

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Veterans Affairs
Office of the Governor
State of Louisiana
Baton Rouge, Louisiana

April 3, 2002



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated March 20, 2002**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

April 3, 2002



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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March 20, 2002

DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Veterans Affairs. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions for the years ending June 30, 2002, and June 30, 2001; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 2002, and June 30, 2001; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal controls and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Department of Veterans Affairs were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The department's accounts, under the Office of the Governor, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on the Department of Veterans Affairs dated April 20, 2000, we reported a finding relating to inadequate controls in place to ensure that all cash receipts are deposited immediately as required by state law. The finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Insufficient Controls in EDP User Access

The Department of Veterans Affairs did not establish adequate internal control for the assigning and monitoring of access granted to users of the Advanced Governmental Purchasing System (AGPS). A review of the 21 active user identification codes for AGPS revealed that access still existed for four (19%) persons that were no longer employees of the department. The four employees had ended their employment with the department between September 1998 and October 2001.

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DEPARTMENT OF VETERANS AFFAIRS OFFICE OF THE GOVERNOR STATE OF LOUISIANA

Management Letter, Dated March 20, 2002

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Management of the department did not place sufficient emphasis on establishing controls over its assignment and monitoring of user access. Failure to establish adequate internal control in an on-line data entry environment could result in the loss of data and the failure to prevent or detect errors or fraud in processing transactions.

The Department of Veterans Affairs should develop written procedures for deleting user access upon an employee's termination and should also perform periodic monitoring of user identification codes and access to electronic financial data of the department. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

Noncompliance With Laws Relating to Cash

The Department of Veterans Affairs has not complied with state laws relating to cash in that (1) it could not provide documentation that its bank accounts were authorized by the Cash Management Review Board, and (2) it did not timely report unclaimed property to the State Treasurer's Office.

Louisiana Revised Statute 39:372 requires all state agencies to submit a report of all banking and checking accounts and the balances of each to be approved in writing by the state's Cash Management Review Board for authorization of the accounts. Louisiana Revised Statute 9:154(A)(10) requires all state agencies to remit unclaimed property, including checks and drafts, outstanding for more than one year to the Unclaimed Property Division of the State Treasurer's Office, and Louisiana Revised Statute 9:159 requires the report to be filed with the State Treasurer before November 1 of each year that covers the period preceding July 1 of that year.

The department and its two war veteran homes did not have documentation of the Cash Management Review Board's approval for eight bank accounts, holding approximately \$1,152,687 as of June 30, 2001. Furthermore, the Jackson Louisiana War Veterans Home Residents' Fiduciary Account had 15 outstanding checks written from September 1997 to June 2000, totaling \$2,462, that were not remitted to the Unclaimed Property Division of the State Treasurer's Office until February 2002.

These instances of noncompliance occurred because the department did not maintain documentation of approval of its bank accounts and mistakenly followed the guideline of five years for submission of unclaimed checks and drafts, which does not apply to public agencies. Noncompliance with state cash laws increases the risk that an agency may have established bank accounts without the knowledge and approval of the governing authority.

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DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF THE GOVERNOR
STATE OF LOUISIANA

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The Department of Veterans Affairs should comply with state laws by (1) submitting applications for approval of its bank accounts to the Cash Management Review Board and maintaining the written approval of the board for the life of the accounts and (2) submitting annually its unclaimed property to the Unclaimed Property Division of the State Treasurer's Office. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 2).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

NW:WDD:RCL:dl

[VETAFF02]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



M. J. "Mike" Foster, Jr.
Governor

STATE OF LOUISIANA
OFFICE OF THE GOVERNOR
DEPARTMENT OF VETERANS AFFAIRS

March 11, 2002

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Joey Strickland
Executive Director

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our response to the reportable audit finding indicated below.

Finding: Insufficient Controls in EDP user access.

- The Department of Veterans Affairs concurs with the audit finding stating insufficient controls in EDP user access.

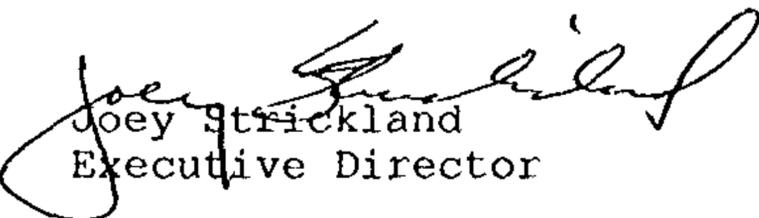
Corrective Action:

- AFS/AGPS User ID's Access will be deleted when an employee leaves by retirement or resignation. Those accesses identified in the audit needing deletion have been deleted.
- The Department of Veterans Affairs will develop written procedures for deleting user access upon an employee's termination.
- The Department of Veterans Affairs will require AFS/AGPS System Administrators to perform periodic monitoring of user identification codes and access to electronic financial data of the Department.

Contact Person: Robert M. Hayes, Accountant Administrator 2

Anticipated Completion Date: We anticipate completion by June 30, 2002.

Sincerely,


Joey Strickland
Executive Director

JS/RH/dc



STATE OF LOUISIANA
OFFICE OF THE GOVERNOR
DEPARTMENT OF VETERANS AFFAIRS

March 11, 2002

M. J. "Mike" Foster, Jr.
Governor

Joey Strickland
Executive Director

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our response to the reportable audit finding indicated below.

Finding: Noncompliance with laws relating to cash.

- The Department of Veterans Affairs concurs with the audit finding stating noncompliance with state laws relating to cash.

Corrective Action:

- On January 25, 2002, submitted applications for approval of its bank accounts to the Cash Management Review Board.
- The Department of Veterans Affairs will maintain the written approval of the Board for the life of the bank accounts.
- On January 29, 2002, the Louisiana War Veterans Home submitted its annual unclaimed property report to the Unclaimed Property Division of the State Treasurer's Office.
- No further corrective action is required.

Contact Person: Robert M. Hayes, Accountant Administrator 2

Should you have any questions or need further information concerning this matter, please contact us.

Sincerely,


Joey Strickland
Executive Director

JS/RH/dc