



EXECUTIVE SUMMARY
Guam Veterans Affairs Office Non-Appropriated Funds Follow Up
Report No. 16-07, September 2016

The Guam Veterans Affairs Office (GVAO) Non-Appropriated Funds (NAF) - Veterans Affairs Fund and the Veterans Cemetery Trust Fund (Cemetery Fund) - were grossly mismanaged and not accounted for. Due to the significant lack of internal controls over the GVAO's NAFs, we could not assure that receipts were accurate and complete and disbursements were appropriate and authorized. We questioned all \$290,000 in NAF operating disbursements. Additionally, there were significant federal grants compliance deficiencies administered through the Cemetery Fund. Overall, there was no improvement from our prior audit, OPA Report No. 12-01, issued in March 2012. We found:

- Incomplete and/or missing records and supporting documents including bank statements, invoices, burial claims and other receipts amounting to \$8,076.
- No evidence of proper review and approval of disbursements amounting to \$281,924, leading to possible abuse of the petty cash system, unsubstantiated reimbursement of advanced funds, no fixed assets inventory, and procurement laws and regulations not followed.
- NAF bank accounts signatories were changed to a single signatory- the Administrator 2.
- Mandated reports not submitted and official website not updated.

The NAF accounts movement from October 1, 2011 to May 31, 2016 are as follows:

	Veterans Affairs Fund	Cemetery Fund	Total
Beginning balance, October 1, 2011	\$1,301	\$451	\$1,752
Receipts:			
Cemetery construction/renovation	-	3,280,292	3,280,292
Burial reimbursement claims	-	245,486	245,486
Others	24,910	9,215	34,125
Subtotal	24,910	3,534,993	3,559,903
Disbursements:			
Cemetery construction/renovation	-	3,270,581	3,270,581
Operations	25,462	264,538	290,000
Subtotal	25,462	3,535,119	3,560,581
Ending balance, May 31, 2016	\$749	\$325	\$1,074

Federal Cemetery Grants

In April 2015, the OPA learned of GVAO's \$3.3 million federal grant while preparing to commence the GVAO follow-up audit. The grant was received in Fiscal Year (FY) 2014 for the Guam Veterans Cemetery construction and did not pass through the Guam State Clearinghouse or the Department of Administration (DOA). As such, our follow-up audit was suspended and the matter was referred to the Government of Guam's independent auditors, who eventually qualified its opinion on the grant in the FY 2014 Single Audit due to lack of documentation. In FY 2015,

the grant was tested again after some documents were subsequently located. The independent auditors concluded there were significant deficiencies in internal control.

Incomplete and/or Missing Records and Supporting Documents

We could not verify the completeness of receipts and appropriateness of disbursements because there were minimal records and supporting documents to substantiate transactions. In addition, there were no internal controls to monitor and ensure that all burial reimbursement claims were timely processed, all receipts have been deposited, and all disbursements were reviewed and properly approved. Due to a large number of missing documents, we subpoenaed certain bank statements and other documentation in order to compile GVAO's transactions.

No Evidence of Proper Review and Approval of Disbursements

We found no evidence of NAF disbursement reviews prior to payments other than the signatures on the check copies. As such, we cannot determine whether disbursements were valid and authorized, and whether applicable procurement regulations were applied. NAF disbursements were mostly for fixed assets, repairs, petty cash, supplies, etc. Although we did not find evidence of deliberate attempts to misappropriate the NAFs, certain descriptions notated on the check copies such as "petty cash", "loan repayment", and "reimbursements" raise questions about the appropriateness of the disbursements without supporting documentation.

In addition, GVAO did not properly handle its petty cash system, there were unsubstantiated material reimbursements to former Administrators, did not have a monitoring schedule for NAF purchased assets, and did not prepare or post required NAF reports on its website. In essence, petty cash and reimbursements were used to circumvent the formal procurement process.

No Monitoring of Burial Reimbursement Claims

We were not able to ascertain whether all burial claims were processed and received due to missing records. However, from the limited documentation, we found that the U.S. Department of Veterans Affairs reimbursed GVAO \$245,486 for veterans' burial costs from October 2011 to January 2016. The last reimbursement GVAO received was for December 2014 burials. Subsequent burials should be timely processed to prevent the two-year filing period from lapsing.

Single Signatory on Bank Accounts

In April 2016, the Administrator 2 changed the NAF bank signatories to himself as a single signatory, and claimed that the change was based on Public Law (P.L.) 33-138 issued in March 2016. However, we found the implementation of the change was not consistent with the P.L.

Other matters regarding significant payroll delays and the vague reporting lines for the GVAO Administrator and the Commission also came to our attention during our audit.

Conclusion and Recommendations

We question the \$290,000 in GVAO operating disbursements due to the gross mismanagement and lack of accountability over the NAFs, little to no internal controls to safeguard the NAFs, no Commission oversight, and no accounting infrastructure supported by competent personnel. Accordingly, we made six recommendations, including another agency such as the Department of Military Affairs or the DOA be given the responsibility to handle GVAO's NAFs.

Doris Flores Brooks, CPA, CGFM
Public Auditor