

EXECUTIVE DIGEST

VETERANS AFFAIRS DIRECTORATE

INTRODUCTION

This report contains the results of our performance* and financial* audit of the Veterans Affairs Directorate, Department of Military and Veterans Affairs. The financial portion of our audit covered the period October 1, 1995 through September 30, 1997.

AUDIT PURPOSE

This performance and financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

BACKGROUND

The Veterans Affairs Directorate is responsible for managing the administrative functions of the Michigan Veterans' Trust Fund. The Trust Fund provides grants for emergency needs of veterans. The Trust Fund also provides tuition grants to dependents of disabled or deceased veterans. A seven-member Board of Trustees governs the Trust Fund. For fiscal year 1996-97, Trust Fund expenditures totaled \$3.6 million. For fiscal year 1996-97, grants for emergency needs totaled \$1.5 million and tuition grants totaled \$938,000.

The Directorate is also responsible for managing the administrative functions of the Vietnam Veterans' Memorial Monument Fund. The Monument Fund is governed by a nine-member Commission. The purpose of the Commission is to oversee the financing and construction of a memorial monument for Michigan veterans who died or are listed as missing in action as a result of the Vietnam conflict. For fiscal year 1996-97, Monument Fund expenditures totaled \$116,593.

In addition, the Directorate is responsible for overseeing grants to 12 veterans' service organizations in accordance with appropriations acts. The Directorate is also responsible for the supervision and direction of the two State veterans' homes, which are located in Grand Rapids and Marquette.

As of September 30, 1998, the Directorate had 10 employees in its central office.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the effectiveness of the Directorate's operations in providing grants for veterans' needs.

Conclusion: We concluded that the Directorate's operations in providing grants for veterans' needs were generally effective. However, we noted a reportable condition* related to administering the Tuition Grant Program (Finding 1).

Audit Objective: To assess the effectiveness of the Directorate's administration of the Vietnam Veterans' Memorial Monument Fund.

Conclusion: We concluded that the Directorate's administration of the Vietnam Veterans' Memorial Monument Fund was reasonably effective. However, we noted a reportable condition related to fundraising for the Vietnam Veterans' Memorial Monument (Finding 2).

Audit Objective: To assess the adequacy of the Trust Fund's and the Monument Fund's internal control structures* .

Conclusion: Our assessment of the Trust Fund's and the Monument Fund's internal control structures did not disclose any material weaknesses*. However, we noted reportable conditions related to inventory control and supporting documentation for contract payments (Findings 3 and 4).

Audit Objective: To assess the Trust Fund's and the Monument Fund's compliance with applicable statutes, the *Michigan Administrative Code*, and State policies and procedures that could have a material effect on the Trust Fund's and the Monument Fund's financial statements.

Conclusion: Our assessment of the Trust Fund's and the Monument Fund's compliance with applicable statutes, the *Michigan Administrative Code*, and State policies and procedures did not disclose any instances of material noncompliance*.

Audit Objective: To audit the Trust Fund's and the Monument Fund's financial statements for the fiscal years ended September 30, 1997 and September 30, 1996.

Conclusion: We expressed an unqualified opinion on the financial statements.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Veterans Affairs Directorate. Also, our audit scope was to examine the financial records for the period October 1, 1995 through September 30, 1997. Our audit included only the central office activities of the Directorate. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included the testing of records covering the period October 1, 1995 through September 30, 1997. We conducted a preliminary survey of the Directorate's operations. This included discussions with the Directorate's staff and a review of policies, operating procedures, State statutes, and administrative rules. We reviewed procedures and tested records related to the Directorate's operation in providing grants for veterans' needs. In addition, we analyzed the Directorate's activities related to its administration of the Vietnam Veterans' Memorial Monument Fund.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our report contains 4 findings and corresponding recommendations. The Department's preliminary response indicated that it agreed and would comply with all 4 recommendations.

The Directorate had complied with all 8 of the prior audit recommendations included within the scope of our current audit.