



Department of Veterans Affairs Office of Inspector General

DEPARTMENT OF VETERANS AFFAIRS FISCAL YEAR 2005 AGREED-UPON PROCEDURES FOR FEDERAL INTRAGOVERNMENTAL ACTIVITY AND BALANCES

Report No. 05-01096-35

VA Office of Inspector General
Washington, DC 20420

December 2, 2005

**To Report Suspected Wrongdoing in VA Programs and Operations
Call the OIG Hotline - (800) 488-8244**



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

MEMORANDUM FOR ROBERT J. HENKE
CHIEF FINANCIAL OFFICER
DEPARTMENT OF VETERANS AFFAIRS

EDWARD J. MURRAY
DEPUTY ASSISTANT SECRETARY FOR FINANCE
DEPARTMENT OF VETERANS AFFAIRS

FROM: Michael L. Staley
Assistant Inspector General for Auditing
Department of Veterans Affairs

SUBJECT: Fiscal Year 2005 Agreed-Upon Procedures for Federal
Intragovernmental Activity and Balances for the Department of
Veterans Affairs

1. Attached is the Agreed-Upon Procedures report for the Department of Veterans Affairs (VA) fiscal year 2005 Federal Intragovernmental Activity and Balances. The Office of Inspector General contracted with the independent public accounting firm Deloitte & Touche LLP (Deloitte) to perform the procedures enumerated in the enclosure which were agreed to by the Office of Management and Budget, the Department of the Treasury's Financial Management Service (FMS), and the Government Accountability Office (GAO). The procedures were performed solely to assist FMS in the preparation of, and GAO in the audit of, the fiscal year 2005 consolidated financial statements of the United States Government. Deloitte performed its review of the intragovernmental activities and balances in accordance with the *Treasury Financial Manual (TFM) Part 2, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government, Section 4705.75 – IG Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances*.

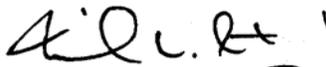
2. The TFM specifies five agreed-upon procedures to be performed to identify any differences in the reconciliations of the intragovernmental activities and balances. No finding was identified in Procedure 1. For Procedure 2, the auditors noted that the amounts recorded in Module 4 of the Governmentwide Financial Report System for Buy/Sell Costs were accurate as reported and the amounts reported in VA's Performance and Accountability Report were understated by \$12 million. Please refer to the findings noted under Procedure 2 of the attached report for further detail on the differences noted. For Procedure 3, the auditors noted that the amounts recorded in FMS' *Intragovernmental Closing Package vs. 4th Quarter Submission Comparative Data*

Report for Buy/Sell Costs/Revenue were accurate as reported and the amounts reported in VA's Performance and Accountability Report were understated by \$12 million. Additionally, the auditors noted that VA did not provide a reconciliation of the Required Supplementary Information amounts to the FMS report and that certain transactions were posted to an incorrect trading partner. Please refer to the findings noted under Procedure 3 of the attached report for further detail. For Procedure 4, the auditors noted that certain transactions were posted to an incorrect trading partner and that the Intragovernmental Buy/Sell Costs/Revenue line item with the Office of the Secretary of Defense in FMS' *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report* was understated by \$3 million when compared to VA's records. Please refer to the findings noted under Procedure 4 of the attached report for further detail. For Procedure 5, the auditors reported that VA did not consistently reconcile its transactions with its trading partners. There were no auditor proposed intragovernmental adjustments that were waived by VA.

3. This report is intended solely for the use of the VA Chief Financial Officer, FMS, and GAO, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

4. If you have any questions, please contact Ms. Marie Maguire, Director, Financial Audit Division, or me at (202) 565-7013.

Sincerely,



MICHAEL L. STALEY
Assistant Inspector General for Auditing

Attachment



Deloitte & Touche LLP
555 12th Street N.W.
Suite 500
Washington, DC 20004-1207
USA
Tel: +1 202 879 5600
Fax: +1 202 879 5309
www.deloitte.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Inspector General Department of
Veterans Affairs:

At the request of the Department of Veterans Affairs (“VA”), Office of Inspector General (“OIG”), we have performed the procedures described below, which were agreed to by the VA OIG, the Department of the Treasury’s Financial Management Service (“FMS”), the U. S. Government Accountability Office (“GAO”), and the Office of Management and Budget (“OMB”) as stated in the *FMS Agency Reporting Requirements for the Financial Report of the United States Government* guidance, solely to assist FMS in the preparation of, and GAO in the audit of, the consolidated financial statements of the U.S. Government as of and for the year ended September 30, 2005. The VA management is responsible for the proper accounting, presentation and reporting of its consolidated financial statements and reporting of, information to FMS.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties listed above. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

Procedure 1

Obtain all *Intragovernmental Closing Package Line Item* reports from Module 4 of the Governmentwide Financial Report System (“GFRS”) for intragovernmental activity/balances supporting the Closing Package Reclassified Balance Sheet’s Federal Assets and Liabilities, Reclassified Statement of Net Cost’s Federal Gross Cost and Federal Earned Revenue, and Reclassified Statement of Change in Net Position’s Federal Non-exchange Revenue and Budgetary and Other Financing Sources.

Findings:

None.

Procedure 2

Compare the *Intragovernmental Closing Package Line Item* reports from Module 4 of GFRS for intragovernmental activity/balances by Federal line item totals and/or trading partner activity/balances to the agency’s general ledger and the Required Supplementary Information (“RSI”) data from the audited financial statements. Identify any differences. The following findings were identified.

Findings:

Module 4 of GFRS reports Buy/Sell Costs of \$1,721 million. The RSI reports a balance of \$1,709 million, resulting in a difference of \$12 million.

Procedure 3

Compare trading partner activity/balances from Intragovernmental RSI schedules in agency's audited financial statements to the agency's *Intragovernmental Closing Package vs. 4th Quarter Submission Comparative Data Report* and the *Intragovernmental Closing Package Material Differences/Status of Disposition Certification Report* (Section II of the CFO Representations). For items where agency reporting differences exist, trace the explanations to supporting documentation and identify any discrepancies. The following findings were identified.

Findings:

The *Intragovernmental Closing Package vs. 4th Quarter Submission Comparative Data Report* reports a total Buy/Sell Costs/Revenues balance of \$5,483 million. The RSI reports a total balance of \$5,471 million (RSI Earned Revenue of \$1,709 million and the GFRS Buy/Sell Revenue of \$3,762 million) resulting in a difference of \$12 million.

The RSI reports Intragovernmental Non-Exchange Revenue, Transfers-Out and Costs Related to Intragovernmental Earned Revenue of \$1,507 and \$1,658 million, respectively. VA did not provide a reconciliation of the RSI amounts to the *Intragovernmental Closing Package vs. 4th Quarter Submission Comparative Data Report*.

The *Intragovernmental Closing Package vs. 4th Quarter Submission Comparative Data Report* and the *Intragovernmental Closing Package Material Differences/ Status of Disposition Certification Report* reports that Financing Sources Transferred In/Out Without Reimbursements of (\$1,371) million related to the Department of Treasury (TP 20). The amount is related to the Treasury General Fund (TP 99).

Procedure 4

Obtain FMS's *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report* for intragovernmental activities/balances.

- A. Compare the differences between the agency and its trading partners by reciprocal category/line-item from FMS's *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report* to explanations from VA supporting documentation. For items where VA reporting differences exist, compare the explanations to supporting documentation and identify any discrepancies.
- B. Identify any inconsistencies in amounts or explanations between FMS' *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report* and VA's supporting documentation.
- C. In the event of non-reporting by trading partners, as indicated in the footer section of FMS' *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report*, identify that the difference is due to a non-reporting partner and do not proceed further with the review of the differences.

The following findings were noted.

Findings:

The *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report* did not indicate an explanation for the \$1,371 million difference related to the Transfers in/Out without Reimbursement line item. According to VA, the amount should have been reported under TP 99 and not TP 20.

The *Intragovernmental Reporting & Analysis System Comparative Status of Disposition Report* indicates a total Buy Sell Revenue Expense balance of \$1,129 million for the Office of the Secretary of Defense—Defense Agencies (TP 97). According to VA's supporting documentation, the balance should be \$1,132 million.

Procedure 5

Identify and include copies of internal control findings related to intragovernmental activities from the financial statements audit, including items cited in the management letter. Also, identify and report auditor-proposed intragovernmental adjustments that were waived by VA.

Findings:

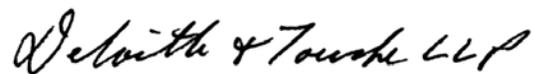
VA did not consistently reconcile transactions with its trading partners.

We identified no auditor proposed intragovernmental adjustments that were waived by the VA, including items that will be cited in the management letter comments.

* * * * *

We were not engaged to, and did not conduct an audit of the matters addressed herein, the objective of which would be the expression of an opinion on such information. Accordingly we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than those specified parties.



December 2, 2005

FINAL REPORT DISTRIBUTION

VA DISTRIBUTION

Assistant Secretary for Management (004)

Principal Deputy Secretary for Management (005)

Deputy Assistant Secretary for Finance (047)

Chief Financial Officer for Veterans Health Administration (17)

Chief Financial Officer for Veterans Benefits Administration (24)

Chief Financial Officer for National Cemetery Administration (402A)

Assistant Secretary for Public and Intergovernmental Affairs (002)

Deputy Assistant Secretary for Public Affairs (80)

Acting Assistant Secretary for Congressional and Legislative Affairs (009)

Associate Deputy Assistant Secretary for Financial Policy (047G)

Director, Management and Financial Reports Service (047GB)

NON-VA DISTRIBUTION

Department of Treasury, Financial Management Services

Government Accountability Office