

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



National Cemetery Administration

*Audit of
Appropriated Operations
and Maintenance Funds
Oversight*

June 20, 2012
11-03060-193

ACRONYMS AND ABBREVIATIONS

ARRA	American Recovery and Reinvestment Act
BOSS	Burial Operations Support System
OIG	Office of Inspector General
MSN	Memorial Service Networks
NCA	National Cemetery Administration
RMT	Resource Management Tool
VA	Veterans Affairs
VACO	Veterans Affairs Central Office

To Report Suspected Wrongdoing in VA Programs and Operations:

Telephone: 1-800-488-8244

E-Mail: vaoighotline@va.gov

(Hotline Information: <http://www.va.gov/oig/contacts/hotline.asp>)



Report Highlights: Audit of NCA's Appropriated Operations and Maintenance Funds Oversight

Why We Did This Audit

The mission of the National Cemetery Administration (NCA) is to honor veterans with final resting places in national shrines and lasting tributes that commemorate their service to our Nation. Currently, NCA maintains more than 3 million gravesites at 131 national cemeteries in 39 states and Puerto Rico. NCA also maintains 33 soldiers' lots and monument sites. There are approximately 20,000 acres of land within established installations in NCA, half of which are developed.

We conducted this audit to determine if NCA effectively budgeted and used operations and maintenance funds as intended. For FY 2010 and FY 2011, the budget authority for operations and maintenance of VA's national cemeteries totaled approximately \$250 million, an increase of 38 percent from the FY 2009 budget. The FY 2010 budget represented 46 percent of the \$550 million Congress appropriated for NCA programs, and the FY 2011 budget represented 48 percent of the \$520 million appropriation.

What We Found

NCA effectively planned its FY 2010 budgetary process using appropriated operations and maintenance funds. In addition, the controls over budget implementation were adequate.

We identified minor conditions that needed correction to improve equipment accountability.

However, these issues were not considered significant or systemic. We discussed these minor conditions with NCA's local management on a site-specific basis, and NCA took actions to address our concerns.

What We Recommend

We made no recommendations in this report and did not require a written response.

Agency Comments

The Under Secretary for Memorial Affairs noted the report provided several opportunities for improvement and are currently working with the Veterans Health Administration and Veterans Benefits Administration to define the roles and responsibilities for the management of non-expendable equipment.

A handwritten signature in black ink that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

TABLE OF CONTENTS

Introduction.....	1
Results.....	2
Appendix A Background	5
Appendix B Scope and Methodology.....	6
Appendix C Under Secretary for Memorial Affairs Comments.....	9
Appendix D Office of Inspector General Contact and Staff Acknowledgments.....	10
Appendix E Report Distribution	11

INTRODUCTION

Objective

We conducted this audit to determine how effectively the National Cemetery Administration (NCA) planned its budgetary process and used appropriated operations and maintenance funds. In addition, we examined the controls for NCA's oversight related to budget implementation.

NCA Operations and Maintenance Budget

NCA's operations and maintenance appropriated funds support the operations of 131 national cemeteries and 33 soldiers' lots and monument sites. The costs of producing and mailing Presidential Memorial Certificates are also funded from this appropriation. For FY 2010 and FY 2011, the budget authority for operations and maintenance of VA's national cemeteries totaled approximately \$250 million, an increase of 38 percent from the FY 2009 budget. The FY 2010 operations and maintenance budget represented 46 percent of the \$550 million Congress appropriated for NCA programs, and the FY 2011 budget represented 48 percent of the \$520 million appropriation.

Organizational Structure

NCA's field structure is geographically organized into five Memorial Service Networks (MSNs). MSN offices are located in Philadelphia, PA; Atlanta, GA; Denver, CO; Indianapolis, IN; and Oakland, CA.

MSN Directors and staff provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic area. Additional jurisdictional relationships exist where one cemetery director is responsible for managing multiple national cemeteries resulting in a "management/satellite" relationship. In addition to managing 131 national cemeteries, 30 national cemetery directors are also managing the operations and budget development of 61 satellite cemeteries. The satellite cemeteries are generally smaller than the managing cemeteries and have less burial activity.

Prior Reviews

The Office of Inspector General's (OIG) American Recovery and Reinvestment Act (ARRA) Oversight Advisory Report, *Review of the Management of Recovery Act Funds for Monument and Memorial Repairs* Report No. 09-01814-263, September 30, 2010, stated NCA needed to improve management processes to guarantee efficient administration of the ARRA funds received to ensure accountability and transparency objectives. This review looked specifically at ARRA funding totaling \$50 million.

Appendix A contains background information and Appendix B has additional information about this audit's scope and statistical sampling methodologies.

RESULTS

Budget Process

NCA effectively planned its FY 2010 budgetary process using appropriated operations and maintenance funds. Our review of the FY 2010 Resource Management Tool (RMT), used to formulate and execute fiscal year budgets for each national cemetery, showed that data used to calculate the workload levels were reasonable and correctly calculated. In addition, adequate controls and processes were in place to ensure appropriate budgeting and spending.

NCA's operations and maintenance budget increased 38 percent from \$181 million in FY 2009 to \$250 million in both FY 2010 and FY 2011. This occurred because the number of interments (final resting of casketed remains) increased by 8,040—from 106,360 in FY 2009 to 114,400 in FY 2011.

Table 1 below shows the distribution of operations and maintenance funds to the five MSNs and VA Central Office (VACO) for FY 2010. Appropriated funds used to support VACO activities include travel, national shrine projects, the Presidential Memorial Certificate Program, and other NCA national functions and programs, such as the National Training Center.

Table 1

FY 2010 Distribution of Funds	
MSN I - Philadelphia	\$35,167,000
MSN II - Atlanta	33,225,300
MSN III - Denver	24,910,800
MSN IV - Indianapolis	29,780,100
MSN V - Oakland	34,797,400
VACO	92,604,200
Total	\$250,484,800

Source: NCA, Office of Finance and Planning

As a result of the increase in interments, NCA requested a 4 percent increase in full time employees (from 1,603 in FY 2009 to 1,670 in FY 2010) to efficiently manage operation and maintenance functions.

NCA's Office of Finance and Planning issued budget guidance and templates, including an RMT template and performance targets in April 2008. Cemetery directors receive training on the budget process during the NCA Director's Internship Program, which helps to ensure consistent application of budgetary procedures and practices.

Using the RMT, cemeteries provide requirements for maintenance and repair projects, equipment, nonrecurring maintenance, cemetery expansions, and information technology projects. Workload projections are populated in the RMT based on prior year interment and workload data from NCA automated databases including the Burial Operations Support System (BOSS). In addition, NCA uses time efficiency studies to determine the time to perform specific tasks such as, opening and closing a gravesite, mowing and trimming, and interment paperwork preparation.

To help reduce the risk of inappropriate and unreasonable budgeting and spending, national cemetery management and staff submit the completed RMT to a MSN review panel. The panel is comprised of various staff including MSN directors, contract specialists, financial administrators, and other cemetery directors. We determined procedures were adequate and implemented effectively for reviewing and approving the RMTs at the facility, MSN, and VACO level.

NCA's budget process and controls ensured operations and maintenance funds were appropriately budgeted and used during FY 2010. Expenditures for goods or services processed at the end of the last quarter of FY 2010 were supported with sufficient justification. The budget process, as implemented in FY 2010, helped to ensure NCA and Office of Management and Budget timelines were achieved. We determined NCA had sufficient oversight controls in place and budgeted and actual costs were reasonable and free of any irregularities or significant errors.

Conclusion

NCA's use of the RMT for formulating and executing the FY 2010 budget, resulted in logical, reasonable and accurate budget projections for each national cemetery. With adequate controls and processes in place, NCA's continued use of the RMT will help ensure future budgeting and spending are appropriate.

**Equipment
Accountability**

NCA staff did not always ensure equipment inventory lists were current and included all the necessary information. Materiel management specialists at designated servicing medical centers maintain the Equipment Inventory Lists for national cemeteries and update the lists with information provided by the cemeteries. While cemetery staff received the Equipment Inventory List, they did not always review the listings for accuracy.

Using the cemeteries' current equipment inventory lists, we randomly selected 10 items from each of the 9 sites we visited to determine their physical location. We successfully located all 90 items; however, we identified minor conditions that needed correction to strengthen equipment accountability. For example, Equipment Inventory Lists did not include all equipment currently in use, included equipment no longer in use, and included inaccurate descriptions of the equipment.

Table 2 below shows the number of sites where equipment accountability needed strengthening.

Table 2

Inventory Deficiencies	
Condition	Minor Issues Identified at NCA Site Locations
Found items not on an equipment list	3
Missing or incorrect asset tags	3
Obsolete or unused inventory	2
Disposed asset not removed from equipment list	1
Inaccurate descriptions	1
Item value understated on equipment list	1

Source: VA OIG

These issues were not considered systemic; therefore, did not impact the overall conclusion on the effectiveness and efficient use of appropriated operations and maintenance funds. Local NCA officials addressed the conditions at the sites where inventory accountability needed improvement.

Conclusion

Strengthening equipment accountability will help ensure NCA's equipment records are accurate and complete and provide management with the correct information to assess future inventory needs. Properly maintained equipment records help ensure the risk of equipment theft or other abuses is minimized.

We make no recommendations in this report.

Appendix A Background

Overview of NCA

NCA's mission is to honor veterans and their families with final resting places in national shrines and with lasting tributes that commemorate their service to our Nation. Currently, NCA maintains more than 3 million gravesites at 131 national cemeteries in 39 states and Puerto Rico. NCA also maintains 33 soldiers' lots and monument sites and manages approximately 20,000 acres of land, nearly half of which are developed.

Burial benefits for veterans include a gravesite in any national cemetery with available space, opening and closing of the gravesite, a graveliner, perpetual care of the gravesite, a Government headstone or marker, a burial flag, and a Presidential Memorial Certificate at no cost to the family. Burial benefits available for spouses and dependents buried in a national cemetery include burial with the veteran, a graveliner, perpetual care, and the spouse or dependent's name and date of birth and death inscribed on the veteran's headstone, at no cost to the family.

NCA Expansion and Trends

Cemeteries are given a status of open, closed, or cremation-only based on available burial space. According to NCA, at the end of FY 2011, 71 open cemeteries will have available, unassigned gravesites for the burial of both casketed and cremated remains. In addition, 44 closed cemeteries only perform interments of family members in the same gravesite as a previously deceased family member. Finally, the remaining 16 cremation-only cemeteries limit acceptance to veterans' cremated remains and the cremated remains of family members for interment in the same gravesite as a previously deceased family member.

By 2015, NCA plans to open five new national cemeteries to serve veterans in the areas of Central East FL; Tallahassee, FL; Omaha, NE; Southern CO; and Western NY. Once opened, annual interments are expected to increase 5 percent (from 114,400 in FY 2011 to approximately 120,500) in FY 2015. The total number of gravesites maintained is also expected to increase 9 percent (from 3.2 million in FY 2011 to nearly 3.5 million) in FY 2015. With the planned opening of new national cemeteries, NCA expects to provide more veterans and their families' with burial benefits within 75 miles of their permanent residence.

Appendix B Scope and Methodology

Scope

We conducted our audit work from July 2011 through April 2012. The audit included a review of NCA operations and maintenance budgetary and actual costs for FY 2010 and transaction expenditures (excluding salaries and benefits, rent, communications, utilities, and ARRA funds) from October 1, 2009, through September 30, 2010.

The universe of national cemeteries included 131 national cemeteries (including 61 respective satellite cemeteries) and 3,540 expenditure transactions valued at approximately \$6.2 million. We visited 9 national cemeteries, 5 managing cemeteries, and 4 non-managing cemeteries during September and October of 2011. In addition, we visited 11 of the 17 satellite national cemeteries.

Methodology

We interviewed NCA management and staff to obtain an understanding of the budgetary and spending controls applicable to the audit objective. We ensured compliance with laws, regulations, and policies and procedures by reviewing relevant criteria for budget procedures including:

- General Accounting Office Federal Appropriations
- Office of Management and Budget Circular No. 11, Section 15
- Basic Budget Laws
- USC 31, Section 1301-Appropriations-Basic Application
- FY 2010 NCA Field Request Internal Budget Call Memorandum
- FY 2010 Internal Call Memorandum for Operating Budget Plans

We reviewed NCA's RMT used for budget formulation and approval and the Operating Budget Plans used for disbursement of approved funds.

- We reviewed source documentation such as purchase orders and invoices and related financial system data supporting financial transaction expenditures to examine the effectiveness of fund use.
- We compared budget reports to actual expenditure reports to identify and review any significant variances.
- We verified financial transaction expenditures against the Financial Management System; the Centralized Administrative Accounting Transaction System; and the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement System to ensure the transactions were accurately represented in the financial systems.

We also analyzed financial and performance trends for FYs 2008 through 2010 by reviewing RMTs and Gravesite Assessments for the nine statistically selected sites. We ensured significant changes in the RMT budget requests were substantiated and examined whether budget increases were in line with inflation factors and economic assumption information from the Office of Management and Budget. We reviewed each cemetery's process for preparing and submitting their RMT and ensured procedures were adequate and implemented effectively for reviewing and approving the RMTs at the facility, MSN, and VACO.

We reviewed prior year budgets versus actual expenditures by budget code. For any significant budget or actual variances noted, we interviewed cemetery directors and/or staff and reviewed pertinent documentation. We reviewed significant expenditures processed at the end of the last quarter of FY 2010 to ensure a bona fide need was supported with adequate justification for goods or services. We also conducted physical observations of cemetery grounds and used the equipment inventory list to conduct onsite verifications of equipment. We obtained a current equipment inventory list at each of the 9 sites visited and randomly selected 10 items to verify for physical existence.

***Fraud
Assessment***

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this review. We developed specific audit steps to identify potentially fraudulent financial transactions including duplicative or altered invoices, unnecessary supplies, and questionable purchases. We reviewed and assessed selected financial transactions for appropriateness, such as equipment purchases and high dollar value transactions. We developed steps to verify the physical existence of equipment in addition to the source documentation testing. The audit team exercised due diligence in staying alert to any indications of such while conducting the audit. We did not identify any instances of fraud during this audit.

***Sampling
Approach and
Design***

Our first sampling objective was to determine how effectively NCA planned the budgetary process and oversaw its implementation. Our second sampling objective was to determine how effectively NCA used operations and maintenance funds.

To evaluate the budgetary process and the use of operations and maintenance funds, we conducted a two-step sampling approach. The first step included selecting nine national cemeteries followed by the selection of actual expenditure transactions. We classified the national cemeteries into three strata based on total budget value, and we selected three cemeteries from each stratum. This approach ensured we evaluated a representative number of smaller, medium, and larger cemeteries and resulted in coverage of all five

MSNs. We then selected a stratified sample, resulting in 155 transactions, based on each national cemetery's FY 2010 expenditures.

Populations

Our population for the first sampling objective was comprised of 131 national cemeteries, which included 30 managing cemeteries (that managed 61 satellites) and 40 non-managing cemeteries. Our population for the second sampling objective was comprised of FY 2010 transactions greater than \$750 for the nine sites selected under our first sampling objective (excluding ARRA funds, salaries and benefits, rent, communications, and utilities). This population represented 2,500 transactions valued at approximately \$12.7 million.

Data Reliability

We tested the reliability of computer-processed data by comparing the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement System, and Centralized Administrative Accounting Transactions System data to source documents such as, purchase orders, invoices, and Financial Management System reports. We concluded the data was sufficiently reliable for the expense and credit transactions in our samples. We verified the equipment inventory lists against equipment items onsite and expenditure transaction source documents, when applicable. We concluded the data was sufficiently reliable for the equipment items in our samples.

**Government
Audit
Standards**

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

Appendix C Under Secretary for Memorial Affairs Comments

Department of Veterans Affairs

Memorandum


Date: March 23, 2012

From: Under Secretary for Memorial Affairs (40)

Subj: Draft Report, Audit of National Cemetery Administration's Oversight of Appropriated Operations and Maintenance Funds (Project Number 2011-03060-R4-0162)

To: Assistant Inspector General for Audits and Evaluations (52)

1. The National Cemetery Administration (NCA) has reviewed the Office of the Inspector General (OIG) draft report, "Audit of Oversight of Appropriated Operations and Maintenance Funds" (Project Number 2011-03060-R4-0162).
2. NCA appreciates the work the OIG Audit Team performed and the opportunity to comment on the draft report. We noted the report does provide several opportunities for improvement that we will consider as we move forward. We are currently working with both the Veterans Health Administration and the Veterans Benefits Administration to define the roles and responsibilities for the management of non-expendable equipment.



Steve L. Muro

Appendix D Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
-------------	-----------------------------------------------------------------------------------------------------------

Acknowledgments	Cherie E. Palmer, Director Nelvy Viguera Butler Alicia Castillo-Flores Joseph DeAntonis Kevin Gibbons Lee Giesbrecht Raymond Jurkiewicz Cynnde Nielsen Maria Stone Ora Young
-----------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Appendix E Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years.