



United States  
General Accounting Office  
Washington, D.C. 20548

160358

Accounting and Information  
Management Division

B-279652

April 28, 1998

General Frederick F. Woerner, Chairman  
American Battle Monuments Commission

Subject: Management Letter: American Battle Monuments Commission's  
Financial Statement Audit for Fiscal Year 1997

Dear General Woerner:

We contracted with the independent public accounting firm of KPMG Peat Marwick LLP (KPMG) to conduct an agencywide audit of the American Battle Monuments Commission's (ABMC) financial statements for the fiscal year ended September 30, 1997. This was the first agencywide audit of ABMC's financial statements since its establishment in 1923. On February 27, 1998, we issued a letter<sup>1</sup> transmitting KPMG's auditors' report, dated January 13, 1998, which contained (1) an auditors' unqualified opinion on ABMC's Balance Sheet and auditors' disclaimer of opinion on the remaining ABMC's principal statements, (2) an auditors' opinion on ABMC management's assertion about the effectiveness of related internal controls, and (3) conclusions on compliance with significant laws and regulations. In that letter, we concurred with KPMG's conclusions.

In our February 27, 1998 letter, we reported four areas of weaknesses regarding the effectiveness of ABMC's internal controls over financial reporting. This letter provides suggestions on how to correct these weaknesses, and provides suggestions to assist ABMC in improving its operations in other less significant areas. Many of ABMC's weaknesses are systems related. During fiscal year 1998, ABMC plans to select a commercial off-the-shelf system from approved vendors on the General Services Administration's Financial Management Systems Software schedule. The system selected is to conform to all current

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<sup>1</sup>Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Year 1997 (GAO/AIMD-98-81, February 27, 1998).

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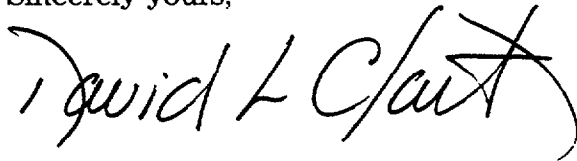
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guidance and be Year 2000 compliant.<sup>2</sup> A draft of the enclosed KPMG management letter, dated January 13, 1998, was provided to ABMC officials who agreed with its contents and said that they will consider all the suggestions.

We would appreciate receiving a description and the status of your planned corrective actions within 30 days of the date of this letter. We and KPMG appreciate the cooperation and assistance ABMC's management and staff provided during the audit.

If you have any questions or need assistance in addressing these items, please contact me or Roger R. Stoltz, Assistant Director, on (202) 512-9489.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive style with a large, sweeping flourish at the end.

David L. Clark  
Director, Audit Oversight  
and Liaison

Enclosure

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<sup>2</sup>The Year 2000 problem is rooted in the way dates are recorded and calculated in many computer systems. For the past several decades, systems have typically used two digits to represent the year in order to conserve on electronic data storage and reduce operating costs. With this two-digit format, however, the year 2000 is indistinguishable from the year 1900. As a result, system or application programs that use dates to perform calculations, comparisons, or sorting may generate incorrect results when working with years after 1999.

KPMG PEAT MARWICK'S AUDITOR'S REPORT**KPMG** Peat Marwick LLP

2001 M Street, N.W.  
Washington, DC 20036

January 13, 1998

**MANAGEMENT LETTER**

The Commissioners  
American Battle Monuments Commission

We have audited the balance sheet of the American Battle Monuments Commission (ABMC) as of September 30, 1997, and have issued our unqualified Independent Auditor's Report thereon dated January 13, 1998. In planning and performing our audit of the balance sheet of the ABMC we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the general purpose financial statement and management's assertions on internal controls over financial reporting. We have not considered the internal controls since the date of our report.

Four reportable conditions, the first three of which we consider material weaknesses, have been provided in our separate report entitled Independent Auditors' Report dated January 13, 1998 and are presented, along with our suggestions for improvement, as Appendix I to this letter. The 18 Notification of Findings and Suggestions, presented in Appendix II to this letter, are not considered reportable conditions but are less significant matters offered to assist the ABMC in improving its operations. All of the reportable conditions and notification of findings and suggestions have been discussed with the appropriate members of ABMC management.

This report is intended for the information of the ABMC, management of the ABMC, and regulatory bodies. However, this report is a matter of public record, and its distribution is not limited.

We take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the ABMC during the course of our examination.

*KPMG Peat Marwick LLP*



Appendix I

**AMERICAN BATTLE MONUMENTS COMMISSION**  
**Financial Statement Audit – Fiscal Year 1997**

**Notification of Reportable Condition and Suggestion (NRCS)**

<b>NRCS number:</b>	1
<b>Audit Area:</b>	Information Systems
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	O Binder

**Our auditors have identified the following:**

**Condition: Inadequate Controls Over Information Technology Systems**

The ABMC's current information technology systems utilized by the Washington DC office and the foreign regions contain the following weaknesses:

- The systems do not require an obligation to be recorded prior to an expenditure being recognized. The developmental software utilized by the database does not include this feature, due to certain limitations.
- There is no user documentation to support the internally-generated accounting databases: FoxPro, dBaseIV and Clipper. The users learn how to use the system through on the job training, although they do not have any support to explain how functions should be performed and questions answered.
- All operations databases used by the ABMC can be modified by any personnel who has access to the ABMC local area network. However, personnel do have varying levels of responsibilities.
- Within the ABMC-Headquarters Office, there is no month-end processing to close transactions and lock month-end transactions from further modification. Due to the above mentioned access ability, all financial transactions of the ABMC are available for modification or deletion.
- Accounting personnel in the ABMC-Headquarters and the European Regional Offices have access to the file maintenance functions that include the general ledger accounts, object codes, and vendor listings. These individuals are also responsible for entering the financial data and tracking financial obligations.
- The ABMC-Headquarters, the Mediterranean and the Pacific Regional Offices do not require system passwords to be changed on a periodic basis. Users are not required to change their passwords after the initial sign-on to the network.
- The network utilized at the ABMC-Headquarters does not lock users out after repeated invalid sign-on attempts. Users can repeatedly type the incorrect identification or password and attempt to gain access to the systems.
- The ABMC-Headquarters and the Pacific Regional Office do not have business continuity plans to address continued operations of the agency in the event of a disaster. Such a plan should include all aspects of the business operations, not only the computer systems.
- The ABMC-Headquarters, the Mediterranean and Pacific Regional Offices do not have a secure off-site storage facility to rotate backup tapes on a regular basis. Although the ABMC personnel responsible for performing the backup procedures take the tapes home with them, the site is not considered a secure site to ensure proper control and safeguarding of financial data.
- Sufficient training in systems administration and support has not been provided to all personnel in charge of the systems in all locations.

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- The network server used by the ABMC-European Regional Office is at full capacity, and currently will not allow employees to save information. The server is also performing at a slow pace and will not allow additional software to be loaded.

**Criteria:**

OMB Circular A-127, Financial Management Systems  
GAO Federal Information Systems Controls Audit Manual

**Cause:**

ABMC Headquarters does not have a full time information systems staff officer.  
ABMC does not do common information system control procedures.  
ABMC has old, outdated equipment.

**Effect:**

ABMC data is not secure and transactions may not be recorded correctly.

**Suggestions:**

ABMC should procure and field a modern, integrated financial information system that contains features to correct the above identified weaknesses as soon as possible.  
ABMC should assign a full time information systems officer.  
ABMC should follow common information systems control procedures.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
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**Notification of Reportable Condition and Suggestion (NRCS)**

<b>NRCS number:</b>	2
<b>Audit Area:</b>	Expenses and Accounts Payable
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	M Binder

**Our auditors have identified the following:**

**Condition: Improper Recording of Accounts Payable and Other Accruals**

The ABMC does not have policies and procedures to ensure proper accrual of accounts payable and accruals at the Regional Offices and Headquarters. We noted the following problems:

- The ABMC does not have a written policy to perform cut-off procedures at fiscal year-end.
- The ABMC-Mediterranean Regional Office's current policy is to record all open purchase orders as accounts payable at fiscal year-end, with no analysis performed for the proper segregation between accounts payable and undelivered orders.
- The ABMC did not properly recognize separation pay liability in the Mediterranean Regional Office.
- The ABMC European and Mediterranean Regions' original accrual for unfunded leave only included the Headquarters employees, and omitted the cemetery employees' accrual which amounted to \$198,000.
- There is improper segregation of duties in the ABMC European Regional Office since one employee has both certifying and disbursing responsibilities.

We were able to obtain assurance over the proper balance of accounts payable and accruals at September 30, 1997, through performing detailed cutoff testwork at ABMC-Headquarters and all regions. All adjustments proposed by us were recorded by ABMC.

**Criteria:**

FASAB Statement of Federal Financial Accounting Standards No. 5, Accounting for Liabilities of the Federal Government  
OMB Circular A-123, Management Accountability and Control

**Cause:**

This is ABMC's first financial statement audit and cash/budget based accounting entities usually have transition problems implementing accrual based accounting.  
With few people, ABMC is challenged to provide segregation of duties.

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**Effect:**

Liabilities and expenses were understated and the original financial statements did not present fairly the financial position of the ABMC.  
ABMC is accepting too much risk with one person as both a certifying and disbursing officer.

**Suggestions:**

ABMC should train its personnel on accrual accounting prior to the end of FY 98.  
ABMC should establish and implement FY 98 closing policies and procedures to correct these errors.  
ABMC should segregate the certifying and disbursing functions in the Paris Office.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997**

**Notification of Reportable Condition and Suggestion (NRCS)**

**NRCS number:** 3  
**Audit Area:** Cash  
**Prior Audit Finding:** No  
**W/P Reference:** B Binder

**Our auditors have identified the following:**

**Condition: Inadequate Preparation and Approval of Bank Reconciliations of Foreign Bank Accounts**

We noted the following regarding Foreign bank accounts:

- The ABMC did not perform monthly bank reconciliations for its foreign commercial bank accounts for five months during fiscal year 1997, due to a delay in filling an open position.
- For the reconciliations performed during the year, no approvals were documented on the reconciliation, thus we were unsure whether the reconciliations were reviewed by the appropriate supervisor.
- The balance per ABMC's general ledger for one commercial bank account did not agree with the bank confirmation received and with the bank statement.

We were able to obtain assurance over the proper balance at September 30, 1997, through a detail review of the fiscal year end reconciliation, confirming all balances, and agreeing all reconciling items to subsequent bank statement activity and other supporting documentation.

**Criteria:**

OMB Circular A-123, Management Accountability and Control

**Cause:**

ABMC Paris was short an employee.  
Lack of adequate supervisory control procedures.

**Effect:**

ABMC Paris accepted too much risk over these vulnerable accounts.



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**Suggestions:**

ABMC conduct monthly bank reconciliation and have a supervisor review the work.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997**

**Notification of Reportable Condition and Suggestion (NRCS)**

**NRCS number:** 4  
**Audit Area:** Fund Balances with Treasury  
**Prior Audit Finding:** No  
**W/P Reference:** B Binder

**Our auditors have identified the following:**

**Condition: Lack of Documented Policies and Procedures for Fund Balance with Treasury**

The ABMC-European Regional Office does not have updated accounting policies and procedures covering the Fund Balance with Treasury accounts. The European Regional Office's most recent copy of Federal accounting regulations was dated 1985. The following weakness underlies the need for updated policies and procedures addressing Fund Balances with Treasury:

The ABMC-European Regional Office does not properly reconcile the Treasury FMS Form 6652 in a reasonable time after receipt. The FMS Form 6652 represents differences between the amount of Fund Balance with Treasury per Treasury's records and the amount per the ABMC's records. We found material unreconciled amounts that needed correction.

**Criteria:**

The General Accounting Office Audit Report, *Financial Audit: Reconciliation of Fund Balances with Treasury*, dated June 24, 1997, documents the procedures an agency should perform in reconciling the differences reported by Treasury.

**Cause:**

Lack of attention or supervision by anyone outside of the Paris Office.

**Effect:**

Material unreconciled amounts were not resolved in a reasonable time.

**Suggestion:**

ABMC Paris reconcile Treasury reports upon receipt.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	1
<b>Fund:</b>	All Funds
<b>Audit Area:</b>	General
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	General Observation (NFR A1)

**Our auditors have identified the following:**

<b>Condition:</b> ABMC does not have comprehensive, current accounting policies or procedures.
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<b>Criteria:</b> Generally accepted accounting principles.
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<b>Cause:</b> Past practices, no requirement for financial audit until 1997, and small staff size.
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<b>Effect:</b> Increases ABMC's risk of processing transactions inconsistently with its worldwide operations.
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<b>Suggestion:</b> ABMC should develop a comprehensive, current set of accounting policies and procedures to standardize their procedures at all locations.
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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	2
<b>Fund:</b>	All Funds
<b>Audit Area:</b>	All Areas
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	A-7 (NFR A2)

**Our auditors have identified the following:**

**Condition:**

ABMC does not fully comply with the United States Standard General Ledger (SGL).

**Criteria:**

OMB Circular A-127, paragraph 7.

**Cause:**

ABMC developed their accounting system internally and some SGL account numbers have changed over the years.

**Effect:**

ABMC is not compliant with the OMB A-127 and can not gain the efficiency inherent in the use of the SGL throughout the US Government.

**Suggestion:**

ABMC should fully implement the US Government SGL.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
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**Notification of Finding and Suggestion (NFS)**

<b>NFS number</b>	3
<b>Fund:</b>	O&M
<b>Audit Area:</b>	Cash
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	B-12; PBC I, A-4 (NFR B4)

**Our auditors have identified the following:**

**Condition:**  
ABMC European Regional Office did not perform surprise cash counts of the cemetery imprest funds in a timely manner. Only 6 of 17 cemeteries' imprest funds received surprise cash counts during FY 97.

**Criteria:**  
ABMC Europe's written policy is to perform surprise cash counts once a year or on every visit from the Paris Office.

**Cause:**  
The ABMC Europe Logistics Officer was assigned the responsibility and he does not travel to all cemeteries during the course of a year.

**Effect:**  
Cemetery imprest funds could be used in an improper manner.

**Suggestion:**  
ABMC should authorize other officials to perform surprise cash counts including neighboring superintendents and other visiting Paris Office personnel.

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AMERICAN BATTLE MONUMENTS COMMISSION  
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Notification of Finding and Suggestion (NFS)

<b>NFS number:</b>	4
<b>Fund:</b>	74F3875, 74F3878, 74F3879, 74F3880
<b>Audit Area:</b>	Fund Balances with Treasury
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	B-22 (NFR B6)

Our auditors have identified the following:

**Condition:**

ABMC is not accurately disclosing and explaining their Budget Clearing Account (BCA) differences in the financial statements.

**Criteria:**

GAO Audit Report, *Financial Audit: Reconciliation of Fund Balances with Treasury*, GAO/AIMD-97-04R, June 24, 1997. The report documents key processes and procedures used in reconciliation of Fund Balances with Treasury accounts and suggested audit procedures to test agency compliance. Material BCA differences should be disclosed and explained in the financial statements.

**Cause:**

No requirement to prepare financial statements until 1997.

**Effect:**

ABMC is not properly disclosing Fund Balances with Treasury accounts in accordance with applicable accounting standards and OMB reporting requirements.

**Suggestion:**

ABMC should report and disclose the BCA differences and develop an Accounting Policy Letter (APL) for financial statement presentations.

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Financial Statement Audit -- Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	5
<b>Fund:</b>	O&M
<b>Audit Area:</b>	Foreign Currency
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	B-24 (NFR B8)

**Our auditors have identified the following:**

**Condition:**

ABMC's foreign bank account balances were not translated at the US Treasury rates on 9/30/97, but were valued using the average purchase price of the foreign currency.

**Criteria:**

Statement of Federal Financial Accounting Standard (SFFAS) #1, paragraph 32.

**Cause:**

Past practices and no requirement to prepare financial statements until 1997.

**Effect:**

ABMC cash was understated by \$10,198 at 9/30/97 in their financial statements, but was adjusted.

**Suggestion:**

ABMC should comply with the SFFAS, at least at year end.

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AMERICAN BATTLE MONUMENTS COMMISSION  
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Notification of Finding and Suggestion (NFS)

NFS number: 6  
Fund: Trust Funds  
Audit Area: Investments  
Prior Audit Finding: No  
W/P Reference: C-8 (NFR C4)

Our auditors have identified the following:

Condition:

KPMG noted that ABMC uses the straight line method to amortize their investment premiums and discounts. The effective interest method should be used to amortize premiums and discounts according to Federal financial accounting standards.

Criteria:

Paragraph 71 of SFFAS # 1 states, "If an amount of premium or discount exists, the carrying amount of the investments should be adjusted in each reporting period to reflect the amortization of the premium or the discount. Premiums and discounts should be amortized over the life of the Treasury security using the interest method."

Cause:

The FoxPro database program used by ABMC to account for investments, including computation of premium amortization, is programmed to amortize premiums and discounts using the straight-line method.

Effect:

There is no material effect on the FY 1997 financial statements. However, as the number, dollar amount and holding periods for investments increase, the risk of material misstatement increases.

Suggestion:

ABMC should amortize their investment premiums and discounts using the effective interest method as prescribed by SFFAS #1.



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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	7
<b>Fund:</b>	Trust
<b>Audit Area:</b>	Investments
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	Observation (NFR C5)

**Our auditors have identified the following:**

**Condition:**  
KPMG noted that ABMC does not perform periodic analytical review procedures on the FoxPro accounting system's interest revenue, accrued interest, or premium amortization calculations. The calculations are based on information input into the bond subledger by ABMC employees, and are recorded to the general ledger.

**Criteria:**  
Sound accounting policies require supervisory review of accounting calculations.

**Cause:**  
Reliance on the FoxPro accounting system.

**Effect:**  
ABMC's investments and related accounts may not be accurately reported. Interest receivable at 9/30/97 was understated by \$9,951 and was not adjusted because the amount was immaterial.

**Suggestion:**  
ABMC should start performing periodic analytical reviews of investment calculations performed by the FoxPro accounting system to ensure accuracy.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit -- Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	8
<b>Fund:</b>	All
<b>Audit Area:</b>	Assets
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	G-5 (NFR G1)

**Our auditors have identified the following:**

**Condition:**  
ABMC does not have a consistent personal property accountability system and WDC does not perform periodic physical inventories.

**Criteria:**  
Public Law 94-519, Section 1, enacted in 1976.

**Cause:**  
Reliance upon individual offices for property accountability.

**Effect:**  
Assets could be misused or stolen and not detected.

**Suggestion:**  
ABMC should develop a formal system to account for all material assets and adopt a policy that requires periodic physical inventories (e.g. compare the assets on the list to the actual inventory), for all locations.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	9
<b>Fund:</b>	All
<b>Audit Area:</b>	Compliance
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	L - 4.810.3 (NFR L2)

**Our auditors have identified the following:**

**Condition:**  
ABMC does not comply with the Prompt Pay Act which is applicable for U.S. vendors.

**Criteria:**  
OMB Circular A-125, paragraph 1b. requires that all government agencies comply with the Prompt Pay Act.

**Cause:**  
Lack of management attention and absence of vendor complaints.

**Effect:**  
KPMG reviewed all contracts over \$100,000, and discovered that ABMC owes \$5,909.21 in accrued interest penalties for invoices not paid by the required due date.

**Suggestion:**  
ABMC should comply with the Prompt Pay Act and accrue and pay interest on any invoices paid beyond the required due date.

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**AMERICAN BATTLE MONUMENTS COMMISSION**  
**Financial Statement Audit – Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	10
<b>Fund:</b>	All
<b>Audit Area:</b>	Compliance
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	L - 4.812.2, L - 4.812.3 (NFR L3)

**Our auditors have identified the following:**

**Condition:**

ABMC has not updated individual personnel files for general salary increases in the European and Mediterranean regions. ABMC does not update European Region - other US-GS employees' official personnel files with notices of personnel action or similar form for general salary increases. The Mediterranean Region French employees' official personnel files are also not updated for general salary increases.

**Criteria:**

GAO audit guidance requires a comparison of employee's pay rate per their personnel records to established pay schedules.

**Cause:**

This procedure is not required by ABMC policy.

**Effect:**

The salaries and wage rates listed in the personnel files do not coincide with the actual salaries paid to the employees. The possibility for employees to be paid at inappropriate rates is increased when across the board pay increases are not reconciled to documentation in the individual's official personnel file.

**Suggestion:**

ABMC should update the personnel files as each individual receives pay increases.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
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**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	11
<b>Fund:</b>	All
<b>Audit Area:</b>	Compliance
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	L - 4.803, p. 803-2 (NFR L4)

**Our auditors have identified the following:**

<b>Condition:</b> ABMC does not have current, written administrative fund control procedures.
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<b>Criteria:</b> 31 USC 1514 requires that "the head of each executive agency shall prescribe by regulation a system of administrative control".
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<b>Cause:</b> Past practices and lack of management attention.
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<b>Effect:</b> ABMC fund control at its various sites around the world may not be as effective as it could be.
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<b>Suggestion:</b> ABMC should prepare an APL on its system of administrative control and obtain approval from OMB.
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**AMERICAN BATTLE MONUMENTS COMMISSION  
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**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	12
<b>Fund:</b>	All
<b>Audit Area:</b>	Compliance
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	L - 4-870.1 (NFR L5)

**Our auditors have identified the following:**

**Condition:**

ABMC's Federal Managers Financial Integrity Act (FMFIA) report may be misleading and the preparation process may be incomplete:

1. FMFIA Section 4 compliance paragraph is found after the IGA section and not in the FMFIA section of the report.
2. ABMC does not comply with Circular A-127 because ABMC states that they do not have an integrated financial accounting system. Additionally, ABMC does not comply with OMB Circular A-127 because it is:
  - not using the US SGL in its financial management system.
  - not using the US SGL to transaction level of detail.
  - not complying with all Federal Accounting Standards.
  - not meeting the Financial Reporting requirements.
3. ABMC provided no evidence of control reviews in WDC or Manila.

**Criteria:**

GAO FAM Sections 260 to 580  
 OMB Circulars A-123 and A-127  
 OMB FY 97 FMFIA Guidance  
 OMB 93-06

**Cause:**

Past practices and no requirement for financial statement audit until 1997.

**Effect:**

Report may be misleading.

**Suggestion:**

ABMC should recognize weaknesses noted in the financial audit in the FMFIA report.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
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**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	13
<b>Fund:</b>	All
<b>Audit Area:</b>	Expenditures
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	M - 6.1 (NFR M2)

**Our auditors have identified the following:**

**Condition:**  
The WDC head imprest fund cashier has general ledger responsibilities and reconciles the general ledger to the bank statements.

**Criteria:**  
Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals (General Accounting Office's Standards for Internal Control in the Federal Government).

**Cause:**  
Small size of ABMC.

**Effect:**  
Due to improper segregation of duties, fraud could go undetected.

**Suggestion:**  
ABMC should have someone independent of the WDC head imprest fund cashier should perform bank reconciliations.

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Notification of Finding and Suggestion (NFS)

<b>NFS number:</b>	14
<b>Fund:</b>	All
<b>Audit Area:</b>	Expenditure Cycle
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	M - 6-1 (NFR M4)

Our auditors have identified the following:

**Condition:**  
The person who approves purchase orders also certifies goods as received and accepted.

**Criteria:**  
Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals (General Accounting Office's Standards for Internal Control in the Federal Government).

**Cause:**  
Small size of staff.

**Effect:**  
Unauthorized purchases could go undetected.

**Suggestion:**  
ABMC should properly segregate duties so that the person who orders goods or services is not the same person recording them as received or accepted.



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**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	15
<b>Fund:</b>	All
<b>Audit Area:</b>	Expenditure Control Testing
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	M.8.1.1 (NFR M8)

**Our auditors have identified the following:**

**Condition:**

ABMC disbursed \$8,287 to an individual for services performed after the date that his contract expired, but later amended the contract to extend the completion date.

**Criteria:**

31 USC 3528, A certifying official certifying a voucher is responsible for- (1) information stated in the certificate, voucher and supporting records; (2) the computation of a certified voucher under this section and section 3325 of this title; (3) the legality of a proposed payment under the appropriation or fund involved.

**Cause:**

ABMC's certifying officer did not note the expiration date of the individual's contract.

**Effect:**

Funds were disbursed beyond the date authorized.

**Suggestion:**

ABMC should review contract performance periods prior to the disbursement of funds.

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**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit -- Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	16
<b>Fund:</b>	All
<b>Audit Area:</b>	Expenditures
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	M-8-2 (NFR M11)

**Our auditors have identified the following:**

**Condition:**  
In the European Region, the cemetery superintendents approve and sign their own timesheets.

**Criteria:**  
According to General Accounting Office's Standards for Internal Control, key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals.

**Cause:**  
Cemetery superintendents are in charge of each site and have been trusted by ABMC management.

**Effect:**  
There is no independent check on the superintendent's timesheet for reported hours and or expenses.

**Suggestion:**  
ABMC should properly segregate duties so that the superintendent is not approving his/her own timesheet. Approvals could be performed at the regional office.

Appendix II

AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit – Fiscal Year 1997

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	17
<b>Fund:</b>	O&M
<b>Audit Area:</b>	European Office - Internal Controls
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	NP-A50 (NFR NP3)

**Our auditors have identified the following:**

**Condition:**

There is no independent check of the payroll calculated by the automated system or by manual calculations in the ABMC European Office.

**Criteria:**

GAO Accounting Series, *Standards for Internal Control in the Federal Government*, Specific Standard, Supervision states, this standard requires supervisors to continuously review and approve the assigned work of their staffs. Also, supervisors are required to provide necessary guidance and training to help ensure errors, waste, and wrongful acts are minimized and management directives achieved.

**Cause:**

ABMC relies on the expertise of the European Office Payroll Assistant to review all payroll calculations and the passive control of employee and tax authority complaints.

**Effect:**

ABMC has increased risk of error, waste, or wrongful acts, or the undetection of such occurrence.

**Suggestion:**

ABMC European Office Accounting Supervisor should ensure that payroll calculations are reviewed independently by a person that does not prepare them.

Appendix II

**AMERICAN BATTLE MONUMENTS COMMISSION  
Financial Statement Audit -- Fiscal Year 1997**

**Notification of Finding and Suggestion (NFS)**

<b>NFS number:</b>	18
<b>Fund:</b>	O&M
<b>Audit Area:</b>	Med. Office - Internal Controls
<b>Prior Audit Finding:</b>	No
<b>W/P Reference:</b>	NR Summary (NFR NR1)

**Our auditors have identified the following:**

**Condition:**  
ABMC Mediterranean Office does not assign general ledger accounts as they occur. Transactions are totaled and assigned general ledger accounts at the end of the month.

**Criteria:**  
GAO Accounting Series, *Standards for Internal Control in the Federal Government*, Specific Standard, Recording of Transactions and Events states, transactions and other significant events are to be promptly recorded and properly classified. Proper classification of transactions and events is the organization and format of information on summary records from which reports and statements are prepared.

**Cause:**  
ABMC Mediterranean Office does not have accounting policy or procedures which require more than monthly posting to the General Ledger.

**Effect:**  
ABMC has increased risk of error and the undetection of errors relating to preparation of monthly reports and year-end financial statements. The end result could be misstated financial statements.

**Suggestion:**  
ABMC Mediterranean Office should record transactions promptly into summary records using standard general ledger accounts.

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