



# US DEPARTMENT OF VETERANS AFFAIRS **OFFICE OF INSPECTOR GENERAL**

Office of Audits and Evaluations

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## DEPARTMENT OF VETERANS AFFAIRS

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### **VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2024**

Review

22-00879-249

September 17, 2024

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## Executive Summary

In response to the COVID-19 pandemic, Congress passed legislation to provide VA with funding to support uninterrupted care and benefits for veterans.<sup>1</sup> This legislation included the Families First Coronavirus Response Act (FFCRA); the Coronavirus Aid, Relief, and Economic Security (CARES) Act; and the American Rescue Plan (ARP) Act. In November 2021, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act) to provide oversight of VA's spending of the emergency relief funding.<sup>2</sup> In accordance with the act, VA must provide a detailed plan to Congress outlining its intent for obligating and expending funds covered by the act, including a justification for each type of obligation, no later than 30 days after the act was signed into law on November 22, 2021.<sup>3</sup>

At the time the Transparency Act was enacted, VA had obligated and spent nearly all the FFCRA and CARES Act funds; therefore, the detailed plans related to those funds, which VA submitted to Congress on December 22, 2021, were retroactive. In contrast, the ARP Act funding was only about 4 percent obligated at the time. VA submitted its spend plan, which detailed how it would spend the remaining covered funds, to Congress on December 22, 2021.<sup>4</sup> The Transparency Act also requires VA to submit reports to Congress every 14 calendar days (biweekly)—detailing its obligations, expenditures, and planned uses for covered funds, as well as justification for any deviation from the plan.

In addition to requirements for the department, the Transparency Act further requires the VA Office of Inspector General (OIG) to submit reports comparing the planned obligations and expenditures to how VA is actually obligating and expending covered funds. The initial OIG report was required within 120 days of enactment, and additional reports must be submitted semiannually for three years or until all covered funds have been expended, whichever comes first. The OIG must also address areas of waste, fraud, and abuse, as well as any other matters determined relevant.

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<sup>1</sup> Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); American Rescue Plan Act, Pub. L. No. 117-2, 135 Stat. 4 (2021).

<sup>2</sup> VA Transparency & Trust Act, Pub. L. No. 117-63, 135 Stat. 1484 (2021).

<sup>3</sup> Covered funds are funds under the FFCRA, CARES Act, and ARP Act. An obligation is a legal liability of the government for payment of goods or services immediately or in the future. An expenditure is the actual amount of the money spent.

<sup>4</sup> For more on the ARP Act spend plan, see appendix A.

## What the Review Found

In the inaugural report, the OIG focused on whether VA's plans provided to Congress on December 22, 2021, satisfied the requirements of the Transparency Act.<sup>5</sup> The OIG made two recommendations to the assistant secretary for management and chief financial officer. The first was to consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violated the Purpose Statute and, if a violation occurred, to take the steps necessary to remedy the violation. The second was to determine the obligations necessary to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. The target completion date for both recommendations was June 2022, but both recommendations remained open until the OIG agreed to close them in April 2023 after receiving sufficient responses from VA.

In the semiannual reports for September 2022 and March 2023, the OIG looked at the ARP Act spend plan and FFCRA detailed plan and reporting, respectively.<sup>6</sup> There were no recommendations for the September 2022 report, and the OIG was unable to complete its analysis of the FFCRA funds in the March 2023 report because VA did not provide sufficient supporting documentation requested by the review team. In the semiannual report for September 2023, the OIG completed its review of FFCRA actual obligations and expenditures and found VA generally did not comply with its own financial policies to process and authorize FFCRA expenditure transfers. The OIG made one recommendation to VA's under secretary for health to ensure that Veterans Health Administration fiscal staff were trained on VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers). The target completion date was June 2024; however, the recommendation was closed in April 2024 after VA provided sufficient documentation to close.<sup>7</sup>

The March 2024 semiannual report compared VA's ARP Act spend plan obligation schedule to available monthly and biweekly reports to evaluate VA's compliance with Transparency Act reporting requirements through December 31, 2023. The review team found VA generally complied with the Transparency Act but failed to submit all required reports, such as spend plans or deviations from those plans. The review team made no recommendations.<sup>8</sup>

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<sup>5</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021](#), Report No. 22-00879-118, March 22, 2022.

<sup>6</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022](#), Report No. 22-00879-236, September 22, 2022; VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023](#), Report No. 22-00879-79, March 21, 2023.

<sup>7</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2023](#), Report No. 22-00879-196, September 22, 2023.

<sup>8</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2024](#), Report No. 22-00879-93, March 20, 2024.

This September 2024 semiannual report focuses on ARP Act funds, which had the largest dollar amount of open obligations as of February 29, 2024 (the beginning of this report's review period). The review team analyzed a sample of quarterly obligation monitoring reports to assess compliance with financial policy and applicable law. The team also assessed whether ARP Act spend plans had been updated and ensured updates were following applicable laws. The ARP Act spend plan was developed to justify the intended activities for each section and include accomplishments to date, expected results, risk mitigation efforts, and an obligation schedule for remaining funds.<sup>9</sup> Lastly, the review team assessed whether biweekly and quarterly reporting occurred as required by law through May 2024.<sup>10</sup>

The team found that, although VA appropriately obtained congressional approval for ARP Act spend plan deviations, the department's reporting of ARP Act obligations and expenditures could be improved. Specifically, VA did not always meet deadlines for submitting biweekly and quarterly reports. When these reports are submitted to Congress late or not at all, transparency suffers, and oversight of these emergency funds cannot function as intended.

The team also found that VA generally complied with its obligation policy by submitting quarterly reviews and that the reviewed open obligations met ARP Act requirements. However, VA did not consistently provide explanations to the Office of Financial Audit as required for obligations that were older than 90 days or had no activity for 90 days. As such, the review team found compliance with VA policy could also be improved.

## **What the OIG Recommended**

The OIG made two recommendations to VA's assistant secretary for management and chief financial officer to confirm VA is submitting biweekly reports, including those from June 2023 to present, as required by law and to confirm that required quarterly reports are submitted to Congress within the time frame established by law.

The OIG also made one recommendation to the director of the Office of Financial Policy to coordinate with administration and staff office chief financial officers to ensure that finance office staff responsible for the management of open obligations know and understand VA financial policy requirements regarding quarterly obligation reports.

## **VA Management Comments and OIG Response**

The acting assistant secretary for management and chief financial officer stated that VA's Office of Management concurred with recommendations 1 and 2 regarding VA's compliance with Transparency Act congressional reporting and that it has not always met its biweekly and

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<sup>9</sup> Tables A.1 and A.2 in appendix A provide detailed descriptions for each office covered by the ARP Act spend plan and explanations of each section of the ARP Act spend plan, respectively.

<sup>10</sup> See appendix B for details regarding this report's scope and methodology.

quarterly reporting milestones. The acting assistant secretary for management and chief financial officer also concurred with recommendation 3. VA provided corrective action plans for all recommendations.

The acting assistant secretary for management and chief financial officer's and financial policy director's planned corrective actions are responsive to the recommendations. The OIG will close the recommendations once VA provides evidence to demonstrate sufficient progress on implementation and fulfillment of the recommendations' intent. Appendix C includes the full text of the assistant secretary for management and chief financial officer's comments.



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## Abbreviations

ARP	American Rescue Plan
CARES	Coronavirus Aid, Relief, and Economic Security
FFCRA	Families First Coronavirus Response Act
FY	fiscal year
OIG	Office of Inspector General
OIT	Office of Information and Technology
VHA	Veterans Health Administration





## Introduction

In response to the COVID-19 pandemic, Congress passed legislation to provide VA with funding to support uninterrupted care and benefits for veterans.<sup>11</sup> Congress passed the Families First Coronavirus Response Act (FFCRA) on March 18, 2020, and allocated \$60 million to VA for pandemic-related items and services. For the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed on March 27, 2020, Congress provided VA with about \$19.6 billion to prevent, prepare for, and respond to COVID-19 domestically and internationally, which included impacts to healthcare delivery. Congress passed the American Rescue Plan (ARP) Act of 2021 on March 11, 2021, which provided about \$17.1 billion to VA for healthcare programs.<sup>12</sup>

### Oversight of Pandemic-Related Emergency Relief Funding

Several laws and VA policies are in place to ensure pandemic-related emergency relief funding is used accurately and appropriately. This review's scope includes examining compliance with the VA Transparency & Trust Act of 2021 (Transparency Act), the Consolidated Appropriations Acts, and VA's obligation policy.

### The Transparency Act and Consolidated Appropriations Act

To provide oversight of VA's spending of pandemic-related emergency relief funding, Congress passed the Transparency Act.<sup>13</sup> The act required VA to provide a detailed plan (known as a spend plan) to Congress outlining its intent for covered fund obligations and expenditures, including a justification for each type of obligation.<sup>14</sup> When the Transparency Act was enacted in November 2021, VA had obligated and spent nearly all the FFCRA and CARES Act funds. Therefore, the spend plan VA submitted to Congress for those funds was retroactive and indicated what VA had already spent. VA's spend plan for ARP Act funding was more forward looking, as only about 4 percent of those funds were obligated at the time the plans were

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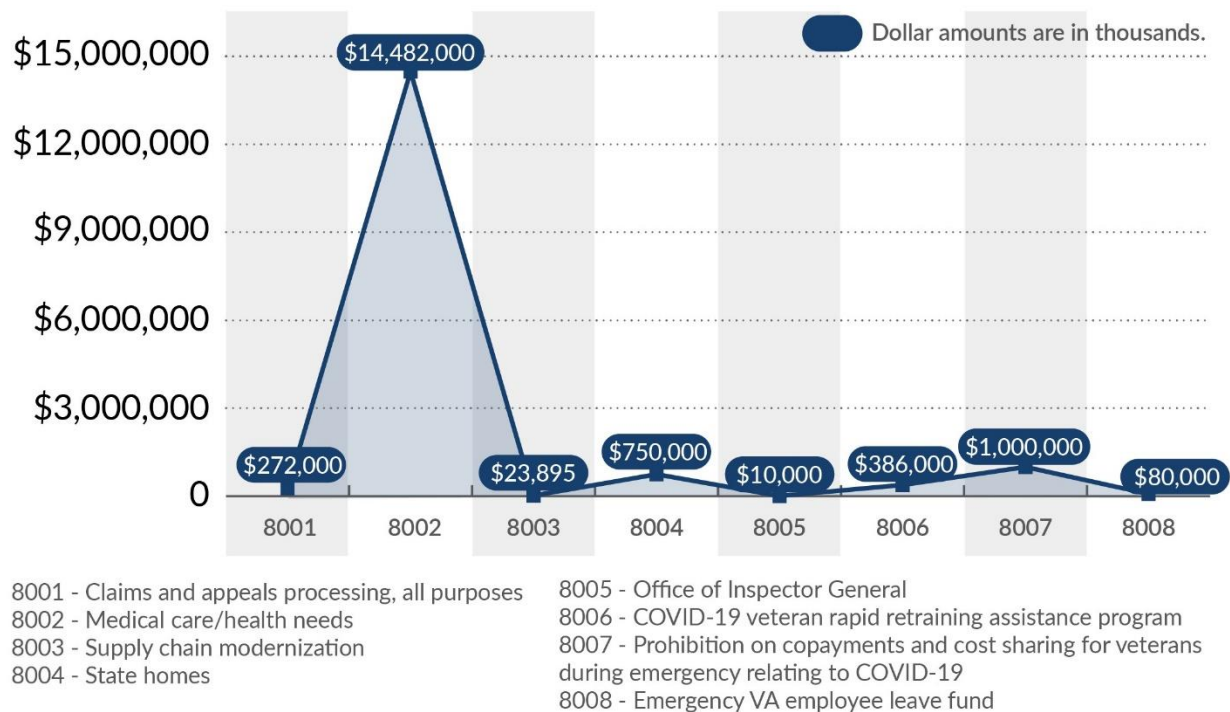
<sup>11</sup> Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); American Rescue Plan Act, Pub. L. No. 117-2, 135 Stat. 4 (2021).

<sup>12</sup> American Rescue Plan Act, Stat. 112 and Stat. 116. VA initially received \$17,080,000,000 in ARP Act funds; however, Congress passed the Consolidated Appropriations Act of 2022, which rescinded \$76,105,000 made available by section 8003 for supply chain modernization. A rescission cancels the availability of budget authority previously enacted before the authority would otherwise expire. Consolidated Appropriations Act of 2022, Pub. L. No. 117-103, § 256, 136 Stat. 49.

<sup>13</sup> VA Transparency & Trust Act, Pub. L. No. 117-63, 135 Stat. 1484 (2021).

<sup>14</sup> Covered funds are those funds under the FFCRA, CARES Act, and ARP Act. An obligation is a legal liability of the government for payment of goods or services immediately or in the future. An expenditure is the actual amount of money spent.

submitted to Congress.<sup>15</sup> There are eight spend plan sections within the ARP Act.<sup>16</sup> Figure 1 provides a breakdown of funding per section.



**Figure 1.** ARP Act spend plan allocations.

Source: American Rescue Plan Act, Pub. L. No. 117-2, 135 Stat. 112 and Stat. 116 (2021) and Consolidated Appropriations Act of 2022 Stat. 49.

The Transparency Act required the VA Office of Inspector General (OIG) to submit reports no later than 120 days after the act was enacted and semiannually thereafter for three years or until the VA secretary has expended all covered funds, whichever occurs first. The act further states that the OIG reports shall include

- a comparison of how the funds are being obligated and expended to how the funds were planned to be obligated and expended;
- areas of waste, fraud, and abuse, if any; and
- any other matter the OIG determines relevant.

<sup>15</sup> VA was required to submit spend plans to Congress no later than 30 days after the act was signed into law, which took place on November 22, 2021. VA submitted the spend plans for FFCRA, CARES Act, and ARP Act funds on December 22, 2021.

<sup>16</sup> Table A.2 in appendix A provides a brief overview of each ARP Act spend plan section.

Table 1 shows the Transparency Act-related funds that VA received and how those funds were obligated and expended from enactment through May 31, 2024, the most recent reporting date provided by VA.

**Table 1. Overview of All Transparency Act-Covered Funds**

Covered fund	Allocations (net rescission, in thousands)	Obligations (in thousands)	Expenditures (in thousands)	Open obligations* (in thousands)
CARES	\$19,569,500	\$19,219,713	\$19,006,042	\$213,671
FFCRA	\$60,000	\$60,000	\$60,000	\$0
ARP	\$17,003,895	\$16,824,711	\$15,586,957	\$1,237,754

*Source: VA's monthly reports of allocations, obligations, and expenditures for FFCRA (through September 30, 2022, which was VA's last monthly report) and CARES Act and ARP Act (through May 31, 2024). Open obligations were calculated by subtracting the expenditures from the obligations.*

*Note: Allocations, obligations, and expenditures are rounded.*

*\* Open obligations are those not yet paid by an agency.*

The Transparency Act also requires VA to submit reports to Congress every 14 calendar days (biweekly) detailing its obligations, expenditures, and planned uses of funds, as well as justification for any deviation from the plan. Relatedly, the Consolidated Appropriations Act of 2022 required VA to submit quarterly obligation reports and a plan for how remaining funds will be spent for ARP Act section 8002, Funding for Medical Care and Health Needs.<sup>17</sup>

## VA's Obligation Policy

Per VA financial policy, open obligations are those made by an agency that have yet to be paid. They include purchase orders or contracts that are not considered closed or complete and have a balance associated with them, whether undelivered or unpaid. A transaction's end date (which is critical to determining whether an obligation should remain open) may be modified. To monitor obligations, VA policy requires each network and local finance office to perform a quarterly review of its open obligations. The quarterly obligation monitoring report is generated by the Office of Financial Audit and identifies obligations that are older than 90 days, without activity for 90 days, and meet the materiality threshold established by the Office of Financial Audit. Each finance office receives the quarterly obligation monitoring report and has three weeks to research each open obligation and explain if the obligation is still valid and why the obligation needs to remain open. The finance office must also maintain supporting documentation for each item.<sup>18</sup>

<sup>17</sup> Consolidated Appropriations Act of 2022, Pub. L. No. 117-103, § 254, 136 Stat. 49.

<sup>18</sup> VA Financial Policy, "Obligation Policy," in vol. 2, *Appropriations, Funds and Related Information* (May 2023), chap. 5.

## Past OIG Reviews

The OIG published its inaugural Transparency Act report on March 22, 2022—120 days after the Transparency Act was enacted on November 22, 2021. It focused on whether VA's plans provided to Congress on December 22, 2021, satisfied the requirements of the act.<sup>19</sup> The OIG made two recommendations to the assistant secretary for management and chief financial officer. The first was to consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violated the Purpose Statute and, if a violation occurred, to take the steps necessary to remedy the violation. The second was to determine the obligations necessary to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. The target completion date for both recommendations was June 2022, but both recommendations remained open until the OIG agreed to close them in April 2023 after receiving sufficient responses from VA.

The September 2022 semiannual report focused on whether VA's ARP Act spend plan and biweekly reports satisfied the requirements of the Transparency Act and had no recommendations.<sup>20</sup> The March 2023 semiannual report focused on VA's FFCRA detailed plan and biweekly reports.<sup>21</sup> The OIG was unable to complete its analysis of the FFCRA funds in the March 2023 report because VA did not provide sufficient supporting documentation requested by the team.

In the September 2023 semiannual report, the OIG completed its review of VA's FFCRA obligations and expenditures and VA's CARES Act detailed plan and biweekly reports.<sup>22</sup> The OIG found that VA generally did not comply with its own financial policies to process and authorize FFCRA expenditure transfers. Therefore, VA's execution and completion of expenditure transfers did not always provide an adequate audit trail to validate the transferred amounts. The September 2023 report noted that the availability of fully executed and complete supporting documentation is necessary to mitigate the risks associated with the department's reliance on manual transfer processes. Without that documentation, VA's financial reporting transparency is diminished. The OIG made one recommendation to VA's under secretary for health to ensure that Veterans Health Administration (VHA) fiscal staff are trained on VA financial policy requirements for the preparation and approval of journal vouchers (including

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<sup>19</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021](#), Report No. 22-00879-118, March 22, 2022.

<sup>20</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022](#), Report No. 22-00879-236, September 22, 2022.

<sup>21</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023](#), Report No. 22-00879-79, March 21, 2023.

<sup>22</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2023](#), Report No. 22-00879-196, September 22, 2023.

expenditure transfers). During the review for this September 2024 report, the team was provided with emails, memoranda, journal voucher training materials, and subsequent attendance records for the training of VHA fiscal staff. The team reviewed the information provided and concluded that it was adequate and that VA had met the intent of the recommendation. Accordingly, the OIG closed the recommendation on April 24, 2024.

The March 2024 semiannual report compared VA's ARP Act spend plan obligation schedule to monthly and biweekly reports to evaluate VA's compliance with Transparency Act reporting requirements through December 31, 2023. The review team relied on VA's ARP Act biweekly report as of June 6, 2023, and the monthly report from December 31, 2023. The team found VA generally complied with the Transparency Act but failed to submit all required reports, such as spend plans or deviations from those plans. The review team made no recommendations.<sup>23</sup>

This September 2024 semiannual report focuses on ARP Act funds, which had the largest dollar amount of open obligations as of February 29, 2024 (the beginning of this report's review period). The review team analyzed a sample of quarterly obligation monitoring reports, which are a monitoring tool for open obligations, to assess compliance with financial policy and applicable law. The team also assessed whether ARP Act spend plans have been updated and ensured updates were following applicable laws. The ARP Act spend plan was developed to justify the intended activities for each section with the act and included accomplishments to date, expected results, risk mitigation efforts, and an obligation schedule for remaining funds.<sup>24</sup> Lastly, the review team assessed whether biweekly and quarterly reporting occurred as required by law through May 2024.

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<sup>23</sup> VA OIG, [\*VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2024\*](#), Report No. 22-00879-93, March 20, 2024.

<sup>24</sup> Tables A.1 and A.2 in appendix A provide detailed descriptions for each office covered by the ARP Act spend plan and explanations of each section of the ARP Act spend plan, respectively.

## Results and Recommendations

### Finding 1: VA Generally Complied with the Transparency Act and the Consolidated Appropriations Acts of 2022 and 2023

The Transparency Act requires VA to submit to Congress a spend plan for obligating and spending covered funds and to report on any deviations from that plan. The OIG review team determined that VA obtained approval for any changes to their ARP Act spend plan. In addition, the act requires VA to submit biweekly reports to Congress on its spending of the emergency funds. In the March 2024 semiannual report, the OIG found that VA had been generally submitting biweekly reports; however, this reporting stopped in June 2023.<sup>25</sup> VA told the OIG review team for the March 2024 report that it had approval from Congress to stop submitting biweekly reports but did not provide documentation supporting that assertion. During the review that led to this September 2024 semiannual report, the team received confirmation from VA that it had not in fact received approval to stop biweekly reporting.

Since 2022, the Consolidated Appropriations Act has required VA to submit quarterly spending reports to Congress. Because quarterly reporting had not been previously assessed in an OIG report, the team determined a review was warranted for this semiannual report. The OIG found that, while the quarterly reports were submitted, they were not submitted on time.

Overall, this finding is based on the following determinations:

- VA obtained congressional approval for changes to the ARP Act spend plan.
- VA failed to submit biweekly reports to Congress as required by the Transparency Act.
- Quarterly reports were not submitted on time as required by the Consolidated Appropriations Act.

### What the OIG Did

To determine VA's compliance with Transparency Act requirements, the team reviewed relevant laws, regulations, and VA policy. The team also referred to prior OIG reports related to the Transparency Act or its covered funds to provide contextual references for any other matters the team determined relevant. Regarding the ARP Act spend plan, the review team compared the May 2023 version to the original version. For the biweekly reports, the team requested VA either provide the reports or the approval to stop reporting. For the quarterly reports, the team obtained from VA all four reports for fiscal year (FY) 2023 and for the first two quarters of FY 2024 as well as submittal information to determine whether the reports were submitted to Congress on

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<sup>25</sup> VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2024*.



time. The team also performed a reconciliation and analysis to determine whether the information contained within the reports was reasonably reliable. Appendix B provides more details regarding this semiannual report's scope and methodology.

## **VA Obtained Congressional Approval for Changes to the ARP Act Spend Plan**

The Transparency Act requires VA to submit to Congress a spend plan for obligating and spending covered funds (including a detailed justification) and to report on any deviations from that plan.<sup>26</sup> In March 2023, Congressman Mike Bost, sponsor of the Transparency Act, asked VA to provide accounting information to the House Committee on Veterans Affairs related to VA's obligations and expenditures for FFCRA and CARES and ARP Act funds. He also requested a "forward-looking spend plan" at the program level for ARP Act funds. In May 2023, VA provided the requested information and provided an updated spend plan.<sup>27</sup>

The review team compared the May 2023 version of the ARP spend plan to the original version.<sup>28</sup> The review team compared the changes made from the original spend plan to the applicable law and found the department obtained congressional approval for all deviations from the original plan. The review team verified that no updates had been made to the spend plan since May 2023.

During its review, the team found that three adjustments were made for section 8002. In FY 2022, VA reallocated \$30 million from the medical services section to the research section to support additional COVID-19 requirements for scientific computing; diversity, equity, and inclusion in research; and implementation of the Commander John Scott Hannon Veterans Mental Health Care Improvement Act of 2019.<sup>29</sup>

VA also redistributed money for the Office of Information and Technology (OIT). In April 2022, VHA reprogramed money within ARP Act section 8002 so that OIT received \$630 million to continue key pandemic responses established under the CARES Act. In addition, VHA reallocated \$196.2 million from Medical Community Care to OIT for cybersecurity, the digital health platform, the Genomic Information System for Integrative Service, Health Data Interoperability, and patient records. Finally, VA made various other adjustments across departments based on pandemic priorities.

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<sup>26</sup> VA Transparency & Trust Act § 2(a).

<sup>27</sup> Congressman Mike Bost, letter to Mr. Denis McDonough, VA, March 29, 2023.

<sup>28</sup> The team reviewed this spend plan due to section 8002 having the largest outstanding balance of the remaining sections.

<sup>29</sup> "The Commander John Scott Hannon Veterans Mental Health Care Improvement Act (Hannon Act) broadens mental health care and suicide prevention programs that will effectively evaluate and treat mental health conditions for Veterans." VA "Commander John Scott Hannon Veterans Mental Health Care Improvement Act" (fact sheet), July 2021.

## **VA Failed to Submit Biweekly Reports to Congress as Required**

The Transparency Act requires VA to submit biweekly reports to Congress on its obligations, expenditures, and planned uses of funds beginning 14 days after the spend plan is submitted to Congress and ending seven days after VA has expended all covered funds.<sup>30</sup> However, VA stopped providing biweekly reports to Congress in June 2023. The review team for the OIG's March 2024 semiannual report began working with VA to determine a reason for this change, but an explanation was not provided before that report was published. The review team for this September 2024 report continued this effort over the course of this review, and VA did not provide reasoning or documentation from Congress indicating approval for the deviation from law. A VA Office of Budget official acknowledged the requirement for continued biweekly reporting and confirmed there was no record of the request to stop reporting being communicated to congressional committees.

Since there were no biweekly reports available for the team to review, the review team performed no additional work regarding these reports. The team did, however, analyze monthly reports submitted for the ARP Act. Section 20002 of the CARES Act, enacted March 27, 2020, requires VA to submit to Congress monthly reports for all covered funds appropriated in the CARES Act and to detail obligations, expenditures, and planned activities until September 30, 2021. Since VA was submitting the CARES Act reports, it began submitting monthly reports for the ARP Act, despite not being required to do so. As such, the team reviewed the ARP Act monthly reports for January 2024 through May 2024 and noted no significant accounting errors with the reports.

Though VA was not required to submit monthly ARP Act reports, the information could be used concurrently with the biweekly reports to further review VA's obligations and expenditures. Biweekly reports contain the same information as the monthly report; however, biweekly reporting allows Congress to receive spending updates more quickly. Without consistent biweekly reports, stakeholders may not be able to continue to review reported and actual obligations and expenditures, and VA is not compliant with the Transparency Act.

## **Quarterly Reports Were Not Submitted to Congress in a Timely Manner**

The review team analyzed six quarterly reports that VA submitted to Congress in keeping with the requirements of the Consolidated Appropriations Act: all four quarterly reports from

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<sup>30</sup> VA Transparency & Trust Act § 2(a)(2). According to the act, "Every 14 days during the period beginning on the date on which the plan under paragraph (1) is submitted and ending seven days after the date on which the Secretary has expended all covered funds, the Secretary shall submit to the Committees on Veterans' Affairs of the House of Representatives and the Senate a report detailing the obligation and expenditure of, and the planned uses for, such funds during the period covered by the report, including a written justification for any deviation in such obligations, expenditures, or planned uses from such plan."



FY 2023 and the first two from FY 2024. The team found that all six reports were submitted to Congress from 15 to 73 days late, as detailed in Figure 2.

FY 2023				FY 2024	
Q1	Q2	Q3	Q4	Q1	Q2
28 days late	15 days late	19 days late	31 days late	73 days late	57 days late

**Figure 2.** FYs 2023 and 2024 quarterly report delays.

Source: VA OIG analysis of VA's Report to Congress of Veterans Medical Care and Health Needs, section 8002.

An Office of Budget official noted that many factors can affect the timeliness of quarterly reports, such as validating data, delays in the concurrence process, staffing changes, and making necessary edits to the reports. Regardless, the Consolidated Appropriations Act states, "Not later than 30 days after the end of each fiscal quarter, the Secretary of Veterans Affairs shall submit to the Committees on Appropriations of both Houses of Congress a quarterly report on the status of the 'Veterans Medical Care and Health Fund,' established to execute section 8002 of the American Rescue Plan Act of 2021."<sup>31</sup> Without consistent quarterly reports, stakeholders may not be able to continue to review reported and actual obligations and expenditures, and VA is not compliant with the Consolidated Appropriations Act.

In reviewing the quarterly reports for six quarters, the team noted no significant accounting errors and can, therefore, conclude that the reports are generally reliable.

## Finding 1 Conclusion

VA appropriately obtained approval for ARP Act spend plan deviations. However, VA's reporting of ARP Act obligations and expenditures could be improved because VA's last ARP Act biweekly report was submitted in June 2023 and quarterly reports have been submitted late. When these reports are not submitted as the laws require, Congress does not have timely and accurate information on how ARP Act funds are being spent.

## Recommendations 1–2

The OIG made the following recommendations to VA's assistant secretary for management and chief financial officer:

<sup>31</sup> Consolidated Appropriations Act of 2022 § 254; Consolidated Appropriations Act of 2023 § 253.

1. Confirm VA has resumed submitting biweekly reports and, therefore, has submitted reports from June 2023 to present as required by the VA Transparency & Trust Act of 2021.
2. Confirm that the American Rescue Plan Act of 2021 section 8002 quarterly reports are submitted to Congress within the time frame established on the Consolidated Appropriations Acts of 2022 and 2023, which is no later than 30 days after the end of each fiscal quarter.

## **VA Management Comments**

The acting assistant secretary for management and chief financial officer stated that VA's Office of Management concurred with the OIG's findings regarding its compliance with Transparency Act congressional reporting and that it has not always met its biweekly and quarterly reporting milestones. Additionally, VA acknowledges the congressional committees should have received formal notification when biweekly reporting stopped. The assistant secretary for management and chief financial officer will begin sending biweekly reports and continue working with Congress on the need for these reports. Regarding quarterly reports, VA will work with responsible administration and staff offices to emphasize the 30-day deadline established by the Consolidated Appropriations Acts of 2022 and 2023.

## **OIG Response**

The acting assistant secretary for management and chief financial officer's planned corrective actions are responsive to the recommendations. The OIG will monitor VA's progress on its proposed actions and will close the recommendations when adequate documentation has been provided to demonstrate sufficient progress on implementation and fulfillment of the recommendation's intent. Appendix C includes the full text of the acting assistant secretary for management and chief financial officer's comments.

## **Finding 2: VA's Open Obligations Generally Met ARP Act Requirements but Failed to Fully Comply with VA Financial Policy**

Open obligations are obligations that are not considered closed or complete and have a balance associated with them, whether undelivered or unpaid. The review team statistically sampled 20 open obligations within ARP Act section 8002 that were older than 90 days or had no activity for 90 days. The OIG team determined section 8002 obligations were the highest risk for three reasons. First, they had the largest outstanding balance of the remaining sections. Second, they had the most open obligations. Third, VA de-obligated many of the section 8002 obligations *after* the funds expired.<sup>32</sup> The team reviewed the open obligations to ensure transactions met the requirements of the ARP Act. The team also reviewed associated supporting documentation to ensure VA complied with its own financial policy. The team compared the 20 sampled transactions and found that all transactions met the ARP Act by comparing the transactions to the congressionally approved spend plans. However, the review team found that inadequate explanations were given for two open obligations.

The finding is based on the following determination:

- Action was not taken on the open obligations by VHA as required by policy.

### **What the OIG Did**

The team reviewed a sample of open obligations from quarterly obligation monitoring reports from account 8002, Funding for Medical Care and Health Needs.<sup>33</sup> Based on the reasons listed above, the team determined this section contained the most audit risk. Table 2 shows the balances for each section as of December 31, 2023, which was the most recent period available for review.

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<sup>32</sup> VA Financial Policy, "Obligation Policy." Expired Appropriation: "An appropriation whose period of availability for new obligations has expired, but which retains its fiscal identity and is available for recording, adjusting, and liquidating open or unliquidated obligations properly chargeable to the original appropriation."

<sup>33</sup> A list of all ARP Act sections and their expiration dates is provided in appendix A.

**Table 2. Allocations by ARP Act Section**

Section	Allocated (in thousands)	Total obligations (in thousands)	Paid expenditures (in thousands)	Open obligations (in thousands)
8001 Claims and appeals processing	\$272,000	\$270,239	\$187,670	\$82,569
8002 Medical care and health needs	\$14,482,000	\$14,464,530	\$13,160,618	\$1,303,912
8003 Supply chain modernization	\$23,895	\$23,895	\$21,478	\$2,417
8004 State homes	\$750,000	\$749,062	\$399,935	\$349,127
8005 Office of the Inspector General	\$10,000	\$10,000	\$9,397	\$603
8006 COVID-19 Veteran Rapid Retraining Assistance Program	\$386,000	\$347,758	\$274,429	\$73,329
8007 Prohibition on copayments and cost sharing for veterans during emergency relating to COVID-19	\$1,000,000	\$980,113	\$980,107	\$6
8008 Emergency VA Employee Leave Fund	\$80,000	\$25,954	\$25,954	\$0

Source: VA's December 31, 2023, monthly report of allocations, obligations, and expenditures for the ARP Act. Open obligations were calculated by subtracting the expenditures from the obligations.

Note: Allocations, obligations, and expenditures are rounded.

From section 8002, Funding for Medical Care and Health Needs, the team statistically selected 20 open obligations to review from the quarter 1 FY 2024 monthly obligation report. Four of the selected open obligations were from OIT, and 16 were from VHA. The team compared each obligation to the act and confirmed that all 20 open obligations met ARP Act requirements. To review sample items, the team assessed the supporting documentation provided for each obligation to determine whether the applicable office provided a response to the Office of Finance within three weeks and whether the response included an adequate action plan to address the open obligation as required. The team also reviewed the responses and determined whether the finance office conducted sufficient monitoring and reconciliation of open obligation balances and whether open obligations were adequately explained.

## **Obligation Support Was Generally Submitted per Policy**

The review team found the responses that OIT and VHA sent to the Office of Finance showed sufficient monitoring and reconciliation of open obligation balances. The review team determined that the responses adequately explained the open obligations except for two VHA items. For these items, VHA staff communicated with other departments to obtain documentation; however, they did not take action on the open obligations as required by policy during the review period. Thus, the team found these two responses inadequate. The dollar value associated with these two items was \$4,660,719. Sharing information in a timely manner between departments ensures the accuracy of updates related to obligations and other contract information in VA's accounting system.

The review team also found that the deputy director of the Office of Financial Audit sent an email extending the submission deadline by one week, allowing for a total of four weeks for support to be submitted.<sup>34</sup> When the team asked why this deadline was extended, an Office of Budget official explained that, in general, providing offices more notice and time to complete quarterly reports—including obligation support—is better. While VA's financial policy does not address extensions, the team did not note any additional reporting delays beyond what was reported in finding 1 as a result of this extension; therefore, the OIG made no additional recommendation on this matter.

## **Finding 2 Conclusion**

Per VA policy, open obligations older than 90 days or that have no activity for 90 days must be reviewed each quarter. These obligations must be researched, and an explanation must be provided to the Office of Financial Audit within three weeks of each quarterly review. VA submitted quarterly reviews; however, as noted for the two items totaling \$4,660,719, VA did not consistently provide explanations within the appropriate time frame required by policy. If

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<sup>34</sup> Deputy Director of Office of Financial Audit, email to VA staff offices, December 8, 2023.

explanations are delayed or not provided, the associated obligations incorrectly remain open. When explanations are provided as required, the associated expired funds can be de-obligated. These explanations, therefore, are a necessary part of the funding process. As such, while VA generally complied with the obligation policy, the OIG team found that compliance could be improved.

### **Recommendation 3**

The OIG made the following recommendation to the director of the Office of Financial Policy:

3. Coordinate with administration and staff office chief financial officers to ensure that the finance office staff responsible for the management of open obligations know and understand VA financial policy requirements for the review of open obligations included in quarterly obligation reports.

### **VA Management Comments**

The acting assistant secretary for management and chief financial officer concurred with the recommendation. VA's financial policy director will provide unobligated balances training and will work with chief financial officers of the administrations and staff offices to ensure maximum participation by those responsible for managing open obligations.

### **OIG Response**

The assistant secretary for management and chief financial officer's and financial policy director's planned corrective actions are responsive to the recommendations. The OIG will monitor VA's progress on its proposed actions and will close the recommendations when adequate documentation has been provided to demonstrate sufficient progress on implementation and fulfillment of the recommendation's intent. Appendix C includes the full text of the assistant secretary for management and chief financial officer's comments.

## Appendix A: American Rescue Plan Act Spend Plan

### Covered Entities

Table A.1 details the entities covered by the American Rescue Plan (ARP) Act of 2021 spend plan.

**Table A.1. Overview of Covered Entities**

Entity	Description
Board of Veterans' Appeals	Considers and resolves decisions for appeals for veterans' benefits and services and conducts hearings and remands appeals for further development as required by law
National Cemetery Administration	Provides burial services to members of the armed forces, veterans, and eligible spouses and children
Office of General Counsel	Provides legal advice and services to VA
Office of Human Resources and Administration/Operations, Security, and Preparedness	Identifies access management, oversees law enforcement, and oversees emergency management and preparedness
Office of Information and Technology (OIT)	Delivers available, adaptable, secure technology services to VA and acts as a steward for VA's information technology assets and resources
Office of Management	Provides strategic and operational leadership in budget, asset enterprise management, financial management, financial management business transformation service, actuarial services, and business oversight and promotes public confidence through stewardship and oversight of business activities that are consistent with national policy, law, and regulations
Office of Management and Budget	Oversees and coordinates procurement, financial management, and information and regulatory policies to improve administrative management, develop better performance measures and coordinating mechanisms, and reduce any unnecessary burdens on the public
Office of Inspector General (OIG)	Conducts independent oversight of VA by conducting audits, inspections, investigations, and reviews that address fraud, waste, and abuse, as well as improve the efficiency, effectiveness, and integrity of VA programs and services
Veterans Benefits Administration	Provides various benefits and services to servicemembers, veterans, and their families, including compensation and pension, education, and loan guaranty
Veterans Health Administration (VHA)	The nation's largest integrated healthcare system that serves over nine million enrolled veterans and provides contingency support during national emergencies

Source: VA OIG analysis of information provided on VA websites and in the VA Functional Organization Manual.

## ARP Act Sections

Table A.2 provides a brief overview of each ARP Act spend plan section.

**Table A.2. Overview of Sections**

Section	Section description according to the ARP Act spend plan	Fund expiration
8001	Claims and appeals processing funding is for improving hearing scheduling, supporting both short- and long-term efforts to improve mail processing and intake, and providing support to manage appeals	9/30/2023
8002	Funding for medical care, nonrecurring maintenance, equipment, veterans experiencing homelessness, readiness (including emergency management), Staff Sergeant Parker Gordon Fox Suicide Prevention grants, research, and information technology programs	9/30/2023
8003	Funding for supply chain modernization was not allocated or obligated for any program. VA explained it began an enterprise-wide strategic analysis of its supply chain to improve coordination and performance of its operations before obligating ARP Act funds	9/30/2022
8004	State home funding includes a one-time-only obligation and expenditure to existing state extended-care facilities for veterans in proportion to each state's share of total resident capacity and funds for construction	Partially 9/30/2022*
8005	Funding for OIG audits, investigations, and other oversight of VA projects and activities using ARP Act funds	Available until expended
8006	Funding for the COVID-19 Veteran Rapid Retraining Assistance Program provides up to 12 months of retraining assistance to up to 17,250 eligible veterans for the pursuit of a covered program of education and shall be in addition to any other entitlement to educational assistance or benefits for which a veteran is, or has been, eligible <sup>35</sup>	Available until expended
8007	The prohibition on copayments and cost sharing for veterans during the COVID-19 pandemic reimburses any veteran who paid a copayment or other cost sharing from April 6, 2020, through September 30, 2021	Available until expended
8008	The Emergency VA Employee Leave Fund includes payments available to the VA for paid leave for any covered employee who is unable to work because the employee is subject to COVID-19 quarantine or isolation, is caring for an individual experiencing COVID-19 symptoms, and is seeking a medical diagnosis, obtaining immunization, or recovering from conditions related to COVID-19	9/20/2022

Source: VA OIG analysis of VA's ARP Act spend plan section titles and descriptions for general purpose information and fund expirations.

\* Construction funds are available until expended, and the one-time-only obligation expired September 30, 2022.

<sup>35</sup> To be eligible for this program, the veteran must be unemployed due to COVID-19, among other requirements.



## Appendix B: Scope and Methodology

### Scope

The VA Office of Inspector General (OIG) review team conducted its work from March 2024 through August 2024. To evaluate compliance with the VA Transparency & Trust Act of 2021 (Transparency Act), the review team analyzed a sample of quarterly obligation monitoring reports, determined whether spend plans had been updated, and determined whether quarterly and biweekly reporting had occurred as required for American Rescue Plan (ARP) Act of 2021 funds. The team selected 20 open obligations using stratified statistical sampling, with probability of selection proportional to the undelivered dollar amount. The population was stratified based on two VA groups: the Office of Information and Technology (OIT) and the Veterans Health Administration (VHA). VHA was separated into two groups, one that contained randomly selected items and one that contained certainty items due to their large dollar amounts.

As part of the review, the team also determined the status of the recommendation from the September 2023 semiannual report.

### Methodology

To assess VA's compliance with the Transparency Act, the review team

- reviewed federal laws, regulations, VA policy, and supplemental policy information to understand what is required of VA regarding compliance with the act, the act's covered funds, and overall reporting requirements;
- statistically analyzed quarter 1 fiscal year (FY) 2024 obligation monitoring reports for open ARP Act funds to evaluate compliance with the Transparency Act;<sup>36</sup>
- evaluated whether finance offices provided responses to quarterly obligation monitoring reports within three weeks;
- evaluated whether the responses provided by finance offices were supported and adequate;
- determined whether biweekly, monthly, and quarterly submissions were submitted in a timely manner;
- evaluated whether the spend plans had been updated to reflect the most recently reported expenditure and obligation amounts; and

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<sup>36</sup> The SharePoint site with quarterly obligation monitoring reports is updated and maintained by the Office of Financial Audit. The latest period available as of March 4, 2024, was quarter 1 in 2024.

- leveraged previous OIG work related to ARP Act-covered funds and the OIG's reviews of VA's compliance with the Transparency Act to provide context for any other matters the team determined relevant.

## Internal Controls

The team determined that performing an internal control step was not necessary unless internal control deficiencies were noted during the review. The team did not find any significant internal control deficiencies.<sup>37</sup>

## Data Reliability

The OIG obtained data from VA for ARP Act section 8002 open obligations included in the quarter 1 FY 2024 obligation monitoring report. The data used by Office of Financial Audit to create the quarterly obligation monitoring reports were obtained from VA's financial management systems (Financial Management System and Integrated Financial and Acquisition Management System). The report is maintained by VA's Office of Financial Audit in a quarterly monitoring report SharePoint site, where controls are in place to avoid the manipulation of data. While performing the review, the team determined the data provided were consistent with its source documentation. As a result, the team determined that the data were sufficient and reliable for the purposes of the team's analysis to support the results and conclusions of the report.

## Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

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<sup>37</sup> Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

## Appendix C: VA Management Comments

### Department of Veterans Affairs Memorandum

Date: August 29, 2024

From: Acting, Assistant Secretary for Management and Chief Financial Officer (004)

Subj: Draft Report, Review of VA's Compliance with the Transparency and Trust Act of 2021  
Semiannual Report: September 2024 (project number 2022-00879-AE-0065)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review the Office of Inspector General (OIG) draft September 2024 semiannual report on the Department of Veterans Affairs' (VA) compliance with the Transparency and Trust Act of 2021.
2. OM agrees with OIG's finding that VA has not always met reporting milestones on biweekly reports of Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136), or CARES Act, and The American Rescue Plan Act of 2021 (P.L. 117-2), or ARP, funding. VA strives to ensure we provide our Congressional stakeholders with timely data and information needed to inform their decision making. However, VA acknowledges formal notification to the Congressional Appropriations Committees should have taken place. To address the OIG's finding, the VA Action Plan is attached.
3. OM agrees with OIG's finding regards the lack of timely submissions of the Congressional report "Veterans Medical Care and Health Needs." As noted in the OIG report, many factors can contribute to delayed reporting, some of which are outside the control of the OM and its responsible sub-office, the Office of Budget (OB). In general OM and OB emphasize the importance of submitting Congressional reports on time through weekly reporting on the status of CTRs and the VA Chief of Staff as well as engaging with responsible Administration and Staff Offices on causes for delays. To address the OIG's finding, the VA Action Plan is attached.
4. OM agrees with OIG's finding regarding the compliance with the VA Financial Policy could be improved regarding explanations for obligations that are older than 90 days or had no activity for 90 days. To address the OIG's finding, the VA Action Plan is attached.

<i>The OIG removed point of contact information prior to publication.</i>
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(Original signed by)

Edward J. Murray

Attachment

Attachment

OFFICE OF MANAGEMENT/CHIEF FINANCIAL OFFICER

Action Plan

OIG Review of VA's Compliance with the Transparency and Trust Act of 2021

(Project number 2022-00879-AE-0065)

**Recommendation 1. VA's Assistant Secretary for Management and Chief Financial Officer confirm VA has resumed submitting biweekly reports and, therefore, has submitted reports from June 2023 to present as required by the VA Transparency & Trust Act of 2021.**

**OM Comment: Concur**

VA's Assistant Secretary for Management and Chief Financial Officer will commence sending biweekly reports to Congress while engaging with Congress on the continued need for biweekly reports.

Status: In Progress

Target Completion Date: March 2025

**Recommendation 2. VA's Assistant Secretary for Management and Chief Financial Officer confirm that the American Rescue Plan Act of 2021 section 8002 quarterly reports are submitted to Congress within the timeframe established on the Consolidated Appropriations Acts of 2022 and 2023, which is no later than 30 days after the end of each fiscal quarter.**

**OM Comment: Concur**

VA's Assistant Secretary for Management and Chief Financial Officer will work and emphasize the quarterly reports are submitted to Congress within the timeframe established on the Consolidated Appropriations Acts of 2022 and 2023, which is no later than 30 days after the end of each fiscal quarter.

Status: In Progress

Target Completion Date: October 2025

**Recommendation 3. Director, Office of Financial Policy coordinate with administration and staff office chief financial officers to ensure that the finance office staff responsible for the management of open obligations know and understand VA financial policy requirements for the review of open obligations included in quarterly obligation reports.**

**OM Comment: Concur**

VA's Director, Financial Policy will offer training on unobligated balances and work with the Chief Financial officers of the Administration's and Staff Offices to ensure maximum participation by finance office staff responsible for the management of open obligations.

Status: In Progress

Target Completion Date: June 2025

*For accessibility the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.*

## OIG Contact and Staff Acknowledgments

<b>Contact</b>	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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