



Highlights of [GAO-10-65](#), a report to the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

In fiscal year 2008, the Department of Veterans Affairs (VA) identified three material internal control weaknesses over financial reporting—financial management system functionality, IT security controls, and financial management oversight. VA is developing a new financial system—FLITE—but full implementation is not expected until 2014. Therefore, the Subcommittee asked us to determine whether VA corrective action plans and oversight are appropriately focused on near-term actions to provide improved financial information.

This report addresses (1) the nature of the internal control weaknesses identified in the VA fiscal year 2008 financial audit report and how long they have been outstanding, (2) whether VA had plans appropriately focused on near-term corrective actions, and (3) whether VA had appropriate oversight mechanisms in place to help assure that near-term corrective action plans are implemented on schedule.

GAO reviewed corrective action plans for significant deficiencies underlying 2 of the 3 material weaknesses and performed additional analysis for two underlying significant deficiencies.

What GAO Recommends

GAO makes recommendations to the Secretary of Veterans Affairs to improve the design and oversight of corrective action plans. VA generally concurred with GAO's recommendations and identified related actions taken and planned.

[View GAO-10-65 or key components.](#)

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DEPARTMENT OF VETERANS AFFAIRS

Improvements Needed in Corrective Action Plans to Remediate Financial Reporting Material Weaknesses

What GAO Found

VA's fiscal year 2008 material weaknesses in financial management system functionality and financial management oversight have been reported since fiscal years 2000 and 2005, respectively. These two material weaknesses are comprised of 16 underlying significant financial reporting control deficiencies. Although VA had eliminated some significant deficiencies in prior years, other deficiencies have emerged. As a result, continuing serious deficiencies in financial reporting leave VA at risk of processing errors and misstatements in its financial statements.

Although VA had corrective action plans in place intended to result in near-term remediation of the 16 fiscal year 2008 significant control deficiencies, many of these plans did not contain the detail needed to provide VA officials with assurance that the plans could be effectively implemented on schedule. VA lacked documented policies and procedures needed to assure the consistent and comprehensive design of these corrective action plans, and 8 of 13 of VA's plans for correcting its financial reporting deficiencies lacked key information regarding milestones for action steps and validation activities.

Key Elements Missing from VA Financial Reporting Corrective Action Plans

	Corrective action plan	Lack of related milestones	Lack of validation activities
1	Fixed Asset Package		
2	Mail Order Pharmacy	X	X
3	Obligations and Purchases	X	X
4	Accrued services payable	X	
5	Property, Plant, and Equipment	X	
6	Environmental liabilities	X	
7	Unbilled receivables	X	
8	Benefit payment reconciliation		
9	Portfolio loan servicing		X
10	Actuarial liability model	X	
11	VBA default model		
12	Software capitalization		
13	Year-end Closing Procedures		

Source: GAO analysis of VA corrective action plans as of August 2009.

As of August 2009, VA had missed milestones in 5 of the 13 corrective action plans. For example, our analysis of plans for remediating deficiencies regarding the capitalization of property, plant, and equipment and inadequate benefit payment reconciliations showed that slipping milestones could jeopardize VA's timely completion of these plans, and consequently may impair VA's ability to obtain improved data reliability within the time frames originally envisioned. VA lacked documented policies and procedures for overseeing implementation of the corrective action plans, but recently took steps intended to better coordinate its oversight activities.