



DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
DEPUTY AUDITOR GENERAL

November 8, 1994

Ms. Marti I. Lavis
Executive Assistant for Boards and Commissions
Office of the Governor
1700 West Washington
Phoenix, AZ 85007

Dear Ms. Lavis:

The purpose of this letter is to communicate the results of the Office of the Auditor General's limited investigation of certain allegations that have been made concerning operations at the Arizona Pioneer's Home (Home) in Prescott. As proposed in our letter dated September 22, 1994, our Office's investigation of these allegations was limited to the following specific financial issues: alleged travel claim irregularities, financial issues relating to the soda pop fund, and allegations related to accounts receivable in the Home's Country Store. The results of our investigation are briefly summarized as follows:

Travel Claims

The specified travel reimbursement requests were completed in accordance with the State's travel policies and were supported by adequate documentation.

Soda Pop Fund

There is one vending machine located at the Home, which is available to staff and residents. Proceeds from the sale of soda pop are controlled exclusively by the Home's Executive Director. Consequently, we believe these proceeds to be public monies as defined by Arizona Revised Statute (A.R.S.) §35-302 and, as such, they should be subject to the policies and procedures outlined in the *State of Arizona Accounting Manual*.

Our investigation also disclosed the following deficiencies in the accounting records of and control procedures over the soda pop fund:

1. Several expenditures were not documented sufficiently to determine their propriety.
2. No documentation of public purpose was maintained for questionable expenditures such as political and private donations, parking violation fines, and reimbursements to other funds.

Ms. Marti I. Lavis
November 8, 1994
Page 2

3. Cash-handling, inventory control, and recordkeeping procedures were not adequately segregated among employees.
4. Cash proceeds and inventory were not adequately safeguarded.

Country Store

The Home operates a Country Store (Store) which sells gift items to visitors, residents, and staff. The Store appeared to be self-sustaining, with an immaterial cash balance on hand at the time of our investigation. However, accounting records documenting the Store's transactions were not complete; consequently, we were not able to determine the propriety of the Store's accounts receivable.

Since the Store was established by a state agency and its Executive Director maintains oversight of the Store's operations, we believe the Store's proceeds to be public monies as defined by A.R.S. §35-302. Therefore, the Home should record the Store's financial transactions in accordance with the *State of Arizona Accounting Manual*. This includes maintaining a complete and accurate general ledger and subsidiary accounts receivable ledger.

All other allegations discussed during our September 16, 1994, meeting were determined to be management and personnel issues not within the scope of our investigation; therefore, those issues were not addressed by my staff. Also, during our investigation, additional allegations relating to management and personnel issues were disclosed to my staff. However, due to the nonfinancial nature of these additional allegations, we do not intend to investigate them.

If you have any further questions concerning this matter, please call me or George Graham, Special Audit Manager, at 553-0333.

Sincerely,



Debbie Davenport
Deputy Auditor General

DKD/GGG/tms

State rest home probed

Administrator under fire for alleged irregularities

By Kris Mayes
THE PHOENIX GAZETTE

It may be one of Arizona's best-kept secrets — a stately taxpayer-funded retirement home perched on a hill outside Prescott, where old-time Arizonans can live out their golden years.

And it also may be one of the

better-kept secrets in state government — the Arizona Pioneers' Home is overseen directly by the Governor's Office, where a stack of complaint letters about the home's administrator have been piling up on Gov. Fife Symington's desk since early last year.

At issue, employees of the home say, is alleged mismanagement by its

administrator, who has come under scrutiny by four state agencies in the past year.

The administrator says the problems stem from miscommunication between herself and the staff.

Yet the Governor's Office is to meet with Director Doris Marlowe today to
See ■ HOME, Page B10

Facility created in 1911 for Arizona pioneers

By Kris Mayes
THE PHOENIX GAZETTE

3.23.95

Men with cowboy hats and withered faces gaze out the window of the Arizona Pioneers' Home, surveying the rolling territory they helped forge.

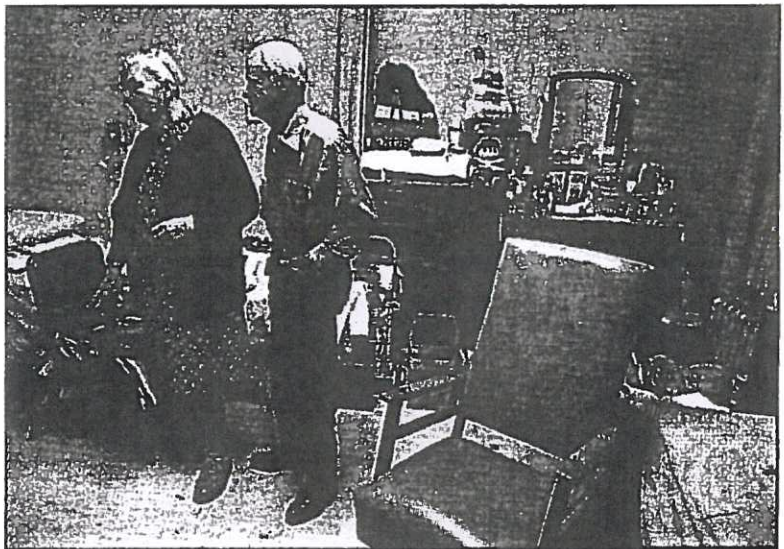
"If I had a million dollars I'd still want to stay here," said Bill Preston, a retired railroader who has lived in a small but homey room with his wife, Ruth, for four years.

There have been mayors and councilmen, successful bankers and crusty miners, all of whom have come to enjoy the same humble facilities, grand view, and personal attention of this 84-year-old retirement facility.

With 130 employees, the staff to resident ratio here is nearly one-to-one.

Only Alaska and Arizona have state-sponsored nursing homes, and only Arizona has one that is so comprehensively funded by the state.

"This one is absolutely the only one in the U.S. like it," said Carl Johnson, administrative
See ■ PIONEER, Page B10



Peter Schwepker / THE PHOENIX GAZETTE

Residing in a small but comfortable room at the Arizona Pioneers' Home for the past four years, Ruth and Bill Preston praise the facility sitting just outside Prescott.

■ HOME

discuss an auditor general's report which details her questionable use of a petty cash fund to make personal gifts and political contributions, said Douglas Cole, Symington's spokesman.

According to the report, Marlowe tapped proceeds from the home's pop-machine fund — which is used to buy small items for residents — to make political donations to an undisclosed candidate during her tenure.

The report cited "questionable expenditures such as political and private donations." George Graham, special audit manager, has declined to elaborate on the report or say to whom the political contributions were made.

According to Marti Lavis, a former Symington aide responsible for overseeing operations at the home, Symington's office was told last year by employees that Marlowe may have used some of the fund to buy birthday cards and flowers for Symington.

Cole said Symington had no knowledge of the source of the money used to buy the gifts.

"There was no way we could know," Cole said. "If it's true we absolutely do not condone that behavior."

Since January 1994, up to one-fourth of the home's employees have complained to the Governor's Office about alleged mismanagement by Marlowe, Lavis said.

The Pioneers' Home is the state's only retirement home funded entirely with tax money. Last year's appropriation was \$3 million. It is one of only two such institutions in the country.

The law that established the home in 1911 gave the Governor's Office direct control of the home. It is not accountable to any other state agencies.

The state Department of Health Services inspects the home annually, but its reports are filed with the Governor's Office. Other nursing homes are overseen and regulated by DHS.

Among the allegations made by

"This is really a hospital now. When we came in here you had to come in on your own two feet. Now they all but bring them in on stretchers."

Ruth Preston
Pioneer retirement home resident

employees in letters sent to Symington are claims that Marlowe took drugs from the home's pharmacy without a prescription; used the home's resources for conducting personal business; and intimidated workers.

Marlowe denies the charges. "We have some disgruntled employees and they'll go after you any way they can," she said.

In response to the complaints, investigators from the state Office of Personnel, Symington's office, the state Board of Pharmacy, and the state Auditor General's Office visited the Pioneers' Home during 1994.

In addition to the questioned campaign donations, the auditor general's report listed several accounting irregularities, including some in the home's store for residents, which is overseen by Marlowe.

The Pharmacy Board's report, issued in October, criticized the former pharmacist at the Pioneers' Home for allowing Marlowe to take out medicine without a prescription and without paying for two drugs, estimated to be worth \$500.

Marlowe admitted using the drugs — blood pressure medication and estrogen hormone — but said her doctor had approved them.

While most of the 150 residents seem happy with the home, some are worried that it is taking on too many residents with severe health

problems.

The home was designed to house about 35 people. Over the years the home has added space and now serves more than 150 people, 75 of whom require full-time nursing.

"This is really a hospital now," said Ruth Preston, a resident who says she otherwise loves the state home. "When we came in here you had to come in on your own two feet. Now they all but bring them in on stretchers."

Marlowe said she knows there are problems, but dismissed most of the complaints lodged against her as sour grapes.

Marlowe, 67, held nursing and administrative positions at other health care facilities before being elevated to her current post by Gov. Evan Mecham in 1986.

She said her administration is responsible for dramatic improvements in the maintenance of the state but aging building.

"They can say anything they want to," she said. "But these residents are my prime concern."

Added to the mix are efforts by several state legislators to bolster employee and resident rights.

Rep. Sue Lynch, R-Prescott, who recently introduced a measure to create an advisory board made up of employee and patient advocates at the home, said the question doesn't lie in the need for the home, but in the state's involvement in running it.

Lynch said the measure is designed to "bring some accountability" to the home.

The bill passed the House and is awaiting action by the Senate.

Marlowe admits being a tough administrator, but says that getting things done sometimes requires "stepping on toes."

"I don't know, possibly I do (intimidate), but my main concern is to have a healthy atmosphere for the residents," she said.

"Sometimes ... that makes you a bad guy, but the food's good and the place is clean — it's a nice place."

From B1

■ PIONEER

From B1

service officer at the Pioneers' Home.

Established by the state in 1911 to care for those who helped settle Arizona, the Pioneers' Home has maintained strict entrance requirements.

Residents must have lived in the state for no less than 30 years and be at least 65.

The wealthiest of them pay \$2,203 a month. The poorest pay nothing — subsidized by the home's legislative appropriations and its endowment fund.

The state appropriated \$3 million for the home last year.

But as Arizona — which became a state in 1912 — grows older, fewer true pioneers call the place home.

Originally, the state required residents of the home to have been born in or moved to Arizona before 1912.

Very few of the residents still meet the original definition of a pioneer: Only 22 percent of the current residents came to Arizona before statehood.

But at least 79 percent have lived here more than 50 years, and that is enough to qualify for pioneer status, according to Johnson. "These are people that have worked hard, raised families and have contributed," he said. "They didn't just show up."

In 1986, a report by the state Auditor General's Office raised similar questions about the home's lagging mission, recommending that the Legislature determine if there still was a need for the institution.

The report concluded that, "If APH is continued, the population to be served and the ability of the existing building to meet future needs should be considered."

Some state legislators also are wondering if the state should be involved in operating the home.

"Part of me says I don't know why we're in that business — the intentions are probably pretty good," said state Rep. Sue Lynch, R-Prescott.

"I certainly have no intentions of abolishing it, but I do question why we're in the business," Lynch said. Residents and workers interviewed at the home defend its mission.

"I'm particularly interested in the health and welfare of the institution," Johnson said. "It is so unique and such a good program."

"Part of me says I don't know why we're in that business — the intentions are probably pretty good. I certainly have no intentions of abolishing it, but I do question why we're in the business."

Rep. Sue Lynch
R-Prescott