

AUDIT SUMMARY

Our audit of the Department of Veterans' Affairs for the years ended June 30, 1998 and 1997 found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in the internal control structure; and
- no instances of noncompliance that are required to be reported under Government Auditing Standards.

- T A B L E O F C O N T E N T S -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORT

FINANCIAL HIGHLIGHTS

AGENCY OFFICIAL

May 20, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Veterans' Affairs** for the years ended June 30, 1998 and 1997. We conducted our audit in accordance with generally accepted government auditing standards.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to review the financial transactions recorded on the Commonwealth Accounting and Reporting System, adequacy of the internal control structure, and compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observations of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations over the significant cycles, classes of transactions, and account balances.

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's policies and procedures 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.

The Department's management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Audit Conclusions

We found that the Department properly recorded and reported its financial information in all material respects, on the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in the "Financial Highlights" came directly from the Commonwealth Accounting and Reporting System.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. Also, we found no matters involving the internal control structure and its operation that we consider to be material weaknesses. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the Department's financial operations may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

EXIT CONFERENCE

We discussed this report with management at an exit conference on June 22, 1999.

AUDITOR OF PUBLIC ACCOUNTS

JEG:aom
aom:20

FINANCIAL HIGHLIGHTS

The Department of Veterans' Affairs assists veterans and their families handle applications for compensation, pensions, education, patient service, guaranteed loans, discharge reviews, Social Security hearings, retirement and burial benefits, and legal claims. The Department also represents clients in hearing at the United States Veterans Administration Regional Office in Roanoke and in appeals at the Board of Veterans' Appeals in Washington D.C. The Department disseminates benefits entitlement information to veterans and their families by providing outreach services at approximately 70 locations throughout the Commonwealth and assists veterans in hospitals and nursing homes.

The Virginia War Orphans Education program provides educational assistance to children, or surviving children of certain veterans. The Department receives applications and certifies student eligibility for a waiver of tuition and certain fees at Virginia's state supported higher education institutions under the provisions of the program.

The Department also has oversight for the operation of the Virginia Veterans Cemetery in Amelia, Virginia. Daily Cemetery activities involve coordinating interment services and burials, grounds, building and equipment maintenance, processing burial and federal plot allowance applications, and recording burials. The federal plot and interment allowance for eligible veterans will fund a portion of the Cemetery's operating expenses. The Department spent \$2,703,901 in fiscal year 1998 and \$264,348 in fiscal year 1997 for the construction of the Cemetery. The Federal government provided 50 percent (\$1,521,834) of the \$3,043,668 total construction costs.

The Department received general fund appropriation of \$2,606,385 in fiscal year 1998 and \$2,314,740 in fiscal year 1997. The Department had \$14,729 in fiscal year 1998 and \$162,134 in fiscal year 1997 of unused general fund appropriations subject to reappropriation in the next fiscal year. The Department spent \$2,072,683 or 80 percent of its operating budget for salaries and fringe benefits in fiscal year 1998 and \$1,679,664 or 79 percent in fiscal year 1997.

DEPARTMENT OF VETERANS' AFFAIRS
Roanoke, Virginia

Donald W. Duncan, Director