

## **SUMMARY**

The Office of the Auditor General has conducted a performance audit of the Veterans Loan Program in response to concerns raised by the Budget and Finance Committee. This audit provides an assessment on the Veterans Loan Program's process in qualifying loan applicants and compliance with established operating policies and guidelines in administering the veteran loan program.

### **Finding I: The Veterans Loan Application Process Needs Improvement**

The Veterans Loan Program needs to improve the process of assessing and qualifying loan applicants. Although the Veterans Loan Program is meeting the needs of Navajo veterans in obtaining loans, the Program takes about 28 calendar days to process a loan. Private lending agencies complete this same process within 48 hours.

### **Finding II: The Program Needs to Comply With Established Policies and Guidelines**

Applicants who did not meet the loan eligibility criteria because their debt-to-income ratio exceeded 70 percent and/or they had questionable employment history were recommended for approval. In addition, credit verification on loan applicants were not conducted and unsecured loans were disbursed contrary to established policy.

### **Finding III: Minimal Collection Efforts Contributed to the High Delinquency Rate**

The Veterans Loan Program and Office of the Controller's Accounts Receivable Section made minimal efforts in implementing collection procedures. As of June 30, 2001, there were 434 outstanding veteran loan accounts with a loan balance of approximately \$718,795. Of the 434 loan accounts, 272 (63%), with a balance of \$464,515 were 120 days or more delinquent. Further, of the 272 delinquent accounts, 83 accounts were more than five years delinquent and 101 accounts were more than ten years delinquent.

### **Finding IV: Loan Records Were Not Reconciled on a Regular Basis**

The Veterans Loan Program has never maintained a record of the balance of the veterans loan fund. Since the intent of the veterans loan fund is to be lent out, repaid, then lent out again, it is important to have an accurate veterans loan fund balance at the beginning of the fiscal year to determine the funding level necessary to operate the loan program. Also, the focus of the loan activities is to maintain its capital. Accordingly, it is important to have an accurate veterans loan fund balance to inform management and the Program's oversight committee that the veterans loan fund's capital is being maintained.