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United States Government Accountability Office  
Washington, DC 20548

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June 17, 2009

Brigadier General William J. Leszczynski, Jr. USA (Retired)  
Executive Director  
American Battle Monuments Commission

Subject: *American Battle Monuments Commission: Management Action Needed to Improve Internal Control Procedures*

Dear General Leszczynski:

On February 27, 2009, we issued our report expressing our opinion on the American Battle Monuments Commission's (the Commission) fiscal years 2008 and 2007 financial statements and our opinion on the Commission's internal control as of September 30, 2008.<sup>1</sup> We also reported on the results of our tests of the Commission's compliance with selected provisions of laws and regulations during fiscal year 2008. We reported that the Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding of assets) and compliance as of September 30, 2008.

During our fiscal year 2008 audit, we identified accountability and internal control deficiencies that, while not individually or in the aggregate material to the Commission's financial statements, warrant management's attention. The purpose of this report is to present these deficiencies, to provide recommendations to address these matters, and to provide an overview of the status of our prior year findings and recommendations. Because of the sensitive nature of some of the issues we identified, we are communicating detailed information regarding our findings and recommendations on information systems and physical security in a separately issued Limited Official Use Only report.

### **Results in Brief**

During our fiscal year 2008 financial statement audit, we identified 13 control deficiencies related to accounting procedures of the American Battle Monuments Commission (the Commission). These issues existed at Commission headquarters, its European Regional (ER) and Mediterranean Regional (MR) offices, and its Manila American Cemetery. Specifically:

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<sup>1</sup>GAO, *Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Years 2008 and 2007*, GAO-09-293 (Washington, D.C.: Feb. 27, 2009).

At the Commission's headquarters, we identified the following accounting procedure deficiencies:

1. Significant intragovernmental transactions lacked supporting documentation.
2. Some expenditure transactions lacked evidence of receipt dates and approvals.
3. Trust funds did not adequately invest and account for donated funds.
4. Trust fund receipts were not effectively reconciled with the Department of the Treasury (Treasury).
5. Miscellaneous receipts fund balance was not removed from the general ledger.
6. Strategic plan was not updated in 3 years.

At the Commission's ER office, we identified the following accounting procedure deficiencies:

1. Euro bank account transactions were not recorded and reconciled.
2. English employees pension plan liability was not accrued timely.
3. Some expenditure transactions lacked evidence of receipt dates and approvals.
4. Undelivered orders report did not support the general ledger balance.
5. Some vendors had multiple identification numbers.

At the Commission's MR office, we identified as a control deficiency that some post allowances were not paid when due. At the Commission's Manila American Cemetery, we identified as a control deficiency that some expenditure transactions lacked evidence of receipt dates and approvals.

To assist Commission management in addressing these findings, this report contains 24 detailed recommendations. We also identified 8 control deficiencies in information systems and physical security at Commission headquarters and its ER and MR offices. Due to the sensitive nature of these issues, they are being communicated to the Commission in a Limited Official Use Only report, along with another 20 detailed recommendations. As stated in its letter dated June 10, 2009, the Commission agreed with the issues in the report. (See appendix I).

As a result of our fiscal years 2004 through 2007 financial statement audits, we have provided the Commission's worldwide locations with 233 information system and noninformation system recommendations to improve its information technology systems, security, and accounting procedures. Through January 31, 2009, the Commission had implemented 220 of our recommendations, or 94 percent, and was working to implement the remaining 13 recommendations.

## **Scope and Methodology**

As part of our fiscal year 2008 financial statement audit of the Commission, we obtained an understanding of the Commission's internal controls related to the recording and processing of transactions, and we tested compliance with selected provisions of applicable laws and regulations. In conducting the audit, we reviewed applicable Commission policies and procedures, examined relevant documents and

records, and interviewed management and staff. We also tested internal control over financial reporting, including the safeguarding of assets. We did not evaluate all internal controls relevant to operating objectives, such as controls relevant to ensuring efficient operations. We limited our internal control testing to those controls over financial reporting and compliance.

As part of our financial statement audit of the Commission for fiscal year 2008, we performed a limited general controls and security review on the critical computer servers and selected computer workstations supporting the Commission's PeopleSoft Financial Management application system and related office automation local area networks (LAN). The PeopleSoft system is a client-server-based financial accounting system built on Microsoft Windows and Oracle database technology. The Commission's contractor, USinternetworking (USi), an application service provider, hosts the primary access, application, and database servers for the Commission's systems at the USi facility in Annapolis, Maryland.

We performed our financial audit and general controls and security review at the Commission's headquarters in Arlington, Virginia; its contract service provider's facility in Annapolis, Maryland; its ER office in Garches, France; and its MR office in Rome, Italy. Analytical reviews and other audit procedures were performed on the Commission's Manila American Cemetery in the Philippines. We also conducted reviews of computer workstations at the Commission's Florence American Cemetery in Florence, Italy; its Meuse-Argonne American Cemetery in Romagne (Meuse), France; its Aisne Marne American Cemetery in Belleau (Aisne), France; and its Henri-Chapelle American Cemetery in Henri-Chapelle, Belgium. Our work was conducted from May 15, 2008, through February 6, 2009, pursuant to our authority to conduct an annual audit of the Commission's financial statements under 36 U.S.C. 2103, and in accordance with U.S. generally accepted government auditing standards.

## **FINDINGS AT COMMISSION HEADQUARTERS**

During our fiscal year 2008 audit, we identified control deficiencies related to accounting procedures at the Commission's headquarters in Arlington, Virginia. After the discussion of each of our findings, we present related recommendations for corrective action.

### **1. Significant intragovernmental transactions lacked supporting documentation.**

During our fiscal year 2008 audit, we identified \$3.4 million (44 percent) of the \$7.8 million of intragovernmental transactions reported on the Commission's consolidated trial balance that did not have proper supporting documentation as of September 30, 2008. Intragovernmental activity involving the exchange of goods and services, investments and borrowings, and transfers between federal entities are referred to as intragovernmental transactions. Federal entities use Treasury's Intra-governmental Payment and Collection (IPAC) System as the primary system to settle their intragovernmental exchange transactions.

Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements* (June 3, 2008), provides that reporting agencies reconcile and confirm intragovernmental activity and balances quarterly. Treasury also provides detailed guidance on accounting and reconciling intragovernmental balances in the *Federal Intragovernmental Transactions Accounting Policies Guide* and in the *Treasury Financial Manual*, Volume 1, Chapter 4700. Headquarters accounting personnel told us that IPAC charges are not timely and, because they are in an electronic format, do not specify the authority or reason for the charge. When transactions lack supporting documentation, the Commission is unable to determine if it has been properly charged for intragovernmental goods and services.

### **Recommendation**

We recommend that the Director of Finance at Commission headquarters:

1. Obtain documentation from other federal agencies to support its intragovernmental charges paid through Treasury's Intra-governmental Payment and Collection (IPAC) system.

### **2. Some expenditure transactions lacked evidence of receipt dates and approvals.**

During a Commission-wide statistical test of expenditures conducted as part of our fiscal year 2008 audit, we examined 24 transactions for Commission headquarters and identified control deficiencies in four transactions as follows:

- Two transactions for construction-related expenditures had no evidence of the date services were provided.
- One transaction for training expenses was approved after the service was provided.
- One transaction for consulting services was approved for payment 15 days before the service was invoiced.

When approving officials do not provide receipt dates, and payments are indicated as made before approval, improper payments may occur. Commission financial procedures require that transactions be dated and approved for payment by an authorized official before payments are made.

### **Recommendation**

We recommend that the Director of Finance at Commission headquarters:

2. Instruct and monitor approving officials to ensure that expenditure transactions are dated when goods and services are received and approved before payment is made.

### **3. Trust funds did not adequately invest and account for donated funds.**

During our fiscal year 2008 audit, we identified several investing and accounting deficiencies at Commission headquarters related to trust funds for seven monuments in Europe. The Commission has agreed to repair and maintain these monuments upon donation of private funds to be invested for their long term care. Specifically, we found the following:

- Funds were not being invested as stated in the Commission's agreement letters to donors. The letters provide that private donations are to be invested in interest-bearing securities of the U.S. government to fund future memorial maintenance. As of September 30, 2008, the Monuments Trust Fund Program had an accumulated balance totaling \$231,250, of which \$58,000 had been invested, but only through August 2007. The Commission's European Regional (ER) office repairs and maintains these private monuments and was to provide the headquarters trust accountant with an estimate of funds needed for their immediate care so the balance of funds could be invested. However, the estimates were not provided. As a result, trust funds were not invested in fiscal year 2008 to earn interest towards the long-term care of these seven private monuments.
- Since the first three monuments were accepted into the Monuments Trust Fund Program during fiscal year 2002, the Commission had not calculated and allocated investment interest to the funds which we cited in a prior-year recommendation. During fiscal year 2008, the Commission implemented our recommendation by crediting the program with \$11,329 of interest earnings that was allocated as a percentage to individual monument accounts. However, the Commission did not provide support on how interest earnings were calculated to include the interest rates used and the period of time invested. Although not material to the Commission's financial statements, it is important that interest earned be accurately calculated and allocated to reduce future costs of the program and for audit verification. The trust fund accountant stated that the interest calculation was done quickly and he would need to prepare a more detailed supporting schedule.
- During fiscal year 2008, the Commission allocated interest earned to six of the seven private monument trust accounts. However, one monument accepted into the program on February 5, 2007, had no interest allocated despite a balance of over \$60,000 since that date. The trust fund accountant stated that no funds were invested for this account because an undetermined amount was to be spent for immediate repairs. However, the Commission has a fiduciary responsibility, as evidenced by agreement letters to the donors, to invest funds in Treasury securities to earn interest.
- Trust fund balances, including allocated interest, agreed to trial balances for headquarters and the ER office as of September 30, 2008. However, while the ER office trial balance also presents amounts by program code for each private memorial, the HQ trial balance presents only a total amount for all commemorative trust funds. This makes it difficult to track amounts by individual accounts and can result in errors or misallocations between accounts.

## Recommendations

We recommend that the Director of Finance at Commission headquarters:

3. Invest monument trust funds to earn interest as provided in the Commission's acceptance letter to donors.
4. Prepare documentation to support the complete and accurate calculation of interest earned on investments for monument trust funds.
5. Allocate interest to all monument trust accounts with funds on deposit.
6. Establish monument trust fund accounts by program code in the headquarters trial balance.
7. Transfer monument trust funds needed for immediate operations as determined by Commission engineering to the European Regional (ER) office and maintain the balance of the funds at Commission headquarters for investment.

### **4. Trust fund receipts were not effectively reconciled with Treasury.**

During our fiscal year 2008 audit, we noted that total trust fund receipts reported in the general ledger for fiscal year 2008 did not agree with the total amount reported by Treasury in the Government Wide Accounting (GWA) system. This was the result of a lack of effective monthly reconciliations by headquarters personnel. We identified a net difference of \$141,000 between the \$699,000 of trust fund receipts reported by the Commission and the \$558,000 reported by Treasury's GWA system. At our request, Commission personnel investigated the differences and found they were caused by

- collections the Commission incorrectly reported to Treasury as expenditures,
- investment interest the Bureau of Public Debt did not report to Treasury,
- amounts reported by Treasury incorrectly on the GWA statement, and
- amounts omitted from the Commission's general ledger.

Although it is not uncommon to find differences between the general ledger and Treasury due to timing differences in the recording of transactions, there have been significant differences between Commission and Treasury balances in this account for the last 2 years resulting from errors that were not identified until reconciliation at year end. According to the *Treasury Financial Manual*, Volume 1, Chapter 5100, Reconciling Fund Balance with Treasury Accounts, agencies are to reconcile accounts and post transactions monthly. This facilitates the timely identification and correction of differences before they accumulate at year end.

## Recommendations

We recommend that the Director of Finance at Commission headquarters:

8. Timely investigate any differences identified during monthly reconciliations of Fund Balances with Treasury to the Government Wide Accounting system for trust funds.

9. Post adjusting entries monthly for items within the Commission's control.
10. Communicate adjustments identified through monthly reconciliations to be made by other entities and track such adjustments until corrected.

**5. Miscellaneous receipts fund balance was not removed from the general ledger.**

During our audit, we found that Commission headquarters reported a miscellaneous receipts fund balance with Treasury of over \$92,000 as of September 30, 2008, which Treasury reports for the Commission indicated as zero. The Miscellaneous Receipts statute [31 U.S.C. 3302(b), (c)] and Treasury regulations (31 C.F.R. 206.5) require agencies to remit miscellaneous receipts from third parties to Treasury at which time the balance on hand becomes zero. However, the Commission reported an opening balance in fund 3220 of \$65,799 as of September 30, 2007, fiscal year 2008 collections of \$26,674, and an ending balance of \$92,473 as of September 30, 2008. GWA reports from Treasury indicated only the \$26,674 of fiscal year 2008 collections for the 3220 account and showed beginning and ending fund balances as zero, indicating that amounts had been transferred to miscellaneous receipts of Treasury.

According to Treasury, miscellaneous receipts collected during the year are recorded in the GWA system receipts account ledger and fund 3220 amounts are closed at the end of the fiscal year. However, Commission accounting staff stated that these balances mistakenly were not adjusted and amounts were rolled over into fiscal year 2009. Although not material to the Commission's September 30, 2008, financial statements, fund 3320 amounts resulted in the Fund Balance with Treasury and Net Position accounts and line items to be overstated by \$92,473.

**Recommendation**

We recommend that the Director of Finance at Commission headquarters:

11. Adjust current balances to correct accounts for fund 3320 for miscellaneous receipts received and transferred to Treasury.
12. Reconcile Fund Balance with Treasury to the Government Wide Accounting system for the miscellaneous receipts fund balance on a monthly basis.

**6. Strategic plan was not updated in 3 years.**

During our fiscal year 2008 audit, we found that the Commission had not timely updated its Commission-wide 5-year strategic plan. Specifically, the Commission headquarters prepared a strategic plan covering fiscal years 2005 through 2010 in fiscal year 2005 but had not updated this plan for fiscal years 2006 through 2008. The Government Performance and Results Act (GPRA) of 1993 (Public Law 103-62) requires federal agencies, including the Commission, to develop strategic plans for 5 future years and to update the plan at least every 3 years. The plans are to include a mission statement; goals and objectives by major function; summary of resources, systems, and processes to achieve goals; how goals and objectives will be achieved; and key external factors.

The Commission stated that its fiscal year 2005 strategic plan covered its planning, mission, and objectives through 2010 that had not changed and therefore, did not need an update. The Commission further stated that its annual budget process with the Office of Management and Budget (OMB) lays out its plans and performance goals for the year and is covered in testimony for congressional budget hearings. For annual reporting, the Commission stated that its management's discussion and analysis and its annual report update and report on its current mission, organization, operations, and performance goals and results. Further, in its fiscal year 2009 budget request to OMB, the Commission included its goals and objectives and outlined the means and resources required for achieving its stated objectives. However, in order to ensure that these activities are consistent with the Commission's 5-year strategic plan, the plan should be updated at least every 3 years.

### **Recommendation**

We recommend that the Director of Finance at Commission headquarters:

13. Update the strategic plan for fiscal years 2009-2013 to comply with the 3-year period specified by the Government Performance and Results Act (GPRA) of 1993.

### **FINDINGS AT THE COMMISSION'S EUROPEAN REGIONAL OFFICE**

During our fiscal year 2008 audit, we identified control deficiencies related to accounting procedures at the Commission's European Regional (ER) office in Garches, France. After the discussion of each of our findings, we present related recommendations for corrective action.

#### **1. Euro bank account transactions were not recorded and reconciled.**

The ER office maintains a euro bank account primarily for petty cash reimbursements, to pay vendors who do not take credit cards, and for deposit of miscellaneous reimbursements. During our fiscal year 2008 audit, we identified errors and omissions in the ER office's recording of activity related to its euro bank account. Specifically, we found the following:

- The account balance reported in the general ledger as of September 30, 2008, was 14,300 euros converted to dollars at the Treasury exchange rate as of year end. The account balance of 14,300 euros had remained unchanged since September 30, 2001, when the amount was established with the conversion of the account from French francs. However, changes in the bank balance due to other receipts and disbursements had occurred since September 30, 2001, which had not been recorded in the general ledger. We identified about 29,700 euros of net transactions (about \$43,600) which increased the account balance during fiscal year 2008 from about \$21,000 as of September 30, 2007, to about \$64,600 as of September 30, 2008.
- The ER office had not been periodically reconciling the euro account balance according to its general ledger to the balance reported by the bank. As of September 30, 2008, the bank balance exceeded the general ledger balance by almost 30,000 euros.

- The correct balance was not accurately reported on the monthly SF 1219 report, *Statement of Accountability*, filed with Treasury. Each month since fiscal year 2001, the ER office reported 14,300 French francs (at a weighted average exchange rate as of September 30, 2001), or about \$1,900.

The ER office person assigned responsibility for the euro bank account was instructed by the former ER finance director to maintain this account on an imprest basis whereby reconciling items and the cash balance equal a set amount. For many years this was the case. However, in the last 2 years, other transactions have occurred in this account that were not recorded in the general ledger. Federal standards for internal control state that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.<sup>2</sup> Additionally, these standards state that reconciliations are control activities to ensure the completeness and accuracy of information processing. Further, Commission accounting procedures require periodic reconciliation of financial accounts. The lack of timely recording and reconciliation creates errors and omissions in the financial statements and Treasury reporting and weakens internal controls over cash that can result in theft or loss.

### **Recommendations**

We recommend that the Finance Officer at the Commission's European Regional (ER) office:

14. Identify all unrecorded transactions pertaining to the euro bank account and timely record them in the general ledger.
15. Prepare monthly reconciliations of euro bank account balances to the general ledger.
16. Accurately present the euro account balance in the monthly SF 1219 report, *Statement of Accountability*, filed with Treasury.

### **2. English employees pension plan liability was not timely accrued.**

The ER office participates in a defined benefit pension plan to provide retirement benefits to its 11 Foreign Service National employees at the two American cemeteries in England. A defined benefit plan is intended to provide benefits at a future date and the present value of these benefits is compared to the funded amount. A net pension liability is created if benefits exceed assets or a surplus is created if assets exceed benefits. During our fiscal year 2008 audit, we identified a control deficiency in the timely accrual of liabilities regarding this plan. Specifically, we found the following:

- Due to recent decreases of values in the securities markets, the plan actuary determined in February 2008 that the plan was underfunded and ER needed to make additional payments of £90,000 (about \$138,000) to make up the shortfall. However, the ER office did not obligate this liability until a purchase order was created on September 19, 2008.

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<sup>2</sup>GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

- After three quarterly payments of \$5,000 through September 30, 2008, ER decided to pay the balance of \$75,000 in a lump sum and did so on October 14, 2008. However, it did not accrue this liability as of September 30, 2008. We proposed an audit adjustment for about \$115,000, which was not booked by the Commission as it considered the amount immaterial to its September 30, 2008, financial statements.

### **Recommendation**

We recommend that the Finance Officer at the Commission's European Regional (ER) office consult with headquarters regarding the English defined benefit pension plan to:

17. Obligate and timely record pension liabilities when identified by the plan actuary.

### **3. Some expenditure transactions lacked evidence of receipt dates and approvals.**

During a Commission-wide statistical test of expenditures conducted as part of our fiscal year 2008 audit, we examined 80 transactions for the ER office and identified control deficiencies in three transactions as follows:

- One transaction for the purchase of a tractor at the Netherlands American Cemetery had no evidence of a date when the tractor was received.
- One transaction for reimbursement of packaging fees had no evidence of payment approval.
- A transaction for per diem travel was processed for payment before the payment approval date.

When approving officials do not provide receipt dates and payments are processed before approval, improper payments may occur. Commission financial procedures require that transactions be dated and approved for payment by an authorized official before payments are made.

### **Recommendation**

We recommend that the Finance Officer at the Commission's European Regional (ER) office:

18. Instruct and monitor approving officials to ensure that expenditure transactions are dated when goods and services are received and approved before payments are processed.

### **4. Undelivered orders report did not support the general ledger balance.**

During our fiscal year 2008 audit, we found that the September 30, 2008, undelivered orders report for the ER office was higher than the balance in the undelivered orders general ledger account by \$39,629. The undelivered orders report provides details of

purchase orders and contracts that have been obligated against budget authority to support the general ledger and therefore, total amounts for each should agree. However, if a transaction is not entered into both the general ledger and the supporting undelivered orders report, differences will occur creating an out-of-balance condition that affects accurate financial statement reporting. An example would be an adjusting journal entry to the general ledger where individual contracts and purchase orders in the undelivered orders report were not identified and adjusted accordingly.

The Anti-Deficiency Act prohibits federal entities from obligating or spending more than their available budgetary resources. Inaccurate accounting increases an entity's vulnerability to a violation of the act. Additionally, standards for internal control in the federal government and Commission financial procedures require accounts to be adequately reconciled and supported. We proposed an audit adjustment to correct the general ledger account as of September 30, 2008, which was not booked by the Commission as the amount is immaterial to its financial statements. However, this was the same amount as a proposed audit adjustment for fiscal year 2007 that was not booked and will continue to appear if not corrected.

### **Recommendation**

We recommend that the Finance Officer at the Commission's European Regional (ER) office:

19. Research differences between the undelivered orders report balance and the general ledger account balance and make necessary adjustments to agree totals.

### **5. Some vendors had multiple identification numbers.**

During our fiscal year 2008 audit, we found that some contractors at the ER office had multiple vendor identification numbers in the PeopleSoft payment system. We were told by ER staff that this was because a few contractors perform contract work out of more than one location and each location was assigned a number to track the work. However, paying vendors with multiple identification numbers increases the risk that

- payments may be sent to an incorrect location,
- duplicate payments may occur, and
- funds may be diverted by a vendor employee by establishing a fictitious account for a location.

In addition to weakening internal controls over vendor payments, multiple vendor identification numbers may interfere with the ability to track obligations against expenditures as required by federal budgetary accounting in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (June 26, 2008).

## **Recommendations**

We recommend that the Finance Officer at the Commission's European Regional office:

20. Review identification numbers to eliminate duplicates for vendors assigned more than one vendor number.
21. Assign unique identification numbers to each vendor.

## **FINDING AT THE COMMISSION'S MEDITERRANEAN REGIONAL OFFICE**

During our fiscal year 2008 audit, we identified the following control deficiency related to accounting procedures at the Commission's Mediterranean Regional (MR) office in Rome, Italy.

### **1. Some post allowances were not paid when due.**

Overseas post allowances are calculated by the U.S. State Department to pay for foreign living expenses for American employees overseas and are based on individual countries, employee pay levels, the number of employee dependents, and the percentage rate of reimbursement based upon foreign currency fluctuations. During a walk-through of internal controls over MR office payroll conducted as part of our fiscal year 2008 audit, we identified some post allowance increases that were not paid when due. Specifically, we found the following:

- On January 6, 2008, a General Schedule (GS) employee received a pay increase that moved him to a higher annual pay level. While his regular pay reflected this increase, his post allowance continued to be paid at a rate based on his previous pay level. Based upon a U.S. State Department Post Allowance Table for three persons at a 70 percent reimbursement level, we recalculated his post allowance and determined that he had been underpaid through the end of fiscal year 2008. This underpayment continued through November 10, 2008 when we conducted the walk-through.
- At our request, the Human Resources Assistant for the MR office checked the post allowances for its remaining seven GS employees. She identified the same underpayment for another GS employee who was at the same pay and post allowance level as the employee we tested.

These underpayments were caused by a lack of clear accountability between the MR office and the GSA Finance Center in Kansas City, Missouri, which processes all Commission GS employee payroll worldwide. As a service provider, the GSA Finance Center has responsibilities for processing pay, but the Commission is ultimately responsible for ensuring that its GS employees are accurately and timely paid.

## **Recommendations**

We recommend that the Director of the Commission's Mediterranean Regional (MR) office have the Human Resource Assistant:

22. Arrange with payroll processing to pay GS employees their correct post allowances from January 6, 2008.
23. Establish and implement procedures for post allowances, particularly when changes occur, to document that amounts are accurately and timely paid.

### **FINDING AT THE COMMISSION'S MANILA AMERICAN CEMETERY**

During our fiscal year 2008 audit, we identified the following control deficiency related to expenditure accounting at the Commission's Manila American Cemetery in the Philippines.

#### **1. Some expenditure transactions lacked evidence of receipt dates and approvals.**

During a Commission-wide statistical test of expenditures conducted as part of our fiscal year 2008 audit, we examined 12 transactions for the cemetery and identified control deficiencies in 6 transactions as follows:

- Five transactions had no evidence of a date when goods or services were received.
- A transaction for security guard services was paid before the payment approval date.

When approving officials do not provide receipt dates and payments are indicated as made before approval, improper payments may occur. Commission financial procedures require that transactions be dated and approved for payment by an authorized official before payments are made.

#### **Recommendation**

We recommend that the superintendent of the Commission's Manila American Cemetery:

24. Provide dates when goods and services are received and approve all transactions before payment is made.

### **FOLLOW-UP ON PRIOR-YEAR FINDINGS AND RECOMMENDATIONS**

Table 1 summarizes the status of Commission efforts during fiscal year 2008 and through April 30, 2009, to implement and close open information system (IS) and non-IS recommendations from our fiscal years 2004 through 2007 management reports.

**Table 1: Status of Fiscal Years 2004 through 2007 Audit Recommendations**

Fiscal year ended September 30	Total number of recommendations		Number of closed recommendations		Number of open recommendations	
	IS	NON-IS	IS	NON-IS	IS	NON-IS
2004	113	18	112	18	1	0
2005	16	14	16	10	0	4
2006	43	15	42	11	1	4
2007	9	5	9	2	0	3
<b>Total</b>	<b>181</b>	<b>52</b>	<b>179</b>	<b>41</b>	<b>2</b>	<b>11</b>
<b>Grand total</b>	<b>233</b>		<b>220</b>		<b>13</b>	

Source: GAO analysis.

The Commission has strengthened internal controls over its accounting procedures to include reconciliation of accounts, accruing expenses, tracking engineering projects, and reporting. However, opportunities exist for further improvements. Appropriate actions by Commission management to implement our recommendations will further improve control at Commission locations worldwide.

### **Commission Comments and Our Evaluation**

In its written comments, reprinted in appendix I, the Commission stated that it agreed with the issues raised in the report and that it was considering our recommendations and would provide a full response to each recommendation as part of its 31 U.S.C. 720 letter to the Congress. As part of our fiscal year 2009 financial statement audit, we will follow up on all of these matters to determine the status of related corrective actions.

This report contains recommendations to you which have also been included in a separately issued Limited Official Use Only report. The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform within 60 days of this report. You must also send a written statement to the House and Senate Committees on Appropriations with the Commission's first request for appropriations made over 60 days after the date of this report.

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We are sending copies of this report to interested congressional committees and the Director of the Office of Management and Budget. In addition, this report is available at no charge on the GAO Web site at <http://www.gao.gov>.

We acknowledge and appreciate the cooperation and assistance provided by Commission management and staff during our audit of the Commission's fiscal year 2008 financial statements. If you have any questions regarding this report, please contact me at (202) 512-3406 or at [sebastians@gao.gov](mailto:sebastians@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this

report. Contributors to this report were Roger R. Stoltz, Assistant Director; Patricia A. Summers; and Cara L. Bauer.

Sincerely yours,

A handwritten signature in black ink that reads "Steven J. Sebastian". The signature is written in a cursive style with a large, stylized initial "S".

Steven J. Sebastian  
Director  
Financial Management and Assurance

**Comments from the American Battle Monuments Commission**

Established by Congress 1923

## AMERICAN BATTLE MONUMENTS COMMISSION

Courthouse Plaza II, Suite 500  
2300 Clarendon Boulevard  
Arlington, VA 22201-3367

June 10, 2009

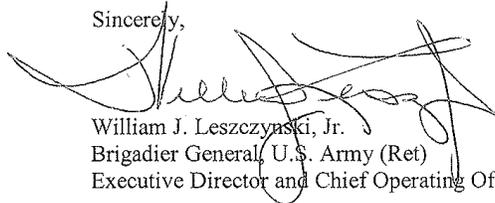
Mr. Steven J. Sebastian  
Director, Financial Management and Assurance  
United States Government Accountability Office  
Washington, DC 20548

Dear Mr. Sebastian:

This responds to your June 4, 2009, memorandum regarding your proposed report: American Battle Monuments Commission: Management Action Needed to Improve Internal Control Procedures (GAO-09-714R).

We agree with the issues raised in your report and are considering its recommendations, but we have no specific response at this time. However, we do not anticipate that we will disagree with any of the recommendations. The Commission will provide a full response to each recommendation as part of our 31 U.S.C. 720 letter to the Congress, which is due 60 days after the issuance of the report.

Sincerely,

William J. Leszczynski, Jr.  
Brigadier General, U.S. Army (Ret)  
Executive Director and Chief Operating Officer

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