



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**TENNESSEE DEPARTMENT OF VETERANS SERVICES  
(FORMERLY KNOWN AS THE DEPARTMENT OF VETERANS AFFAIRS)**

**Performance Audit Report**

August 2016

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**Justin P. Wilson, Comptroller**



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August 9, 2016

The Honorable Bill Haslam, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Many-Bears Grinder, Commissioner  
Tennessee Department of Veterans Services  
William R. Snodgrass Tennessee Tower  
312 Rosa L. Parks Avenue, 13<sup>th</sup> Floor  
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Tennessee Department of Veterans Services (formerly known as the Department of Veterans Affairs) for the period July 1, 2012, through March 31, 2016.

Our audit disclosed certain findings that are detailed in the Objectives, Methodologies, and Conclusions section of this report. Management of the department has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving internal control and instances of noncompliance to the department's management in a separate letter.

Sincerely,

Deborah V. Loveless, CPA  
Director

DVL/me  
15/052

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit  
**Tennessee Department of Veterans Services**  
August 2016

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## AUDIT SCOPE

We have audited the Tennessee Department of Veterans Services (formerly known as the Department of Veterans Affairs) for the period July 1, 2012, through March 31, 2016. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of cemetery operations, veterans' claims services, and information systems. Management of the department is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. We present more detailed information about our methodologies in the individual report sections.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## CONCLUSIONS

### FINDINGS

**Management did not establish policies and procedures governing reconciliations of cash received for dependent interments to the state's accounting records, did not ensure reconciliations were performed, did not deposit cash collections timely at one cemetery, and did not report a cash shortage to the Comptroller of the Treasury in accordance with state law**

Management did not establish policies and procedures governing reconciliations of cash received for dependent interments to the state's accounting records and did not ensure reconciliations were performed. In addition, cash collected was not always deposited timely and management was unfamiliar with the requirement to report shortages of monies to the Office of the Comptroller of the Treasury (page 8).

**The department did not provide adequate internal controls in five specific areas**

The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 15).

### OBSERVATION

The following topic did not warrant a finding but is included in this report because of its effect on the operations of the Tennessee Department of Veterans Services and the citizens of Tennessee: veterans' claims for benefits were not always prepared and submitted by an accredited service organization representative, and the department did not retain the required documentation of veteran status within its claims management system (page 13).

# Performance Audit Tennessee Department of Veterans Services

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# Performance Audit Tennessee Department of Veterans Services

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## INTRODUCTION

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### POST-AUDIT AUTHORITY

This is the report on the performance audit of the Tennessee Department of Veterans Services (formerly known as the Department of Veterans Affairs). Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity created under and by virtue of the statutes of the State of Tennessee that handles public funds when the Comptroller considers an audit to be necessary or appropriate. *Tennessee Code Annotated* requires officials of governmental entities to cooperate fully in the performance of such audits.

The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires the Department of Audit to audit all accounts and financial records of any state department, institution, office, or agency in accordance with both generally accepted auditing standards and procedures established by the Comptroller. An audit may include any or all of the following elements: financial, compliance, economy and efficiency, program results, and program evaluations.

### BACKGROUND

The Tennessee Department of Veterans Services serves more than 500,000 veterans and approximately 1.5 million dependents living in Tennessee. There are 14 field offices across the state (and 1 field office in Fort Campbell, Kentucky) that serve 95 counties by assisting with filing claims for federal benefits, answering questions about the claims process, and advocating on behalf of stakeholders who are denied federal benefits. The department also offers quarterly and annual training to employees and local service officers<sup>1</sup> to ensure all personnel assisting veterans and their families have the latest information regarding changing laws that affect federal and state benefits. Additionally, the department manages and operates four state veterans' cemeteries—two in East Tennessee, one in Middle Tennessee, and one in West Tennessee—that are available for veterans and their dependents.<sup>2</sup>

The department's responsibilities, described in Sections 58-3-101 et seq. and 46-6-101 et seq., *Tennessee Code Annotated*, include

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<sup>1</sup> Local service officers are accredited service organization representatives located in county offices and private organizations. See page 11 for additional information.

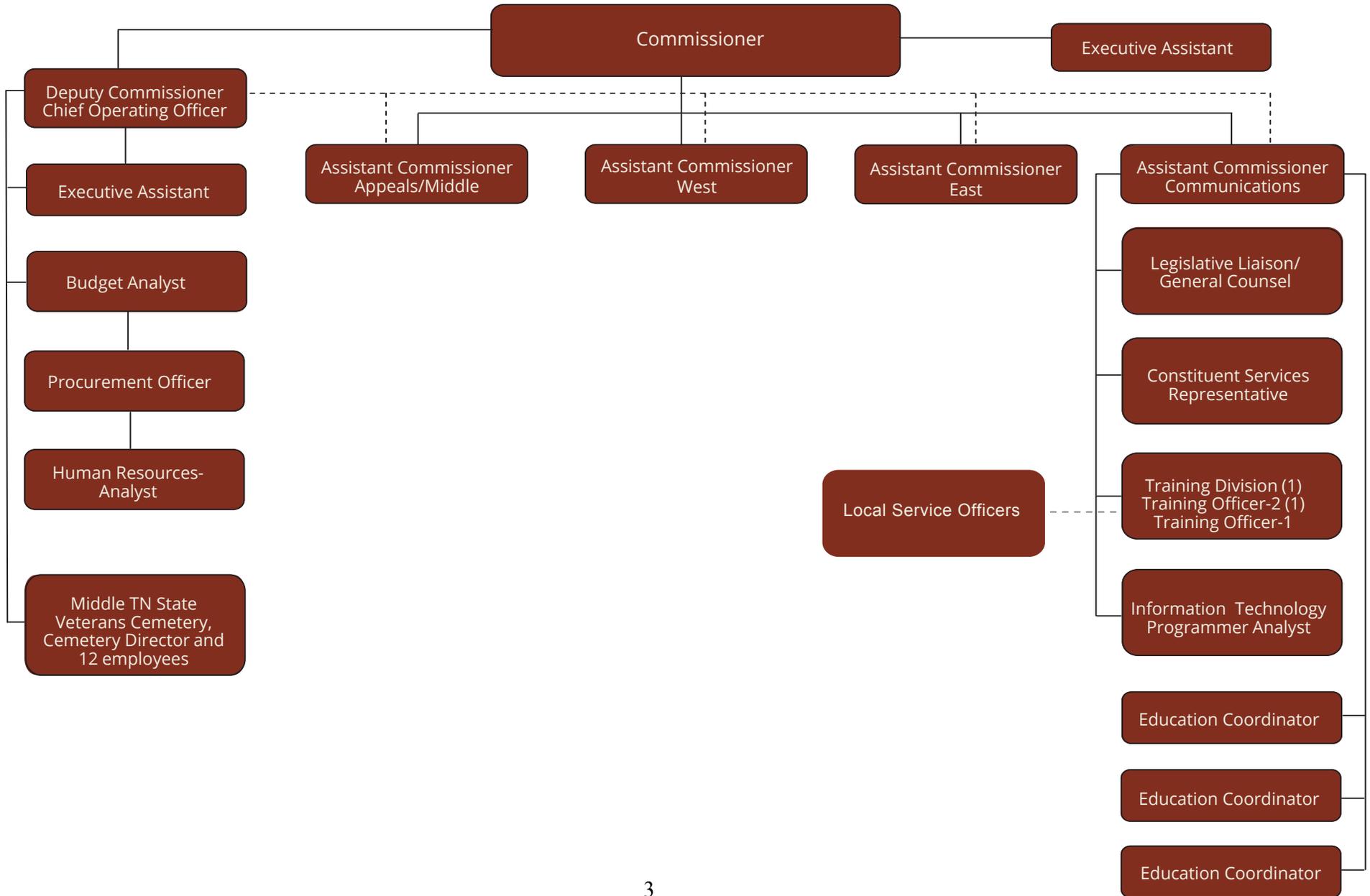
<sup>2</sup> Source: 2013-2014 *Tennessee Blue Book* and the department's website.

- collecting data and information on facilities and services available to veterans and their dependents and cooperating with service agencies in the state to make this information available to veterans;
- assisting veterans and their dependents in establishing benefits they are entitled to receive by federal, state, or local laws;
- establishing branch offices in each congressional district to assist veterans and cooperating with veterans' organizations and local service officers to assist veterans;
- training and certifying local service officers for accreditation to assist veterans and dependents with claims for benefits; and
- establishing and maintaining veterans' cemeteries in each of the three grand divisions of the state.

Under the direction of the Commissioner, the department has four Assistant Commissioners and one Deputy Commissioner. The Assistant Commissioners from the west and east divisions of the state manage the cemeteries and field offices in their respective divisions. The Deputy Commissioner is responsible for the middle division and manages the Middle Tennessee cemetery as well as the Executive Assistant, the Budget Analyst, the Procurement Officer, and the Human Resources Analyst. The Assistant Commissioner for Outreach and Communications is responsible for overseeing the Training Officer, the Legislative Liaison, the Information Technology Programmer, and constituent services.

The department uses the business unit code 323.00 to report accounting information in Edison, the state's accounting system. The department's organization chart is on page 3.

**Tennessee Department of Veterans Services  
Organizational Chart as of December 2015**



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## AUDIT SCOPE

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We have audited the Tennessee Department of Veterans Services (formerly known as the Department of Veterans Affairs) for the period July 1, 2012, through March 31, 2016. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of cemetery operations, veterans' claims services, and information systems. Department management is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. We present more detailed information about our methodologies in the individual report sections.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## PRIOR AUDIT FINDINGS

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The prior performance audit report of the Tennessee Department of Veterans Affairs (now known as the Tennessee Department of Veterans Services), which was released in October 2009, contained three findings. Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee Department of Veterans Services filed its report with the Department of Audit on April 29, 2010. A follow-up of all prior audit findings was conducted as part of the current audit.

## RESOLVED AUDIT FINDINGS

The current audit disclosed that the Tennessee Department of Veterans Services has corrected the previous audit findings which involved implementing methods to capture data about employee turnover and its impact on service delivery; maintaining a field office in each congressional district as required by statute and providing adequate services to veterans based on

veteran population; and ensuring the sufficiency of claims activity and service delivery information data collected, compiled, and used by the department for determining workloads and service delivery effectiveness.

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## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

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### CEMETERY OPERATIONS

The Tennessee Department of Veterans Services operates four veterans' cemeteries in each of the state's grand divisions to serve eligible (honorably discharged) veterans and their dependents. Originally, East Tennessee had one cemetery (Lyons View); however, another cemetery (John Sevier) was built after Lyons View reached capacity for veteran interments (dependent interments are still available). Each cemetery is overseen by a director, cemetery caretakers, and an administrative staff. Three directors are supervised by the Assistant Commissioner over their region, while the director of the Middle Tennessee cemetery is supervised by the department's Deputy Commissioner.

The interment process begins when either a funeral home or a family member of the veteran notifies the cemetery of the need for a veteran or dependent interment. The cemetery director or the cemetery's administrative assistant prepares the required interment paperwork and collects interment fees when applicable. The U.S. Department of Veterans Affairs (VA) pays for interment of all veterans; however, cemetery personnel collect cash at each cemetery for the interments of veterans' dependents. The interment fees differ depending on the type of interment: \$700 for ground interments or \$150 for columbarium inurnment (an above-grade structure designed for the interment of the cremated remains of the veteran and/or dependent). The columbarium inurnment is only available at the John Sevier cemetery in East Tennessee. Upon cash collection at each cemetery, cemetery staff enter the cash collected into the INovah system, which is used to record cash collected and generate cash receipts for customers. Management can also generate cash collection reports on a daily, weekly, and monthly basis from INovah to assist with reconciliations as needed. Once cash is collected, management locks the cash received in a safe deposit box for safekeeping until the deposit is made. According to personnel at each cemetery, deposits are made daily.

The objectives of our review of the department's cemetery operations were to determine whether

- department management had policies and procedures requiring staff to perform regular reconciliations of interment records of veterans' dependents and cash received for the interments to the revenue recorded in Edison, the state's accounting system, and whether staff actually performed the reconciliations;

- department management provided guidance to the veterans’ cemetery personnel to ensure compliance with the Department of Finance and Administration’s Policy 25, “Deposit Practices Policy,” concerning the timely deposits of cash;
- cemetery personnel maintained a sufficient record of the dependents interred at each cemetery;
- cemetery personnel maintained accurate property inventory information on the cemeteries’ inventory property lists and that inventory existed;
- cemetery personnel properly justified individual expenditures of cemetery purchases that exceeded \$2,000; and
- department management immediately reported to the Office of the Comptroller of the Treasury any thefts, forgeries, credit card frauds, public fund shortages, or any other act of unlawful or unauthorized taking or abuse of public money, property, or services.

To obtain an understanding of cemetery operations, we interviewed key personnel and reviewed applicable federal and state statutes and the department’s policies and procedures over the cemeteries. We inquired with management to determine if the department had policies and procedures to ensure proper reconciliations of dependent interment records and cash receipts to revenue recorded in Edison were performed. Because the department had not performed reconciliations of cash collected to revenue reported, we attempted to perform our own reconciliations. However, the department had not generated periodic cash receipt reports from INovah, and we had to obtain the department’s dependent interment reports from each cemetery for the period July 1, 2012, through January 31, 2015, in order to perform alternative indicated revenue analysis. We asked whether management had provided policy guidance to the cemetery personnel to ensure the timely deposit of cash collected. In addition, we tested nonstatistical, haphazard samples (see Table 1) of dependent interments from each of the cemeteries for the period July 1, 2012, through January 31, 2015, to determine whether cash receipts for the dependent interments were deposited within 24 hours of accumulating \$500, within 5 business days of accumulating more than \$100 but less than \$500, or once a month for cash collections of less than \$100, as required by the policy. For these sample items, we also reviewed the cemeteries’ records to determine whether each cemetery had maintained records of the dependents’ interments.

**Table 1**  
**Cemetery Dependent Interment Receipts Sample**  
**Parameters**

Cemetery	Total Sample Dollar Tested*	Total Population Dollar*	Interment Sample Size	Interment Population Size
East Tennessee	\$26,350	\$221,100	40	344
Middle Tennessee	\$17,500	\$294,700	25	421
West Tennessee	\$17,500	\$503,300	25	719

\*Fees charged for interments are \$700 and \$150, depending on the type of interment.

We obtained a list of 149 cemetery property inventory items as of March 26, 2015, and selected a nonstatistical, random sample of 60 items to verify that the inventory item existed and that the serial number and/or tag number agreed to the inventory list. Also, we obtained a list of 57 individual expenditures over \$2,000, totaling \$225,852, for the period July 1, 2012, through January 31, 2015, to determine if the expenditures were reasonable and necessary for the cemetery's purpose. We also inquired with management regarding any thefts; forgeries; credit card frauds; public fund shortages; or any other act of unlawful or unauthorized taking or abuse of public money, property, or services and reviewed documentation to determine whether these instances were reported immediately to the Office of the Comptroller of the Treasury.

Based on procedures performed, we determined the following:

- Department management did not have policies and procedures governing cash receipting or revenue reconciliations and did not ensure that staff performed reconciliations of actual interment records and cash receipts for veterans' dependent interments to revenue reported in Edison during the audit period; therefore, we calculated an estimation of the amount that should have been received based on the interment records and compared that amount to the amount reported in Edison and determined that the amounts did not agree (see Finding 1).
- Department management did not provide guidance to the veterans' cemetery personnel to ensure that deposits of cash receipts for dependent interments were made timely; in fact, the cemetery personnel at each cemetery had not generated INovah reports showing the detail of cash collections from individuals paying for dependent interments; therefore, we could not determine from the cash receipt records that receipts were deposited timely and intact. Because we did not have detailed cash receipt records identifying the payor and dependent interred, we had to perform alternative testwork by comparing dependent burial documents to the deposit slips to determine if cash was deposited timely. We were able to determine that cemetery staff at East and Middle Tennessee did make deposits timely based on burial records; however, cemetery personnel at the West Tennessee cemetery did not deposit cash collections for dependent interments in compliance with the timeliness guidelines prescribed in the Department of Finance and Administration's Policy 25, "Deposit Practices Policy" (see Finding 1).
- Department management did ensure that the cemetery personnel maintained sufficient records (such as VA Form 40-1330<sup>3</sup> and VA Form 4962<sup>4</sup>) of the dependents interred at the cemetery.
- Cemetery personnel maintained accurate information on the inventory property lists.
- Cemetery personnel provided sufficient documentation for supply expenditures that exceeded \$2,000 to validate the reasonableness and necessity of the expenditures.

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<sup>3</sup> Application for Standard Government Headstone or Marker.

<sup>4</sup> Verification of Eligibility for Burial in a National Cemetery.

- Because they were not aware of the compliance requirement, department management did not immediately report public fund shortages to the Office of the Comptroller of the Treasury as required by state law (see Finding 1).

**Finding 1 – Management did not establish policies and procedures governing reconciliations of cash received for dependent interments to the state’s accounting records, did not ensure reconciliations were performed, did not deposit cash collections timely at one cemetery, and did not report a cash shortage to the Comptroller of the Treasury in accordance with state law**

**Condition, Criteria, and Cause**

Management of the Tennessee Department of Veterans Services did not establish cash reconciliation policies and procedures and did not ensure staff performed reconciliations of dependent interment cash receipts to revenue reported in Edison, the state’s accounting system. Management did not provide guidance to the veterans’ cemetery personnel regarding the state’s policy for timely deposits of cash collected, which resulted in late deposits. In addition, management did not notify the Comptroller’s Office of a cash shortage, as required by state law.

**Fiscal Staff Did Not Reconcile Dependent Interment Cash Receipts to Revenue Recorded**

We found that management did not have policies and procedures to require cemetery personnel to perform regular reconciliations of cash received for dependent interments to the revenue recorded in Edison. We also found that management could not provide a list of dependent interment cash collected for each cemetery—in fact, cemetery personnel stated they did not perform a reconciliation of the cash collected to revenue recorded for the interments in Edison during the audit period. As a result, we could not determine that all cash collected was deposited and accurately recorded as revenue in Edison. In an attempt to determine whether the cemetery personnel deposited cash which approximated the number of interments recorded in interment reports, we obtained interment reports for the period July 1, 2012, through January 31, 2015. These reports included data for the number of interments and the fees the cemetery personnel charged for those interments. Using this data, we calculated an estimate of the cash that the cemeteries should have receipted and recorded for dependent interment revenue (\$1,020,100) and compared that estimate to the amount fiscal staff had reported and recorded in Edison for dependent interments (\$1,014,831). We found that the department recorded less in Edison than its internal interment reports suggested, a difference of \$5,269 (0.52%).

Even though our analytical procedures resulted in a less than 1% difference, the fact that internal data suggested that approximately \$5,000 was never deposited emphasizes management’s poor cash receipt recordkeeping and lack of sufficient controls for cash reconciliations, which increase the risk of lost funds due to fraud and/or error. Neither the Deputy Commissioner nor the Budget Officer could explain why cash reconciliation procedures were not performed or whether the \$5,269 was actually missing. They stated that the reconciliations could be performed in the future and are developing a quarterly review process.

According to Principle 10.3, “Physical Control Over Vulnerable Assets,” in the U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* (Green Book),

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

In addition, the Tennessee Financial Integrity Act, Section 9-18-102, *Tennessee Code Annotated*, requires the department to establish and maintain internal controls that provide reasonable assurance that revenues are properly recorded and accounted for and to ensure that funds are safeguarded against waste, loss, and unauthorized use or misappropriation.

#### Cemetery Personnel Did Not Deposit Dependent Interment Cash Receipts in Accordance With State Policy

Management did not provide guidance to cemetery staff so that staff were aware of the state’s policy to deposit cash receipts timely. Department of Finance and Administration’s Policy 25, “Deposit Practices Policy,” includes timeliness requirements:

The term immediately in §9-4-301 is defined as follows: A) For departments, institutions, offices and agencies, “immediately” means within 24 hours after \$500.00 has been accumulated or 5 working days if more than \$100 but less than \$500.00 has been accumulated, provided that the funds to be deposited are secured under lock and key.

We noted that for 3 of 25 dependent interments tested (12%) at the West Tennessee cemetery, staff did not deposit cash collected within 24 hours as required by the policy. Staff deposited the cash 2 to 9 days after the date of receipt. The 3 deposits, \$700 each, totaled \$2,100.

The director of the West Tennessee cemetery could not provide an explanation for the late deposits.

#### Management Was Unaware of the Law Requiring Notification to the Comptroller’s Office

Management informed us that \$700 collected for the interment of a veteran’s spouse was reported missing from the West Tennessee cemetery on April 8, 2015. Management conducted an inquiry into the issue and determined that the cash should have been maintained in a locked cabinet; however, the key to the cabinet was not secured properly and ultimately the cash was missing. On April 22, 2015, management changed the cash receipting process to only accept personal checks or money orders for dependent interments and also ensured that the key to the cabinet was properly secured. Although management implemented these controls, the

Commissioner was unaware of the requirement to report cash shortage information to the Office of the Comptroller and ultimately reported the shortage on May 11, 2015.

Section 8-19-501(a), *Tennessee Code Annotated*, states,

Any official of any agency of the state having knowledge that a theft, forgery, credit card fraud, or any other act of unlawful or unauthorized taking, or abuse of, public money, property, or services, or other shortages of public funds has occurred shall report the information immediately to the office of the comptroller of the treasury.

### **Effect**

The risks for misappropriation of assets and fraud are increased when management 1) does not establish policies and procedures to ensure an adequate cash receipting process is performed, 2) does not ensure staff perform regular reconciliations of cash receipts to dependent interment revenue in the accounting records, 3) does not provide guidance regarding the state's policy for timely deposits of cash receipts, and 4) does not ensure cash is promptly deposited. In addition, it is vital that the cemeteries notify the Comptroller's Office of probable theft or fraud as quickly as possible, as required by law, so that the Comptroller's Office can assist management with steps to address any malfeasance noted.

### **Recommendation**

According to the Deputy Commissioner, the department is now performing a monthly reconciliation of INovah receipts to dependent interment, which we will test on the next audit. Management should continue this reconciliation process and, in addition, management should provide cemetery personnel with guidance and communication regarding the state's policies and procedures on cash receipting and deposits to ensure cash is receipted and deposited timely. Finally, management should safeguard all cash and immediately report any cash shortages to the Office of the Comptroller of the Treasury.

### **Management's Comment**

We concur. Effective April 2015, our agency revised the Tennessee Department of Veterans Services (TDVS) Cemetery Standard Operating Procedures, indicating cash is no longer an acceptable form of payment for dependent burials in any of the four State Veterans Cemeteries. This revision eliminated the need to publish a policy and procedures governing reconciliation of cash. In lieu of cash payments, each cemetery was equipped with and effectively trained on the use of credit card machines. Although cash is no longer an acceptable form of payment, TDVS conducts monthly reconciliations for dependent burials, regardless of the form of payment.

As referenced in Finding 1, in April 2015, an incident involving missing funds in the amount of \$700.00 occurred at the Tennessee State Veterans Cemetery in Memphis, Tennessee. The agency conducted an investigation of the missing funds within 24 hours of notification. Due to the fact that this was the appointing authority's initial experience involving missing funds,

TDVS was unaware of the requirement to immediately notify the Comptroller of the Treasury of the incident. During the course of the audit, TDVS learned of this requirement and as a result, a copy of the investigation along with witness statements was provided to the Comptroller of the Treasury.

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## VETERANS' CLAIMS SERVICES

Veterans of the U.S. Armed Forces may be eligible for programs and services provided by the U.S. Department of Veterans Affairs (VA) and for state benefits through the Tennessee Department of Veterans Services (TDVS). Eligibility for most benefits is based upon honorable discharge from active military service. Veterans do not automatically receive benefits; they must file a claim or application for benefits after leaving the military. In order to expedite benefits delivery, veterans seeking a VA benefit for the first time must submit a copy of their service discharge form (DD-214;<sup>5</sup> DD-215;<sup>6</sup> or, for World War II veterans, WD<sup>7</sup>), which documents service dates, type of discharge, full name, military service number, and branch of the veteran seeking benefits. Some benefits require wartime service and/or a service-connected disability.

Throughout the state, accredited service organization representatives (local service officers) are available to advise veterans (as well as their dependents and survivors) about benefits for which they may be eligible and to assist in filing claims for those benefits. These accredited service organization representatives are located in TDVS field offices; county offices as authorized by state law; and other private organizations such as the American Legion and Disabled American Veterans. For individuals seeking to become an accredited service organization representative, TDVS provides training, administers an exam, and submits accreditation requests to the VA in Washington, D.C. The VA sends TDVS approval letters showing that the individual has been accredited. TDVS requires accredited service organization representatives to receive additional yearly training regarding any changes in federal and state regulations.

The accredited service organization representative is required by federal and state law to verify that the veteran is eligible for benefits by reviewing forms documenting the claimant's military service dates, such as a DD-214, DD-215, or WD form. Eligibility verification helps TDVS avoid submitting claims to the VA for claimants who are not eligible for benefits and further slowing down the claims process.

Since 2012, TDVS and a majority of county service organization representatives have used VetraSpec, a web-based claims management software, to document veterans' claims. VetraSpec contains the veterans' military service information, claims forms, and identification of VetraSpec users who have assisted veterans with filing claims for benefits. The county-

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<sup>5</sup> Report of Separation form.

<sup>6</sup> Correction to Form DD-214, Certificate of Release, or Discharge from Active Duty.

<sup>7</sup> Prior to 1950, the WD Form was used instead of the DD-214. It verifies a World War II veteran, or those who served prior, for the same types of benefits that a DD-214 does.

accredited service organization representatives and other private organizations without access to VetraSpec fax veterans' claims directly to the VA.

The objectives of our review of veterans' claims services were to determine whether

- management had policies and procedures to ensure that an accredited service organization representative assisted veterans with preparing and submitting claims; and
- management's VetraSpec system maintained documentation that a service organization representative had established claimants' veteran statuses for initial claims before submitting the claims.

We interviewed key personnel, and we also reviewed federal and state statutes and TDVS's policies and procedures over veterans' claims for benefits. We obtained a list of 55,916 claims and other forms for assistance within VetraSpec between July 1, 2012, and January 31, 2015. From this list of claims and other forms for assistance, we identified a total of 149 individuals who prepared and submitted claims for benefits and other related documents on behalf of the veterans. In order to ensure that these 149 individuals were accredited service organization representatives, we obtained from the VA a list of 349 accredited service organization representatives in Tennessee as of May 29, 2015. We also obtained letters of accreditation from TDVS to verify the accreditation status of individuals who did not appear on the VA's list.

We reviewed the list of 55,916 claims and other forms for assistance noted above with the intention of testing 25 initial claims to determine if there was evidence that the department verified the claimant's veteran status prior to the submission of the initial claim. After our review of the listing, we realized that we were unable to determine the population of initial claims and therefore could not select the sample of 25 initial claims. We did identify 12 initial claims that we were able to test to determine if there was evidence that the veteran's status was verified prior to submitting the initial claim.

Based on procedures performed, we determined that

- management did not ensure that properly accredited service organization representatives assisted veterans with preparing and submitting claims (see Observation); and
- management did not ensure that the accredited service organization representatives documented the veteran status of the claimant in the VetraSpec system prior to submitting claims (see Observation).

**Observation – Veterans’ claims for benefits were not always prepared and submitted by an accredited service organization representative, and the department did not retain the required documentation of veteran status within its claims management system**

Veterans’ Claims for Benefits Prepared by Unaccredited Personnel

The Tennessee Department of Veterans Services (TDVS) did not ensure that veterans’ claims for benefits were prepared by an accredited service organization representative. Based on analytical procedures performed, we identified 15 individuals (the 15 individuals worked in different county offices) who were not properly accredited as a service organization representative but submitted claims in VetraSpec. We determined that

- 11 unaccredited individuals, who prepared 1,751 claims for benefits, were administrative assistants; and
- 4 individuals, who prepared 206 claims for benefits, were identified by TDVS as accredited individuals, but because the accreditation letter was destroyed subsequent to the end of their employment, we could not verify the individuals’ accreditation.

In regard to the unaccredited individuals assisting in the preparation and submission of claims, the Director of the Nashville Claims Center stated that VetraSpec claim documentation is reviewed at the Nashville Claims Center prior to being submitted to the VA. However, we were unable to find documentation of this review. Additionally, the Assistant Commissioner stated that administrative staff were allowed to draft forms, prepare intake documents, and upload documents into the VetraSpec system.

Federal requirements outline the activities reserved for accredited personnel in Title 38, *Code of Federal Regulations*, Part 14, Section 627(a), which states, “*Accreditation* means the authority granted by VA to representatives, agents, and attorneys to assist claimants in the preparation, presentation, and prosecution of claims for VA benefits” [emphasis in original].

In addition, the Accreditation Frequently Asked Questions page on the U.S. Department of Veterans Affairs’ (VA) Office of General Counsel’s website explicitly excludes unaccredited individuals from assisting in the preparation of claims. The website states the following:

Question: Is VA accreditation required to assist a veteran in preparing his or her claim? Response: Yes. Accreditation means the authority granted by VA to assist claimants in the preparation, presentation, and prosecution of claims for benefits. 38 C.F.R. § 14.627(a). Unaccredited individuals may provide other services to veterans so long as they do not assist in the preparation, presentation, and prosecution of claims for benefits.

## Veteran Status Documentation Not Retained Within VetraSpec

TDVS did not retain documentation of veteran status within VetraSpec, its claims management system. Based on a review of the 12 initial claims for benefits filed, we determined the following:

- For 9 of 12 initial claims for benefits we reviewed (75%), management did not ensure the system captured and maintained documentation of the veteran's service discharge form as required. Of the 9 claims, 3 were prepared and submitted by TDVS's field offices, and 6 were prepared and submitted by county offices.

According to the VA's *Federal Benefits for Veterans, Dependents and Survivors* 2014 booklet,

In order to expedite benefits delivery, Veterans seeking a VA benefit for the first time must submit a copy of their service discharge form (DD-214, DD-215, or for World War II Veterans, a WD Form), which documents service dates and type of discharge, or provides full name, military service number, and branch and dates of service.

According to the Tennessee Office of the Secretary of State's Records Management Division's Records Disposition Authority SW25, "Administrative Documents – Internal Policies and Procedures," documents that relate to the day-to-day administration of internal policies, procedures, and rules are to be retained for five years.

According to the Deputy Commissioner, service organization representatives can verify veteran status using the VA's information systems; however, this was not documented within VetraSpec.

When unaccredited individuals assist with and submit claims for a veteran and do not obtain or maintain claim support documentation such as veteran status within VetraSpec, TDVS not only increases the risk that veterans will not receive all of the benefits that they are entitled to but also increases the risk that claims for benefits will be submitted on behalf of an ineligible veteran, which slows down the process for those veterans who are entitled to benefits.

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## **INFORMATION SYSTEMS**

The Tennessee Department of Veterans Services relies on various information systems, databases, and applications to capture and maintain information that supports its activities. The department's critical application is VetraSpec, which, as noted previously, houses critical information related to veterans and their claims for benefits.

The objective of our review of the department's information systems was to determine whether management followed best practices for the information systems industry.

To determine whether management followed industry best practices, we compared management's internal control activities to industry best practices.

Based on the procedures performed, we determined that management did not follow best practices for the information systems industry in five specific areas (see Finding 2).

**Finding 2 – The department did not provide adequate internal controls in five specific areas**

The Tennessee Department of Veterans Services did not design and monitor internal controls in five specific areas. Ineffective implementation of internal controls increases the risk of errors, data loss, and inability to continue operations. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

**Recommendation**

The Commissioner should ensure that these conditions are remedied by the prompt development and consistent implementation of internal controls in these areas. The Commissioner should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

**Management's Comment**

We concur. Policies and procedures that address the situation are under development and will be placed into operation at the earliest possible date.