

**DEPARTMENT OF VETERANS AFFAIRS
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1991**

JULY 1992

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

92-48

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Public Release Date: July 30, 1992

No. 92-48

OBJECTIVES:

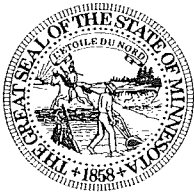
- EVALUATE INTERNAL CONTROL STRUCTURE: guardianship revenue, guardianship expenditures, grants, and payroll.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Bernie Melter, Commissioner
Department of Veterans Affairs

Audit Scope

We have conducted a financial related audit of the Department of Veterans Affairs as of and for the three years ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Veterans Affairs. We have also made a study and evaluation of the internal control structure of the Department of Veterans Affairs in effect as of April 1992.

The Department of Veterans Affairs is responsible for coordinating the delivery of state and federal veterans benefits to Minnesota Veterans and their dependents. The department provides state and federal veteran benefits to 500,000 veterans and more than 700,000 dependents. The department has three divisions: Veterans Benefits and Services, Claims and Branch Offices and Administrative Services. These divisions provide a number of services to veterans and their dependents such as: providing state and federal benefits, planning for future needs of Minnesota's veteran's and their dependents, coordinating state, county and federal agencies veterans benefits and services, providing educational assistance to eligible veterans and war orphans and enforcing veterans preference statutes. Revenue for the department totalled \$2,334,220 in fiscal year 1991 while expenditures totalled \$4,629,500. Payroll accounted for \$1,318,200 of total expenditures. The guardianship services provided by the department represent \$1,923,000 in revenue and \$2,122,000 in expenditures in fiscal year 1991.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Department of Veterans Affairs are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Veterans Affairs compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Department of Veterans Affairs is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- guardianship revenue,
- guardianship expenditures,
- grants, and
- employee payroll.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
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Conclusions


In our opinion, the internal control structure of Department of Veterans Affairs in effect at April 1992, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to the transactions of Department of Veterans Affairs.

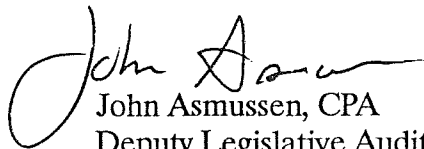
However, we noted certain matters involving the internal control structure and its operation that we reported to the management of Department of Veterans Affairs at the exit conference held on July 22, 1992.

The results of our tests indicate that, with respect to the items tested, Department of Veterans Affairs complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that Department of Veterans Affairs had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Veterans Affairs. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 30, 1992.

We would like to thank the Department of Veterans Affairs staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 5, 1992

Report Signed On: July 24, 1992