



STATE OF COLORADO

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MEMORANDUM

Date: June 19, 2003

To: Members of the Legislative Audit Committee

From: Joanne Hill, CPA
State Auditor

Re: Evaluation of the Veterans Trust Fund Conducted Pursuant to Section 2-3-113(2),
C.R.S.

Background

The Veterans Trust Fund (Trust Fund) was created by Senate Bill 00-71, enacted in Section 28-5-709, C.R.S., as one of seven programs in Colorado funded by monies the State receives under the 1998 Master Settlement Agreement (Agreement) between the tobacco industry and 46 states, 5 commonwealths and territories, and the District of Columbia. The Agreement was established to resolve all past, present, and future tobacco-related health claims at the state level. Colorado is scheduled to receive annual tobacco settlement monies for an estimated period of 25 years or more. As of April 2003, Colorado had received almost \$402 million in tobacco settlement funds, of which more than \$2.6 million, or 0.65 percent, has been allocated to the Veterans Trust Fund. (Note: Under Section 28-5-709(2), C.R.S., the Trust Fund is to receive 1 percent of the total amount received by the State under the Agreement. However, the Trust Fund has not yet received its appropriation from payments received by the State in Fiscal Year 2003.)

The Trust Fund was established to allocate a portion of tobacco settlement monies toward certain veterans facilities and activities specified in statute. The administration of the Trust Fund is overseen by the Board of Veterans Affairs (Board) and the Division of Veterans Affairs (Division). As of July 1, 2002, the Board and Division are located within the Department of Military and Veterans Affairs; prior to this, they were located within the Department of Human Services. The Board is composed of seven members appointed by the Governor. The Board is responsible for adopting guidelines for grant applicants and overseeing the grant program. The Division of Veterans Affairs administers the grants and is responsible for disbursement

of monies from the Trust Fund. Additionally, the Board and Division are responsible for providing support services to Colorado's veterans community across the State and managing the Western Slope Veterans Cemetery in Grand Junction.

Beginning in Fiscal Year 2001, statutes provide for 1 percent of the total monies received by the State under the Agreement from the prior year's allocation to be appropriated to the Trust Fund, not to exceed \$1 million in any fiscal year. Additionally, statutes require that all settlement monies appropriated to the Trust Fund for Fiscal Year 2001 be retained as principal. Beginning with Fiscal Year 2002, statutes state that 75 percent of the annual appropriation shall be retained as principal; the remaining 25 percent and all interest earned is available for appropriation by the General Assembly to the Board for distribution to qualifying grantees under a competitive grant application process. Statutes allow the Division to retain up to 5 percent annually of the amount appropriated by the General Assembly from the Trust Fund for actual costs incurred by the Board and the Division in implementing the statutory provisions of the Trust Fund. Fiscal Year 2002 was the first year that the Board awarded grant monies from the Trust Fund.

Financial Summary

The table on the following page is a summary of revenue and expenditures for the Veterans Trust Fund for Fiscal Years 2001 and 2002 and the first nine months of Fiscal Year 2003. In total, the Trust Fund has received about \$2.6 million from tobacco settlement monies and almost \$222,000 in interest, or a total of almost \$2.9 million. Of this amount, the Board has expended almost \$308,000 for grants. Administrative and other oversight expenditures have totaled about \$13,100. During the 2003 Legislative Session, Senate Bill 03-190 was enacted and required that \$2,280,900 be transferred from the Veterans Trust Fund to the General Fund to help cover the State's budget shortfall. Therefore, as of March 31, 2003, the Trust Fund had a fund balance of about \$261,000, which included about \$176,300 in amounts encumbered but not yet expended. The fund balance net of encumbrances was about \$84,700.

Veterans Trust Fund
Summary of Revenue and Expenditures
Fiscal Years 2001, 2002, and Fiscal Year 2003 (9 mos. only)

	Fiscal Year 2001 ¹	Fiscal Year 2002	Fiscal Year 2003 (July-Mar)	Total
Revenue				
Tobacco Settlement Allocation ²	\$791,915	\$859,385	\$989,841	\$2,641,141
Interest Earned by Trust Fund	\$48,174	\$87,063	\$86,603	\$221,840
Total Revenue	\$840,089	\$946,448	\$1,076,444	\$2,862,981
Retained as Principa ^f	\$840,089	\$735,958 ⁴	748,984 ⁵	\$2,325,031
Amount Available for Expenditure	\$0	\$210,490⁴	\$327,460⁶	\$537,950
Expenditures				
Grant Expenditures	\$0	\$173,184	\$134,803	\$307,987
Administration ⁷	\$0	\$4,806	\$8,249	\$13,055
Total Expenditures	\$0	\$177,990	\$143,052	\$321,042
Excess (Available less Expenditures)	\$0	\$32,500	\$184,408	\$216,908
Transfer to General Fund (SB 03-190) ⁸			\$2,280,900	
Fund Balance at End of Period	<u>\$840,089</u>	<u>\$1,608,547</u>	<u>\$261,039⁹</u>	

Source: Office of the State Auditor analysis of data from the Colorado Financial Reporting System and the Department of Military and Veterans Affairs.

¹Fiscal Year 2001 was the first year in which monies were appropriated to the Veterans Trust Fund from the Tobacco Litigation Settlement Cash Fund.

²Under Section 28-5-709(2), C.R.S., the Trust Fund is to receive 1 percent of the total amount of settlement monies received annually by Colorado, not to exceed \$1 million in any fiscal year. The total settlement monies received as of April 2003 were \$401,707,626. However, the Trust Fund has not yet received its appropriation from payments received by the State in Fiscal Year 2003.

³In accordance with statutes, the entire tobacco allocation to the Trust Fund in Fiscal Year 2001 was retained as principal; interest earned was also retained and not appropriated for expenditure. In subsequent fiscal years, 75 percent of the appropriation is to be retained as principal, and the remaining 25 percent and all interest earned is available for appropriation by the General Assembly for qualifying grants and administrative expenses.

⁴Includes \$87,063 in interest earnings. Additionally, in Fiscal Year 2002 there was a negative supplemental that was not booked to accurately reflect the 75%/25% split. Technically, the amount retained as principal should have been \$644,538 and the amount available for grants and expenditures should have been \$214,847; the actual amount retained as principal was \$648,895.

⁵Includes \$6,603 in interest earnings.

⁶Includes \$80,000 in interest earnings.

⁷Statutes allow the Division to retain up to 5 percent of the amount annually appropriated from the Trust Fund for costs incurred by the Division and the Board in implementing the provisions of the statutes regarding the Veterans Trust Fund. Oversight and audit costs are paid proportionally by all tobacco settlement programs from their annual appropriations. These are costs incurred by the Department of Public Health and Environment and the Office of the State Auditor and charged to the programs.

⁸Senate Bill 03-190 transferred \$2,280,900 from the Veterans Trust Fund to the General Fund. This bill was signed by the Governor on March 5, 2003.

⁹Includes \$176,313 in amounts encumbered but not expended.

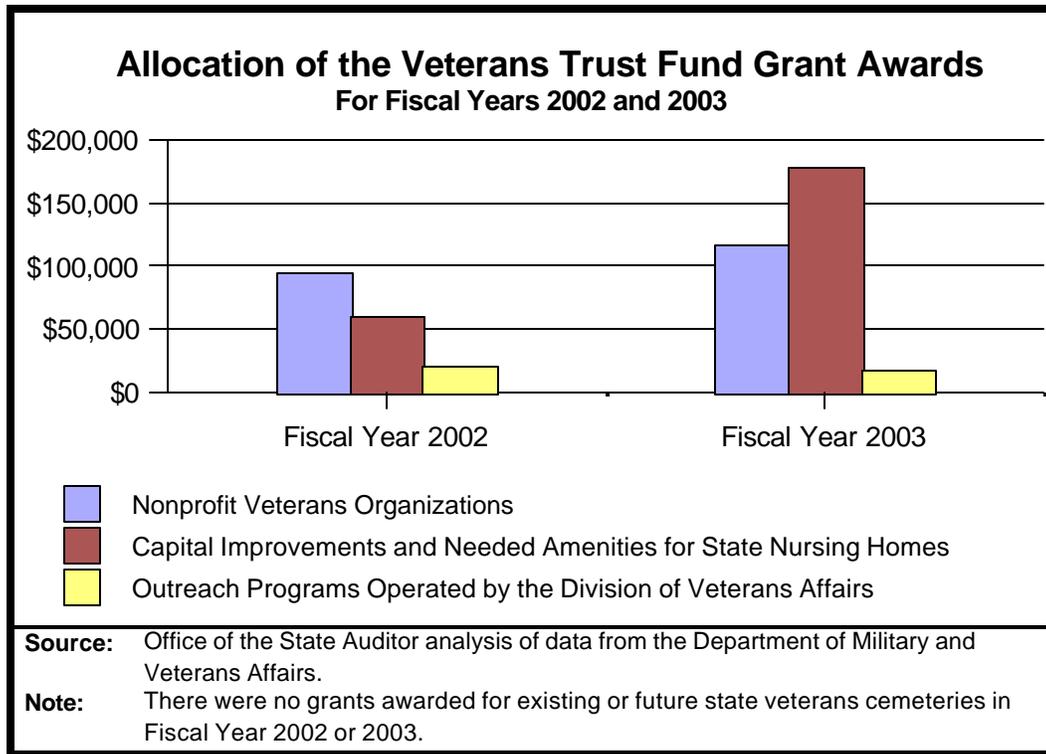
Section 28-5-709(1)(b), C.R.S., outlines the types of projects that may be funded with monies from the Trust Fund. These include:

- Capital improvements or needed amenities for existing or future state veterans nursing homes.
- Costs incurred by existing or future state veterans cemeteries.
- Veterans outreach programs administered by the Division.
- Veterans programs operated by nonprofit veterans organizations that meet the criteria specified by the Board and that are selected by the Board as grant recipients.

During Fiscal Years 2002 and 2003 the Board awarded a total of 24 grants. Grants have included projects such as the purchase of vehicles for transporting veterans to medical appointments, assistance to homeless and incarcerated veterans, providing information on hepatitis C to the veteran community throughout the State, capital improvements and equipment for veterans nursing homes, and medical and legal assistance to homeless veterans. For the 24 grants awarded, the size of the grants ranged from about \$2,300 to \$87,000, and the average grant was about \$21,000. The following chart shows the amounts available and awarded for grants for Fiscal Years 2002 and 2003.

Veterans Trust Fund Grant Awards For Fiscal Years 2002 and 2003			
	Fiscal Year 2002	Fiscal Year 2003 (July-Mar)	Total
Amount awarded in grants	\$173,184	\$311,087	\$484,271
Grants expended	\$173,184	\$134,803	\$307,987
Number of grants awarded	11	13	24
Source: Office of the State Auditor analysis of data from the Department of Military and Veterans Affairs.			

The chart on the following page shows how the Board allocated monies in Fiscal Years 2002 and 2003 among the four areas defined under statutes. In total, about \$238,000 in awards (49 percent of total awards) has been used for capital improvements and needed amenities at state veterans nursing homes. As of the end of our audit, the Board had not made any awards for costs incurred by existing or future state veterans cemeteries. Subsequent to our fieldwork, the Board approved the transfer of any unexpended or unencumbered funds up to \$100,000 to the Veterans Memorial Cemetery of Western Colorado.



A listing of the individual grants awarded by the Board in Fiscal Years 2002 and 2003 is included in Appendix A.

Purpose and Scope of Review

This review was conducted under the authority of Section 2-3-113(2), C.R.S., which requires the State Auditor beginning January 2002 to conduct or cause to be conducted program reviews and evaluations of the performance of each tobacco settlement program to determine whether the program is effectively and efficiently meeting its stated goals. The purpose of this review is to evaluate and report on the Veterans Trust Fund, which is administered by the Division and the Board of Veterans Affairs, with respect to the requirements of Section 28-5-709, C.R.S. Our review examined policies and procedures related to the grant application, review, and award process; and the Division's internal controls over disbursements from the Trust Fund. As part of this, we evaluated the effectiveness and the efficiency of the Veterans Trust Fund program in meeting its goals.

At the time of our audit in Fiscal Year 2003, the Board had awarded the second cycle of grants from the Trust Fund, and the grants were in the process of being expended. As noted earlier, the Division and Board were moved from the Department of Human Services to the Department of Military and Veterans Affairs as of the beginning of Fiscal Year 2003.

Comments and Recommendations

Statutes require that the Board adopt guidelines to address the form of application to be used by applicants, the criteria for identifying nonprofit veterans organizations that may apply for and receive grants, the criteria for selecting the programs to receive grants, the terms and amounts of grants awarded to the nonprofit veterans organizations, and standards for determining the effectiveness of veterans programs that receive grants from the Trust Fund. The Board and the Division have implemented many of these provisions, and they improved most procedures after Fiscal Year 2002, the first award year. We identified the following areas where additional changes could benefit the program.

Grant Award Process

Grant applications are submitted to the Division and forwarded to a Board subcommittee. The subcommittee is responsible for reviewing applications and related documents and making preliminary award recommendations to the Board. Recommendations are based upon whether the applicant and project are eligible under the established criteria and whether the funding is available. Successful applicants are sent a letter of approval that specifies the purpose for the grant and the amount of the award.

We reviewed a total of 10 grant files (4 for Fiscal Year 2002 and 6 for 2003) representing grants of about \$220,800, or 46 percent of the almost \$484,300 awarded in total for both years. These 10 included 5 grants to nonprofit veterans organizations, 3 grants to state veterans nursing homes, and 2 grants to the Division. We also reviewed all 11 grant applications that were denied for these two periods. We identified the following problems.

- One Fiscal Year 2003 award was made for a project that did not meet the Board's criteria. This grant was for \$7,000 to construct a veterans memorial; however, the Board's policies state that a project must provide a direct service to veterans, such as shelter and food. The Board has also stated during its meetings that memorials are not eligible projects. We noted that during the Fiscal Year 2003 award process, the Board denied three other applicants because the projects were to fund memorials. The subcommittee did not recommend awarding the grant due to the fact that it did not provide a direct service; however, the Board voted for its approval. The Board should apply its policies in a consistent manner and specifically state in its policies that memorials are not a direct service and therefore will not be considered for a grant. In another instance, in the Fiscal Year 2002 award process, the Board approved a grant for \$5,000 to an organization that did not meet the criteria established by the Board to qualify as an eligible grantee (i.e., a nationally recognized nonprofit veterans organization under Title 38 of the U.S. Code). During the Fiscal Year 2003 award process, the Division established better controls to determine applicants' status, and we did not find a similar problem with those grantees.

- None of the files reviewed contained documentation showing how applications were scored by the subcommittee or the Board based on the Board's criteria for evaluating grants or the reasons for awarding or denying grants. A defined scoring process would help ensure that the selection process is objective and consistent.
- Letters sent to applicants that were denied funding did not explain the specific reasons that the application was not approved. For example, an applicant was not informed that the grant was turned down because the organization did not furnish any matching funds for the project. By clearly informing applicants of the reasons for being turned down, the Board provides information that the applicant can consider if it applies for funds in the future.

Recommendation No. 1:

The Board of Veterans Affairs should improve the grant application, review, and award process for the Veterans Trust Fund by:

- a. Formally approving all criteria used as a basis for evaluating and approving grants and applying the criteria consistently when reviewing grant applications.
- b. Implementing a scoring model for evaluating grant applicants and documenting the reasons for approving or denying applications.
- c. Informing denied applicants in the denial letter of the reasons that the application was not successful.

Board of Veterans Affairs Response:

- a. Agree. Implemented February 2003.
- b. Agree. Implemented April 2003.
- c. Agree. Implementation Date: June 2003.

Administration of Grants

Our review also included an evaluation of the accounting and administrative policies and procedures for the Veterans Trust Fund. We tested eight grants for compliance with specific requirements and best practices. We found the following concerns.

Contracts for grant awards. None of the eight approved grant files that we examined for Fiscal Years 2002 and 2003 contained a contract between the State and the grantee describing the

scope of the project and the terms of the grant. Two of the four grant files we examined for Fiscal Year 2003 contained a memorandum of agreement between the grantee and the Division. Under State Fiscal Rules, a state contract is required when obtaining personal services or for capital construction over \$50,000 and when considered necessary upon the recommendation of the State Controller's Office or the Attorney General's Office. The State Controller's Office has informed the Division that contracts should be in place for grants from the Veterans Trust Fund.

According to the Division, in Fiscal Year 2003 staff developed a contract for grants and are in the process of working with grantees to obtain signed contracts for all Fiscal Year 2003 grants. We reviewed the new contract developed by the Division. While the contract is a positive step, we found that the contract does not clearly describe the scope of the project for which the grant was awarded. Instead, a description of the project is included only in the letter sent to the grantees describing the grant award. The contract is a legal document and should contain a full description of the project.

Disbursement of grant funds. In Fiscal Year 2002 when the Division was under the Department of Human Services, the Division's practice was to issue an up-front payment for the entire amount of the award to the grantee upon the Board's approval of the grant. When the Division was transferred to the Department of Military and Veterans Affairs, the Division discontinued this practice. For Fiscal Year 2003 awards, the Board's policy requires grantees to submit proof of expenditures prior to the Division's disbursement of funds. We commend the Board for this change in policy because it will help ensure that funds are spent for the purposes intended.

Additionally, a reimbursement policy will help ensure a more efficient use of funds. In its Fiscal Year 2002 annual report, the Division reported several instances in which funds were not spent for a number of months after disbursement to grantees. This means that funds were not utilized in a timely manner to serve veterans, while other potentially beneficial projects were denied due to lack of funds. In addition, the Division reports that the Board plans to adopt a policy requiring that funds be used by May 31 of the award period. This would further ensure that funds are used efficiently because if funds are not spent in a timely manner prior to the end of the fiscal year, the Board can reallocate these funds to other available projects that can be completed quickly. The Board should maintain a list of eligible projects denied due to lack of funds that could potentially make use of reallocated funds.

Further, we found that due to the limited resources of some grantees, in some cases the Division will provide an advance of funds prior to the receipt of documented expenses in order to help the grantee implement the project. Currently there are no time requirements concerning when these funds should be spent or when documentation should be submitted to the Division. We found that in some cases grantees are not submitting invoices to the Division until several months after the expenditure. For example, one grantee received prepayment of \$5,000, and the Division did not receive copies of invoices and receipts until almost four

months after the money had been spent. The Board should institute a policy that requires the grantee to spend the funds within a specific time frame and submit supporting documentation to the Division within 30 days of the expenditure.

Finally, we found that the Board needs to ensure that grants are approved prior to the start of the fiscal year in order that grantees have the maximum amount of time within the period to complete their projects. During Fiscal Years 2002 and 2003, because of delays in receiving the appropriation and other start-up issues, funds have not been available to grantees until after the start of the fiscal year. For example, for Fiscal Year 2003 grants, the Board did not make funds available to grantees until September 2002, up to three months after the start of the fiscal year. Division staff report that the Board plans to complete the award process for Fiscal Year 2004 grants in time for the projects to begin receiving funding at the beginning of that year.

Recommendation No. 2:

The Board of Veterans Affairs should ensure that contracts are in place for all projects funded from the Veterans Trust Fund and that the contracts include a scope of work that adequately describes the purpose of the grant and the project to be completed with grant monies.

Board of Veterans Affairs Response:

Agree. Implementation Date: June 2003.

Recommendation No. 3:

The Board of Veterans Affairs should improve the disbursement of funds for grants from the Veterans Trust Fund by:

- a. Adopting a policy requiring that funds be spent within the fiscal year and maintaining a list of approved projects that could potentially use any unspent funds.
- b. Formalizing policies for advances to grantees by specifying the time frame during which funds must be spent and for submitting supporting documentation.
- c. Ensuring awards are approved timely and funds are available to grantees at the beginning of the fiscal year.

Board of Veterans Affairs Response:

- a. Agree. Implemented April 2003.
 - b. Agree. Implemented February 2003.
 - c. Agree. Implemented February 2003.
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Program Effectiveness

In accordance with Section 28-5-709(5)(e) C.R.S., the Board is required to adopt guidelines that include standards for determining the effectiveness of veterans programs that receive grants from the Trust Fund. As of the end of our audit, the Board had not adopted formal guidelines for determining the effectiveness of the various programs. For example, such guidelines might include the minimum number of veterans that a project must serve; priorities for types of services funded (e.g., health services or access to health services); or the ability of a project to address underserved areas of the State. As a result, although we determined that in most instances Trust Fund monies were spent in accordance with statutory requirements, we were unable to determine the effectiveness of the grants.

The Board has established a policy stating that grants should provide services to veterans, and Division staff indicate that the Board is also sensitive to the unique needs of rural areas, which may have fewer options to obtain funding for veterans services than urban areas. In addition, in the Fiscal Year 2002 annual report, the Division describes all programs funded under each of the four statutory purposes including the purpose of the grant, the amount spent, the number of veterans served and, in some instances, problems encountered (e.g., lack of timely use of funds). In total, the Division reported that about \$173,200 was disbursed and almost 970 veterans were served (about \$180 per veteran). The Board should formalize standards and benchmarks for determining the effectiveness of veterans programs. In some cases these standards and benchmarks will need to be flexible and enable the Board to use both qualitative and quantitative measures for determining whether the grants are effectively serving veterans' needs. These criteria should also be communicated to potential applicants and included as part of the evaluation process for scoring grant applications, as well as in the quarterly reporting process for grantees. This will help the Board determine the effectiveness of the grants in accomplishing the four statutory purposes and assist with reporting on program effectiveness in the annual report.

Recommendation No. 4:

The Board of Veterans Affairs should adopt standards for determining the effectiveness of veterans programs that receive grants from the Veterans Trust Fund. These standards should be communicated to potential applicants, included in the grant evaluation process, and reported in the annual report.

Board of Veterans Affairs Response:

Agree. Implementation Date: August 2003.

Entities Applying for Grants

Section 28-5-709(4), C.R.S., specifies the entities that may submit requests to the Board of Veterans Affairs for grants from the Trust Fund. In addition to qualifying nonprofit veterans organizations, the Director of the Division of State Nursing Homes, located at the Department of Human Services, and the Director of the Division of Veterans Affairs may request funds for use in the four areas outlined in statute (capital improvements or needed amenities at existing or future state veterans nursing homes, costs incurred by existing or future state veterans cemeteries, veterans outreach programs administered by the Division of Veterans Affairs, and veterans programs operated by qualifying nonprofit veterans organizations). While statutes do not mandate that the Directors submit their requests through the same application process required of nonprofit veterans organizations, statutes do require that the requests submitted by the Directors be in writing and that the requested funds be used for the four statutory purposes.

Our audit found that the Board needs to formalize policies and procedures for requests by the Division of Veterans Affairs for Trust Fund monies. For example, in Fiscal Year 2003 the Board awarded about \$2,300 in funds remaining at the end of the award process to the Division without a written request from the Division. The Board voted that the funds be used for public relations such as advertising the Veterans Trust Fund and promoting awareness of the State Veterans Cemetery Fund checkoff on the state tax return.

We identified two concerns with this award to the Division. First, the Division should have been required to submit a written request, as described under statutes. Second, we question whether the use of the funds meets the four purposes identified in statutes. Public relations costs are generally considered part of administrative costs. Similarly, we found that a \$15,000 grant awarded to the Division in Fiscal Year 2003 was being used in part to cover administrative costs. The Division submitted a written request for these funds and stated that it would be used for “operating and maintaining training and outreach programs and for the continued support of the Board.” As of March 31, about \$540 of the award had been used for Board members’ travel and per diem costs for attending monthly Board meetings. Administrative costs should be charged to the 5 percent allocated under statute for these costs. Subsequent to our audit, the Division reported that these costs had been credited back to the award and instead charged to the administrative 5 percent. In other instances, such as the Division Director’s travel to veterans events, staff believe that charging the costs to the grant is appropriate because it can be considered “outreach.” In these cases, the Division should work with the Board to clearly define “administrative costs” and ensure that these costs are

appropriately charged. This will help maximize the amount of Trust Fund monies that are used to directly benefit veterans.

At the end of our audit, the Department of Military and Veterans Affairs reported that it anticipated funding cuts of approximately 40 percent to the Division's proposed operating budget of about \$449,000 for Fiscal Year 2004. As a result, the Department sought statutory change under Senate Bill 03-282 to permit the use of grant funds from the Trust Fund for costs incurred by the Division; in other words, under the bill, the Division's administrative costs would qualify as one of the four areas eligible for funding from the Trust Fund. In effect, this would nullify the 5 percent limitation in statute on administrative expenditures by the Division from the Trust Fund. This bill was signed into law in June 2003. Despite this change, we believe that administrative costs should be clearly defined and accounted for in order to report accurately to the General Assembly and other interested parties on the use of funds and the amount spent on administration and the amount spent to directly serve veterans.

Finally, all Board members are veterans with numerous relationships in the veterans community. The Board has established bylaws that require members to disclose conflicts of interest and refrain from taking part in decisions in such instances. However, the Board has not adopted formal procedures for implementing these requirements. For example, some boards require that members annually complete a conflict of interest statement that provides information about each member's membership or involvement with entities that could result in a potential conflict and that members refrain from voting on matters where a conflict may exist.

Recommendation No. 5:

The Board of Veterans Affairs should improve the grant award process for the Veterans Trust Fund and ensure funds are spent for allowable purposes by:

- a. Ensuring that written requests for funds are submitted in all instances.
- b. Establishing policies to define administrative costs and charging these costs appropriately.

Board of Veterans Affairs Response:

- a. Agree. Implemented April 2003.
- b. Agree. Implemented February 2003.

Recommendation No. 6:

The Board of Veterans Affairs should adopt conflict of interest procedures related to grants administered under the Veterans Trust Fund to ensure that potential conflicts are reported and handled in accordance with the bylaws.

Board of Veterans Affairs Response:

Agree. Implementation Date: June 2003.

Application Process and Communication With Potential Applicants

The Board requires that in order for a qualifying organization to be considered for a grant, it must submit the application, a grant program budget narrative, a cover letter that justifies the need for the grant, and an explanation of the project to be funded. The eligibility requirements for projects and applicants, the grant application, a description of and schedule for the grant application and review process, as well as the criteria for evaluating grants, are posted on the Division of Veterans Affairs Web site.

We reviewed information contained at the Web site and found several areas in which communication with potential applicants could be enhanced. First, some grant requirements are not posted on the Web site. Specifically, under the contract that the Division is in the process of implementing for Fiscal Year 2003 grants, grantees are required to begin the project within 90 days of the signed contract, to put the project into use within 30 days after its completion, to provide adequate staffing to operate services after project completion, and to complete the project within the fiscal year. Applicants should be informed in advance of these requirements in order that they can be addressed in their applications.

Second, the Web site does not include the complete schedule for the grant application review process, such as the dates for the subcommittee's and the Board's review and approval of grants, or for notifying applicants regarding whether they have been accepted or denied. In February 2003 the Board approved a new schedule for the Fiscal Year 2004 grant awards; however, at the time of our review the new schedule had not been posted on the Web site.

A third way in which the Division could improve the Web site would be to include an example of a model application to assist applicants with completing the form correctly. According to the Division, applicants with prior experience in applying for grants usually have a better chance of being selected in comparison with smaller entities lacking similar experience. A model application could help these smaller, less experienced entities to have a clearer understanding of the types of information that need to be included in the application.

Recommendation No. 7:

The Board of Veterans Affairs should enhance its application process and communication with potential applicants for the Veterans Trust Fund program by including the following information on the Division's Web site:

- a. All requirements that grantees will be expected to meet.
- b. The complete schedule for the grant application process, including the dates for the review, approval, and awards of grants.
- c. A model application that demonstrates the type of information that must be included in the grant application.

Board of Veterans Affairs Response:

- a. Agree. Implementation Date: June 2003.
- b. Agree. Implemented February 2003.
- c. Agree. Implementation Date: August 2003.

Monitoring of Grant Projects

In order to monitor each project and ensure funds are spent appropriately, the Division conducts on-site reviews and documents the dates of the reviews in each grant file. However, we found that the Division does not have a standard form to document these reviews, and therefore, it was not necessarily clear who conducted the review; what procedures were followed during the review to verify that funds were spent in accordance with the terms of the grant (e.g., inspecting construction projects or matching equipment identification numbers to documents submitted to the Division); or the outcome of the review including additional follow-up required. Because the grantees are located throughout the State and the Division uses various personnel to conduct the reviews, using a standard form would help ensure that consistent procedures are followed and that reviews are adequate and follow-up is conducted as needed. Additionally, beginning in Fiscal Year 2003, the Division requires grantees to submit quarterly status reports, the first of which were due in January 2003 for the quarter ending December 31, 2002. The report is to include information such as the amount spent, veterans served, and the benefit to the community. This information should also help the Division monitor the grants and provide assistance as needed.

Recommendation No. 8:

The Board of Veterans Affairs should improve grant monitoring procedures for the Veterans Trust Fund by developing a standardized form to document procedures for and results of on-site visits to grantees.

Board of Veterans Affairs Response:

Agree. Implemented January 2003.

The following chart shows the specific amount awarded to each grantee for Fiscal Years 2002 and 2003.

Veterans Trust Fund Awards For Fiscal Years 2002 and 2003					
Fiscal Year 2002	Purpose	Amount Awarded	Fiscal Year 2003	Purpose	Amount Awarded
State Veterans Nursing Home - Rifle	Purchase of a Van	\$42,000	State Veterans Nursing Home -	Construction	\$87,000
Veterans of Foreign Wars - State	Education on Hepatitis	30,000	American Legion Post 161	Homeless	50,000
Colorado Veterans Resource Coalition	Homeless Services	20,000	State Veterans Nursing Home -	Purchase of a Van	42,000
Division of Veterans Affairs	Homeless Services	19,984	State Veterans Nursing Home - Florence	Purchase of a Van	37,640
State Veterans Nursing Home - Walsenburg	Purchase of a Van	17,800	American Legion Post 108	Purchase of a Van	25,000
Disabled American Veterans Chapter 8	Homeless Services	15,000	Veterans of Foreign Wars Post 6051	Homeless	20,000
American Legion Post 32	Purchase of a Van	13,000	Division of Veterans Affairs	Outreach	15,000
Colorado Veterans for Housing, Inc.	Remodeled Kitchen	5,000	Veterans of Foreign Wars Post 899	Transportation	9,610
Veterans of Foreign Wars Post 4031	Transportation	4,900	State Veterans Nursing Home -	Archive/Memorial	7,000
Veterans of Foreign Wars Post 4264	Van Repairs	3,000	American Legion Post 44	Transportation	6,000
American Legion Post 161	Incarcerated Veterans	2,500	Disabled American Veterans	Stand down	5,000
			State Veterans Nursing Home - Rifle	Stereo System	4,500
			Division of Veterans Affairs	Public Relations	2,337
Total		\$173,184	Total		\$311,087

Source: Department of Military and Veterans Affairs.

Report Control Number 1517