

## SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The auditors' report on internal controls, prepared as a result of the FY 2002 financial statement audit, reports two material weaknesses: "Information Technology (IT) Security Controls," and "Integrated Financial Management System." In the IT finding, the auditors reported that VA's program and financial data continue to be at risk due to serious weaknesses related to control and oversight over access to its information systems. In the second finding, the auditors reported continuing difficulties related to the preparation, processing and analysis of financial information to support the efficient and effective preparation of VA's consolidated financial statements. VA closed three material weaknesses reported in the prior year.

The auditors' report on compliance with laws and regulations, also prepared as a result of the FY 2002 financial statement audit, discusses Departmental non-compliance with the Federal Financial Management Improvement Act (FFMIA) requirements concerning "Lack of Integrated Financial Management Systems." Except for this non-compliance, the report concludes that for the items tested, VA complied with those laws and regulations materially affecting the financial statements. The auditors also identified noncompliance with one law warranting disclosure, though not material to the financial statements. It concerns the requirement for charging interest and administrative costs on compensation and pension accounts receivable.