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Assignment 10157

December 8, 2006

To: Distribution List

Subject: Review of the Office of Veterans' Services

We have completed a review of the Office of Veterans' Services revenue. We conducted the review during October and November 2006 covering fiscal years 2004 through 2006.

We sincerely thank the staff of the Office of Veterans' Services and the Office of the County Executive for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

(Signatures on file)

David G. Elledge
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COUNTY OF SANTA CLARA

Review of the Office of Veterans' Services



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Executive Summary

Conclusion Internal Audit is estimating there may be a possible adverse revenue impact to the County of approximately \$2,300 for the 18 months ending June 30, 2006. During that period, the County received revenue totaling approximately \$126,000. The lack of detail records did not permit researching transactions prior to January 2005. For the period July 1, 2003 through December 31, 2004, the County received revenue totaling \$111,886.

As of May 8, 2006, the control environment at the Office of Veterans' Services has improved significantly since the acting officer's appointment. Our review indicates that the officer and his staff are aware and comply with the expectation that the County should receive revenue for only claims involving the office's participation.

The client is in agreement with our findings.

Audit Objectives and Scope The audit objective is to quantify any adverse revenue impact to the County from the Office of Veterans' Services state reimbursements received from July 1, 2003 through June 30, 2006. The scope included:

- Reviewing the semiannual reports filed by the Office of Veterans' Services to the California Department of Veterans Affairs (CDVA).
- Reviewing the revenue received from the CDVA.
- Sampling the awards claimed on the semiannual reports, to identify the support level existing for the awards claimed.
- Determining any adverse monetary effects.
- Evaluating the current internal controls.

**Audit
Background**

The Office of Veterans' Services processes claims for veterans and receives revenue from the state for assisting those veterans in filing claims. For the fiscal years 2004 to 2006, the County received approximately \$238,000.

The paperwork for the claims is filed in individual folders or "miscellaneous" folders. We define possible unsupported claims as all claims in the "miscellaneous" folders as they were segregated from claims supported by evidence of the office's involvement and any claim in an individual file where the paperwork indicates that it may be unsupported. There were no records available for claims filed prior to January 2005. Thus it was not possible to estimate the revenue risk for activities prior to January 2005. The California Department of Veterans Affairs' records retention requirement is two years.

We performed this audit at the request of the County Executive.

We conducted our review in accordance with the Professional Practices Framework established by the Institute of Internal Auditors.

(Signatures on file)

David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

Brian P. Mark, CIA
Sr. Internal Auditor

Findings and Recommendations

Finding 1 The County Office of Veterans' Services received excess revenue from the California Department of Veterans Affairs.

For the period January 1, 2005 through June 30, 2006, we estimate that the County received excess revenue from the California Department of Veterans Affairs (CDVA) of \$2,306 for services the County did not perform. This estimate is based on a review of the records that support the reimbursement to the County. We attempted to estimate any excess reimbursement from July 1, 2003 through December 31, 2004; however, we were unable to make an estimate for that period due to the unavailability of some key records. By applying data from our review for the 18 months ending June 30, 2006 to the 18 months ending December 31, 2004, we estimate that the possible over-reimbursement to be \$2,046 for the 18 months ending December 31, 2004.

Recommendation 1 The County should repay the California Department of Veterans Affairs \$4,400 for the estimated excess revenue. [Priority 1]

Finding 2 Record retention does not comply with the minimum requirement.

We attempted to audit the claims filed from July 1, 2003 through June 30, 2006. While the County Office maintains the records of claims it had prepared in 2004, some of the primary documents needed for this audit, specifically the award letters, prior to January 1, 2005 were missing. The CDVA requires records be maintained for two years. Thus, the County Office of Veterans' Services was not in full compliance with the required record retention set by the California Department of Veterans Affairs.

Recommendation 2 The County Office of Veterans' Services should retain veterans' files for the current fiscal year and the two immediate prior fiscal years. [Priority 3]

Finding 3 Periodic audits of the County Office of Veterans' Services are not performed.

This is the first audit of the County Office performed by the County's Internal Audit Division. Since there were some discrepancies noted, periodic audits will improve the internal control environment.

The Committee of Sponsoring Organizations (COSO), also known as the Treadway Commission, identified five elements in its business process control model. The fifth element, monitoring, provides feedback enabling management to respond to any changes or problems. Periodic audits will fulfill the monitoring element of the internal control process model.

Recommendation 3 The Internal Audit Division should audit the County Office of Veterans' Services claims process every two years. The frequency of the audits would be increased or decreased based on the results of the audits.
[Priority 3]