

VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS



# National Cemetery Administration

*American Recovery and  
Reinvestment Act  
Oversight Advisory Report*



*Review of the Management of  
Recovery Act Funds for  
Monument and Memorial  
Repairs*

September 30, 2010  
09-01814-263

## ACRONYMS AND ABBREVIATIONS

ARRA	American Recovery and Reinvestment Act of 2009
eCMS	Electronic Contract Management System
FMS	Financial Management System
FY	Fiscal Year
LMS	Logistic Management Service
NCA	National Cemetery Administration
OA&L	Office of Acquisition & Logistics
OIG	Office of Inspector General
OMB	Office of Management and Budget
VA	Veterans Affairs

**To Report Suspected Wrongdoing in VA Programs and Operations:**

**Telephone: 1-800-488-8244**

**E-Mail: [vaoiqhotline@va.gov](mailto:vaoiqhotline@va.gov)**

**(Hotline Information: <http://www.va.gov/oig/contacts/hotline.asp>)**



# REPORT HIGHLIGHTS: Review of the Management of Recovery Act Funds for Monument and Memorial Repairs

## Why We Did This Review

The American Recovery and Reinvestment Act of 2009 (ARRA) provided funds to Federal agencies to acquire goods and services to help stimulate the U.S. economy. We conducted this review to determine if the National Cemetery Administration (NCA) implemented effective policies and procedures to ensure accountability and transparency for \$50 million it received in ARRA funds.

## What We Found

NCA was on track to meet the deadline for obligating ARRA funds. However, NCA needed to improve management processes to guarantee efficient administration of the funds in line with ARRA accountability and transparency objectives.

NCA did not use a formal process to document the prioritization and selection of ARRA-funded projects. NCA did not ensure that staff completed the documentation of procurement information, as required by Departmental guidance, by recording it in the Electronic Contract Management System (eCMS). Further, NCA did not establish outcome-based performance measures for its projects to enable the achievement of ARRA-related objectives.

Implementing an effective process to select future projects will ensure adequate documentation is in place to justify key decisions. Including complete information

in eCMS will provide procurement accountability and transparency. Further, development of outcome-based performance measures can help assure that the projects selected will fulfill ARRA goals.

## What We Recommend

We recommend the Acting Under Secretary for Memorial Affairs develop a formal process to document the prioritization and selection of future work requirements, ensure complete procurement information is recorded in eCMS, and establish performance measurements that facilitate the monitoring and management of ARRA-related project outcomes.

## Agency Comments

The Acting Under Secretary for Memorial Affairs concurred with the report and agreed to document the prioritization and selection of future work requirements, ensure that complete procurement documentation is in eCMS, and apply ARRA-related performance measures. We plan to follow up on NCA's corrective actions.

*(original signed by:)*

**BELINDA J. FINN**  
Assistant Inspector General  
for Audits and Evaluations

# TABLE OF CONTENTS

Introduction.....	1
Results and Recommendations	
Finding    NCA Needs to Strengthen Management of ARRA Funds .....	2
Appendix A    Background .....	6
Appendix B    Scope & Methodology.....	8
Appendix C    Management Comments.....	9
Appendix D    OIG Contact and Staff Acknowledgments .....	12
Appendix E    Report Distribution.....	13

## INTRODUCTION

### **Objective**

This review determined if NCA implemented effective policies and procedures to ensure accountability and transparency for \$50 million in ARRA funds. NCA's mission and other background information is provided in Appendix A. Appendix B describes the scope and methodology used to answer this objective.

### **ARRA Funding**

On February 17, 2009, President Barack H. Obama signed ARRA into law. Its goals included stimulating the Nation's economy, creating or saving jobs, and protecting those in greatest need. NCA received \$50 million to fund monument and memorial repairs. NCA planned projects valued at \$44.3 million for heating, ventilation, and air conditioning; roads, paving, and grounds work; safety, security, and fire alarms; building infrastructure; monument and memorial repairs; national shrines, interior and exterior renovation; and equipment. NCA also planned to use \$5.7 million for energy-related projects.

On February 18, 2009, the Office of Management and Budget (OMB) published *Implementing Guidance for the American Recovery and Reinvestment Act of 2009*. This OMB document provided a set of government-wide requirements and guidelines that Federal agencies must implement or prepare to effectively manage projects and activities under ARRA. OMB also established a common framework for agencies to manage risks associated with implementing ARRA requirements. This guidance outlined necessary enhancements to standard processes for awarding and overseeing funds to meet accelerated timeframes, as well as other unique challenges posed by ARRA's stipulations of transparency and accountability.

- Key goals of OMB's implementing guidance related to the findings in this report are highlighted below:
  - Funds are to be awarded and distributed in a prompt, fair, and reasonable manner.
  - Recipients and uses of all funds are transparent to the public.
  - Public benefits of these funds are reported clearly, accurately, and in a timely manner.
  - Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

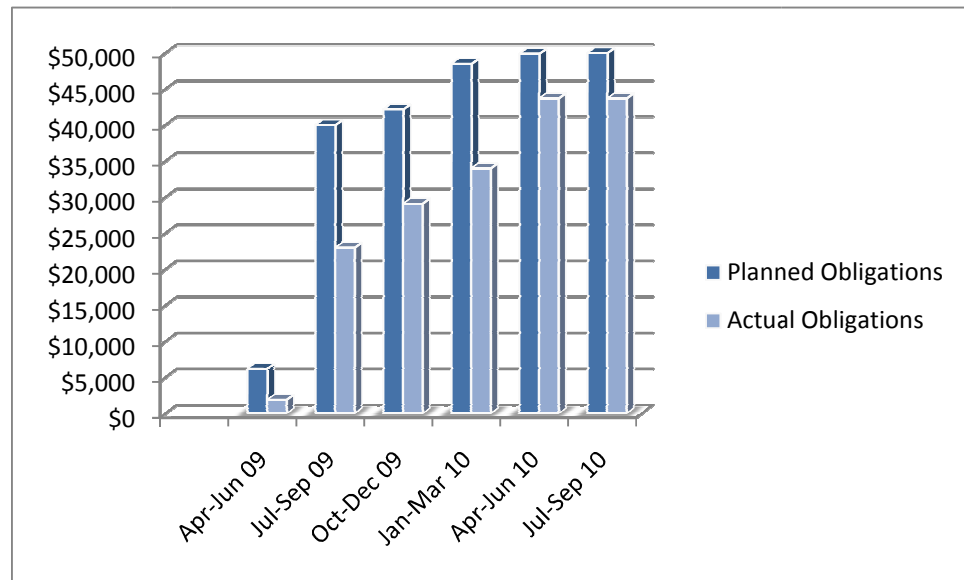
## RESULTS AND RECOMMENDATIONS

### Finding **NCA Needs To Strengthen Management of ARRA Funds**

NCA was on track to meet the deadline for spending its ARRA funds. In January 2010, NCA revised its ARRA expenditure plan to project realistic cost estimates that reflected market conditions and to identify additional or cancelled projects. As indicated in the chart below, as of June 11, 2010, NCA had obligated approximately \$43.7 million (87.4 percent) of the \$50 million in ARRA funds for various projects. Additionally, NCA had a plan in place to ensure the remaining funds would be obligated prior to the funds expiring on September 30, 2010.

**Table 1**

**NCA's Quarterly Status of ARRA Funds Obligated (000's)**  
(As of June 11, 2010)



Source: VA Financial Activity Reports

However, NCA needed to improve its management processes to make sure funds were efficiently administered in line with ARRA accountability and transparency objectives. NCA did not use a formal process to prioritize and select ARRA-funded projects. Without this process, NCA did not have the documentation needed to demonstrate that it awarded and distributed funds in a fair and reasonable manner. NCA did not ensure that complete procurement information, as required by Departmental guidance, was recorded in eCMS to enable transparency of ARRA spending for management and the public's benefit. Further, NCA did not establish outcome-based project performance measures to assure the achievement of ARRA-related objectives.

**Project  
Prioritization  
and Selection**

NCA did not use a formal process to support how projects were prioritized and selected for ARRA-funding. NCA officials utilized current processes in place, such as gravesite assessments and equipment listings, to identify potential projects to be accomplished with ARRA funds. This list was subsequently scoped down to comprise the final list included in NCA's May 2009 Recovery Act Program-Specific Plan.

We reviewed NCA's Recovery Act Program Specific-Plan and found that NCA did not have documentation available supporting why these projects were selected over other potential cemetery projects. Specifically, there was no record as to why the projects selected were the right ones to choose for funding or would best fulfill ARRA objectives of helping stimulate the U.S. economy. In a number of cases, NCA spent ARRA funds on acquisitions such as mowers, tractors, turf vacuums, and electric carts and it was not clear how these items would be used to help meet ARRA objectives.

The following examples illustrate gaps in NCA's current project selection approach:

- NCA selected 19 national shrine projects estimated to cost approximately \$23.6 million because the projects fell below target goals on gravesite assessments. We could not determine why these projects were selected for ARRA funding, or chosen instead of other potential national shrine projects where individual gravesite assessments also fell below target goals. For example, NCA contracted for a turf, renovations, and headstone cleaning project at Camp Butler National Cemetery at a cost of \$315,600 (NCA Project #11). Documentation was not available supporting how this project was selected over Wilmington National Cemetery, which also fell below target goals for gravesite assessments.
- NCA included 216 equipment purchases valued at almost \$6 million in its initial ARRA expenditure plan. Based on NCA direction, staff proposed the equipment purchases from their FY 2010 requirements list. For example, NCA purchased two 4x4 dump trucks valued at \$78,978 (NCA Project #186). However, criteria and justification were not available to explain why this equipment was selected over other FY 2010 equipment requirements for inclusion in the ARRA expenditure plan.

Given this approach, NCA lacked adequate documentation to support how the ARRA-funded projects were prioritized and selected, as well as assurance that its management of ARRA funds fully met the law's accountability and transparency objectives.

NCA would benefit from a process to support documentation of the prioritization and selection of future projects. Instituting such a formal process would help: (1) clarify that funds are awarded and distributed in a

fair manner, (2) demonstrate that funds are used to meet projects aligning with NCA's greatest needs, and (3) ensure critical accountability and transparency objectives are met on an ongoing basis.

#### **eCMS Usage**

NCA did not ensure complete procurement information on ARRA-funded projects was recorded in eCMS. An Office of Acquisition and Logistics Information Letter (dated March 17, 2009) mandates that all contracts, regardless of dollar value, must be recorded in eCMS.

We compared the contract actions and documents in the hard copy files to information in eCMS regarding procurements generated through NCA's Central Contracting Division to determine if staff recorded the procurement actions in eCMS as required. Our review of 36 of the 56 ARRA projects (obligated as of July 10, 2009) identified 34 equipment and shrine repair projects valued at \$2.5 million that did not have the required procurement information, such as acquisition plans, contracts, purchase orders, price quotes, price analysis, and pre-award checklists. The following projects provide examples of misunderstanding where procurement documents were not recorded in eCMS:

- ARRA project 13 is a contract for the Danville National Cemetery in Illinois to repair headstones, markers, and gravesites. NCA staff had not recorded the acquisition plan, price analysis, and price quotes in eCMS.
- ARRA project 379 is an initiative for the National Memorial Cemetery of the Pacific in Honolulu, Hawaii to purchase a compact sweeper. NCA staff had not recorded the purchase order and price quotes in eCMS.

Logistics Management Service (LMS) staff responsible for awarding the procurements stated they were aware of the information letter requiring that all procurement documents for projects be recorded within eCMS. However, they interpreted the requirement to relate to only key procurement documents, such as solicitations and contract amendments.

By not ensuring the availability of complete procurement information within eCMS, NCA lacked the accountability and transparency needed to accurately identify the total number and the estimated value of all ARRA-funded projects. Also, since the contract information recorded within eCMS was incomplete, reports generated by the eCMS system could not be relied upon to support making NCA management decisions or monitoring and overseeing ARRA projects. We suggested that because of ARRA transparency requirements, NCA should start recording all procurement documents in eCMS in accordance with the guidelines. Management agreed with our recommendation. During September 2009, LMS staff started recording complete procurement information within eCMS.



**Performance Measures**

NCA established performance measures, but did not consider outcome-based measures for its ARRA-funded projects as required. Measures were to be clear and quantifiable and tools were to be available to monitor project performance outcomes. NCA established the following six performance measures:

1. Percent of gravesites with level grades that blend with adjacent grade levels.
2. Percent of headstones, markers, and niche covers that are clean and free from objectionable accumulations.
3. Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment.
4. Cumulative percent of ARRA-funded projects that are obligated.
5. Percent of historic monuments and memorials identified as in need of repair that are repaired as a direct result of ARRA funding.
6. Percent of ARRA funding spent on energy conservation projects.

The established measures met some NCA requirements but did not ensure that the ARRA-funded projects were mapped to accomplishing ARRA goals. For example:

- **Performance measures 1 through 3.** On a semi-annual basis, NCA assesses a statistically selected sample of graves, headstones, and markers across NCA cemeteries to determine whether they are in need of repair and improvement. Although ARRA-funded projects may be included within the sample, measures for these projects are not focused on achieving improvements across the cemeteries that fulfill objectives of the ARRA legislation.
- **Performance measure 4.** One key ARRA goal is to ensure funds are awarded and distributed in a prompt manner. Performance measure four measures the “cumulative percent of ARRA-funded projects that are obligated”. The performance measure as written is unclear and seems to call for measuring the percentage of projects completed versus obligation of ARRA dollars associated with those projects by the September 30, 2010 deadline. Based on our discussion with NCA officials, they likewise seemed to be focused on measuring the percentage of projects completed. Revising the performance measure to ensure a clear focus on the percentage of dollars obligated, as well as expended, would give NCA leadership a complete financial picture as they move toward meeting monthly goals for using all ARRA funding by the deadline. Based on NCA-provided data, VA is tracking the dollars obligated as shown in its weekly ARRA financial activity reports.

Table 1 on page 3 of this report provides our graphic display of NCA's progress in obligating ARRA funds to meet the deadline.

- **Performance measures 5 and 6.** NCA was monitoring percentages of projects to be funded with ARRA monies; however, NCA was not measuring the actual improvements from the ARRA-funded historic monuments and memorials and energy conservation projects.

Improved performance measures would help assure that NCA achieves ARRA-specific outcomes through its ARRA-funded projects.

**Conclusion**

NCA was on track to meet the deadline for spending its ARRA-funds. However, NCA did not use a formal process that documented the prioritization and selection projects to meet ARRA's goals. For the future, NCA needs to make sure complete procurement documents are recorded in VA's eCMS system for ARRA spending to be transparent to management and the public. Finally, NCA needs to establish outcome-specific performance measures to enable the achievement of ARRA objectives from the use of ARRA funds.

**Recommendations**

1. We recommend the Acting Under Secretary for Memorial Affairs establish a formal process for prioritizing and selecting future work requirements that includes maintaining adequate documentation to justify key project decisions.
2. We recommend the Acting Under Secretary for Memorial Affairs ensure that complete procurement information for ARRA-funded projects is recorded in eCMS.
3. We recommend the Acting Under Secretary for Memorial Affairs establish outcome-based performance measurements that facilitate the monitoring and managing of the selected projects, as well as the dollars obligated and spent on them, to ensure accomplishment of ARRA goals.

**Management  
Comments and  
OIG Response**

The Acting Under Secretary for Memorial Affairs concurred with our report and stated that if a similar Recovery Act program is implemented, NCA will document procedures for project selection for future projects. The Acting Under Secretary agreed that complete procurement information for ARRA-funded projects must be recorded in eCMS and has taken corrective action. Also, the Acting Under Secretary supports a performance-based approach to monitoring the accomplishment of ARRA goals and will provide more direct measures of the outcome of ARRA projects. We plan to follow up on the planned actions. NCA's full response is located at Appendix C.

## Appendix A Background

**Overview of NCA** NCA provides burial space for Veterans and their eligible family members, maintains national cemeteries as national shrines, and marks Veterans' graves with Government-furnished headstones or markers. A U.S. flag is provided, at no cost, to drape the casket or accompany the urn of a deceased Veteran who served honorably in the Armed Forces. NCA provides Presidential Memorial Certificates in recognition of the deceased veterans' service to a grateful nation and administers grants for establishing or expanding state veterans' cemeteries. Through NCA, the Department administers more than 2.9 million gravesites at 131 national cemeteries in 39 states and Puerto Rico, as well as 33 soldiers' lots and monument sites.

NCA's LMS, which includes the Centralized Contracting Division and the Construction Support Division, is responsible for executing NCA's acquisitions. As required by Departmental guidance, they are to use eCMS, VA's procurement management reporting system, for monitoring, tracking, and reporting acquisition projects.

### **ARRA and NCA Funding**

Both the President and Congress have emphasized the need for accountability, efficiency, and transparency in the allocation and expenditure of ARRA funds.

NCA's Fiscal Year (FY) 2009 and 2010 budgets total approximately \$575 million and \$586 million respectively. Congress provided NCA an additional \$50 million for monument and memorial repairs and energy projects as part of the ARRA. This funding is available until September 30, 2010. In May 2009, NCA developed an expenditure plan that identified 395 projects in the following areas: (1) national shrines including headstones, markers, and gravesites; (2) energy projects; (3) monument and memorial repairs; (4) non-recurring maintenance—general and existing roads; and (5) equipment.

In January 2010, NCA revised its expenditure plan to reflect realistic project cost estimates and market conditions and to identify additional projects and project cancellations. As of June 11, 2010, NCA had obligated projects valued at approximately \$43.7 million (87.4 percent) of its \$50 million in ARRA funds. NCA has \$6.3 million remaining to obligate before the time to use the funds expires on September 30, 2010.

### **Prior Audit Coverage**

VAOIG Report No. 08-00921-181, *Audit of VA Electronic Contract Management System* (dated July 30, 2009) identified that staff did not use eCMS effectively, and procurement information in eCMS was incomplete. In response to the report, the Acting Under Secretary for Memorial Affairs agreed to develop guidance on enhanced methods for assuring adherence to Departmental requirements for procurement management reporting. As of this review, the guidance was still under development.

## **Appendix B Scope and Methodology**

We conducted our review from July 2009 to July 2010. We reviewed ARRA requirements; OMB ARRA implementation guidance; other applicable laws; and VA and NCA regulations, policies, procedures, and guidelines. We interviewed staff from NCA's Office of Budget and Finance, Central Contracting Division, and VA's Office of Finance.

We reviewed oversight and implementation of NCA acquisition and management of the \$50 million in ARRA funding included in NCA's spend plan. In addition, we assessed NCA's policies and procedures for accountability and transparency and determined if ARRA projects were identified, approved, and implemented in a way that was consistent with OMB's implementing guidance for the 2009 Recovery Act. We judgmentally reviewed 36 of 128 ARRA projects to assess whether the projects met ARRA goals and objectives as of September 14, 2009. We did not review any of NCA's energy projects.

### ***Reliability of Computer- Processed Data***

To accomplish the objectives, we used computer-processed data provided by NCA staff. To test the reliability of this data, we compared relevant computer-processed data with hard copy documents in NCA project files. The data was sufficiently reliable for the review objectives.

### ***Compliance with President's Council on Integrity and Efficiency***

Our assessment of internal controls focused on those related to our review objectives. We conducted this review in accordance with President's Council on Integrity and Efficiency standards.

## Appendix C Management Comments

**Department of  
Veterans Affairs**

# Memorandum

Date: August 13, 2010

From: Acting Under Secretary for Memorial Affairs (40)

Subj: Draft Report: *Review of National Cemetery Administration (NCA) Oversight, Acquisition, and Management of Recovery Act Funds for Monument and Memorial Repairs*, OIG Project No. 2009-01814-D2-0107

To: Director of Central Office Audit Operations (52CO)

1. NCA has reviewed the draft report of your *Review of National Cemetery Administration (NCA) Oversight, Acquisition, and Management of Recovery Act Funds for Monument and Memorial Repairs*. NCA's comments to the report are attached.
2. If you have any questions, please contact Ronald Walters, Director of the Office of Finance and Planning, at (202) 461-6738.

*(original signed by Ronald Walters for:)*

Steve L. Muro

Attachment

**National Cemetery Administration  
Response to OIG Draft Report  
Review of American Recovery and Reinvestment Act of 2009  
Funds Management for Monument and Memorial Repairs**

**Recommendations:**

- 1. We recommend the Acting Under Secretary for Memorial Affairs establish a formal process for prioritizing and selecting future work requirements that includes maintaining adequate documentation to justify key project decisions.**

NCA Response: Although NCA did not use formal written step-by-step procedures to identify ARRA projects, NCA used standardized procedures that have been used to develop budget requirements for many years. If a similar Recovery Act program is implemented for future projects, NCA will document procedures for project selection.

On page 3 of the draft report, OIG provided two examples to illustrate gaps in NCA's current project selection approach. Additional information concerning these examples is included in the following two paragraphs.

- a. The OIG draft report stated that documentation was not available supporting how a national shrine project at Camp Butler National Cemetery was selected over Wilmington National Cemetery which also fell below target goals for gravesite assessments.

To select national shrine projects, NCA uses semiannual gravesite assessment surveys to measure the cleanliness, height, and alignment of headstones and markers and the grade of the grave. NCA's annual budget includes funding for national shrine projects, and a national shrine operating plan is prepared each year. NCA's FY 2008 plan for national shrine projects shows that a national shrine project for Wilmington National Cemetery was obligated in 2008. Consequently, Camp Butler was selected for ARRA funds.

- b. NCA's annual budget call to the MSN offices requests that funding requirements for equipment requirements be listed in priority order. This process includes a submission of each cemetery's prioritized requirements and a review and prioritization by each MSN office for the MSN submission. The projects selected for ARRA funding supported cemetery operations and were the highest priority projects on the MSN equipment lists. The final equipment list was validated by each MSN Director, prior to inclusion of the equipment requirements in the ARRA operating plan. The additional review by the MSN Directors ensured that the equipment purchases included in the ARRA operating plan reflected each MSN's current priorities.

**2. We recommend the Acting Under Secretary for Memorial Affairs ensure that complete procurement information for ARRA-funded projects is recorded in eCMS.**

NCA Response: NCA concurs that complete procurement information for ARRA-funded projects must be recorded in eCMS. As noted in the OIG draft report, corrective action was taken in September 2009.

As part of the pre-award process for ARRA projects, the coordinator reviewed the documents in eCMS to make sure that they were in compliance with the electronic documentation requirements and the division chief reviewed the actual award documents in the folder. Discrepancies were written on the review document for the staff member to make identified corrections prior to the award. At present, complete procurement information has been entered in eCMS for all ARRA-funded projects.

**3. We recommend the Acting Under Secretary for Memorial Affairs establish outcome-based performance measurements that facilitate the monitoring and managing of the selected projects, as well as the dollars obligated and spent on them, to ensure accomplishment of ARRA goals.**

NCA Response: NCA supports a performance-based approach to monitoring the accomplishment of ARRA goals and will work with the OIG to refine current measures.

NCA thoughtfully considered key outcomes of providing burial benefits and services to our national Veterans and their families in selecting measures for these projects. By definition, an outcome is a broad measure of the effect that a program has on its clients. One of these outcomes is the maintenance of our cemeteries as national shrines as measured by the percentage of Veterans and family members who indicate on our annual Survey of Satisfaction with National Cemeteries that the appearance of national cemeteries is excellent.

Four of the six existing ARRA measures directly support the achievement of this outcome measure. The appearance of individual gravesites (grade of the grave and cleanliness, height and alignment of headstones and markers) and the condition of historic monuments are both factors that contribute significantly to the perception of Veterans, families and visitors that the maintenance and appearance of national cemeteries is excellent. All six ARRA measures in NCA's program plan were reviewed and approved by VA's Office of Management (004) and by the Office of Management and Budget.

To provide a more direct measure of the outcome of an ARRA project, NCA will compare the appearance of the specific gravesites selected for repair and compare performance results for those gravesite sections after the project's completion against the overall gravesite assessment for that cemetery. For energy projects, NCA will review KW/H cost or usage at a cemetery before and after completion of an ARRA project.

## Appendix D **OIG Contact and Staff Acknowledgments**

---

OIG Contact	Paul M. Sondel, (202) 461-4552
-------------	--------------------------------

---

Acknowledgments	Carla R. Vines Vercie Y. Davis Meredith L. Hauber
-----------------	---



## **Appendix E Report Distribution**

### **VA Distribution**

Office of the Secretary  
Veterans Health Administration  
Veterans Benefits Administration  
National Cemetery Administration  
Assistant Secretaries  
Office of General Counsel

### **Non-VA Distribution**

House Committee on Veterans' Affairs  
House Appropriations Subcommittee on Military Construction, Veterans  
Affairs, and Related Agencies  
House Committee on Oversight and Government Reform  
Senate Committee on Veterans' Affairs  
Senate Appropriations Subcommittee on Military Construction, Veterans  
Affairs, and Related Agencies  
Senate Committee on Homeland Security and Governmental Affairs  
National Veterans Service Organizations  
Government Accountability Office  
Office of Management and Budget

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.