



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

Office of Audits and Evaluations

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## **OFFICE OF MANAGEMENT**

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### **VA's Compliance with the Statutory Transfer of Funds Authority and Change of Program Requirements During the Presidential Transition**

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The Office of Inspector General (OIG) has released this management advisory memorandum to provide information on matters of concern that the OIG has gathered as part of its oversight mission. 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.



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**  
WASHINGTON, DC 20001



June 27, 2025<sup>1</sup>

**MANAGEMENT ADVISORY MEMORANDUM**

**TO:** Edward Murray, Acting Assistant Secretary for Management/Chief  
Financial Officer  
Office of Management (004)

**FROM:** Larry Reinkemeyer, Assistant Inspector General,  
Office of Audits and Evaluations, VA Office of Inspector General (OIG)

**SUBJECT:** VA's Compliance with the Statutory Transfer of Funds Authority and  
Change of Program Requirements During the Presidential Transition

On November 5, 2024, Tennessee Senator Bill Hagerty sent a letter to the OIG, requesting an assessment of VA's compliance with relevant appropriations laws in effect during the continuing resolution. The letter stated that the review should cover the presidential transition, which coincided with the fiscal year (FY) 2025 continuing resolution period, and requested the OIG's review begin after January 20, 2025.

Senator Hagerty also shared with the OIG a letter he sent to the VA Secretary on November 4, 2024, to remind VA that the statutory transfer of funds authority and change of program requirements under the Consolidated Appropriations Act, 2024 would continue to apply with the same force during the presidential transition, when the federal government would be operating under a continuing resolution.<sup>2</sup> In the letter to the Secretary, Senator Hagerty specifically requested that the assessment cover VA's compliance with the transfer limitations listed in sections 202, 218, 230, 231, 245, and 405 of the Consolidated Appropriations Act, 2024, as well as the quarterly financial reporting requirement in section 217 and notification requirements prior to organizational changes in section 227. Table 1 includes the details of these requirements.

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<sup>1</sup> This memorandum was sent to the Office of Management on June 27, 2025, to provide the opportunity to review and comment.

<sup>2</sup> Sen. Bill Hagerty, letter to VA Secretary, November 4, 2024.

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**Table 1. Consolidated Appropriations Act, 2024 Sections**

Section	Explanation
202	Transfers among Medical Services, Medical Community Care, Medical Support and Compliance, and Medical Facilities accounts
217	Quarterly report submissions to Congress
218	Transfers between specified accounts and the Information Technology Systems account
227	Notification requirements for organizational changes of more than 25 full-time equivalent employees
230	Transfers between the Board of Veterans' Appeals and the General Operating Expenses, Veterans Benefits Administration accounts
231	Approval required for reprogramming of major construction funds greater than \$7 million
245	Notification requirement for conversion of Veterans Health Administration specific purpose funded programs to a general purpose funded program
405	Disallowance of transfers of VA funds to other US government agencies without authorization

*Source: VA OIG interpretation of the Consolidated Appropriations Act, 2024 requirements applicable to this review.*

The OIG assessed data provided by the VA Office of Management to ensure the requirements listed in table 1 were met. This memorandum is meant to convey the information necessary for the Office of Management to determine whether additional actions are warranted.<sup>3</sup>

## **The Office of Management's Roles and Responsibilities**

VA's Office of Management provides strategic and operational leadership in budget and financial management, among other services, to VA. It supports its mission with seven major service lines, one of which is the Office of Budget. The Office of Budget provided the OIG team with supporting documentation used throughout this review. Examples of the support received include SF [Standard Form] 132s (apportionment schedules), SF 133s (report on budget execution), and Central Accounting Reporting System reports posted in the Department of the Treasury system. The OIG team requested additional supporting data as necessary.

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<sup>3</sup> This memorandum provides information that has been gleaned from OIG data analyses and provided to the Office of Management to determine whether it should take additional action. The OIG issues management advisory memoranda when exigent circumstances or areas of concern are identified by OIG hotline allegations or in the course of oversight work, particularly when immediate action by VA can help reduce further risk of harm to veterans or significant financial losses. Memoranda are published unless otherwise prohibited from release or to safeguard protected information.

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## VA's Compliance with Appropriations Acts

Congress enacted the Consolidated Appropriations Act, 2024 on March 9, 2024.<sup>4</sup> VA's 2024 appropriations were covered by this act, including the availability period and statutory requirements for these funds, such as the transfer, reprogramming, and rescission of authorizations. On March 23, 2024, the Further Consolidated Appropriations Act, 2024 was enacted to make further consolidated appropriations and for other purposes for the executive agencies.<sup>5</sup> While this act did not appropriate money for the Department of Veterans Affairs, certain provisions did affect VA. For instance, Division D, Title 1, Department of Labor, included an amount that may be derived to carry out veterans' employment and training programs under Title 38.

On September 26, 2024, Congress enacted the Continuing Appropriations and Extensions Act, 2025 to provide funding for the new fiscal year at the FY 2024 funding levels for agencies to operate and to extend the timing of certain healthcare and service programs and authorities.<sup>6</sup> This act was a temporary measure under a continuing resolution until Congress either extended or passed a regular appropriations bill.<sup>7</sup> It appropriated sums under the same authority and conditions provided for in the applicable appropriation acts. The act expired on December 20, 2024; but on December 21, 2024, the American Relief Act, 2025 was enacted, and the new expiration date became March 14, 2025.<sup>8</sup>

The OIG team reviewed specific sections of the Consolidated Appropriations Act, 2024 because these conditions were incorporated into the Continuing Appropriations and Extensions Act, 2025. This review assessed data from October 1, 2024, (the beginning of the fiscal year) through January 20, 2025, which is the date range specified in Senator Hagerty's request.

## Applicable Sections of the Consolidated Appropriations Act, 2024

The OIG team limited its review to the eight sections of the Consolidated Appropriations Act, 2024 that Senator Hagerty listed in his letter to the previous VA Secretary. Four of the eight sections—202, 218, 230, and 405—are related to transfers. The OIG team compared supporting

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<sup>4</sup> Consolidated Appropriations Act, 2024, Pub. L. No. 118-42.

<sup>5</sup> Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47.

<sup>6</sup> Continuing Appropriations and Extensions Act, 2025, Pub. L. No. 118-83.

<sup>7</sup> A continuing resolution is defined as “an appropriation act that provides budget authority for Federal agencies, specific activities, or both, to continue in operation when Congress and the President have not completed action on the regular appropriation acts by the beginning of the fiscal year.” VA Financial Policy also explains that an appropriation act “usually specifies a maximum rate at which the obligations may be incurred, based on levels specified in the resolution.” VA Financial Policy, “VA's Budget Cycle and Fund Symbols,” in vol. 2, *Appropriations Funds and Related Information* (March 2, 2025), chap. 2.

<sup>8</sup> American Relief Act, 2025, Pub. L. No. 118-158, (2024).

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documentation from the Office of Budget to the underlying accounting system and determined that no reportable transfers occurred for all four sections.<sup>9</sup>

The other four sections that the team reviewed were 217, 227, 231, and 245.

The OIG determined that the quarterly reports provided under section 217 contained no significant mathematical errors and addressed all applicable requirements, but they were submitted late. The team is not requesting action, however, because a prior recommendation for the timely submission of required quarterly reports to Congress was already made in September 2024 in the OIG's report on VA's compliance with the Transparency & Trust Act.<sup>10</sup>

Under section 227, VA is required to notify the House Committee on Appropriations and the Senate Committee on Appropriations 15 days in advance for certain organizational changes. However, the team found that this did not always occur.

Section 231 requires approval from both appropriations committees if the reprogramming of major construction project funds will exceed \$7 million. There were two reprogramming transactions that met this criterion during the review period, and the team was provided with the required approvals under this section.

For section 245, the team analyzed FYs 2023, 2024, and 2025 estimated funding levels and found no applicable conversions, which VA confirmed.

## Section 202

VA can transfer among the Medical Services, Medical Community Care, Medical Support and Compliance, and Medical Facilities accounts per section 202 of the act. The transfers are subject to the following requirements:

- Any transfers among the Medical Services, Medical Community Care, and Medical Support and Compliance accounts equal to 1 percent or less of the total amount appropriated to the account are subject to notification from the Secretary to both appropriations committees on the purpose and amount.

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<sup>9</sup> There were multiple transfers during the review period; however, the OIG team found that none met the criteria covered in the act.

<sup>10</sup> VA OIG, [\*VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2024\*](#), Report No. 22-00879-249, September 17, 2024.

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- Any transfers among the Medical Services, Medical Community Care, and Medical Support and Compliance accounts more than 1 percent or exceeding the cumulative 1 percent of the account for the fiscal year require the Secretary to request and obtain approval from both appropriations committees.
  - Any transfers from the Medical Facilities account require the Secretary to request and obtain approval from both appropriations committees.

The OIG team requested applicable transfers from the Office of Budget for the review period, and the Office of Budget provided all appropriation transfer transactions during the period as supporting documentation. Within the transactions provided, the Office of Budget did not identify any appropriation transfers that applied to this section of the act. The team compared data from the Financial Management System (FMS) with the supporting documents provided and verified that there were no appropriation transfers among these accounts.<sup>11</sup>

## Section 217

VA is required to submit a financial status report for the preceding fiscal quarter no later than 30 days after the end of each quarter according to section 217. The OIG team received the first quarter reports for FY 2025, which included data from five different areas across VA. The team reviewed each report for timeliness of the submission, mathematical accuracy, and applicability under the section.<sup>12</sup>

The team found that all reports were submitted late, with the latest being submitted 41 days after the required due date of January 30, 2025. Table 2 includes a breakdown of the date each report was submitted and the number of days it was late.

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<sup>11</sup> FMS is a “financial management system that automates and integrates VA’s accounting systems and reports financial services and information to all VA organizations.” VA, *Privacy Impact Assessment for the VA IT System called: Financial Management System (FMS) Financial Business Operations*, Veterans Affairs Central Office, October 11, 2022.

<sup>12</sup> Report requirements are in the paragraph entitled “Quarterly reporting” under the heading “General Administration” in the joint explanatory statement accompanying Public Law 114– 223. *162 Cong. Rec. S6008 (daily ed. September 22, 2016)*.

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**Table 2. Report Submissions**

Applicable report	Submission date	Number of days late
Full-Time Equivalent	February 4, 2025	5
Major & Minor Construction	March 4, 2025	33
Major Construction Projects	February 19, 2025	20
Veterans Health Administration	March 12, 2025	41
Remaining VA	February 11, 2025	12

*Source: VA OIG analysis of quarterly reports provided.*

An employee from the Office of Budget told the OIG team that they do not receive certified financial data for the previous month until around the 18th of the following month. The Office of Budget analyzes and compiles the reports, which are then routed for concurrence.

The OIG team found no significant issues with the mathematical accuracy of the reports. Furthermore, the team found that VA included all information required over five reports and, therefore, found no applicability issues. There are fourteen areas that need to be included in the quarterly reports, and VA broke this information into five reports. The Full-Time Equivalent report includes the status of VA full-time equivalent employment by VA's three administrations, selected offices, and revolving funds for the first quarter and compares the actual information to planned employment. The remaining four reports contain details of VA's various organizations and accounts and include actual obligations compared to planned obligations.

## **Section 218**

Section 218 provides that funds made available under the Medical Services, Medical Community Care, Medical Support and Compliance, Medical Facilities, General Operating Expenses—Veterans Benefits Administration (VBA), Board of Veterans' Appeals, General Administration, and National Cemetery Administration accounts can be transferred to or from the Information Technology Systems account. The following requirement and limitation apply:

- A transfer may take place to or from the Information Technology Systems account only after the Secretary obtains approval from both appropriations committees.
- Transfers may not result in a more than 10 percent aggregate increase in the total amount made available for the Information Technology Systems account.

According to the Office of Budget, there were no transfers between the above-mentioned accounts and the Information Technology Systems account from October 1, 2024, through



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January 20, 2025.<sup>13</sup> The team assessed the documentation provided by the Office of Management and verified there were no applicable appropriation transfers by comparing data from FMS, the Integrated Financial and Acquisition Management System (iFAMS), and the supporting documentation provided by the Office of Management.<sup>14</sup>

## Section 227

The Secretary must provide written notification to both appropriations committees 15 days before organizational changes that result in the transfer of 25 or more full-time equivalents from one organizational unit of the department to another per section 227. According to the Office of Personnel Management, organizational changes are known as realignments and include the movement of an employee and employee's position when a transfer of function or an organization change occurs and the employee stays in the same agency without changing position, grade, or pay.<sup>15</sup> The OIG identified no concerns with two notifications provided by the Office of Budget. VHA's Workforce Strategy and Standardization director provided five realignments within three sample item clusters and the OIG noted the required notifications were not made.

The two organizational change notifications that occurred during the review period were provided to both houses of Congress as required. The team determined that the realignments have not yet occurred, are in different stages of implementation, and both houses of Congress were notified appropriately.

To determine whether additional organizational changes occurred, the team reviewed transactions from HR Smart employee action data for the review period.<sup>16</sup> The team selected 10 employee action clusters of data for review; each cluster contained multiple employee actions. Four of the clusters were from Veterans Health Administration (VHA) data, one was from VBA data, and five were from Office of Information and Technology (OIT) data.

The team coordinated with representatives from VA's Manpower Management Service to obtain information and points of contact for the sample action clusters. VHA's Workforce Strategy and

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<sup>13</sup> There were multiple transfers during the review period; however, the OIG team found that none met the criteria covered in the act.

<sup>14</sup> The Integrated Financial and Acquisition Management System (iFAMS) is "the system replacing VA's legacy accounting system, FMS, as the official financial and acquisition system of record. VA has implemented iFAMS in waves beginning in 2020." VA Financial Policy, "VA's Accounting Classification Structure," in vol. 9, *General Accounting* (March 12, 2025), chap. 8.

<sup>15</sup> Office of Personnel Management (OPM), "Realignment and Mass Transfer (Nature of Action 132 and 790)," chap. 21 in *OPM Personnel Documentation, Guide to Processing Personnel Actions*, May 19, 2023.

<sup>16</sup> HR Smart is a VA Human Capital Management information system that provides integrated personnel action and benefits processing for VA employees and clinical trainees. VA, *Privacy Impact Assessment for the VA IT System called: Human Resource Information Systems (HR Smart)*, Veterans Health Administration (VHA), Center for Enterprise Human Resources Information Services (CEHRIS), June 22, 2023.

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Standardization director told the team that one sample action cluster was not a reportable organizational change as it did not meet the requirements of a realignment. The remaining three sample action clusters consisted of five realignments, and the required congressional notifications were not made. VHA initially did not identify these changes as realignments; rather, they were categorized as administrative/system updates, which is why congressional notifications were not made. To ensure this omission does not occur again, VHA officials have outlined steps they are taking to follow the act, including making the required congressional notifications.

VBA's manpower director told the OIG team that the VBA sample actions were taken to update the lines of accounting for financial purposes, and VBA did not move any employees. The team was also informed by the Manpower Management Service group that the five selected OIT sample actions were part of an effort initiated in 2024 to streamline the synchronization of OIT's organizational structure data in HR Smart to the iFAMS accounting classification structure, improving data quality and minimizing payroll accounting errors. As a result of information provided, the team determined that the VBA and OIT sample actions did not qualify as organizational changes that would necessitate notification.

## **Section 230**

Section 230 notes that any transfers between the Board of Veterans' Appeals and the General Operating Expenses, Veterans Benefits Administration accounts require the Secretary to request and obtain approval from both appropriations committees.

The OIG team requested applicable transfers from the Office of Management and were told that no applicable transfers occurred. The Office of Management provided support confirming this. The team verified that there were no appropriation transfers between the applicable accounts by comparing data from the accounting systems used to the documentation provided.

## **Section 231**

Section 231 states that VA may not reprogram funds among major construction projects or programs if the reprogramming exceeds \$7 million unless approved by both appropriations committees.

During the review period, two relevant reprogramming transactions occurred. First, VA reprogrammed \$39.6 million for a multi-phase project consolidating the main medical center functions in Gulfport, Mississippi, to the VA Medical Center campus at Biloxi, Mississippi. The second project was a \$15 million multi-phase realignment in and around Livermore, California; the realignment included traffic mitigation costs that were still needed when one phase of the project was canceled.

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Both reprogramming transactions occurred in November 2024 and were recorded after receiving both committees' approval. The team assessed documentation from the Office of Management and compared the data to iFAMS to confirm that only these two reprogramming transactions occurred and that the transactions were recorded after congressional approval as required.

## **Section 245**

Section 245 states that none of the funds appropriated or otherwise made available to VHA by the act may be used in FY 2024 to convert any program that received specific purpose funds in FY 2023 to a general purpose funded program unless the Secretary submits written notification of any such proposal to both appropriations committees at least 30 days prior to any such action and an approval is issued by the committees.

The team analyzed estimated funding levels for FYs 2023, 2024, and 2025 and did not identify any conversions meeting this section's criteria. The Office of Budget confirmed that there were no conversions of VHA specific purpose funded programs to a general purpose funded program in FYs 2023, 2024, or 2025.

## **Section 405**

Section 405 states that none of the funds made available in this act may be transferred to any department, agency, or instrumentality of the US government except pursuant to a transfer made by, or transfer authority provided in, this or any other appropriations act.

The Office of Budget indicated that no applicable transfers occurred from October 1, 2024, to January 20, 2025. The OIG team verified that there were no applicable appropriation transfers covered by this section by comparing data from the accounting systems to the supporting documentation provided.

## **Conclusion**

The OIG found no issues with six of the eight sections reviewed. For the four sections that included transfers, the team noted that there were no applicable transfers during the review. Additionally, VA received advanced approval for the reprogramming transactions greater than \$7 million as required in section 231. The team also performed analysis and did not identify any conversions that qualified for the requirements under section 245; VA provided confirmation that no qualifying conversions occurred. While the team found that quarterly reports provided under section 217 were late, the OIG is not requesting action because a recommendation from a previously published OIG report in this area remains open. Finally, under section 227, the team found that, in some cases, VA did not notify Congress 15 days before organizational changes that resulted in the transfer of 25 or more full-time equivalents from one organizational unit of the department to another as required.

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## **Requested Action**

The OIG requests that the Office of Management inform the OIG what action, if any, is taken to notify Congress 15 days before any organizational changes that result in the transfer of 25 or more full-time equivalents from one organizational unit of the department to another.

## **VA Management Comments**

The OIG provided VA with a draft of this memorandum for review. On July 11, 2025, the Office of Management responded that it was not providing comments.

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## OIG Contact and Staff Acknowledgments

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