

Department of Veterans' Affairs

**For the Years Ended
June 30, 1997, and June 30, 1996**

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June 10, 1998

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
The Honorable Fred Tucker, Commissioner
Department of Veterans' Affairs
215 Eighth Avenue North
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Veterans' Affairs for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Veterans' Affairs compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of Veterans' Affairs is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of Veterans' Affairs management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/ws
98/067

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Veterans' Affairs
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Department of Veterans' Affairs for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of payroll and personnel, revenue, expenditures, equipment, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
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(615) 741-3697

Audit Report
Department of Veterans' Affairs
For the Years Ended June 30, 1997, and June 30, 1996

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Department of Veterans' Affairs

For the Years Ended June 30, 1997, and June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Veterans' Affairs. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to "perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller."

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission statement of the Department of Veterans' Affairs (DVA) is "to serve Tennessee's more than half a million Veterans, their families, and dependents with dignity and compassion, and to be their principal advocate in ensuring they receive the care, support, earned entitlements, and recognition they earned in service to our nation." In order to fulfill this mission, DVA is organized into Field Services, Claims Services, State Veterans' Cemeteries, and Administrative Services.

The Division of Field Services has the responsibility for referring veterans, their dependents, and their survivors to the services available to them.

The Division of Claims Services assists veterans, dependents, and veterans' survivors in obtaining benefits and services to which they may be entitled under the laws administered by the United States Department of Veterans Affairs and other federal, state, and/or local governmental agencies.

The Field Services and Claims Services divisions have a network of 11 field offices and 95 county offices which collect and disseminate information to veterans, their dependents, and veterans' survivors regarding earned federal and state entitlements and assistance.

The State Veterans' Cemeteries operates cemeteries in Knoxville, Nashville, and Memphis. The cemeteries serve as the final resting place for those who have faithfully served in the Armed Forces of the United States, their dependents, and eligible members of the Tennessee National Guard.

The Division of Administrative Services is responsible for providing technical and administrative support to all areas of the DVA. The division responds to all requests from members of the General Assembly, the Office of the Governor, and veterans' service organizations.

An organization chart of the department is on the following page.

AUDIT SCOPE

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OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

PAYROLL AND PERSONNEL

Our objectives in reviewing payroll and personnel controls and procedures at the Department of Veterans' Affairs were to determine whether

- payroll (wages, salaries, and benefits) disbursements were made only for work authorized and performed; and
- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations.

We interviewed key department personnel to gain an understanding of procedures and controls for computing and disbursing payroll. We reviewed supporting documentation for these controls and procedures. In addition, we tested a sample of personnel files for proper approval of salary rates, leave slips, and time sheets. We had no findings related to payroll and personnel.

REVENUE

Our objectives in reviewing revenue controls and procedures at the Department of Veterans' Affairs were to determine whether

- revenue transactions were accurate and valid,
- cash collected during the audit period was deposited timely and accounted for in the appropriate fiscal year,
- physical controls over cash were adequate,
- revenue or fees were billed or charged and recorded at the correct amount, and
- records were reconciled with Department of Finance and Administration reports.

We interviewed key department personnel to gain an understanding of procedures and controls for collecting cash and reconciling reports. We reviewed supporting documentation for these controls and procedures. In addition, we tested a sample of revenue transactions for adequate support, prompt and intact deposits, agreement of amounts receipted and deposited, completeness of deposit slips, and proper approval. We had no findings related to revenue; however, one minor weakness came to our attention which has been reported to management in a separate letter.

EXPENDITURES

Our objectives in reviewing expenditure controls and procedures at the Department of Veterans' Affairs were to determine whether

- expenditures were for goods or services authorized and received,
- expenditures for goods or services were recorded in the correct object code and amount,
- payments were made in a timely manner,
- auditee records were reconciled with Department of Finance and Administration reports,

- payments for travel were paid in accordance with the *Comprehensive Travel Regulations*, and
- cellular telephone charges paid were for business purposes only.

We interviewed key department personnel to gain an understanding of procedures and controls over expenditures for goods or services authorized and received, reconciliations performed, and cellular telephone charges paid. We reviewed supporting documentation for these controls and procedures. In addition, we tested a sample of expenditures for adequate support, mathematical accuracy, prompt payment, and receipt of goods or services. We had no findings related to expenditures; however, one minor weakness came to our attention which has been reported to management in a separate letter.

EQUIPMENT

Our objectives in reviewing equipment controls and procedures at the Department of Veterans' Affairs were to determine whether

- the information on the property listing was accurate,
- lost and missing equipment was properly reported to the Comptroller's office and removed from the property listings, and
- property and equipment were adequately safeguarded.

We interviewed key department personnel to gain understanding of procedures and controls for safeguarding and accounting for equipment. We reviewed supporting documentation for these controls and procedures. In addition, we tested a sample of equipment items to determine if the items agreed by description, tag number, and location with the equipment listing. We had no findings related to equipment.

FINANCIAL INTEGRITY ACT

The Financial Integrity Act of 1983 requires each executive agency to annually evaluate its systems of internal accounting and administrative control and report the results of its evaluation to the Commissioner of Finance and Administration and the Comptroller of the Treasury by December 31 of each year.

The objectives of our review of the Department of Veterans' Affairs compliance with the Financial Integrity Act were to determine whether

- the agency's reports were filed in compliance with the Financial Integrity Act of 1983,
- documentation to support the agency's evaluation was properly maintained,
- procedures used in compiling information for the reports were adequate, and
- corrective actions have been implemented for weaknesses identified in the reports.

We interviewed key employees responsible for compiling information for the reports to gain an understanding of the procedures. We also reviewed the supporting documentation for these procedures and the reports submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

We determined that the Financial Integrity Act reports were submitted on time and support for the reports was adequate.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Tennessee Code Annotated, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ended June 30, 1997, the Department of Veterans' Affairs filed its compliance report and implementation plan on June 30, 1997, and for the year ended June 30, 1996, on June 24, 1996.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor is currently evaluating which office in the Executive Branch will be the new monitoring agency.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report, *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

ALLOTMENT CODE

The Department of Veterans' Affairs' allotment code is 323.00.

