with proof that he or she is owed money by VAB. Some of the accounting records are missing from the period of the home's operation prior to PEER's review which creates this possibility.

At PEER's recommendation, in December 1991 VAB staff reportedly recalculated the balances of all residents' individual account records in existence at that time and adjusted the residents' accounts for errors. In December 1992 PEER reviewed a small sample of the workpapers from VAB's December 1991 review. PEER found that in one instance an amount of \$4.17 determined by VAB to be due to a discharged resident had never been refunded by VAB. Failure of VAB staff to compile a list of total adjustments to the accounts contributed to this oversight. In addition, VAB had never calculated the total portion of the \$3,898 noted in PEER's review which was found by VAB to be due to veterans instead of to the state. As a result, PEER recommends that the new Fiscal Officer, who was not employed by VAB at the time of VAB's December 1991 review, conduct a review of the December 1991 workpapers to ensure that all amounts due to current and prior residents have been refunded and to complete a report on the total adjustments made in December 1991. Proper completion of this review would greatly diminish the possibility of any claims on the \$29,394.54 from current or prior residents.

Prior to PEER's review, VAB staff had not properly accounted for funds, resulting in the commingling of personal funds and donated funds and location of the funds in the incorrect bank accounts. VAB's contract CPA, after reconstructing accounting transactions occurring prior to November 30, 1991, recommended to VAB the proper location of the funds. On November 24, 1992, VAB transferred the funds to the appropriate accounts as recommended by the CPA.

In December 1992 PEER reviewed the contract CPA's workpapers used in determining the proper location of the funds and in determining that \$29,394.54 of VAB funds belonged in the State Treasury. PEER staff determined that \$2,621.59, which had been classified by the CPA as a

reduction of the personal funds checking account, should instead be classified as a reduction in the donated funds checking account. (This March 1991 expenditure had originated because VAB paid off the accrued debts of a canteen operated by the nursing home residents' association. The loss occurred due to the lack of an accounting system by the association or by VAB.) The CPA had made this classification based on conversations with the prior VAB Executive Secretary. As of December 8, 1992, the VAB Executive Secretary and its contract CPA concurred with PEER's finding. If the current board also concurs, the \$2,621.59 will be deducted from the donated funds checking account and will result in an increase in the amount due to the State Treasury from \$29,394.54 to \$32,016.13. (PEER also recommends that the payment of the canteen debt be accounted for as a reduction of the interest that has been earned to date on VAB bank accounts instead of a reduction in the principal of donated funds.)

Control Over Donated Funds

In the 1991 review, PEER found that the Veterans' Affairs Board lacked policies governing donated funds which resulted in inadequate protection and accounting for the funds by VAB's Executive Secretary and staff. The lack of policies also resulted in questionable expenditures from donated funds made by the Executive Secretary with approval of at least one board member. PEER recommended that VAB implement an accounting system to safeguard and account properly for the funds, to take steps to determine the status of \$400 which could not be accounted for due to missing VAB records, and to develop policies governing the proper expenditure of donated funds.

PEER found that in December 1992 VAB had made significant progress in following PEER recommendations. VAB had hired a CPA on a contractual basis to provide accounting assistance and, with the assistance of its CPA and the Office of the State Auditor, had designed an adequate accounting and internal control system to account properly for donated funds. VAB had also obtained records from its bank and, along with the Office of the State Auditor, accounted for the \$400 in previously unaccountable donated funds; transferred a \$500 donation to the donated funds account which had been identified by PEER as being improperly deposited in the agency's clearing account; and adopted policies regarding expenditures of donations.

Response to Department of Audit Recommendations

In 1991 PEER found that VAB staff had not implemented eight FY 1990 audit recommendations of the State Department of Audit, although the Executive Secretary had replied in writing to the State Auditor that the board had complied in those areas. PEER recommended that the board

direct its Executive Secretary to implement all Department of Audit recommendations immediately.

In December 1992, PEER reviewed the status of the eight recommendations. Based upon on-site inspection and statements by VAB personnel, who now are directed by an Executive Secretary and Fiscal Officer hired since PEER's 1991 review, PEER determined that VAB had implemented six of the deficiencies cited in the 1991 report and had made progress in complying with the remaining two recommendations. Details of the Department of Audit's recommendations and actions taken by VAB are listed on page 9 of Exhibit 1.

Life Safety Concerns

Facility Safety

In the 1991 report, PEER noted that the Mississippi State Veterans' Home, owned by the Veterans' Affairs Board, must comply with federal and state safety regulations. Specifically, the federal regulations are found in 38 U.S.C. 642 (a) and 38 C.F.R. 17.167, which provide that the United States Department of Veterans' Affairs may inspect facilities receiving grants from the agency, and that such inspections may extend to patient care, facilities upkeep, and fiscal matters. Facilities matters are governed by 38 C.F.R. 17.177, which provides that the National Fire Prevention Association's Life Safety Code applies to the condition and upkeep of buildings receiving grants.

The State Department of Health's licensure regulations also apply to matters of nursing home licensure. Licensure inspections, or surveys as they are called, extend to patient care and facility operations, as well as staffing and management of the nursing home.

The 1991 PEER report was highly critical of the Veterans' Affairs Board's failure to comply with regulations of the federal and state reviewing authorities. Of particular concern to PEER was the fact that the Veterans' Affairs Board suffered from the repeat deficiencies year after year without material improvement of condition.

Recent reviews of the Mississippi State Veterans' Home made by the Department of Veterans' Affairs and the State Department of Health show that the Veterans' Affairs Board has made significant strides in correcting these repeat deficiencies. According to the Department of Veterans' Affairs, as of September 1992 the Veterans' Affairs Board is now in substantial compliance with life safety requirements. This is an improvement over the partial compliance rating received in April 1992. Particularly noteworthy is that the agency has finally installed alarm control panels at the nurses' stations and has replaced the double dutch doors with turn bolt and combination locks to "C" Wing, with electrical and

alarm-activated doors. By doing so, the agency has corrected deficiencies which had been cited repeatedly by the Department of Veterans' Affairs since 1989.

The agency has also corrected some of the deficiencies noted by the State Department of Health. According to copies of State Board of Health inspections from April 24, 1992, and November 18, 1992, certain repeat violations from previous years had been corrected. By the April 1992 inspection, the Veterans' Affairs Board had corrected kitchen problems such as the lack of a double sink and the absence of plastic guards to separate dirty from clean dishes. Also during this time, the agency repaired its exit signs so that all are in their proper places and are properly illuminated. During the period between April 24, 1992, and November 18, 1992, the Veterans' Affairs Board had corrected problems associated with the locking mechanism on the doors to "C" Wing, and had begun to correct numerous perforations found in smoke walls above the ceiling. The perforations were made during building construction by an electrical contractor who pierced smoke walls while stringing wiring. The correction process entails filling the holes with smoke-resistant filler.

Consistently since 1988, the Department of Health had cited the Veterans' Affairs Board for failure to equip air ducts with automatic dampers which close when smoke contacts the damper. This is to prevent smoke from spreading throughout the ventilation system. Since the April 24, 1992, inspection, the Veterans' Affairs Board has attempted to make the automatic dampers operate correctly, and to provide access doors so that the dampers can be worked on when necessary.

Some problems still persist. The Department of Health inspection team found some smoke wall perforations above the nursing director's office, and the Veterans' Affairs Board has not provided all automatic dampers with access doors. The latter is important if inspectors are to determine whether systems are in proper working order. It should be noted that some new deficiencies have been noted by state and federal inspectors. Of principal concern is that federal inspectors found walls in certain parts of the home to be dirty and to have holes. Such conditions represent a deterioration of a valuable state asset which should be corrected. In general, the Veterans' Affairs Board is in substantial compliance with PEER's 1991 recommendation to continue to work with state and federal authorities in correcting facility deficiencies.

Handicapped-Equipped Vehicle Safety

PEER noted in its 1991 report that the lift-equipped 1984 Dodge van used by the Veterans' Affairs Board to transport handicapped nursing home residents did not comply with federally recommended safety standards for handicapped-equipped vehicles. Specifically, the van did not have guard rails, a non-skid lift surface, or signals to warn approaching

traffic that a vehicle which is loading or unloading handicapped persons is in operation.

The agency has made an effort to upgrade the old van by applying a non-skid surface to the lift and by providing wheel chocks to keep a wheelchair from rolling off the lift. This, as the agency understands, does not meet recommended safety standards. The Veterans' Affairs Board plans to acquire a new van before the close of the fiscal year which will comply with recommended safety standards. The agency is in substantial compliance with the PEER recommendation which called for the acquisition of transportation safe and fit for handicapped persons.

Other Matters

Per Diem Compensation

When PEER reviewed the Veterans' Affairs Board in 1991, the agency had a practice of giving board members per diem and travel for "office visits" and other travel which had not been approved by the board prior to the time of travel. In many instances it is unclear as to whether the agency received any benefit from the so-called "office visits." These visits were quite expensive for the agency, as one board member spent over \$1,100 of state money on such and another, a former chairman, expended over \$2,000 on these visits.

In October 1992, the Veterans' Affairs Board adopted a policy document which includes a travel reimbursement policy. The policy requires that board members receive per diem compensation and travel only when carrying out duties and responsibilities of the board, but it is silent on the subject or proof of such or on the subject of prior approval. The Executive Secretary has noted that the intent of this new rule is to require prior approval of travel except in those instances when matters of board interest arise between board meetings. In such cases, the board members may have their travel approved subsequent to traveling. The latter is not fully reflected in the letter of the travel policy. Because this policy is new, PEER does not have sufficient audit data upon which to base a conclusion as to whether the policy has resulted in a fundamental change in board practices. However, the letter of this rule does not provide assurance that the agency will not lapse into old practices of allowing "office visits" without prior board approval and without proof of board need for such travel.

Equipment Acquisition Plan

Because the agency acknowledged that its equipment procurement process could be likened to "fighting fires," PEER recommended in 1991 that the Veterans' Affairs Board devise and implement an equipment acquisition plan. Such a plan could help the agency assign priorities to

critical purchases, and help the agency plan acquisitions in a rational fashion. As of this date, the agency admits that it has not devised such a plan but concedes, as it did in 1991, that such a plan would be good for the agency.

Leave Administration

In 1991 PEER determined that problems existed with the Veterans' Affairs Board's administration of employee leave. Such problems included improper deductions from one employee's records and leave slips absent from some employees' files.

As of October 9, 1992, the Veterans' Affairs Board adopted a new leave policy. This policy requires that the leave policies of the agency be administered in accordance with law, and that leave in excess of eight hours be pre-approved thirty days in advance, or be approved by the Executive Secretary. Compensatory time earned must be approved by the Executive Secretary. Because this policy was recently adopted, little information is available by which to judge the adequacy of the agency's efforts. Because the 1991 report recommended that the agency administer its leave program in accordance with law and that the leave be approved by supervisors prior to taking it when possible, the new agency policy complies with the PEER recommendation.

Agency Response

State of Mississippi



"BY VALOR AND ARMS"

State Veterans Affairs Board

STATE VETERANS HOME
4607 LINDBERGH
JACKSON, MS 39209
(601) 354-7205

December 17, 1992

Mr. John W. Turcotte, Director
Joint Committee on Performance
Evaluation and Expenditure Review
PO Box 1204
Jackson, MS 39215-1204

Dear Mr. Turcotte:

The State Veterans Affairs Board is pleased to have the progress that we have made, toward correcting deficiencies in operations of the State Veterans Home, validated by your staff.

We will continue our efforts with a goal of not only correcting those deficiencies that have not been completely cleared but to adopt controls and methodologies to prevent occurrences/reoccurrences.

Your staff are to be commended for the professionalism and courtesy exhibited during your on-site inspection. If you have questions, please contact Jack Stephens, Executive Secretary of the Board.

Sincerely,

A handwritten signature in cursive script that reads "Bill Smith".

Bill Smith
Chairman

BS:jlw

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