



Department of Veterans Affairs Office of Inspector General

Evaluation of Financial Management Activities at the VA Riverside National Cemetery

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Executive Summary

Introduction

The Office of Inspector General (OIG) evaluated selected areas of the Department of Veterans Affairs (VA) Riverside National Cemetery's (RNC) financial and business operations to determine if there were internal control weaknesses and potential financial mismanagement. The evaluation was performed at the request of the National Cemetery Administration's (NCA) Chief Financial Officer (CFO). NCA's CFO requested the OIG evaluate the RNC's management and use of the Gift Fund and the General Operating Fund, the administration of agreements with non-VA entities, and the relationship between the RNC and a nonprofit organization, the Riverside National Cemetery Support Committee (Support Committee).¹ The CFO expressed specific concerns about whether the internal controls for these three areas were adequate and if they were not adequate, was there any financial mismanagement.

Results

Our evaluation validated the CFO's concerns related to financial mismanagement at the RNC in three areas. The results of our evaluation are summarized below.

- **Question 1: Did RNC staff properly deposit, use, and record all monetary gifts involving the Gift Fund and the General Operating Fund?**

No. We found that RNC staff did not properly deposit, use, and record all monetary gifts involving the Gift Fund and the General Operating Fund. Although there were instances of financial mismanagement at the RNC, no illegal or fraudulent activities were identified during our review.

- **Question 2: Did RNC agreements comply with VA and Federal regulations, represent fair value to the Government, and receive proper oversight?**

No. We concluded that while RNC agreements provided the Government with a fair value, the agreements had not been established and administered in accordance with VA and Federal regulations and lacked adequate oversight.

- **Question 3: Were transactions between the RNC and the Support Committee properly administered and accounted for and were RNC and Support Committee business and financial operations adequately defined?**

¹ The Gift Fund is a revolving trust fund used to beautify VA national cemeteries or for other purposes beneficial to VA national cemeteries. The General Operating Fund is an appropriation used for NCA expenses, such as salaries, utilities, and supplies.

No. We found that the RNC did not monitor transactions and control Support Committee activities to ensure that business and financial transactions involving the Support Committee complied with Federal regulations. Because regulations related to the use of Government property and resources and the solicitation of donations were not followed, the boundaries between the RNC's and the Support Committee's business and financial operations were not adequately defined in a manner which ensured the Support Committee did not receive preferential treatment.

Recommendations

Based on our review, we recommended that NCA and RNC management ensure that:

- Policies, procedures, and adequate record management controls are implemented to ensure the Gift Fund, general cash donations, and donations made for particular purposes are properly controlled, managed, and used.
- RNC staff receive training on the receipt of donations and use of the Gift Fund and General Operating Fund, ethical conduct issues, and prohibited practices, such as the solicitation of donations and the endorsement of organizations.
- The Support Committee is not granted privileges and the use of Government property unless authorized by Federal law.

We further recommended that NCA management ensures that:

- Policies, procedures, and adequate management controls are implemented to review, establish, approve, execute, maintain, and monitor agreements between NCA cemeteries and non-VA entities.
- RNC managers and staff receive training on the Federal Records Act, Federal regulations, and NCA policies which pertain to the creation and maintenance of records, such as the documentation of agreements with non-VA entities.
- The oral agreement for the provision of electricity to the March Air Reserve Base is formalized in a written agreement.
- Policies, procedures, and adequate management controls are implemented to ensure that national cemetery operations and fiscal transactions involving support committees comply with Federal regulations.

Comments

The Under Secretary for Memorial Affairs agreed with the conclusions and recommendations and provided acceptable improvement plans. (See Appendix A, pages

12–14, for the full text of the Under Secretary’s comments.) We will follow up on planned actions until they are completed.

(original signed by:)

MICHAEL L. STALEY

Assistant Inspector General for Auditing

Introduction

Purpose

The purpose of our evaluation was to review the NCA CFO's concerns related to the adequacy of internal controls and possible financial mismanagement involving the RNC, non-VA entities, and the Support Committee. The evaluation was conducted to determine whether these concerns had merit.

Background

The NCA initiated an Organizational Assessment and Improvement (OAI) Program in fiscal year (FY) 2004. During an OAI site visit to the RNC from June 21–25, 2004, the internal review team found that staff had not adequately managed purchase card transactions, maintained records, properly used the Gift Fund and the General Operating Fund, reviewed and certified invoices for purchases, and accounted for monetary gifts. The NCA subsequently issued a Gifts and Donations policy and requested this evaluation to address concerns raised by the OAI findings.

The RNC, established in 1978 and located in Riverside, California, controls 922.2 acres of land but only 275.8 acres are currently developed. Because of the RNC's size and number of memorials, it is often referred to as the "Arlington Cemetery of the West." The RNC ranked first in interment workload among VA national cemeteries with a total of 8,849 interments during FY 2004. For FY 2004, the RNC had 71.1 full-time equivalent employees and a budget of \$5.5 million. For FY 2004, the RNC's Gift Fund had a starting balance of \$1,665, deposits of \$13,008, expenses of \$11,332, and an ending balance of \$3,341.

The RNC is home to the National Congressional Medal of Honor Memorial (the Memorial) and several other memorials which honor the sacrifices of our Nation's men and women in uniform. The Memorial, built by the Riverside National Cemetery Medal of Honor Memorial Committee, was dedicated in 1999. The cemetery also has an open-air amphitheater for events, such as the annual Memorial Day concert, that attracts visitors.

The Support Committee is a nonprofit, charitable organization founded in 1978 to support and assist in the maintenance and beautification of the RNC. The Support Committee's activities include, but are not limited to, the establishment and administration of an endowment fund for the RNC, the organization of Memorial Day and Veterans Day ceremonies, and the sponsorship of various fundraising events. Support Committee funds, raised through donations, gifts, and fundraising events, have been used to beautify and enhance the RNC, support an honor guard burial detail, purchase gravesite and landscaping materials, replace RNC equipment, and maintain and repair four existing memorials on RNC property.

NCA is required to follow specific Federal laws and regulations regarding memorials, gifts, and donations. Title 38 U.S.C. §2407 gives NCA the authority to accept and maintain suitable memorials at its national cemeteries. This allows the Secretary of Veterans Affairs to accept gifts, devises, or bequests from legitimate societies, organizations, or reputable individuals which are made for the purpose of beautifying VA's national cemeteries, or that are determined to be beneficial to the cemeteries. Furthermore, the Secretary may make land available for this purpose, and may furnish such care and maintenance as the Secretary deems necessary for these memorials. NCA Directive 3160 requires all cash donations made under Title 38 U.S.C §2407 to be deposited in VA's National Cemetery Gift Fund Account.

The implementing regulation, Title 38 CFR §38.603, states that when a gift is donated for a particular use, the VA national cemetery is required to comply with the donor's directions regarding the gift when practicable and not in violation of VA policy. This regulation also prohibits VA employees from soliciting contributions from the public or authorizing an individual or organization to use their names, the Secretary's name, or VA's name in any campaign or drive to raise money or articles for donation to VA. This restriction does not preclude discussion with the individual offering the gift relative to the appropriateness of the gift which is being offered.

Scope and Methodology

To complete our evaluation objectives, we interviewed key current and former RNC employees, including the current Director, former Director, Assistant Director, Facility Supervisor, and cemetery representatives; reviewed various RNC management and financial records available for the period FYs 2000–2004; and requested opinions from the VA Regional Counsel on several issues. We also reviewed public records, applicable laws, regulations, policies, and procedures, and RNC documents such as internal and external correspondence, meeting minutes, Financial Management System purchase reports, accounting records, Gift Fund documents, and agreements with non-VA entities. However, RNC staff did not maintain documentation, such as receipts and written agreements, needed to adequately review the receipt of cash donations, the sale of RNC electricity, and the acceptance and receipt of donated memorials. Without this documentation, we had no means to develop an accurate and complete accounting of the events that transpired at the RNC or of the specific actions taken by RNC staff relative to these three areas. Therefore, our results are qualified to the extent that the lack of documentation impaired our ability to identify additional issues, including possible illegal or fraudulent activities.

Except for the impediment discussed above relating to the unavailability of certain records, our evaluation was conducted in accordance with Generally Accepted Government Auditing Standards for staff qualifications, independence, and due professional care; fieldwork standards for planning, supervision, and evidence; and reporting standards for performance audits. We limited our internal control testing to

those tests of procedures and records that were necessary to achieve the evaluation's objectives. Because the scope of our review was limited, we did not assess the overall business or financial management control structures of the NCA and RNC.

Results and Conclusions

Question 1: Did RNC properly deposit, use, and record all monetary gifts involving the Gift Fund and the General Operating Fund?

No. We found that RNC staff did not properly manage the Gift Fund and General Operating Fund. Our evaluation found that RNC staff inappropriately referred donations to the Support Committee and NCA and RNC management had not implemented accounting and management controls for the receipt, use, and disposition of general cash donations and donations made for particular purposes. The results of our review follow.

Was it proper for RNC staff to refer all cash donations to the Support Committee?

No. We found that from 1991 to November 2004, the RNC referred all donors with cash donations to the Support Committee to the exclusion of all other non-profit organizations that supported the RNC.² Because the referrals during this period were made exclusively to the Support Committee, the RNC granted the Support Committee preferential treatment in violation of Title 5 CFR §2635.101(b)(8) and §2635.702.

Title 5 CFR §2635.101(b)(8) requires employees “...to act impartially and not give preferential treatment to any private organization or individual...” Title 5 CFR §2635.702 prohibits the use of public office for “...endorsement of any product, service, or enterprise...” and states that an employee “...shall not use or permit the use of his Government position or title or any authority associated with his public office in a manner that could reasonably be construed to imply that his agency or the Government sanctions or endorses his personal activities or those of another...” The former RNC Director, who left the RNC in 2004, stated that he had instructed RNC staff to refer all cash donors to the Support Committee so that the RNC could benefit from the donations, and the donors could claim the donations as charitable contributions on their tax returns. Consequently, RNC staff either referred the donors directly to the Support Committee or collected the donations which were then turned over to the Support Committee instead of deposited in the Gift Fund.

The tax deductible status of donations made to the Support Committee may have encouraged donors to increase the frequency and size of the donations they made to maintain and beautify the RNC. However, the referral of these cash donations ultimately meant that the RNC had no direct oversight or control over these funds since they were given to the Support Committee instead of deposited in the Gift Fund. Furthermore, while the practice of referring the donors was not specifically prohibited, the referral of cash donations to the Support Committee, to the exclusion of all others, was prohibited and raised questions relating to the appropriateness of the relationship between the RNC and the Support Committee.

² Cash donations are monetary donations where the donors have not specified particular uses for the donated funds.

The former RNC Director initiated this practice without NCA or VA management approval. VA specifically prohibits staff in other operational areas, such as research, from referring donors or grantors to entities other than VA or VA nonprofit corporations (Veterans Health Administration Handbook 1200.2). During our November 2004 site visit, the current RNC Director, who arrived in April 2004, issued a local policy (Gifts and Donations) and provided in-house training which brought an end to the referral of donors to the Support Committee. No data was available for the period of 1991–2004 to determine the number of donors or the amount of donations that had been referred to the Support Committee instead of deposited in the Gift Fund.³

Were controls over cash donations adequate? No. We found that NCA and RNC management had not implemented accounting and management controls for the receipt, use, and disposition of general cash donations. Prior to November 2004, the RNC did not have any policies or procedures in place to ensure general cash donations were properly received and deposited into the RNC’s Gift Fund. The former RNC Director and Budget Officer had not established a centralized point within the RNC where donations could be received and had not ensured that RNC staff gave donors receipts for their donations. As a result, donations were vulnerable to being lost or diverted with little risk of detection.

VA Directive 0070 establishes policy for VA managers to improve the accountability and effectiveness of VA programs and operations through the establishment and assessment of management controls. This directive further requires VA managers to provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. The current RNC Director issued the Gifts and Donations policy and conducted in-house training on the proper receipt of gifts and donations in November 2004. This policy requires the RNC staff to provide receipts to the donors and to forward all monetary gifts (cash donations) to the Budget Officer with records of the donors’ names, amounts of the donations, and the purposes for which they were made.

Were controls over donations made for a particular purpose adequate? No. We found that NCA and RNC management had not implemented required accounting and management controls for the receipt, use, and disposition of donations made for a particular purpose (Title 38 CFR §38.603). Our review of RNC records disclosed that Gift Fund donations made for the particular purpose of installing benches were not properly controlled.

Our review of RNC records for FYs 2003–2004 showed that \$7,200 in Gift Fund donations had been received for 12 benches to be placed near gravesites. Each donor who requested a bench was asked to donate \$600 to cover the cost of the bench and its installation. However, the RNC Budget Officer did not have any receipts for the donations or documentation to support the \$600 donation requested for each bench. RNC

³ As of March, 31, 2005, the Support Committee had a cash balance of \$389,905 that appears to have been primarily generated from fundraising activities on RNC property.

records showed that only about \$293 (49 percent) of each \$600 Gift Fund bench donation, or a total of \$3,510, was used to purchase the benches. During our review, RNC staff estimated that another \$3,384, or about \$282 per bench, was paid from the General Operating Fund for the materials and labor needed to install the 12 benches. Because there was no documentation to show the actual material and labor costs which were incurred, we could not validate whether the \$307 in donated funds remaining after the purchase of each of the benches was a fair and reasonable estimate of the cost to install each bench. Furthermore, we did not identify any evidence that any funds from the Gift Fund were ever transferred to reimburse the RNC's General Operating Fund account for the material and labor used to install the benches.

Conclusion

RNC staff did not properly manage donations, the Gift fund, and the General Operating Fund to ensure they were properly accounted for and used. Although the RNC established local policy in November 2004 to manage donations, NCA needs to develop national policies and procedures related to the proper documentation, accounting, and management of gifts to address similar problems which may exist at other VA national cemeteries.

Recommended Improvement Action 1. We recommended that NCA and RNC management ensure that: (a) policies, procedures, and adequate record management controls are implemented to ensure the Gift Fund, general cash donations, and donations made for particular purposes are properly controlled, managed, and used; and (b) RNC staff receive training on the receipt of donations and use of the Gift Fund and the General Operating Fund, ethical conduct issues, and prohibited practices, such as the solicitation of donations and the endorsement of organizations.

The Under Secretary for Memorial Affairs agreed with the findings and recommendations and reported that NCA will review NCA Directive 3160 and make any revisions, as appropriate, based on the findings of this report. To complement NCA Directive 3160 and address our findings, NCA plans to develop a handbook that provides detailed and comprehensive procedures for the administration of the Gift Fund. Specialized training will be developed on the receipt and use of the Gift Fund and General Operating Fund, ethical conduct issues, and prohibited practices, and this training will be provided to RNC staff, all cemetery directors, assistant directors, and other key administrative staff from across the country. NCA will further work directly with the VA Office of General Counsel to ensure these issues are addressed. The improvement plan is acceptable, and we will follow up on planned actions until they are completed.

Question 2: Did RNC agreements comply with VA and Federal regulations, represent fair value to the Government, and receive proper oversight?

No. We found that the agreements provided the Government with fair value, but that RNC officials initiated agreements without proper authorization and did not ensure the agreements were established in accordance with VA and Federal regulations. We also found NCA and RNC had no policies or procedures for accepting memorials or approving and establishing agreements with non-VA entities.

Title 44 U.S.C. §3101 (The Federal Records Act) requires Federal agencies to make and preserve records containing adequate and proper documentation of decisions and essential transactions to protect the Government's legal and financial rights.⁴ Similarly, Title 36 CFR §1222.38 requires agencies to create and maintain records sufficient to: (a) make possible a proper scrutiny by duly authorized agencies of the Government; (b) protect the financial, legal, and other rights of the Government; (c) document significant decisions and commitments reached orally; and (d) document important meetings. VA Directive 0070 further requires managers to follow the above laws and related regulations so that reliable and timely information is available for decision making processes.

From our review of three RNC agreements related to the acceptance and maintenance of the Memorial, the use of California Department of Forestry and Fire Protection (CDF) grounds maintenance services, and the sale of electricity to March Air Reserve Base, we found the following:

- NCA directed the RNC Director in a June 1999 letter to execute a memorandum of understanding with the Support Committee for the acceptance of the Memorial. The letter also stipulated that even though NCA accepted the Memorial, the Support Committee would still be responsible for the Memorial's maintenance. We found that the letter did not contain any guidance on how to establish the memorandum and the former RNC Director did not execute the guidance contained in the letter. In spite of the directions provided by NCA officials and Federal record requirements which required the documentation of the agreement, the former RNC Director established an oral agreement in which the RNC accepted the Memorial and also agreed to provide the labor and resources for its maintenance. As a result, the RNC currently provides monthly commercial pool service, cleaning services, and other miscellaneous maintenance and repairs for the Memorial at an annual cost of about \$16,600.
- The RNC's Facility Supervisor signed a letter of understanding with CDF officials to have prison inmates provide free grounds maintenance services, such as tree trimming, pond and ditch cleaning, and grave marker raising and realignment. As a

⁴ Title 44 U.S.C. §3301 defines records to include all materials made or received in connection with the transaction of public business as evidence of decisions or other activities of the Government.

result, the CDF provided the RNC grounds maintenance services on 51 separate occasions during FYs 2003–2004. The Facility Supervisor signed this agreement even though VA and NCA do not have policies or procedures that authorize “letters of understanding” with a non-VA entity. NCA management had neither reviewed nor approved this agreement and had not been consulted regarding the potential liabilities of allowing prison inmates to work at a national cemetery open to the general public.

- The former RNC Director entered into an oral agreement to sell electricity, at cost, to March Air Reserve Base so that it could power a small maintenance shed on its golf course. The former RNC Director lacked the authority to enter into this oral agreement and the agreement’s terms should have been documented in writing in accordance with Title 36 CFR §1222.38. The RNC receives an average of \$363 in reimbursements each quarter from March Air Reserve Base for the sale of electricity. The amount of reimbursement appears appropriate, and the funds are deposited in the RNC’s General Operating Fund account.⁵ However, the former RNC Director did not establish controls, as required by VA Directive 0070, over the receipt of the reimbursements. Consequently, the RNC Budget Officer was allowed to receive, record, and deposit reimbursements without any oversight. This made the reimbursements vulnerable to diversion, and on two occasions allowed funds to be deposited in the incorrect General Operating Fund account. The lack of oversight continued under the current RNC Director because he was not aware of this oral agreement’s existence until our review.

From our interviews with RNC staff and our review of the limited records which were available for these agreements, the agreements had a negligible impact on RNC resources and operations and provided the RNC with fair value. However, they had not been properly initiated, reviewed, or monitored by NCA and RNC officials to ensure they adequately protected VA’s interests and met Federal and VA requirements.

Conclusion

We concluded that the three RNC agreements represented fair value to the Government, but they did not comply with Federal regulations and VA policy and they lacked proper oversight. To ensure agreements with non-VA entities are properly established and maintained, contain all relevant conditions and terms, and are properly administered and monitored, the NCA and RNC need to implement policies and procedures regarding the approval, creation, execution, maintenance, and oversight of these agreements.

Recommended Improvement Action 2. We recommended that NCA management ensures that: (a) policies, procedures, and adequate management controls are implemented to review, establish, approve, execute, maintain, and monitor agreements between NCA cemeteries and non-VA entities; (b) RNC managers and staff receive

⁵ About \$1,090 was deposited in the RNC’s Supplies and Materials account instead of the Utilities account.

training on the Federal Records Act, Federal regulations, and NCA policies which pertain to the creation and maintenance of records, such as the documentation of agreements with non-VA entities; and (c) the oral agreement for the provision of electricity to the March Air Reserve Base is formalized in a written agreement.

The Under Secretary for Memorial Affairs agreed with the findings and recommendations and reported that NCA will develop a directive and handbook that establishes policy, procedures, and management controls to ensure agreements with non-VA entities are properly and effectively administered. The authority of NCA employees to enter into these types of agreements will also be clearly defined. A training module covering records management requirements will be developed, and training will be provided to RNC employees and all cemetery directors, assistant directors, and other key administrative staff from across the country. The improvement plan is acceptable, and we will follow up on planned actions until they are completed.

Question 3: Were transactions between the RNC and the Support Committee properly administered and accounted for and were RNC and Support Committee business and financial operations adequately defined?

No. We found that the RNC did not properly monitor and control Support Committee activities and ensure that business and financial operations involving the Support Committee complied with Federal regulations. Business and financial operations were not adequately defined as the RNC staff permitted the Support Committee to improperly use Government property and resources and to conduct prohibited fundraising activities on RNC grounds. The results of our review follow.

Were Government property and resources properly used? No. We found that NCA and RNC management allowed the Support Committee to improperly use Government property and resources to perform unauthorized activities that were unrelated to official cemetery activities. Since 1978, NCA and RNC management gradually allowed the Support Committee to exercise privileges on RNC property that they had no authority to grant and that were prohibited by Federal regulations.

Regulations contained in Title 5 CFR §2635 prohibit the preferential treatment of a private organization, the use of Government property for other than authorized purposes, and the use of official time to perform activities other than those required in the performance of official duties. Exceptions to these prohibitions exist in Title 38 U.S.C. §521, Title 38 U.S.C §5902, and Title 38 CFR §14.628, which authorize the Secretary to recognize national veterans' service organizations and to furnish these organizations privileges on the grounds of VA regional offices and medical facilities. However, there are no statutes that extend these same privileges to the Support Committee at national cemeteries.

Consequently, RNC management had no authority to allow the Support Committee to use the RNC's mailing address and telephone number on letterhead and fundraising brochures, to have an assigned parking space at the RNC, or to work on RNC property without identification badges that clearly identified them as volunteers. Similarly, the RNC did not have the authority to allow the Support Committee to use the RNC's mail delivery and telephone systems. By improperly conferring these privileges upon the Support Committee, RNC management violated Federal regulations prohibiting the endorsement and preferential treatment of private organizations and the use of Government property and resources for other than authorized purposes.

Were Support Committee fundraising activities on RNC Grounds proper? No. We found that RNC managers improperly allowed the Support Committee to conduct prohibited fundraising activities on VA property. Title 38 CFR §1.218 prohibits the solicitation of donations on VA property. This prohibition was conveyed to the current RNC Director in a May 28, 2004, VA Regional Counsel opinion (DC-662-04-0048).⁶ In response to this opinion, the current Director discontinued the Support Committee's sale of fundraising items in the RNC administration building lobby.

Since 1978, both the former and current RNC Directors permitted the Support Committee to hold commemorative and fundraising events on RNC property during which committee members openly solicited donations from the public. In addition, one of the Support Committee's most significant on-going fundraising activities at the RNC has been the Tree of Remembrance Memorial established in 1995 on the walls of the RNC's administration building. A Support Committee plaque beside the Tree of Remembrance and brochures in the lobby of the RNC administration building solicits minimum donations of \$50 for the addition of an inscribed leaf on the Tree of Remembrance Memorial and the beautification, maintenance, and construction of memorials at the RNC. NCA and RNC management need to ensure that only authorized activities are allowed on NCA property and that managers avoid taking actions that can be construed as favoritism toward or the endorsement of a specific support committee.

Conclusion

We concluded that RNC and the Support Committee had improperly engaged in unauthorized and prohibited transactions and activities on cemetery grounds. These conditions have been allowed to develop since 1978, when both the RNC and Support Committee were founded, because of a lack of NCA policy and procedures that defined the proper business and financial relationship between VA national cemeteries and support committees.

⁶ The VA Regional Counsel reaffirmed this position in an opinion issued on August 30, 2005, (DC-662-05-0045) in response to our request for an opinion.

Recommended Improvement Action 3. We recommended that NCA management ensures that policies, procedures, and adequate management controls are implemented to ensure that national cemetery operations and fiscal transactions involving support committees comply with Federal regulations.

The Under Secretary for Memorial Affairs agreed with the findings and recommendations and reported that policy and standards governing the relationship between national cemeteries and support committees will be developed. This policy will address the proper use of Government property and resources as it relates to support committees, including prohibited fundraising activities. The implementation plan is acceptable, and we will follow up on planned actions until they are completed.

Recommended Improvement Action 4. We recommended that NCA and RNC management ensure that the Support Committee is not granted privileges and the use of Government property unless authorized by Federal law.

The Under Secretary for Memorial Affairs agreed with the findings and recommendations and reported that the NCA Director, Office of Field Programs, will direct RNC management to comply with all applicable laws and regulations regarding the use of Government property by non-VA entities. In addition, each national cemetery will notify their local support committee in writing about the new policy governing the relationship between national cemeteries and support committees and their activities and will provide them with a copy of this policy. Each national cemetery will further provide their Memorial Service Network office with a copy of the letter provided to their support committee. To ensure compliance, the NCA's OAI Program will review this documentation during its cemetery site visits. The implementation plan is acceptable, and we will follow up on planned actions until they are completed.

Under Secretary for Memorial Affairs Comments

Department of Veterans Affairs

Memorandum

Date: January 13, 2006

From: Under Secretary for Memorial Affairs (40)

Subject: **Evaluation of Financial Management Activities at the VA Riverside National Cemetery Riverside, California (#2005-00017-R7-001)**

To: Director, Los Angeles Audit Operations Division, Office of Inspector General (52LA)

1. Thank you for the opportunity to comment on the Draft Report. The audit team was very professional and thorough and the findings and recommendations presented in the Draft Report will assist us in strengthening internal controls for the National Cemetery Gift Fund and in the administration of agreements with non-VA entities.

2. We concur with the recommendations presented in the Draft Report. Our implementation plan for each recommendation follows:

Recommendation 1: That the National Cemetery Administration (NCA) and Riverside National Cemetery (RNC) ensure that: (a) policies, procedures, and adequate record management controls are implemented to ensure Gift Funds, general cash donations, donations made for particular purposes, and reimbursements received from non-VA entities are properly controlled, managed, and used; and (b) RNC staff receive training on the receipt and use of the Gift Fund and General Operating Fund, ethical conduct issues, and prohibited practices, such as the solicitation of donations and the endorsement of organizations.

Implementation Plan:

1(a) - On December 22, 2004, NCA issued Directive 3160, entitled, "Gifts and Donations to VA National Cemeteries". This directive sets forth policies for the acceptance, deposit and use of monetary and/or non-monetary gifts and donations by VA national cemeteries. NCA will review this Directive and make any revisions, as appropriate, based on the findings in the Draft Report.

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Director, Los Angeles Audit Operations Division, Office of Inspector General (52LA)

To complement the Directive, NCA will develop a Handbook that provides detailed and comprehensive procedures for the administration of the Gift Fund. In the Handbook, NCA will address the issues identified in the Draft Report. Our timeline for accomplishing these actions is September 1, 2006.

1(b) – Specialized training in each of the areas identified in the recommendation will be developed. NCA will work directly with the Office of General Council to ensure all relevant issues are addressed. Training for RNC staff will be completed by March 31, 2006. All cemetery directors, assistant directors and other key administrative staff from across the country will be attending the National NCA Training Conference this summer. The training module will be included on the agenda so that all key cemetery employees receive this important training.

Recommendation 2: That NCA management ensures that: (a) policies, procedures, and adequate management controls are implemented to review, establish, approve, execute, and monitor agreements between NCA cemeteries and non-VA entities and (b) RNC managers and staff receive training on the Federal Records Act, Federal regulations, and NCA policies which pertain to the creation and maintenance of records, such as the documentation of agreements with non-VA entities.

Implementation Plan:

2(a) - NCA will develop a Directive and Handbook that establishes policy, procedures and management controls to ensure agreements with non-VA entities are properly and effectively administered. The authority of NCA employees to enter into these types of agreements will be clearly defined. Our timeline for completing these documents is September 1, 2006.

2(b) – A training module covering records management requirements will be developed as described in the Implementation Plan for Recommendation 1(b). Training will be provided to RNC employees by March 31, 2006, and this training will also be provided at the National Training Conference this summer.

Recommendation 3: That NCA management ensures that policies, procedures, and adequate management controls are implemented to ensure that national cemetery operations and fiscal transactions involving support committees comply with Federal and VA regulations.

Under Secretary for Memorial Affairs Comments

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Director, Los Angeles Audit Operations Division, Office of Inspector General
(52LA)

Implementation Plan:

Policy and standards governing the relationship between national cemeteries and support committees will be developed. This policy directive will address the proper use of Government property and resources as it relates to support committees, including prohibited fund raising activities. This Directive will be completed by June 1, 2006.

Recommendation 4: That NCA and RNC management ensure the Support Committee is not granted privileges and use of Government property unless authorized by law.

Implementation Plan:

The NCA Director, Office of Field Programs will direct RNC management to comply with all applicable laws and regulations regarding the use of Government property by non-VA entities. In addition, each national cemetery will provide their local support committee with a copy of the policy Directive that will be established under Recommendation 3. This will be done in writing and accomplished prior to the end of each fiscal year, beginning in fiscal year 2006. Each national cemetery will provide their Memorial Service Network office with a copy of the letter provided to their support committee. Documentation will also be reviewed during cemetery site visits as part of our Organizational Assessment and Improvement Program administered by NCA's Chief Financial Officer.

3. If you have any questions, please contact Dan Tucker, NCA's Chief Financial Officer at 202-273-5157.

(original signed by:)

William F. Tuerk

OIG Contact and Staff Acknowledgment

OIG Contact	Janet Mah (310) 268-4335
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Acknowledgment	Julio Arias
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Report Distribution

VA Distribution

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Under Secretary for Memorial Affairs (40)

Office of General Counsel (02)

Director, Office of Finance and Planning, National Cemetery Administration (41B)

Director, VA Riverside National Cemetery (901/00)

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.