

STATE OF COLORADO

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

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15 May 2015

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the Veterans Trust Fund Performance Audit. The attached report provides a brief explanation of the actions taken by the Department of Military and Veterans Affairs and the Board of Veterans Affairs to implement each recommendation.

This is to notify you that all suspenses for action have been met and all recommendations have been implemented or are ongoing with the current grant cycle.

If you have any questions, please do not hesitate to contact me at (720) 250-1510 or by email at michael.hunt@dmva.state.co.us

Respectfully,

A handwritten signature in blue ink, appearing to read "M. T. Hunt".

Michael T. Hunt
Deputy Executive Director
Department of Military and Veterans Affairs

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Veterans Trust Fund Performance Audit, May 2014

AUDIT NUMBER: 1340

DEPARTMENT: Department of Military and Veterans Affairs

DATE OF STATUS UPDATE: June 2, 2015

SUMMARY INFORMATION

Recommendation Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date <i>(Complete only if the implementation date has changed.)</i>
1a	Agree	November 2014	Implemented	
1b	Agree	November 2014	Implemented	
1c	Agree	November 2014	Implemented	
2a	Agree	November 2014	Implemented	
2b	Agree	November 2014	Implemented and Ongoing	
2c	Agree	November 2014	Implemented and Ongoing	
2d	Agree	November 2014	Implemented and Ongoing	
2e	Agree	November 2014	Implemented and Ongoing	
2f	Agree	November 2014	Implemented and Ongoing	
3a	Agree	November 2014	Implemented and Ongoing	
3b	Agree	November 2014	Implemented	
3c	Agree	November 2014	Implemented and Ongoing	
4a	Agree	July 2014	Implemented	
4b	Agree	Implemented and Ongoing	Implemented and Ongoing	
4c	Agree	Implemented and Ongoing	Implemented and Ongoing	
5a	Agree	July 2014	Implemented	
5b	Agree	July 2014	Implemented	
5c	Agree	July 2014	Implemented	
5d	Agree	July 2014	Implemented	

DETAIL OF IMPLEMENTATION STATUS

RECOMMENDATION NO. 1:

The Board of Military and Veterans Affairs should improve the Veterans Trust Fund Grant Program's ability to target limited funding to where the needs are greatest and apply objective criteria in grant award and funding decisions by:

- a. Identifying specific Program goals or priorities that clearly reflect the types of grant projects the Board determines should be funded each year.

Current Implementation Status for Rec. No. 1a: Implemented

Agency's Update: *The Board approved priorities for funding in November 2014 and published those priorities and policies prior to the open application period of 1 December 2014 through 1 March 2015. Included in the priorities is the requirement for a clear demonstration of need for a given community and the program's responsiveness to those needs.*

- b. Developing clearly defined grant award criteria that align with the priorities and include any other factors the Board intends to consider in evaluating grant applications.

Current Implementation Status for Rec. No. 1b: Implemented

Agency's Update: *November 2014, the Board established a weight for each of the 8 established criteria that will be used in evaluating grant applications. The criteria established includes identified need within the community for services (20%); number of veterans to be served (10%); expected outcomes and measures of effectiveness (15%); historical information on program effectiveness (qualitative and quantitative measures) (15%); budget appropriateness (10%); geographic distribution (10%); previous administrative performance on prior VTF grants (if any) or new applicant (10%); demonstration of partnerships and/or notification of County Veterans Service Officer (10%). Additionally, the total available fund, the total number of requests and total grantee awards based upon geographic distribution will also be considered for the final decisions.*

- c. Implementing an objective scoring tool to guide and document the review of all grant applications during the grant award process.

Current Implementation Status for Rec. No. 1c: Implemented

Agency's Update: *The applications will be reviewed based upon an objective scoring tool with the weight of each criterion noted above. Individual review will occur utilizing a spreadsheet scoring tool prior to discussion and consensus on recommended applicants for the full Board to consider and approve.*

RECOMMENDATION NO. 2:

The Department of Military and Veterans Affairs should improve its contract monitoring over the Veterans Trust Fund Grant Program by:

- a. Working with the Board of Veterans Affairs to amend the grant application form to require applicants to provide a specific description of how grant funds will be spent, including the purpose of the project, the specific goods and services to be purchased and/or provided to veterans, and the number of veterans to be served.

Current Implementation Status for Rec. No. 2a: Implemented

Agency's Update: *The application form has been completely revised to include the need and purpose of the project, the number of veterans to be served (unduplicated numbers), program goals, outcomes expected, and a detailed line item budget and budget narrative to justify how funds will be spent.*

- b. Developing clear, comprehensive statements of work in the grant contracts, based on the more comprehensive program description required in part "a" that provide specific guidance on allowable uses of grant funds.

Current Implementation Status for Rec. No. 2b: Implemented and Ongoing

Agency's Update: *During the 2014-2015 grant year the statements of work included within the contracts were expanded, including specific limitations and/or proper use of grant funding. The work statements will continue to be expanded during the 2015-2016 grant contract year.*

- c. Developing and providing to grantees clear guidance on all requirements related to the grant program including what supporting documentation must be obtained and what must be provided to the Department to support grant expenditures, and what information must be provided in a written advance request that is consistent with the requirements found in the contract and policies.

Current Implementation Status for Rec. No. 2c: Implemented and Ongoing

Agency's Update: *All current grantees have received explanatory emails regarding supporting documentation to support grant expenditures. Ongoing reminders, clarification information and support is also provided to grantees. All grantees that have obtained advances provided a clear written request with justification for the advance approval. Additionally, specific requests must be provided to replenish the advance funds. Moving forward, all grantees will be provided with a written Grantee Procedural Guidelines Handbook which includes detailed information regarding requirements for reimbursements and advances. Additionally, a Webinar training will be held upon award of contracts for FY 2015-2016 so that all grantees are clear on the grant requirements and processes at the onset of the contract.*

- d. Implementing a review or audit process to ensure that grantees are obtaining all documentation necessary to support expenditures if the guidance developed in part "c" does not require the grantees to submit all supporting documentation to the Department.

Current Implementation Status for Rec. No. 2d: Implemented and Ongoing

Agency's Update: *Grantees have been notified, and will receive ongoing instruction via the Handbook and webinar training on the documentation required to support expenditures. For instance, to avoid violation of any HIPAA requirements, grantees are asked to NOT submit any medical status information on veterans, even if it pertains directly to the reimbursement request. Grantees are required to keep logs detailing all gift cards or bus passes that are distributed which include the individual's name, signature of receipt, date of receipt, and a third party signature. Grantees have been instructed that the logs or other personal information should be maintained by the program and available for inspection during a site-visit or audit. Site-visits to audit documentation and contract performance will be conducted on a random basis throughout the contract year as time and budget allows. Randomly selected grantees will also be required to submit all documentation to the grant administrator for remote audits. In cases where grantees are struggling or there are "red flags" an audit will be conducted immediately.*

- e. Withholding reimbursements or not allowing expenditures to count against advances when grantees do not provide a detailed description and the supporting documentation for expenditures as required by the contract or policies, or make expenditures before the contract is executed.

Current Implementation Status for Rec. No. 2e: Implemented and Ongoing

Agency's Update: *The contract execution dates are clearly communicated to the grantee and utilized by the grant administrator to ensure that expenditures occur only after the contract is fully executed. Any requests for reimbursement of expenditures made prior to the full execution of the contract will be denied. All reimbursement requests or submission of expenditures toward advances are scrutinized by the grant administrator as well as accounting and any inappropriate expenditures are routinely denied. Procedures regarding these processes have been included and published in the policy letter that we have developed and will use in 2016.*

- f. Strengthening the advance payment oversight by enforcing the 90-day requirement for expending advance funds and developing written guidance for when advance funds can be more than 25 percent of the total grant amount.

Current Implementation Status for Rec. No. 2f: Implemented and Ongoing

Agency's Update: *Initially, the Accounting Department was tracking the 90 day periods. With the implementation of CORE, the Accounting Department is currently unable to integrate advance payments with the tracking system. Until CORE issues are resolved for advances, the grant administrator is tracking the 90 day period for expenditure via a tickler calendar with advance notification of upcoming expenditure deadlines. Grantees are notified at the 60 day mark and again at the 90 day mark (if necessary) in those situations where evidence that the advanced funds have been expended has not been submitted. Determinations are made on a case by case basis. If there is determined to be a lack of compliance or that services per the contract are not being performed, the grantee will be asked to return the funds advanced to the organization.*

RECOMMENDATION NO. 3:

The Department of Military and Veterans Affairs and the Board of Veterans Affairs should work together to develop and implement an overall performance measurement plan for the Veterans Trust Fund Grant Program that includes, at a minimum:

- a. Identifying specific, measurable goals related to the desired outcomes for the Program.

Current Implementation Status for Rec. No. 3a: Implemented and Ongoing

Agency's Update: *The Department has identified specific, measurable goals for the Program. The overarching goal is to support organizations in meeting community defined needs of veterans, ultimately resulting in a decreased need for assistance and improved health and well-being of veterans throughout the state. The Department and Board plan to continue to review and improve upon the goals and measures going forward.*

- b. Establishing meaningful performance measures to evaluate whether the Program is making progress toward meeting the identified goals.

Current Implementation Status for Rec. No. 3b: Implemented

Agency's Update: *A two-pronged approach is being utilized to measure performance. The Program's performance is largely dependent upon the performance of the chosen grantees. Grantees will be required to identify clear performance goals, expected outputs and outcomes for the project funded. Grantees will be required to report on achievement of those goals. Initially, the Program will measure the statewide impact of the Grant Program through output data collection methodology tracking the number of unduplicated veterans served, the number of instances of service provision to an individual veteran, and the associated costs. The Program is moving toward outcome data to measure the impact of those services, which will then provide the Program data and information necessary to determine any potential improvements, measure the results of the Program on veterans and determine future directions.*

- c. Developing data collection methods to obtain accurate, reliable data to track Program performance. This should include requiring grantees to report statistics related to the performance measures and could include hiring a contractor to assist with grant monitoring and evaluation of the Program.

Current Implementation Status for Rec. No. 3c: Implemented and Ongoing

Agency's Update: *All grantees will be required to report output numbers quarterly, including the unduplicated numbers of veterans served, the number of instances of service, and associated costs. Additionally, all grantees will be required to track and report on impact of project including veteran satisfaction and measureable changes, improvements or benefits as a result of the services received.*

RECOMMENDATION NO. 4:

The Board of Veterans Affairs (Board) should ensure compliance with Colorado's open meetings law by implementing changes to its meeting procedures and reflecting those changes in its bylaws as needed. Specifically, the Board should:

- a. Provide advance, public notice, with detailed agenda information whenever possible of all meetings involving two or more members of the Board to ensure the meetings are open to the public.

Current Implementation Status for Rec. No. 4a: Implemented

Agency's Update: *The Board of Veterans Affairs updated the by-laws in July of 2014 to include requirements for posting of notices, minutes and agendas of all Board meetings. Board meeting notices and agendas continue to be posted to the website.*

- b. Implement a process to ensure complete and accurate minutes of all meetings of two or more members of the Board are recorded, including detailed records of all votes on formal actions including grant award decisions.

Current Implementation Status for Rec. No. 4b: Implemented and Ongoing

Agency's Update: *Transcript-like meeting minutes continue to be recorded, including detailed information on any votes taken.*

- c. Implement a process to make meeting minutes accessible to the public in a consistent and timely way, such as posting the minutes on the Board's website within a specified time frame after the meeting.

Current Implementation Status for Rec. No. 4c: Implemented and Ongoing

Agency's Update: *The meeting minutes are posted to the website upon approval, which occurs at the next meeting of the Board.*

RECOMMENDATION NO. 5:

The Board of Veterans Affairs should improve its policies and procedures related to conflicts of interest in the Veterans Trust Fund Grant Program award process by:

- a. Establishing a process prior to the grant award review to discuss potential conflicts of interest, identify any affiliations that members might have with applicants, determine whether the affiliations create a conflict of interest, and implement ways to mitigate the potential conflicts. For each potential conflict of interest identified, the Board should determine whether the Board member will be allowed to discuss and vote on the application.

Current Implementation Status for Rec. No. 5a: Implemented

Agency's Update: *Changes to the Board bylaws have been made and approved. Board members will be recused from participating in any discussion or vote for which a conflict of interest exists.*

- b. Requiring Board members to update their conflict of interest disclosure forms annually and when circumstances change that might create a new conflict or eliminate one already reported.

Current Implementation Status for Rec. No. 5b: Implemented

Agency's Update: *Conflict of interest disclosure forms have been updated and will be reviewed and modified annually or when the change occurs.*

- c. Modifying the grant award voting process to include a process that allows members with affiliations with organizations requesting a grant to abstain from discussion and official voting on the application, and a process for maintaining detailed documentation of the discussion of all potential conflicts of interest and instances in which Board members recuse themselves from discussion and votes.

Current Implementation Status for Rec. No. 5c: Implemented

Agency's Update: *Board members with a conflict of interest will abstain from the voting and discussion of that application which will be reflected in the minutes.*

- d. Providing training for new and existing Board members on their responsibilities to disclose and mitigate any potential conflicts of interest.

Current Implementation Status for Rec. No. 5d: Implemented

Agency's Update: *All Board members have received training on responsibilities and required disclosures of all conflicts of interest. Board member training will be held on an annual basis.*