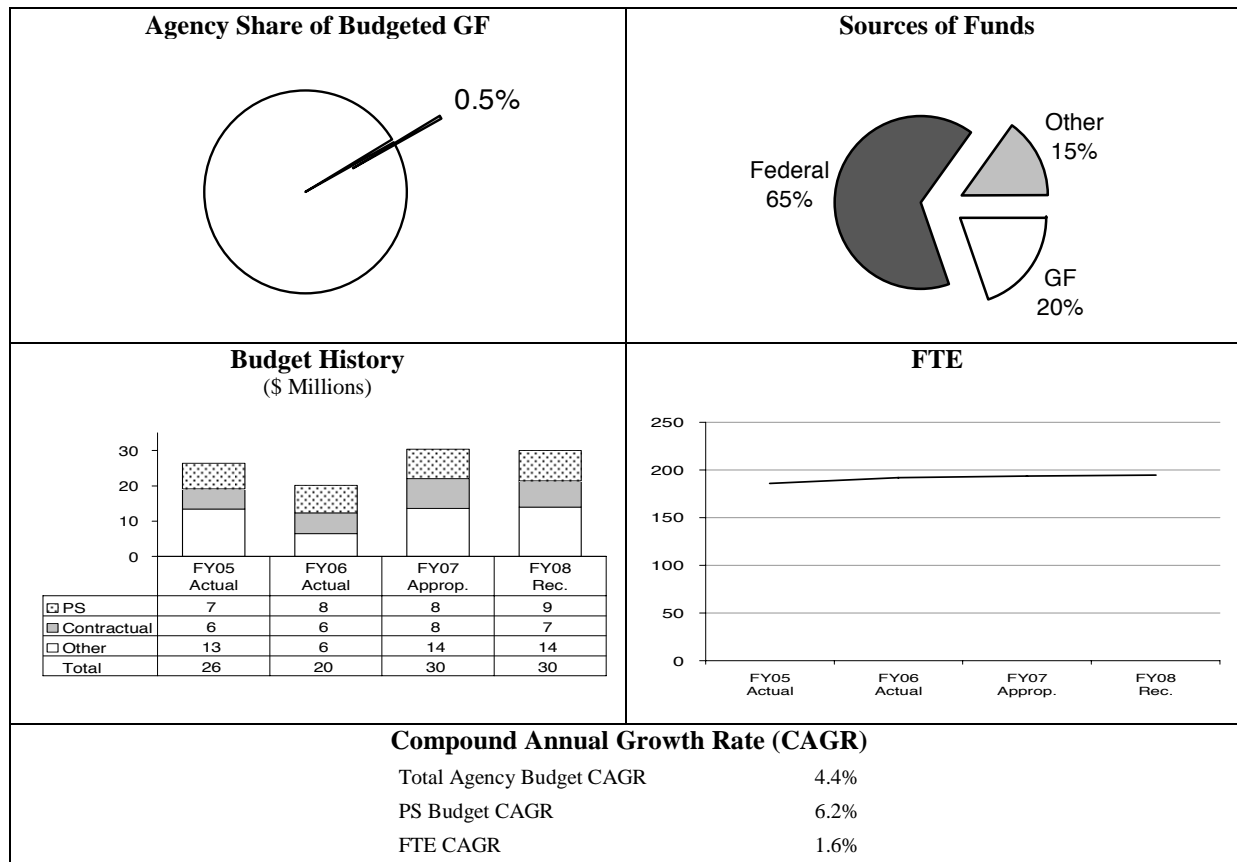


FY2008 Budget Briefing

Department of Military and Veterans' Affairs



Key Responsibilities

- To support national objectives by providing highly trained units capable of mobilizing for active federal service in time of war or national emergencies;
- To provide units organized, manned, trained, and equipped to assist civil authorities in the protection of life and property;
- To aid and assist veterans and their dependents in securing local, state, and federal entitlements/services for which they are eligible; and
- To provide a comfortable independent living environment, along with adequate medical support, for eligible veterans and their spouses, widows, or widowers.

Key Personnel

- Adjutant General/Secretary, Major General Mike Gorman
- Deputy Secretary, Andy Gerlach
- Army Guard, Colonel Ted Johnson
- Air Guard, Colonel Russ Walz
- Veterans' Affairs, Dennis Foell
- State Veterans' Home Administrator, Larry Wilcox

Department of Military and Veterans' Affairs Total

For FY08, the Governor recommends an overall decrease for the Department of Military and Veterans' Affairs of 1.1%. The Governor's recommended appropriations include \$5,914,446 from the general fund, \$19,643,775 from federal sources, \$4,523,778 from other fund sources, and 194.6 FTEs. The recommended appropriation from the general fund is \$252,447 more than FY07. The recommended federal fund expenditure authority recommended is decreased by \$839,314 and other fund expenditure authority recommended is increased by \$252,072. The number of FTEs increased by 1.0.

Item	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	7,703,085	8,317,657	8,350,562	8,699,447	381,790	4.6%
Travel	234,157	272,862	272,862	272,862	-	0.0%
Contractual Services	5,950,730	8,456,929	7,375,793	7,380,475	(1,076,454)	(12.7%)
Supplies & Materials	1,848,875	1,891,110	2,290,586	2,220,979	329,869	17.4%
Grants And Subsidies	1,124,574	1,692,538	1,722,538	1,722,538	30,000	1.8%
Capital Outlay	3,252,538	9,785,698	9,785,698	9,785,698	-	0.0%
Other	2,616	0	0	0	-	0.0%
Total	20,116,575	30,416,794	29,798,039	30,081,999	(334,795)	(1.1%)
Funding Types						
General	5,451,205	5,661,999	5,792,881	5,914,446	252,447	4.5%
Federal	10,928,773	20,483,089	19,513,700	19,643,775	(839,314)	(4.1%)
Other	3,736,598	4,271,706	4,491,458	4,523,778	252,072	5.9%
Total	20,116,576	30,416,794	29,798,039	30,081,999	(334,795)	(1.1%)
FTE	191.9	193.6	194.6	194.6	1.0	0.5%

The Governor's recommendation throughout this analysis also includes funding for Performance and Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 3% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	32,474	31,094	19,701	83,269
3% Across-the-Board	87,084	81,870	53,407	222,361
Health Insurance	16,686	16,544	10,025	43,255
Total	136,244	129,508	83,133	348,885

Major Expansions and Reductions

Program	Agency Request			Governor's Recommendation		
	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
A. Air Guard -- Federal Security Program	-	(1,193,583)	0.0	-	(1,193,583)	0.0
B. Army Guard--Utilities	53,549	267,743	0.0	53,549	267,743	0.0
C. Air Guard--Utilities	10,000	40,000	0.0	10,000	40,000	0.0
D. Air Guard--Family Program	-	(50,000)	0.0	-	(50,000)	0.0
E. Capitol Complex M&R Recalculation	-	-	0.0	4,115	4,682	0.0
F. Pass Through Grants	-	30,000	0.0	-	30,000	0.0
G. Vet's Home Increases	67,333	287,085	1.0	48,539	217,478	1.0
H. Governor's Salary Policy	-	-	0.0	136,244	348,885	0.0
Total	130,882	(618,755)	1.0	252,447	(334,795)	1.0

- A. Air Guard—The Governor's recommendation includes a decrease of \$1,193,583 in federal fund expenditure authority due to the cancellation of a major security program at the National Guard Bureau.
- B. Army Guard—The Governor recommends increases in the utilities budget of \$267,743 (\$53,549 from the general fund and \$214,194 from federal funds) for the 15 state-operated armories.
- C. Air Guard—The Governor's recommendation includes an increase of \$40,000 (\$10,000 from the general fund and \$30,000 in federal fund expenditure authority) for increase electrical costs.
- D. Air Guard—The Master Cooperative Federal/State Agreement Appendix for Family Support was discontinued in September of 2006. The Governor recommends the agency's request for a decrease of \$50,000 in federal fund expenditure authority.
- E. The Governor recommends an increase of \$4,115 in general funds and \$567 in federal fund expenditure authority to account for a recalculation in the method of recovering maintenance and repair funding for the Capitol Complex.
- F. Air Guard—The Agency requested and the Governor recommends an increase of \$30,000 in federal fund expenditure authority for a National Database project for the National Association of State Approving Agencies (NASAA).
- G. State Veterans' Home—The department requested 1.0 FTE and \$287,085 for increases in funding for the State Veterans' Home in Hot Springs. The Governor did not recommend \$69,607 of the \$195,471 request for the increased costs of cooking and heating fuels. The recommendation includes an increase of \$48,539 in general funds, \$168,939 in other fund expenditure authority and 1.0 FTE.

H. The Governor's recommended Salary Policy includes \$136,244 in general funds, \$129,508 in federal fund expenditure authority, \$83,133 in other fund expenditure authority for a total increase of \$348,885.

Adjutant General

The total recommended budget for the Adjutant General program is \$15,985. This consists of \$15,354 from the general fund, and \$631 in other fund expenditure authority. The Governor's recommended general fund appropriation increase for FY08 is \$15,354 or 2.4%.

The Adjutant General's Office administers the department's statutory duties, both state and federal, and coordinates and supervises planning, fiscal duties, legislation and personnel matters.

Item	Actual	Budgeted	Agency Req.	Gov Rec.	Inc/Dec	% Change
	FY06	FY07	FY08	FY08	FY08	From FY07
Personal Services	277,182	312,454	312,454	325,892	13,438	4.3%
Travel	38,019	23,688	23,688	23,688	-	0.0%
Contractual Services	147,078	69,609	69,609	72,156	2,547	3.7%
Supplies & Materials	28,434	11,983	11,983	11,983	-	0.0%
Grants And Subsidies	153,211	252,128	252,128	252,128	-	0.0%
Capital Outlay	4,100	14,631	14,631	14,631	-	0.0%
Other	0	0	0	0	-	0.0%
Total	648,024	684,493	684,493	700,478	15,985	2.3%
Funding Types						
General	638,478	648,385	648,385	663,739	15,354	2.4%
Federal	2,836	11,300	11,300	11,300	-	0.0%
Other	6,711	24,808	24,808	25,439	631	2.5%
Total	648,025	684,493	684,493	700,478	15,985	2.3%
FTE	4.1	4.3	4.3	4.3	-	0.0%

- The Governor recommends an increased general fund appropriation of \$15,354 and \$631 from other funds for the FY08 salary policy.

Selected Performance Indicators

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
National Guard 50% Tuition Reduction Program:							
Technical School Students	150	193	43	150	180	30	180
University Students	400	503	103	460	500	40	500

Army Guard

The Governor recommends increased appropriations of \$85,474 from the general fund, \$264,239 from federal fund expenditure authority, and no change in other fund spending authority for the Army Guard. This brings the total funding and staffing for the program to \$16,660,551 and 48.6 FTEs. The Governor's recommended appropriation increases from the general fund and federal funds are 4.8% and 1.8%, respectively.

Army Guard administers the state functions and duties of the Army National Guard.

Item	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	1,783,209	1,954,370	1,954,370	2,036,340	81,970	4.2%
Travel	36,908	43,018	43,018	43,018	-	0.0%
Contractual Services	3,357,104	4,250,793	4,314,531	4,314,531	63,738	1.5%
Supplies & Materials	853,718	867,545	1,071,550	1,071,550	204,005	23.5%
Grants And Subsidies	0	0	0	0	-	0.0%
Capital Outlay	2,927,058	9,195,112	9,195,112	9,195,112	-	0.0%
Other	58	0	0	0	-	0.0%
Total	8,958,055	16,310,838	16,578,581	16,660,551	349,713	2.1%
Funding Types						
General	1,717,347	1,772,989	1,826,538	1,858,463	85,474	4.8%
Federal	7,240,706	14,537,849	14,752,043	14,802,088	264,239	1.8%
Other	0	0	0	0	-	0.0%
Total	8,958,053	16,310,838	16,578,581	16,660,551	349,713	2.1%
FTE	47.4	48.6	48.6	48.6	-	0.0%

- The Governor recommends an increased appropriation of \$81,970 for personal services for the FY08 salary policy.
- The Department requested and the Governor recommends increases in the utilities budget of \$267,743 (\$53,549 from the general fund and \$214,194 from federal funds) for the 15 state-operated armories.

Revenues

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Federal Revenues	6,000,000	4,663,906	(1,336,094)	4,100,000	4,700,000	600,000	4,700,000
Military Construction Funding	4,000,000	2,559,445	(1,440,555)	10,000,000	7,100,000	(2,900,000)	27,100,000
Armory Rentals	13,000	18,000	5,000	18,000	18,000	0	18,100
Camp Rapid Visitor Center	1,800	1,800	0	1,800	1,800	0	1,900
Total	10,014,800	7,243,151	(2,771,649)	14,119,800	11,819,800	(2,300,000)	31,820,000

All revenues received by the Army Guard are deposited in the Special Militia Fund in accordance with SDCL 33-12-30. There are three types of monetary receipts from the Army Guard that are deposited in the Special Militia Fund:

1. Construction Projects - Major military construction projects are also financed through the Special Militia Fund. These costs are 100% reimbursed by the federal government. The amount of each project varies, depending on the extent and amount of funds available.
2. Armory Rentals - Rent collected from private individuals and organizations totals approximately \$18,000 per year and is used for maintenance and repair projects at state-owned armories.
3. Federal Special Revenue - National Guard Bureau provides funding to each state based on the federal/state agreements that outline the federal support of each state's national guard. All federally-reimbursed expenditures from this source are expended through the Special Militia Account.

Selected Performance Indicators

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Assigned Strength of the Army Guard	3,425	3,425	0	3,400	3,400	0	3,400
Percentage Mission Strength	100%	100%	0%	98%	98%	0%	98%
State Mission Support Days	320	320	0	320	320	0	320
Units Deployed Overseas	11	8	(3)	4	4	0	4
Tech., Drill, Training Pay	31,600,000	31,600,000	0	33,000,000	33,000,000	0	35,000,000
Military Construction Projects	4,000,000	4,000,000	0	6,000,000	6,000,000	0	10,000,000
State-Owned Armories	14	14	0	12	11	(1)	11
Federally-Owned Armories	1	2	1	1	2	1	2
Joint Use Armories	17	19	2	19	19	0	19
Maint. and Support Facilities	75	75	0	75	75	0	75
Training Site Facilities	170	170	0	170	170	0	170
Full-Time Guardsmen	520	520	0	530	530	0	550

The program performance indicators for the Army Guard reflect the normal workload and state projects undertaken on a yearly basis. Also included in the Army Guard's performance indicators are statistics related to the South Dakota Army National Guard's support of federal and Department of Defense missions.

Air Guard

The Governor recommends a total appropriation of \$4,421,551 and 41.0 FTEs for the Air Guard for FY08. The recommended changes include \$16,144 increase from the general fund and a decrease of \$1,141,271 in federal fund expenditure authority. These amounts are 4.9% more and 21.9% less than the FY07 amounts, respectively.

This is the department's program for administering the state duties and responsibility of the South Dakota Air National Guard.

Item	Actual FY06	Budgeted FY07	Agency Req. FY08	Gov Rec. FY08	Inc/Dec FY08	% Change From FY07
Personal Services	1,740,366	1,894,250	1,894,250	1,972,706	78,456	4.1%
Travel	8,604	35,810	35,810	35,810	-	0.0%
Contractual Services	1,143,619	2,752,874	1,549,291	1,549,291	(1,203,583)	(43.7%)
Supplies & Materials	62,913	83,744	83,744	83,744	-	0.0%
Grants And Subsidies	752,013	780,000	780,000	780,000	-	0.0%
Capital Outlay	6,725	0	0	0	-	0.0%
Other	0	0	0	0	-	0.0%
Total	3,714,240	5,546,678	4,343,095	4,421,551	(1,125,127)	(20.3%)
Funding Types						
General	302,117	328,624	338,624	344,768	16,144	4.9%
Federal	3,412,123	5,218,054	4,004,471	4,076,783	(1,141,271)	(21.9%)
Other	0	0	0	0	-	0.0%
Total	3,714,240	5,546,678	4,343,095	4,421,551	(1,125,127)	(20.3%)
FTE	40.1	41.0	41.0	41.0	-	0.0%

- The Governor recommends an increased general fund appropriation of \$6,144 and an increase in federal fund expenditure authority of \$72,312 for personal services for FY08 salary policy.
- The Governor's recommendation includes an increase of \$40,000 (\$10,000 from the general fund and \$30,000 from federal funds) for increase electrical costs.
- The Governor's recommendation includes a decrease of \$1,193,583 in federal fund expenditure authority due to the cancellation of a major security program at the National Guard Bureau. The agency reports the program will not be recreated.
- The Master Cooperative Federal/State Agreement Appendix for Family Support was discontinued in September of 2006. The Family Support position will be filled as a non-dual status federal Civil Service position and will result in no State involvement. The Governor recommends a decrease of \$50,000 in federal fund expenditure authority.

Selected Performance Indicators

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Assigned Strength of the Air Guard	1,030	1,015	(15)	1,025	997	(28)	1,006
Percentage of Strength Filled	103%	102%	(1%)	103%	101%	(2%)	102%
Days in Support of State Missions	1,700	1,490	(210)	1,500	1,500	0	1,500
Units Deployed Overseas	17	5	(12)	10	17	7	5
Full-Time Air Guard Employees	345	347	2	345	349	4	400
Federal Budget	39,800,000	47,000,000	7,200,000	43,200,000	48,000,000	4,800,000	50,000,000
Military Construction Projects	1	2	1	1	1	0	1
State-Owned Armories	None	None	None	None	None	None	None
Federally-Owned Facilities	38	37	(1)	38	39	1	38
New Buildings	1	2	1	1	1	0	1
Aircraft (F-16)	18	17	(1)	17	21	4	21
Civil Air Patrol Total Membership	345	326	(19)	340	340	0	350
Civil Air Patrol Aircraft		5			5		5

Veterans' Benefits and Services

The Governor recommends an increased appropriation from the general fund of \$32,748 for this program, and \$37,718 from federal funds. The total appropriation recommended by the Governor is \$1,292,381 and 18.0 FTEs.

This program assists all veterans and their dependents in procuring all federal, state, and local benefits to which they are entitled.

Item	Actual	Budgeted	Agency Req.	Gov Rec.	Inc/Dec	% Change
	FY06	FY07	FY08	FY08	FY08	From FY07
Personal Services	871,481	912,160	912,160	950,491	38,331	4.2%
Travel	100,321	113,810	113,810	113,810	-	0.0%
Contractual Services	61,620	54,495	54,495	56,630	2,135	3.9%
Supplies & Materials	47,151	32,926	32,926	32,926	-	0.0%
Grants And Subsidies	219,350	172,910	202,910	202,910	30,000	17.4%
Capital Outlay	8,568	6,080	6,080	6,080	-	0.0%
Other	2,559	0	0	0	-	0.0%
Total	1,311,050	1,292,381	1,322,381	1,362,847	70,466	5.5%
Funding Types						
General	1,037,943	1,063,995	1,063,995	1,096,743	32,748	3.1%
Federal	273,107	228,386	258,386	266,104	37,718	16.5%
Other	0	0	0	0	-	0.0%
Total	1,311,050	1,292,381	1,322,381	1,362,847	70,466	5.5%
FTE	19.2	18.0	18.0	18.0	-	0.0%

- The \$38,331 recommended increase for personal services is for FY08 salary policy.
- The Governor recommends an increased appropriation of \$2,135 to account for a recalculation in the method of recovering maintenance and repair for the Capitol Complex.
- The Agency requested and the Governor recommends an increase of \$30,000 in federal fund expenditure authority for a National Database project for the National Association of State Approving Agencies. This grant is 100% federal funding and must pass through a state agency instead of directly going to the NASAA because of federal regulation.

Selected Performance Indicators

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Sioux Falls Claims Office:							
Personal Interviews	2,500	2,037	(463)	2,500	2,100	(400)	2,100
Phone Calls	25,000	22,341	(2,659)	24,000	24,000	0	23,000
Veteran Correspondence	5,000	4,221	(779)	4,200	4,300	100	4,250
Powers of Attorney Filed	1,000	1,074	74	1,500	1,200	(300)	1,100
Hearings Conducted	75	14	(61)	40	25	(15)	25
Appeals Filed	100	77	(23)	70	80	10	80
Monetary Award Obtained	60,000,000	68,458,609	8,458,609	65,000,000	70,000,000	5,000,000	72,000,000
County and Tribal Veterans' Service Officers:							
County Service Officers	65	61	(4)	64	61	(3)	61
Tribal Service Officers	7	7	0	7	7	0	7
South Dakota Veteran Population	82,000	74,224	(7,776)	73,325	73,325	0	72,000
Veterans' Admin Expenditures in South Dakota	340,000,000	365,561,000	25,561,000	325,000,000	368,000,000	43,000,000	370,000,000
Pierre Veterans' Affairs Office:							
Vets' Emergency Loan Apps	120	144	24	170	150	(20)	150
Apprentice and On-the-Job Training Programs	250	166	(84)	175	170	(5)	170
On-Site Visits-to-Apprentice and On-the-Job Training Prog	225	205	(20)	430	220	(210)	220

State Veterans' Home

For FY08 the Governor recommends total funding and staffing of \$6,936,572 and 82.7 FTEs for the State Veterans' Home. The funding recommendation is comprised of \$1,950,733 from the general fund, \$487,500 from federal funds, and \$4,498,339 from other funds.

The State Veterans' Home is located in Hot Springs and provides quality long-term care and independent living assistance for veterans and their spouses, widows, or widowers.

Item	Actual	Budgeted	Agency Req.	Gov Rec.	Inc/Dec	% Change
	FY06	FY07	FY08	FY08	FY08	From FY07
Personal Services	3,030,848	3,244,423	3,277,328	3,414,018	169,595	5.2%
Travel	50,305	56,536	56,536	56,536	-	0.0%
Contractual Services	1,241,308	1,329,158	1,387,867	1,387,867	58,709	4.4%
Supplies & Materials	856,659	894,912	1,090,383	1,020,776	125,864	14.1%
Grants And Subsidies	0	487,500	487,500	487,500	-	0.0%
Capital Outlay	306,087	569,875	569,875	569,875	-	0.0%
Other	0	0	0	0	-	0.0%
Total	5,485,207	6,582,404	6,869,489	6,936,572	354,168	5.4%
Funding Types						
General	1,755,320	1,848,006	1,915,339	1,950,733	102,727	5.6%
Federal	0	487,500	487,500	487,500	-	0.0%
Other	3,729,887	4,246,898	4,466,650	4,498,339	251,441	5.9%
Total	5,485,207	6,582,404	6,869,489	6,936,572	354,168	5.4%
FTE	81.2	81.7	82.7	82.7	1.0	1.2%

- The Governor recommends an increased appropriation of \$136,690 for personal services because of FY08 salary policy.
- The agency requested, and the Governor recommends, 1.0 additional FTE for FY08. The FTE, an accounting assistant at \$32,905 from other funds for salaries and benefits, to perform duties designed to facilitate the pre-admission process for veterans interested in applying for residence at the State Veterans' Home.
- The agency requested and the Governor recommends \$18,720 (\$3,744 from the general fund and \$14,976 from other sources) for psychiatric services at the federal Veterans' Administration (VA). The VA continues to cut services and increase costs.
- The agency requested and the Governor recommends \$144,136 (\$38,931 from the general fund and \$105,205 from other sources) for increased utility costs.
- Also, the agency requested and the Governor recommends \$21,717 (\$5,864 from the general fund and \$15,853 from other sources) for a 3% increase in the cost of food.

Revenues

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Resident Maintenance Fees:							
Long-Term Nursing Care	1,053,444	854,463	(198,981)	964,582	916,019	(48,563)	943,500
Residential Living Services	727,738	533,132	(194,606)	684,666	583,841	(100,825)	601,356
Veterans Affairs Per Diem:							
Long-Term Nursing Care	762,588	735,900	(26,688)	824,776	788,915	(35,861)	812,582
Residential Living Services	552,219	483,065	(69,154)	538,091	529,012	(9,079)	544,882
Investment Council interest on all above		51,053	51,053		35,000	35,000	35,000
Employee Maintenance Fees	12,000	11,311	(689)	12,000	12,000	0	12,000
Canyon Cottage Maint. Fees		210	210		5,000	5,000	8,000
Deceased Residents Estates + Interest	35,000	160,044	125,044	35,000	50,000	15,000	50,000
Misc. Revenue, Surplus Sales		113	113		500	500	500
Donations for Activities	6,185	7,839	1,654	9,000	9,000	0	9,000
Donations for Special Projects	5,138	15,000	9,862	9,000	11,000	2,000	11,000
Federal (VA State Home Const)	487,500		(487,500)	1,366,000	0	(1,366,000)	1,366,000
Total	3,641,812	2,852,130	(789,682)	4,443,115	2,940,287		4,393,820

All revenues received by the State Veterans Home go toward the operation of the facility, as well as maintenance and repair needs. The following types of monetary receipts are included in the total revenue budget:

1. Resident Maintenance Fees - The Resident Maintenance Fee is that portion of the resident's care they pay while they are living at the State Veterans Home. There is no set rate, and the fee is dependent on the type of care they receive, and their income and assets. If the resident is in Residential Living, the fee is up to 50% of their gross monthly income. If the resident is in Nursing Care, the fee is up to 70% of their gross monthly income.
2. Veterans Affairs Per Diem - The Per Diem Rate is the daily rate paid by the Veterans Administration to the State Veterans Home for each qualifying day of care an eligible veteran is a resident. There are two separate rates, one for Nursing Care and one for Residential Living care.
3. Employee Maintenance Fees - The campus has four houses in which employees may reside. The employees are charged monthly rent, by payroll deduction, and the total is deposited into the Residence Maintenance Fund that is used for maintenance and repair of the houses.
4. Deceased Residents Estates - In accordance with SDCL 33-18-13, 14, 15, 16 & 17, the State Veterans Home, in some cases, is entitled to file a claim against the estate of a deceased resident. Monies collected from the residents' estates are deposited into the Capital Fund and used for major repairs, equipment, improvements, or construction.
5. Donations - The Veterans Home receives donations from various vets service organizations such as VFW, American Legion, Disabled American Veterans, and their auxiliaries. Generally these donations are earmarked for Christmas gifts or other activities for the residents. Special donations are also received to complete special projects, such as the Greenhouse.
6. Miscellaneous Revenues - From sale of surplus property from the Veterans Home and bank interest.
7. Federal Grant - Anticipated for FY07, reimbursement through a federal Veterans Administration State Home Construction Grant which supplies 65% matching funds.

Selected Performance Indicators

	FY06			FY07			FY08
	Original Estimate	Actual	Difference Over (Under) Estm.	Original Estimate	Revised Estimate	Change in Estimate	Estimate
Average Daily Census:	142	119	(23)	135	125	(10)	125
Veterans	106	87	(19)	104	94	(10)	94
Nonveterans	36	31	(5)	31	31	0	31
Long-Term Nursing Care	56	49	(7)	51	51	0	51
Residential Living Care	86	70	(16)	84	74	(10)	74
Admissions	38	30	(8)	33	25	(8)	25
Deaths	15	19	4	13	13	0	13
Discharges	9	7	(2)	10	10	0	10
Resident Care Days:							
Long-Term Nursing Care	18,927	17,551	(1,376)	18,490	18,267	(223)	18,267
Residential Living Services	29,382	24,156	(5,226)	28,813	25,683	(3,130)	25,683
Annual Cost of Operation, w/o grant	6,550,099	5,276,397	(1,273,702)	5,915,480	6,094,904	179,424	6,460,445
Less all Revenues, w/o grant funds	3,641,841	2,840,777	(801,064)	3,077,145	2,944,487	(132,658)	3,032,020
Total Cost to State	2,908,258	2,435,620	(472,638)	2,838,335	3,150,417	312,082	3,428,425
Cost per day	126	122	(4)	120	134	14	142
Cost per day to State	56	56	0	58	69	11	75
FTE to Resident ratio (ALL STAFF)	.61/1	.685/1	.075/1	.62/1	.654/1	.034/1	.702/1
Administration	.04/1	.05/1	.01/1	.05/1	.05/1	0	.06/1
Nursing Care Services	.34/1	.35/1	.01/1	.31/1	.33/1	.02/1	.34/1
Residential Living Services	.07/1	.09/1	.02/1	.07/1	.08/1	.01/1	.08/1
Support Services	.16/1	.19/1	.03/1	.18/1	.20/1	.02/1	.23/1
Current Daily Census is 120 as of 08-25-06							

Other Departmental Issues

A. Interim Appropriation Actions

No Interim appropriation actions were taken. The agency transferred \$101,700 from the general fund Personal Services budget to the general fund Operating Expense budget during FY06. The agency reverted \$11,484 to the general fund at the end of FY06.

B. Audit Findings

Finding No. 16000200501:

Internal controls over federal compliance requirements were inadequate for the National Guard Military Operations and Maintenance Projects/Master Cooperative Agreement (MCA – CFDA No. 12.401), the National Guard Military Construction Cooperative Agreement (MCCA – CFDA No. 12.400). This is the fourth consecutive audit to contain this finding.

Federal Agency: Department of Defense

Analysis:

Our testing identified the following deficiencies:

1. Controls did not exist to ensure all Army National Guard (ARNG) procurement contracts in excess of \$25,000 and all non-procurement contracts contained the appropriate suspension and debarment certifications nor did controls exist to ensure parties contracted with were not on the federal list of contractors suspended or debarred from federal contracts. Title 32 of the Code of Federal Regulations (CFR), part 25.300, states:
When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:
 - (a) Checking the EPLS (the Excluded Parties List System maintained by the General Services Administration); or
 - (b) Collecting a certification from that person if allowed by this rule; or
 - (c) Adding a clause or condition to the covered transaction with that person.

32 CFR 25.220 defines covered transactions. It states:

- (b) Specifically, a contract for goods or services is a covered transaction.....and the amount of the contract is expected to equal or exceed \$25,000.

The Department did implement procedures to monitor all contracts over \$25,000, but procedures were not effective until FY2006. As a result, contracts could have been entered into inappropriately with suspended or debarred parties.

2. Controls did not exist to ensure the SF-272 Federal Cash Transactions Report was prepared. The SF-272 Federal Cash Transactions Report was not prepared by ARNG. OMB Circular A-133 Compliance Supplement Part 4 CFDA 12.401 (MCA grant) part III, section L, requires the SF-272 report be prepared and submitted.

As a result, the department was exposed to statutory sanctions resulting from non-compliance with financial reporting requirements.

Recommendations:

1. We recommend all procurement contracts in excess of \$25,000 and all non-procurement contracts contain the appropriate suspension and debarment certifications.

2. We recommend SF-272 reports be prepared and submitted.

Auditee's Corrective Action Plan:

Procedures to monitor all contracts over \$25,000 have been put in place since the FY04 audit findings were made available, Military and Veterans Affairs will continue to monitor the Excluded Parties List for contractors on the suspension and debarment list and procurement contracts in excess of \$25,000 will continue to have a contractor suspension and debarment clause included.

The SF-272 is now being completed as required for the Army and Air Guard. The SF-272 Federal Cash Transactions Report is being accomplished with each monthly reimbursement. It will track the negative cash in our cash accounts for each appendix.