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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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MANPOWER AND WELFARE
DIVISION

NOV 18 1975

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Mr. Wallace E. Busbee
Director, Internal Audit Service
Veterans Administration

Dear Mr. Busbee:

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We surveyed the death benefit programs administered by the Veterans Administration (VA) National Cemetery System (NCS), and the program of reimbursement of veterans burial expenses as administered by VA's Department of Veterans Benefits (DVB). We made our survey at the NCS central office, the VA Regional Office (VARO) in Washington, D.C., and the National Cemetery Supervising Office (NCSO) in Atlanta, Georgia. 617

Our survey indicated four potential problem areas: (1) long-term planning for NCS; (2) possible overpayments on cash death benefits by DVB; (3) an apparent lack of adequate financial control over non-expendable property by the Atlanta NCSO; and (4) weaknesses in certain physical inventory procedures of the Atlanta NCSO.

Presently, we do not plan to initiate a review in any of these four areas:

NEED FOR LONG-TERM PLANNING BY NCS

For some time now, the question of the future direction and scope of NCS has been an issue of concern both in the Congress and the executive branch of the Government. According to several NCS officials, however, the National Cemeteries Act of 1973 (P.L. 93-43) was taken by NCS as a mandate by the Congress to significantly expand the system through construction of several new cemeteries and the further development and expansion of many existing ones.

During our survey we sought to determine whether NCS has developed a comprehensive plan which establishes specific measurable short and long-range goals, and defines the long-term scope, size, and cost of the system. We ascertained that three separate documents are considered by NCS to comprise its comprehensive plan. These are:

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(1) Short and Long Range Plans--National Cemetery System, dated October 31, 1973; (2) A Study of the National Cemetery System, dated January 1974; and (3) a proposed 5-year construction program and funding plan for fiscal years 1977 through 1981.

We analyzed these documents and other NCS planning documentation, and interviewed various NCS officials regarding a long-term NCS comprehensive plan. Based on our review, we concluded that the above three documents are not an integrated comprehensive plan which contains clearly measurable long and short-term goals or defines the projected scope, size, and cost of NCS. Considering the long-term land use implications of an expanded system, we believe that NCS should consider establishing a timetable for preparing such a comprehensive plan. The plan should also consider the need for new national cemeteries relative to other viable alternatives in view of data available which indicates that the current capacity of cemeteries of all types in the United States is sufficient to provide ground burial for the total U.S. population for the next 140 years. Such a plan would provide a clear basis for understanding the full extent of the Federal Government's commitment regarding the future direction of NCS.

POSSIBLE OVERPAYMENTS ON DEATH BENEFITS BY DVB

Generally, in cases of ground interment, funeral and burial expenses exceed the amount of benefits available from VA and other Federal agencies. However in cases where veterans are cremated, the total expenses incurred may be less than the benefits available.

During our survey, we reviewed some claims for cash death benefits processed by DVB at the Washington VARO. We found that in its determination and payment of cash death benefits for the cremation of one deceased veteran, the VARO did not consider other Federal payments made for the same purpose. This resulted in an overpayment to the funeral home of \$198.60. We were informed that the current practice at the Washington VARO is that any overpayment to funeral homes resulting from death benefits paid by a combination of Federal agencies should be collected by and for the estate. This practice appears to be questionable in light of Section 902, subparagraph (b) of Title 38 which provides that no burial claim shall be allowed for more than the difference between the expenses incurred and the amount paid by another Federal agency. Consideration should be given by DVB to the propriety of the current practices at the Washington VARO and, if determined to be improper, to the possibility that this practice may also exist at other VAROs.

NEED FOR IMPROVEMENT IN FINANCIAL
CONTROL OVER NON-EXPENDABLE PROPERTY

Federal agencies are legally required to establish and maintain adequate property accountability systems which comply with the principles and standards prescribed by the Comptroller General. The principles and standards provide that an agency's accounting system must include appropriate procedures for recording in its accounts all acquisition of property, whether by purchase, transfer from other agencies, authorized donation, or other means, as of the date the agency takes custody of the property. NCS has not complied with these principles and standards as shown below:

The non-expendable property transactions register showed that the Atlanta NCSO had 1,890 items of non-expendable property on hand as of April 30, 1975 valued at \$1,934,551.33. This register is a summary record of all non-expendable property for which the Atlanta NCSO is held accountable and is a computer listing produced weekly by the Austin Data Processing Center from detailed property records submitted by the Atlanta NCSO through the Decatur, Georgia VA Hospital.

The general ledger non-expendable property account maintained by the Decatur VA Hospital for the Atlanta NCSO reflected a balance of \$365,013.26 as of April 30, 1975--an understatement of \$1,569,538.07.

Under an adequately maintained property accounting system, the financial account balance as recorded in the general ledger maintained by the Decatur VA Hospital should agree with the balances reflected in the Atlanta NCSO's detailed property records, and periodic reconciliation should be made of these two records. Current NCS procedures do not provide for such a periodic reconciliation. We believe that this procedure should be established.

Recent property inventory reports submitted by cemetery superintendents to the Atlanta NCSO also indicate that property is not now under adequate inventory control. The reports show that non-expendable property acquired by the Atlanta NCSO--both before and after the September 1, 1973 transfer of the NCS from the Army to VA--has not been recorded in the non-expendable property records.

NEED FOR IMPROVEMENT IN PHYSICAL
INVENTORY PROCEDURES

VA policy manual M40-1, dated May 1975, states that each cemetery superintendent is designated as the responsible property

officer for non-expendable property used by the cemetery. Under regulations and procedures currently followed by the Atlanta NCSO, physical inventories are required annually and are to be performed by each cemetery superintendent. During our survey we noted that each superintendent under the Atlanta NCSO was provided a listing or checklist of the non-expendable property on record at the NCSO.

We believe that to be effective, physical inventories should be independent; that is performed by individuals other than those having custodial responsibility for the property. This principle of internal management control is recognized in the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies which provides that:

"Responsibility for assigned duties and functions should be appropriately segregated as between authorization, performance, keeping of records, custody of resources, and review, so as to provide proper internal checks on performance and to minimize opportunities for carrying out unauthorized, fraudulent, or otherwise irregular acts."

Further, the practice of providing an inventory listing against which to conduct the inventory might encourage inventory personnel to check only the items listed rather than counting all non-expendable property. Accordingly, this practice does not provide assurance that unrecorded property is brought under accountable control.

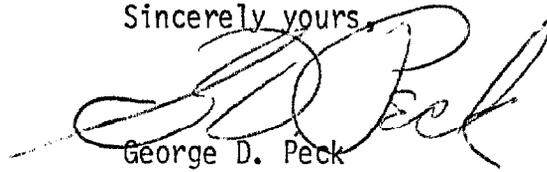
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We discussed our observations concerning NCS financial and physical controls over non-expendable property with the VA Internal Audit Service. We were advised that the Service would investigate this area further during its audit of the San Francisco NCSO which is now in progress.

We appreciate the cooperation and courtesy extended to us by VA personnel during our survey.

Please advise us of any action taken or planned on the matters in this report.

Sincerely yours,



George D. Peck
Assistant Director