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Highlights

Highlights of GAO-10-939T, a testimony before the Committee on Veterans Affairs, House of Representatives

July 28, 2010

DEPARTMENT OF VETERANS AFFAIRS

Long-standing Weaknesses in Miscellaneous Obligation and Financial Reporting Controls

Why GAO Did This Study

In September 2008, GAO reported internal control weaknesses over the Veteran Health Administration's (VHA) use of $6.9 billion in miscellaneous obligations in fiscal year 2007. In November 2009, GAO reported on deficiencies in corrective action plans to remediate financial reporting control deficiencies. This testimony is based on these previous reports that focused on (1) VHA miscellaneous obligation control deficiencies and (2) Department of Veterans Affairs (VA) financial reporting control deficiencies and VA plans to correct them.

For its review of VHA miscellaneous obligations, GAO evaluated VA's policies and procedures and documentation, interviewed cognizant agency officials, and conducted case studies at three VHA medical centers. For its review of financial reporting control deficiencies, GAO evaluated VA financial audit reports from fiscal years 2000 to 2008 and analyzed related corrective action plans.

What GAO Recommends

In its September 2008 report, GAO made four recommendations to improve VA's internal controls over miscellaneous obligations. In its November 2009 report, GAO made three recommendations to improve VA corrective action plans to remediate financial reporting control deficiencies. VA generally concurred with these recommendations and has since reported taking actions to address the recommendations.

View GAO-10-939T or key components.
For more information, contact Susan Ragland at (202) 512-9095 or raglands@gao.gov.

What GAO Found

In September 2008, we reported that VHA recorded over $6.9 billion of miscellaneous obligations for the procurement of mission-related goods and services in fiscal year 2007. We also reported that VA policies and procedures were not designed to provide adequate controls over the authorization and use of miscellaneous obligations, placing VA at significant risk of fraud, waste, and abuse. We made four recommendations with respect to (1) oversight by contracting officials, (2) segregation of duties, (3) supporting documentation for the obligation of funds, and (4) oversight mechanisms. In January 2009, VA issued new policies and procedures aimed at addressing the deficiencies identified in GAO's September 2008 report.

In November of 2009, we reported that VA's independent public auditor had identified two of VA's three fiscal year 2008 material weaknesses—in financial management system functionality and IT security controls—every year since fiscal year 2000 and the third—financial management oversight—each year since fiscal year 2005. While VA had corrective action plans in place that intended to result in near-term remediation of its internal 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. For example, 8 of 13 plans lacked key information about milestones for steps to achieve the corrective action and how VA would validate that the steps taken had actually corrected the deficiency. While VA began to staff a new office responsible for, in part, assisting VA and the three administrations in executing and monitoring corrective action plans, we made three recommendations to improve corrective action plan development and oversight. VA concurred with our recommendations and took some steps to address them.

In fiscal year 2009, VA's own internal VA inspections and financial statement audit determined that the internal control deficiencies identified in our prior reports on miscellaneous obligations and material weaknesses identified in prior financial audits continued to exist. VA conducted 39 inspections, which identified problems with how VHA facilities had implemented VA's new miscellaneous obligation policies and procedures. Similarly, VA's independent auditor reported that VA continued to have material weaknesses in financial management system functionality, IT security controls, and financial management oversight in fiscal year 2009. To the extent that the deficiencies we identified continue, it will be critical that VA have an effective "tone at the top" and mechanisms to monitor corrective actions related to deficient internal controls.