



# Office of Inspector General

**Management Letter:  
Internal Accounting Controls  
and Compliance for Housing Credit  
Assistance Program Operations at  
Selected VA Regional Offices**

**Report No.: 7R5-G10-061  
Date: March 14, 1997**

Office of Inspector General  
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS  
Office of Inspector General  
Washington DC 20420

March 14, 1997

**Memorandum to:**

**Director, Office of Resource Management (Chief Financial Officer) (24)  
Deputy Assistant Secretary for Financial Management (047)**

**Management Letter - Internal Accounting Controls and Compliance for Housing  
Credit Assistance Program Operations at Selected VA Regional Offices, Report No.  
7R5-G10-061**

1. As part of our audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements for the fiscal year ended September 30, 1996, we evaluated internal controls and tested facility-level financial transactions related to loan guaranty activities. This included nationwide tests of four types of loan transactions: loans originated, properties acquired, properties sold, and loans receivable serviced. Also, we further tested transactions and evaluated internal controls at three VA regional offices.
2. We did not find any material weaknesses concerning the accuracy of Housing Credit Assistance financial data tested at VA regional offices.
3. We did not make any recommendations; therefore, a response is not required. If you wish to discuss our findings, please call me at (816) 426-7100.

For the Assistant Inspector General for Auditing

*(Original signed by:)*  
WILLIAM D. MILLER  
Director, Kansas City Operations Division

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## **INTRODUCTION**

The Chief Financial Officers Act of 1990 requires VA to prepare annual financial statements. As part of the audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements for fiscal year (FY) 1996, the Office of Inspector General (OIG) audited financial transactions for the Housing Credit Assistance Program. This letter relates to our review of financial transactions and internal controls at VA regional offices (VAROs). The audit was conducted in accordance with applicable generally accepted government auditing standards.

### **Purpose**

The purpose of this audit was to determine the adequacy of internal controls exercised by the Veterans Benefits Administration (VBA) relative to Housing Credit Assistance program financial transactions.

### **Scope**

Our audit included reviews of VA Housing Credit Assistance financial transactions for FY 1996 to determine whether data in Loan Guaranty Service's automated data systems were reliable. To achieve our objectives, we tested computer processed data contained in the following data systems:

- Guaranteed Insured Loan (GIL) System.
- Liquidation Claims System (LCS).
- Property Management System (PMS).
- Portfolio Loan System (PLS).
- General Ledger System (GLS).

We determined that the data were reliable for our audit purposes. Data in the systems were tested by reviewing statistical samples of four types of loan transactions:

- Guaranteed loans originated in FY 1996.
- Claims paid and properties acquired in FY 1996.
- Properties sold in FY 1996.
- Loans receivable at the end of FY 1996.

On a sampling basis, we compared the data to other management reports and to source documents to determine the authenticity, reliability, and completeness of the data. We examined financial and administrative records, including samples of loan folders maintained by VAROs; data in general ledger accounts, subsidiary records, paid invoices, and reports generated by the data systems. We tested amounts recorded in selected

## APPENDIX I

general ledger accounts and subsidiary records. We further tested the transactions and evaluated internal controls by reviewing financial records and procedures at three VAROs:

- Boise, ID (we also visited VARO Denver, whose finance division was responsible for VARO Boise's Housing Credit Assistance accounting).
- Nashville, TN.
- St. Petersburg, FL.

We also assessed steps taken to ensure that financial data are reported in the proper accounting periods, a condition we reported in prior years<sup>1</sup> as needing improvement.

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<sup>1</sup>Management Letters - Internal Accounting Controls and Compliance for Housing Credit Assistance Program Operations at Selected VA Regional Offices, October 14, 1994, Report No. 5AF-G01-002; April 3, 1995, Report No. 5R5-G10-055; and April 29, 1996, Report No. 6R5-G10-051.

**RESULTS OF AUDIT**

We did not find any material weaknesses that would affect the accuracy of Housing Credit Assistance financial data in VA's FY 1996 Consolidated Financial Statements. Specifically, for the files and transactions we reviewed, our audit found that:

- Loan guaranty staff accurately recorded information in the GIL System.
- Supervisors properly approved property acquisitions and payment decisions.
- Conveyance, title, claim, and payment records supported amounts recorded in the GLS and LCS subsidiary ledgers.
- Amounts recorded in various revenue and expense accounts of the PMS were complete, and errors were immaterial.
- Evidence was adequate to justify property acquisitions.
- Accounting staff prepared reconciliations and journal vouchers which were substantially in accordance with VA regulations.
- Property management brokers' invoices were mathematically accurate.
- Amounts for new loans in the PLS were correctly recorded.
- The reliability of loan guaranty data in the GLS was acceptable.
- Loans receivable reported in the PLS as of September 30, 1996, were existent and complete, and the total was substantially accurate.

Staff from the Office of Resource Management (24) continued their practice of making a manual adjusting entry in financial statement data to override an out-of-balance condition between the general ledger and VBA's subsidiary ledgers. This condition exists due to end-of-year processing limitations of subsidiary ledger systems, which were reported by OIG in prior management letters. The manual entry, which is made pursuant to an agreement with OIG, is necessary to accurately report the value of property acquisitions and sales that occurred in the fiscal year. The entry is made after staff identify the value of property acquisitions and sales that (i) actually occurred in FY 1995 and were improperly recorded in VBA's subsidiary ledgers as a FY 1996 transaction or (ii) actually occurred in FY 1996 and were improperly recorded as a FY 1997 transaction.

**FINAL REPORT DISTRIBUTION**

**VA Distribution**

Under Secretary for Benefits (20A11)

Director, Office of Resource Management (Chief Financial Officer) (24)

Assistant Secretary for Management (004)

Deputy Assistant Secretary for Financial Management (047)

Director, Office of Management Controls (004B)