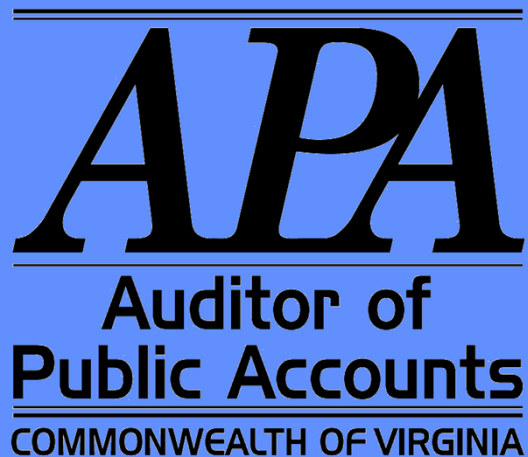


**DEPARTMENT OF VETERANS SERVICES  
AND THE  
VETERANS SERVICES FOUNDATION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2010**



## **AUDIT SUMMARY**

Our audit of the Department of Veterans Services and the Veterans Services Foundation for the year ended June 30, 2010, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and the department's Financial Management System;
- internal control matters that require management's attention and corrective action; these are located in the "Internal Control and Compliance Findings and Recommendations" section of this report beginning on page 3;
- instances of noncompliance with applicable laws and regulations that are required to be reported; these are located in the "Internal Control and Compliance Findings and Recommendations" section of this report beginning on page 3; and
- an efficiency item related to the Commonwealth's veterans foundations located in the "Efficiency Finding and Recommendation" section of this report on page 6.

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## VETERANS SERVICES, A GROWING ORGANIZATION

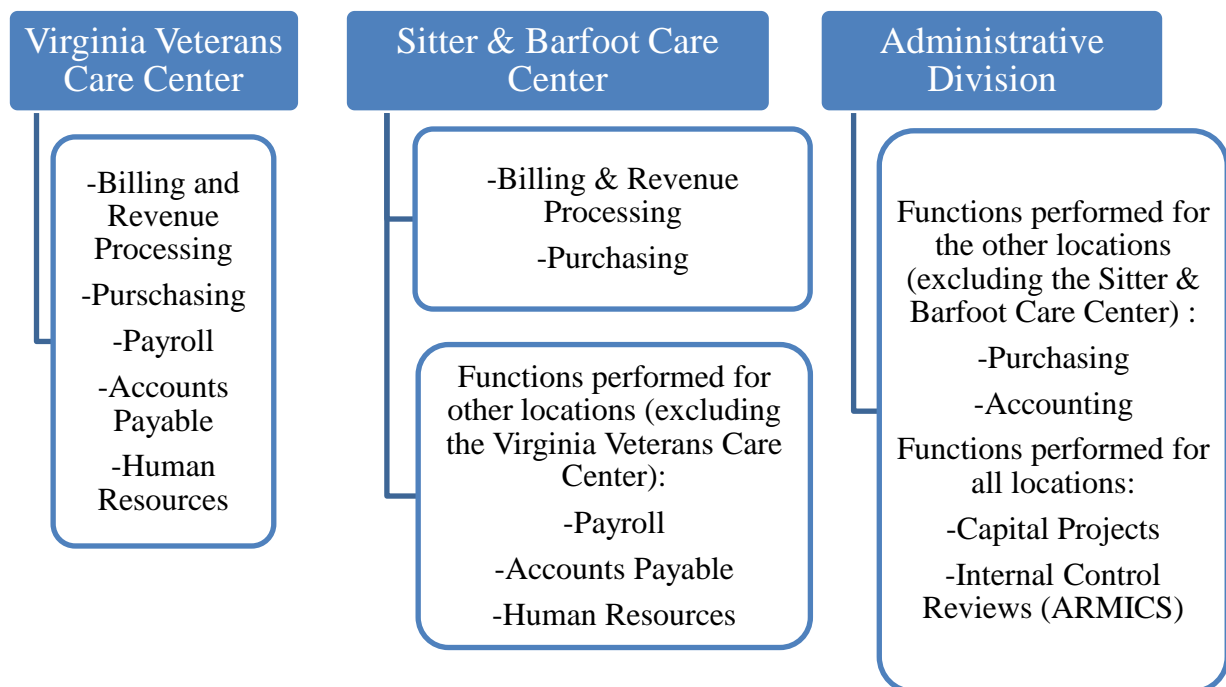
The Virginia Department of Veterans Services (Veterans Services) consists of a central office, two cemeteries, two care centers, and 20 benefit offices located throughout the Commonwealth to provide veterans access to services. Veterans Services is completing a third cemetery in early 2011.

Veterans Services has submitted applications for federal funds to build and open two more care centers. Veterans Services is currently number 42 on the federal government's funding list for constructing care centers. The federal government determines the ranking on their list based on the number of veterans living in the state, the number of beds currently in the state, as well as a few additional criteria. The likelihood of Virginia receiving funds and opening new care centers is dependent on the amount of funds allocated by Congress.

### Administrative Services

Veterans Services operates decentralized administrative functions throughout its organization, in which each operating unit has most of the same administrative functions. Veterans Services has an Administrative Division; additionally, the Virginia Veterans Care Center in Roanoke and the Sitter & Barfoot Care Center in Richmond each have their own administrative staff. However, the benefits offices do use administrative services from both the Administrative Division and the Sitter & Barfoot Care Center. The Administrative Division provides purchasing, accounting services, capital projects, and internal control reviews; whereas the Sitter & Barfoot Care Center provides payroll, accounts payable, and human resources services to the benefits offices.

The following chart shows the current organization of Veterans Services' administrative functions.



As the table above shows, Veterans Services duplicates several administrative functions including billing and revenue processing, purchasing, payroll, and accounts payable. There is potential for streamlining and consolidating some of Veterans Services' administrative functions in one location.

Currently, the two care centers account for 81 percent of Veterans Services' expenses. Before Veterans Services opens two more care centers, management should determine the most effective way to reorganize its administrative functions such that they: eliminate duplication; use existing technologies and applications to move information to the source of origin; and then use value-added techniques for processing and reporting.

An effective reorganization of Veterans Services' administrative functions will ensure the Department can devote appropriate resources to Virginia's veterans. Reorganizing its administrative functions will allow Veterans Services to improve its internal control structure while potentially reducing its administrative expenses.

We previously recommended that management evaluate its operating environment and consider consolidating administrative functions in one location. As Veterans Services expands its physical footprint by opening new care centers and completing new cemeteries, its current decentralized environment may prevent the agency from achieving economies of scale.

Additionally, management will need to address many of the findings and recommendations in advance of any possible consolidation efforts to ensure that management only implements the best administrative practices and discontinues less effective practices. To provide management with insight into how administrative practices differ between its various locations we have grouped the findings and recommendations in the next section by their related locations.

## **INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS**

### **Sitter & Barfoot Care Center**

#### **Prevent Employees from Approving Their Own Timesheets**

Sitter & Barfoot Care Center did not establish proper segregation of duties within its time and effort system, Kronos, to prevent employees from approving their own timesheets. Approval of timesheets is a critical control that provides evidence that services were received and reasonable.

We found six employees, consisting of one staff and five managers, approving their own timesheets. Not having proper segregation of duties in approval of time and effort records can lead to the following issues:

- Approval of hours that were not worked
- Approval of excessive overtime, including shift differentials
- Unrecorded use of leave

We recommended and the Care Center has implemented system controls to ensure all employees, including managers, have their timesheets approved by the appropriate supervisor.

#### **Retain Support for Increasing Transaction Limit on Small Purchase Charge Cards**

The Small Purchase Charge Card Program Administrator (Administrator) at the Sitter & Barfoot Care Center did not retain support for overriding the transaction limit established by an employee supervisor. Single transaction limits are a critical control of the card charge program because they prevent employees from spending more than their authorized amount on any one purchase.

While the \$5,500 in total purchases appears reasonable, in the three cases where Sitter & Barfoot Care Center employees exceeded the \$500 transaction limit set for their card, the Administrator did not retain documentation supporting their decision to increase the authorized limit set by the employee's supervisor. The Commonwealth Accounting Policies and Procedures (CAPP) Manual, Topic 20355 requires that the Administrator maintain this documentation at the agency for audit purposes and provide such documentation if requested.

The Administrator at the Sitter & Barfoot Care Center should maintain proper supporting documentation for granting single limit transaction increases for cardholders.

## **Virginia Veterans Care Center**

### **Retain Evidence that Supervisors Approved Timesheets**

The Payroll Manager at Virginia Veterans Care Center does not retain evidence of authorization from supervisors to pay employees. Unlike the Sitter & Barfoot Care Center, Virginia Veterans Care Center does not have enough licenses for their time and attendance system, Kronos, to allow supervisors to approve timesheets electronically within the system.

To overcome this lack of ability, the Payroll Manager prepares timesheet reports from Kronos each week and sends them to the supervisors of each department for review, with the exception of the Nursing Department that reviews attendance on-line. If a department's supervisor does not return any changes to the Payroll Manager, the Payroll Manager assumes the supervisor has approved the payroll and pays employees based on the information in Kronos.

Conversely, if a supervisor does make an adjustment the Payroll Manager does retain the documentation supporting the adjustment. However, Kronos does not create an audit log of the adjustments, which prevents management from determining what adjustments the Payroll Manager made that were approved.

To hold supervisors accountable for an employee's hours, management at Virginia Veterans Care Center should require the Payroll Manager to have evidence from each supervisor that the employees worked the hours as reported in Kronos prior to paying employees. Additionally, the Payroll Manager should retain the supervisor approved timesheets as support for paying employees as this will allow management to know if there were any unauthorized adjustments to employee hours.

### **Provide an Employee with Evaluations that Accurately Reflect Performance**

We found one supervisor at Virginia Veterans Care Center that is not providing an employee with written evaluations that accurately reflect their job performance. Allegations came to our attention during the course of the audit that an employee was not performing job duties while at work and was performing personal tasks during working hours.

As a result, we questioned the employee's supervisor and reviewed appropriate information. The supervisor confirmed that the employee had performance issues. However, supervisor did not document the performance issues or inform the Human Resource Director of these matters. Additionally, the supervisor's written evaluations of the employee indicated that the employee was meeting expectations.

We recommend that the Human Resource Director at the Virginia Veterans Care Center ensure that the personnel files adequately reflect each employee's performance. Supervisors should work with the Human Resource Director to identify poor, substandard, or unacceptable performance and develop the applicable documentation that is accurate. After there is adequate support, management will need to determine and take appropriate action for those employees that are not meeting expectations.

## **Virginia Veterans Care Center and Sitter & Barfoot Care Center**

### **Perform Reconciliations and Document Standard Operating Procedures**

For seven months, the Virginia Veterans Care Center has not performed a reconciliation between its new patient revenue system and the Commonwealth Accounting and Reporting System (CARS). The Virginia Veterans Care Center implemented the new patient revenue system, Point Click Care (PCC), in July 2010 and as of February 2011, the Finance Director has not performed a reconciliation between the new patient revenue system and CARS. Additionally, the Finance Directors at both care centers have not adequately documented the procedures for the staff to follow when reconciling Veterans Services' Financial Management System (FMS) to CARS.

Senior management of Veteran Services should instruct the Finance Director at the Virginia Veterans Care Center in Roanoke to perform a reconciliation of patient revenues. Additionally, the Finance Directors at both care centers should develop "desk procedures" for their processes, which would comply with the State Comptroller's policies and procedures to ensure entities can transfer responsibilities when turnover occurs and the processes can continue. The lack of detailed written policies and procedures increases the risk of errors in CARS, which is the State's official financial system.

## **Central Office**

### **Promptly Remove Access to Critical Systems for Employees Terminated or with Inactive Accounts**

Veterans Services did not promptly remove access to CARS for a terminated employee we tested at the Virginia Veterans Care Center. We found the employee had access to CARS for 100 days after termination from Veterans Services. In addition, Veterans Services did not promptly remove access to their FMS system for seven employees. We found seven employees with FMS access, who had not logged-in to the system in the last year or longer. One employee did not use their access in the last four years. None of these employees need FMS access for their jobs. Allowing employees to retain unneeded access opens the door for disgruntled employees to jeopardize the confidentiality, integrity, and availability of Veterans Services' critical information.

The Commonwealth Security Standards SEC 501 Section 5.2.2.23/24 requires the prompt removal of access when employees leave the agency. We recommend that the facilities review their processes for deleting access to ensure that individuals responsible for deleting access do so promptly after an employee's termination or when they no longer need access to the system.

### **Ensure Vendor Controls are Working**

Veterans Services has never reviewed the Service Organization Control reports (formally known as SAS 70 reports) for the Point Click Care system it uses, which is a web-based system that includes patient billing information. Billings are critical to Veterans Services operations; however, it



has no procedures for ensuring its off-site information technology vendor controls are working and properly audited. While we obtained and reviewed the most recent Service Organization Control report for Point Click Care and noted no significant weaknesses, it is still management's responsibility at Veterans Services to review these reports to be aware of potential security risks surrounding their data and take appropriate action.

Veterans Services' management should develop and implement procedures to ensure off-site information technology systems are secure and properly audited. This process should include requesting and reviewing any Service Organization Control reports conducted on vendors that control off-site information technology systems.

## **EFFICIENCY FINDING AND RECOMMENDATION**

### **Evaluate Coordinating Efforts for Fundraising**

The Commonwealth has three fundraising entities that provide support; the Virginia War Memorial Foundation, the Virginia War Memorial Foundation Educational Foundation (Educational Foundation), and the Veterans Services Foundation. The Veterans Services Foundation raises funds for the Virginia care centers and the Virginia Wounded Warrior Program. The Virginia War Memorial Foundation raises funds to maintain the War Memorial, and the Educational Foundation raises funds for items related to educational programs at the war memorial in Richmond.

While all three foundations have different missions, all three foundations normally seek donations from the same general population and specific groups, which may cause confusion or diffuse the ability of the groups to raise funds. With leadership from the new Secretary of Veterans Affairs and Homeland Security, there is an opportunity for these foundations to evaluate whether the foundations would find it mutually beneficial to coordinate their fundraising and marketing efforts.

## AGENCY HIGHLIGHTS

Veterans Services consists of an administrative division and five service delivery branches: benefits, cemeteries, care centers, veterans' education, and the Virginia Wounded Warrior Program. These branches work with three board-related entities – the Boards of Veterans Services, the Joint Leadership Council of Veterans Service Organizations, and the Veterans Services Foundation – to support the delivery of services to Virginia's veterans.

### Benefits

The United States Department of Veterans Affairs provides benefits and services to veterans of the armed forces. These benefits include compensation for service-connected disability or death, income-based pensions, medical care, educational benefits, and home purchase assistance.

The Benefits Service Division assists Virginia's veterans in gaining information and access to the federal benefits and services for which they are eligible. The Benefits Service Division operates 20 field offices across Virginia to assist eligible veterans. In addition to the field offices, the division also operates numerous traveling service points to serve veterans. Various government agencies and private entities provide the space for these additional service points.

### Care Centers

Veterans Services operates two care centers: the Virginia Veterans Care Center in Roanoke and the Sitter & Barfoot Care Center in Richmond. Veterans Services is anticipating receiving funding from the U. S. Department of Veterans Affairs to build a third care center in Hampton and has plans for a fourth care center in Northern Virginia. Veterans Services is currently number forty-two on the federal government's funding list for constructing care centers. The federal government determines the ranking on their list based on the number of veterans living in the state, the number of beds currently in the state, as well as a few additional criteria. Veteran's Services will have to match 35 percent of the federal funds for the construction of the facilities as well as have approximately five million dollars in startup funds for each facility until the facilities become self-sufficient.

The Virginia Veterans Care Center provides long-term health care for up to 240 veterans in 120 semi-private rooms. Of the facility's 240 beds, 180 are skilled nursing care beds (including 60 set aside for Alzheimer's patients) and the remaining 60 beds are for assisted-living patients. The Sitter & Barfoot Care Center provides long-term care for up to 160 veterans. All of the facility's 160 beds are single occupancy, skilled nursing care beds. Of the 160 beds, 40 are in a secure unit for Alzheimer's patients with an enclosed courtyard.

The Care Centers receive no operating monies from the General Fund, operating entirely on revenues produced through caring for veterans. Revenue sources for both facilities include Medicaid, Medicare, per diem payments from the U.S. Department of Veterans Affairs, and private funding sources.

The following table summarizes each care center's revenues, expenses, and populations for fiscal year 2010. The revenues and expenses per resident are higher for the Sitter & Barfoot Care

Center, because this facility has all skilled nursing beds whereas the Virginia Veterans Care Center has 60 assisted living beds, which are much less expensive to staff than nursing beds.

COMPARISON OF FACILITY OPERATIONS  
Fiscal Year 2010  
Long-term Care Facilities

	<u>Sitter &amp; Barfoot Care Center</u>	<u>Virginia Veterans Care Center</u>
Average resident census	<u>157</u>	<u>220</u>
Total resident days	<u>57,148</u>	<u>79,904</u>
Revenue:		
Collections (institutional revenue)	\$ 13,663,357	\$12,205,867
Federal revenue	4,220,266	5,359,772
Other revenues	<u>6,758</u>	<u>40,412</u>
Total revenue	<u>\$ 17,890,381</u>	<u>\$17,606,051</u>
Expenses:		
Personal services	11,675,657	11,095,958
Contractual services	1,467,858	2,458,280
Supplies and materials	1,605,890	2,557,662
Continuous charges	1,018,503	906,685
Equipment	55,201	172,965
Plant and improvements	114	
Transfer payments	<u>178,326</u>	<u>41,149</u>
Total expenses	<u>\$ 16,001,549</u>	<u>\$17,232,699</u>
Excess (deficiency) of revenues over expenses	<u>\$ 1,888,832</u>	<u>\$ 373,352</u>
Expenses per resident	<u>\$ 101,921</u>	<u>\$ 78,330</u>
Expenses per resident per day	<u>\$ 280</u>	<u>\$ 216</u>
Revenues per resident	<u>\$ 113,951</u>	<u>\$ 80,028</u>
Revenues per resident per day	<u>\$ 313</u>	<u>\$ 220</u>

Source(s): Commonwealth Accounting and Reporting System, 2010 Commissioner's Report

## Cemeteries

The Cemeteries Services Division operates two state-owned and operated cemeteries, the Virginia Veterans Cemetery in Amelia and the Albert G. Horton, Jr. Memorial Veterans Cemetery in Suffolk. These cemeteries provide burial and perpetual care services for veterans and their eligible dependents. Veterans Services is constructing a third cemetery in Southwest Virginia. The cemetery has four phases, and will add gravesites as needed with phase one scheduled for completion by spring 2011.

## Virginia Wounded Warrior Program

The Virginia Wounded Warrior Program provides a network of community-based services designed to help veterans and their families overcome the challenges of stress-related and traumatic brain injuries. These services are coordinated through local regional Virginia Wounded Warrior Program consortia consisting of community providers, including community services boards, brain injury services providers, Virginia Medical facilities, and other public and private providers.

## Veterans Education

Veterans Services is the U.S. Department of Veterans Affairs' State Approving Agency for Veterans Education (SAA). As the SAA, Veterans Services reviews, evaluates, and approves post-secondary education and training programs offered by educational institutions and various other entities within Virginia. Once a program receives approval, eligible veterans, war orphans, and widows may enroll in and receive financial assistance from the U.S. Department of Veterans Affairs while pursuing an approved course or program. Veterans Services monitors the approved educational and training programs to ensure compliance with applicable federal and state regulations.

## Veterans Services Foundation

The Veterans Services Foundation (Foundation) serves as an advisory foundation within the executive branch of state government. The Foundation raises funds, identifies existing revenue sources for veterans programs, and administers the Veterans Services Fund. Veterans Services' administrative division processes the Foundation's transactions. The Foundation spends funds on holiday gifts for the Care Center residents, activities, and other items for the veterans.

## Veterans War Memorial Foundation

The Virginia War Memorial Foundation's (Memorial Foundation) Board of Trustees (the Trustees) determines how to honor Virginians for faithful service in time of war and oversees all Memorial Foundation activities. The Trustees verify that the War Memorial (Memorial) includes the names of all Virginians killed-in-action from World War II, the Korean War, the Vietnam War, and the Persian Gulf War, and Virginians missing-in-action from the Vietnam War.

The Trustees have focused on the renovation and expansion of the Memorial to include educational facilities, as well as the development of the educational programs. To further support its mission and provide a greater incentive for donations, the Trustees established the Virginia War Memorial Educational Foundation, Incorporated (Corporation), to act as an administrative fund-raising arm of the Memorial Foundation as a tax-exempt organization under Section 501 (c)(3) of the

Internal Revenue Code. The Corporation is a publicly supported organization, and grantors and contributors may rely on its publicly supported status to make tax-exempt donations. Therefore, all fund-raising efforts flow through the Corporation to ensure the tax-exempt status of donations received.

During our audit of the Memorial Foundation, we noted that there was an opportunity to increase the efficiencies surrounding fundraising for veteran's programs established in the Commonwealth. As a result, we issued a joint efficiency recommendation, shown above, included in the Memorial Foundation audit report.

### Financial Information

The following table summarizes Veterans Services' original and final budgets and their actual expenses. The Executive Management Program line item represents General Fund budget reductions reflected in Chapter 781 of the 2009 *Acts of the Assembly* for Veterans Services. Of the \$3.5 million variance between the final budget and actual expenses, about \$2.4 million (69 percent) is the difference between the final budget and actual expenses for the Care Center Operations. The care centers accounts for 81 percent of Veterans Services' operating expenses. The final budget for the Care Centers exceeds their actual expenses to ensure they can collect and pay the non-General funds necessary to continuously provide services to veterans.

#### Analysis of Budgeted to Actual Operating Expenses by Program for Fiscal Year 2010

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Care center operations	\$33,657,205	\$35,619,737	\$33,234,249
Veterans benefits services	3,682,901	3,126,125	3,101,960
Wounded warrior	2,150,000	2,122,078	1,906,282
Administration and support	2,256,984	2,013,135	1,203,006
Cemetery management	834,539	829,457	688,307
War memorial	271,908	246,813	246,046
Veterans education	704,223	704,223	687,809
Executive management	(596,380)	-	-
Total	<u>\$42,961,380</u>	<u>\$44,661,568</u>	<u>\$41,067,659</u>

*Source(s): Chapter 781, Chapter 872, and the Commonwealth Accounting and Reporting System*

The following table summarizes Veterans Services' actual operating expenses by funding source. Together the veterans benefits services, wounded warrior, and administrative and support programs spend 89 percent of Veterans Services' General Funds, whereas the care centers spend 99 percent and 92 percent of its non-general and Federal revenues, respectively.

Analysis of Actual Operating Expenses by Funding Source Fiscal Year 2010

<u>Program</u>	<u>General</u>	<u>Non-General</u>	<u>Federal</u>	<u>Expenses</u>
Care center operations	\$ -	\$23,993,252	\$ 9,240,997	\$33,234,249
Veterans benefits services	3,091,920	10,040	-	3,101,960
Wounded warrior	1,906,282	-	-	1,906,282
Administration and support	1,197,944	5,062	-	1,203,006
Cemetery management	509,610	48,624	130,073	688,307
War memorial	217,494	28,552	-	246,046
Veterans education	-	-	687,809	687,809
Executive management	-	-	-	-
Total	<u>\$6,923,250</u>	<u>\$24,085,530</u>	<u>\$10,058,879</u>	<u>\$41,067,659</u>

*Source(s): Chapter 781, Chapter 872, and the Commonwealth Accounting and Reporting System*

The following table summarizes Veterans Services' fiscal 2010 operating expenses by type. Overall, personal services accounted for 67 percent of Veterans Services operating expenses in fiscal 2010.

Fiscal 2010 Operating Expenses by Type

Personal services	\$27,430,551	67%
Contractual services	5,158,777	13%
Supplies and materials	4,261,568	10%
Transfer payments	1,578,507	4%
Continuous charges	2,373,104	5%
All other types	<u>265,152</u>	<u>1%</u>
Total	<u>\$41,067,659</u>	<u>100%</u>

*Source: Commonwealth Accounting and Reporting System*

In addition to its operating expenses, Veterans Services had about \$1.9 million in capital project expenses. The following table provides detailed expenses for Veterans Services' three capital projects in fiscal 2010. Nearly 87 percent of total capital project expenses related to the development of a veterans cemetery in southwest Virginia.

Capital Project Expenses for Fiscal 2010

Southwest Virginia Veterans Cemetery	\$1,712,947
Acquisition of land for Hampton Roads Cemetery	2,152
Maintenance reserve	<u>242,858</u>
Total capital project expenses	<u>\$1,957,957</u>

*Source: Commonwealth Accounting and Reporting System*



# Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

March 28, 2011

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Veterans Services** and the **Veterans Services Foundation** (Veterans Services) for the year ended June 30, 2010. We conducted this performance 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.

## Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and Veterans Services' Financial Management System, review the adequacy of the Veterans Services' internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

Veterans Services' management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent



of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenses	Payroll	Small purchase charge card
Revenues	Collection of receivables	Information Systems Security

We performed audit tests to determine whether Veterans Services' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel; inspection of documents, records, agreements, and contracts; and observation of the Veterans Services' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that Veterans Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Veterans Services records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Internal Control and Compliance Findings and Recommendations."

Veterans Services has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

### Exit Conference and Report Distribution

We discussed this report with management on April 8, 2011. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

GDS:alh



COMMONWEALTH of VIRGINIA  
*Department of Veterans Services*

Paul E. Galanti  
Commissioner

Telephone: (804) 786-0286  
Fax: (804) 786-0302

April 15, 2011

Mr. Walter Kucharski, Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Dear Mr. Kucharski:

We have reviewed your audit report for the audit of the Department of Veterans Services and the Veterans Services Foundation, for the year ended June 30, 2010. We agree with the comments contained in your report; however, because this Department was begun without adequate administrative support at a time when available financial resources were diminishing, the previous Commissioner choose to maintain direct services to our veterans as much as possible, and phase in needed administrative reorganizations, as resources permitted. We continue to believe that this is the correct approach, and we have already combined all revenue, expenditure and payroll accounting activities for all of the Department other than for the Virginia Veterans Care Center, at our Sitter & Barfoot Veterans Care Center location. Desk procedures are desirable; however, with the complete absence of administrative staff, we believe that we must first establish the function, and then document appropriate desk procedures. This will therefore be a work in process for the next several years.

Finally, with regard to efficiencies to be had through the combination of several of our legislatively established boards, we understand the intent of the recommendation, but know that any changes in this area must be made by the General Assembly.

We will file the required corrective action plan with the State Comptroller; however, it will note the extended timeline that will be necessary to implement everything that has been recommended.

We thank you and your staff for your review and the assistance you have provided to us.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul E. Galanti", with a stylized flourish at the end.

Paul E. Galanti

DEPARTMENT OF VETERANS SERVICES

Paul E. Galanti  
Commissioner

BOARD OF VETERANS SERVICES  
As of June 30, 2010

Thad Jones  
Chairman

John A. Anderson  
Delegate Mark L. Cole  
Delegate M. Kirkland Cox  
Senator John S. Edwards  
William G. Haneke  
Jenny M. Holbert  
Kate Kohler  
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Delegate Vivian E. Watts