

**STATE OF NEW HAMPSHIRE
OFFICE OF LEGISLATIVE BUDGET ASSISTANT
AUDIT DIVISION**

**PROPOSED SCOPE STATEMENT
PERFORMANCE AUDIT OF THE NEW HAMPSHIRE VETERANS' HOME BUDGETING**

In October 2013, the Fiscal Committee of the General Court approved a joint Legislative Performance Audit and Oversight Committee recommendation to conduct a performance audit of the New Hampshire Veterans' Home's budget process. We held an entrance conference with the Veterans' Home on October 28, 2013.

Background

The New Hampshire Veterans' Home (Home) opened in 1890 to house Civil War veterans and is an independent State agency located in Tilton. Established by RSA 119:1, the Home provides nursing care, as well as assisted living, domiciliary, day care, dementia, chemical dependency, psychiatric, and other related services, for any veteran otherwise eligible for admittance. Services and programs are provided at the Home or contracted through other organizations and facilities.

A Board of Managers, consisting of officials from various veterans' organizations and private citizens, governs the operations of the Home. The Home's Commandant, who is appointed by the Board of Managers, oversees the day-to-day administration of the facility. The Home currently has a capacity of 250 residents and employs approximately 400 staff. Eligible applicants for the Home must not have been dishonorably discharged from military service, must meet residency requirements, present no risk of harm to themselves or other residents, and must have assets amounting to less than \$275,000. Current residents vary widely in age, and are about 85 percent men.

The Home has three primary revenue streams: agency income, federal funds, and general funds. Agency income consists of direct payments made by residents to live at the facility. Residents with over \$30,000 in assets pay the full 2013 rate of \$7,800 per month to live at the Home, while residents with less than \$30,000 in assets pay 90 percent of any income they receive, after a \$100 exemption. In State Fiscal Year (SFY) 2013, the Home recorded \$6.5 million in agency income. Second, the Home also receives reimbursements from the United States Department of Veterans Affairs for care, including prescription drug orders, capital improvements, and per-diem payments based on internal census numbers and other information about the Home's residents, such as the percentage of service-connected disability for each resident. The Home recorded \$7.7 million in federal funds during SFY 2013. Third, revenue from the State's General Fund, which totaled approximately \$13.1 million in SFY 2013, covered operating costs not offset by federal payments or other Home income.

Expenditures for the Home in SFY 2013 totaled \$27.3 million. The Home spent approximately \$23.6 million on personnel and benefits, while spending the remaining \$3.7 million on prescription drugs (\$1 million), food (\$566,000), utilities (\$529,000) and other costs (\$1.6 million). The Legislature appropriated \$333,250 at the end of SFY 2013 for unpaid utility bills discovered during the SFY 2014/2015 budget process. The Home used its SFY 2013 utility budget to pay SFY 2012 utility bills, leaving a budget shortfall for utilities in SFY 2013. According to the Home, oil and propane prices increased significantly during SFY 2012, which

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caused the budget shortfall. This performance audit was requested as a result of concern over that shortfall's origins.

Audit Scope

Our audit will cover the 15 months ended September 30, 2013 and will attempt to answer the following question: *Are internal controls over the New Hampshire Veterans' Home budget process efficient and effective?* To answer this question, we plan to examine:

1. How revenues and expenditures are estimated.
2. How the Home develops and approves its requested budget.
3. How the budget is monitored and adjusted once implemented.

This audit will focus on the New Hampshire Veterans' Home internal controls related to the State Fiscal Year 2014/2015 biennial operating and capital budgets.

To answer this question, we plan to:

- review statutes, Administrative Rules, policies, and procedures;
- interview New Hampshire Veterans' Home personnel, Department of Administrative Services Personnel, Office of Legislative Budget Assistant, Budget Division personnel, and other stakeholders; and
- review and analyze the State budget manual and Veterans' Home budget submissions for the 2014/2015 biennium, and monitoring reports.

We anticipate completing the audit in December 2013 and presenting the final report to the Fiscal Committee at its January 2014 meeting.