



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Adaptive Sports Grants
Management Needs
Improvement

REVIEW

REPORT #20-01807-173

JULY 13, 2021



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Executive Summary

Sports that are adapted to serve the needs of athletes with disabilities can play a vital role in improving the quality of life for veterans, helping them become more independent and more confident. Accordingly, VA's Office of National Veterans Sports Programs and Special Events (NVSPSE) operates an adaptive sports grants program that has granted millions of dollars to organizations with experience in managing adaptive sports programs. From fiscal year (FY) 2017 to FY 2020, the NVSPSE has received \$47 million so that thousands of veterans and service members could benefit from these programs.

With any grants program, there is some risk that grant recipients will not use the funds they receive to fulfill the obligations expressed in their grant agreement. More generally, if the grant program is not well-managed, then funds may be lost to fraud, waste, and abuse. In such circumstances, veterans with disabilities may not receive the benefits of adaptive sports. In December 2019, the VA Office of Inspector General (OIG) received a hotline complaint that alleged fraud in how the NVSPSE was "closing out" grants—bringing a grant to an end after determining the recipient has completed all requirements. After discussing the allegation with the complainant and reviewing additional information, the OIG conducted this review to determine whether NVSPSE officials effectively managed the adaptive sports grant program to ensure compliance with applicable laws and regulations. The team also examined whether the NVSPSE was reimbursing grant recipients on time because recipients said they received late reimbursement for their grant-related expenses.

What the Review Found

In the course of this review, the OIG did not find evidence of fraud in the NVSPSE grant closeout process; however, the OIG did find that the NVSPSE was not effectively managing the adaptive sports grants program to ensure compliance with applicable laws and regulations. Also, the OIG found the office did not always reimburse grant recipients on time.

This occurred largely because the NVSPSE's director had not established adequate internal controls, including developing standard operating procedures for managing adaptive sports grants. Moreover, the program office did not hire staff with experience in grants management. With neither established standard operating procedures nor experienced staff, the NVSPSE could not effectively evaluate any risks that a grant recipient might pose, did not reimburse some grant recipients for their expenses on time, did not always close out grants on time, and did not appropriately authorize extensions for using funds.

By not closing out grants on time, the NVSPSE could not free up remaining grant funds totaling about \$346,000, which may have prevented the Veterans Health Administration (VHA) from using them for other purposes. Also, improperly authorizing extensions for the use of adaptive

sports grants funds may have led to an Antideficiency Act violation since the office allowed grant recipients to spend funds outside of the approved grant period. The NVSPSE improperly allowed grant recipients to spend \$328,000 in FY 2017 appropriations outside of the approved grant period. As a result, the office improperly reimbursed 19 recipients about \$247,000. These expenditures may have violated both the Purpose Statute and the Antideficiency Act.¹

What the OIG Recommended

The OIG recommended the under secretary for health ensure the NVSPSE director develop standard operating procedures for all processes related to managing the adaptive sports grants program; develop and train current staff and identify and hire staff specialized in grants management; establish and execute a plan to evaluate risks posed by grant applicants before awarding grants; establish procedures to ensure the timely reimbursement of grant recipient expenses; act to ensure all adaptive sports grants are closed out on time; establish grant closeout procedures that include a process to approve modification and extension requests; and determine, in coordination with VA's Office of Finance and Office of General Counsel, whether a Purpose Statute violation occurred, whether account adjustments need to be made, whether Antideficiency Act violations occurred, and report any Purpose Statute and Antideficiency Act violations.

Management Comments and OIG Response

The acting under secretary for health concurred with recommendations 1 through 5 and recommendation 7, and concurred in principle with recommendation 6. The OIG considers the corrective action plans acceptable and will monitor VA's progress in meeting the intent of the recommendations. The OIG will close the recommendations when it receives sufficient evidence that appropriate corrective actions have been taken. The full text of management comments appears in appendix C.



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¹ 31 U.S.C. § 1301. This section, known as the Purpose Statute, states that appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law. 31 U.S.C. § 1341 is known as the Antideficiency Act and prohibits federal agencies from obligating or spending federal funds in advance or more than what was appropriated or funded unless authorized by law.

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Abbreviations

FY	fiscal year
NVSPSE	Office of National Veterans Sports Programs and Special Events
OIG	Office of Inspector General
VHA	Veterans Health Administration



Introduction

In December 2019, the VA Office of Inspector General (OIG) received a hotline complaint alleging fraud in how the Office of National Veterans Sports Programs and Special Events (NVSPSE) was closing out adaptive sports grants. After discussing the allegation with the complainant and reviewing additional information, the OIG conducted this review to determine whether NVSPSE officials effectively managed the adaptive sports grants program to ensure compliance with applicable laws and regulations. While the OIG was evaluating this allegation, grant recipients indicated that they were not being reimbursed for their expenses on time, which the team also examined as part of this review.

The Office of National Veterans Sports Programs and Special Events

In 2000, VA established what was then called the National Program and Special Events office within its Office of Public and Intergovernmental Affairs. Its mission was to provide opportunities for veterans to improve their independence, well-being, and quality of life through sports and therapeutic arts programs adapted or created specifically for persons with a disability. In 2008, the Veterans' Benefits Improvement Act authorized VA to award grants to US Paralympics and implement an integrated adaptive sports program with the purpose of promoting the participation of veterans and service members with disabilities in events sponsored by US Paralympics and its partners.² In response, VA replaced the National Programs and Special Events office in 2009 with the NVSPSE, still within the Office of Public and Intergovernmental Affairs. In December 2015, VA relocated the NVSPSE to the Veterans Health Administration's (VHA) Office of Rehabilitation and Prosthetic Service.

Adaptive Sports Grants

Adaptive sports promote holistic growth and achievement for veterans and service members with disabilities. The NVSPSE has awarded millions of dollars in grant funding to qualifying organizations with significant experience in managing large-scale adaptive sports programs. Thousands of veterans and service members from every state, the District of Columbia, and Puerto Rico benefit from the programs made available through this funding.

VA awards grants to veteran's service organizations, city and regional municipalities, and other community groups. Federal government agencies may partner with organizations but may not be grant recipients themselves.

² Veterans' Benefits Improvement Act of 2008, Pub. L. No. 110-389, § 702, Stat. 4145, 4180-4183 (2008). The US Paralympics directly governs six sports: (1) alpine skiing, (2) cycling, (3) Nordic skiing, (4) snowboarding, (5) swimming, and (6) track and field. The US Paralympics also supports the nationwide athlete identification and development strategy to introduce Americans with Paralympic-eligible impairments to a Paralympic sport and leads them into the athlete pipeline for the US Paralympic team.

Grant recipients may use the funds for

- instruction, participation, and competition in adaptive sports;
- training and technical assistance to program administrators, coaches, recreation therapists, instructors, VA employees, and other appropriate individuals;
- coordination, US Paralympic classification of athletes, athlete assessment, and sport-specific training techniques;
- program development; and
- sports equipment, supplies, program evaluation, and other activities.³

Each year, VA is authorized to offer a specific amount of total grant funding to applicants based on annual appropriations by Congress. Grant funds for each organization will vary and an organization may apply for more than one adaptive sports grant. In fiscal year (FY) 2019, the NVSPSE received \$15 million in adaptive sports grant funding, an increase of about \$6 million from FY 2018. The program office used about \$14,900,000 to award 126 grants to 123 national, regional, and community programs.

Grant Award Process

Organizations seeking adaptive sports grants respond to VA's notice of funding availability, published on the Grants.gov website. This notice includes the application requirements, such as submitting program objectives and supporting budget information. The notification also describes the amount and type of funding available, how payments will be made, and the deadline for submission.

The NVSPSE applies a three-phased review process to assess applications and make award determinations:

- In an administrative review, program office staff review applications to ensure all requirements are met. Applicants must demonstrate that they have at least two continuous years of implementing adaptive sports activities, that they have experience working with individuals with disabilities, and that administrative costs will not exceed more than 5 percent of the proposed budget. Applicants who do not meet all requirements identified in the notice of funding availability will not advance beyond this phase.
- In the next phase, a merit review focuses on the program objectives, planning, and budget. Review boards of subject-matter experts use scoring criteria listed on the

³ 38 C.F.R. § 77, *Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces*.

notice of funding availability to score applicants and determine whether they should receive further consideration.

- A programmatic review precedes the review board’s final selection and determines which applicants can best serve veterans. During this review, some applicants may be requested to make modifications, reduce costs, or remove select deliverables that do not align with grant objectives. Once approved and selected for funding, the applicants enter into a grant agreement with VA.

From FY 2017 to FY 2020, the NVSPSE has received \$47 million so that thousands of veterans and service members could benefit from these programs.

Grant Closeout Process

Grant closeout occurs when the program office determines that all applicable administrative actions and all required work have been completed, including submission of all required reports.⁴ The grant recipient should have submitted the reports required no later than 90 days after the end of the time authorized to carry out the work under the grant (known as the period of performance).⁵ Timely and effective grant closeout requires the NVSPSE to complete the following:

- Dedicate resources and management attention to ensure that closeout activities are performed within established timeframes.
- Obtain reports not submitted within 90 days and sending a formal written request, signed by the NVSPSE, indicating the potential consequence of continued delinquency.
- Review all reports and other relevant records to determine if closeout is appropriate.
- Coordinate with other offices, such as VA’s Financial Services Center.

The program office is required to complete all closeout actions no later than one year after it has received and accepted all the required reports.⁶ For example, if all required reports are received and accepted 90 days after the period of performance, all closeout actions must be completed no later than one year after the 90-day mark.

⁴ VA Financial Policy, vol. X, chap. 6, “Grant Closeout and Post Closeout Activities,” June 2019.

⁵ 38 C.F.R. § 77 provides that when a grant recipient does not submit the required reports for any fiscal year, the grant recipient is not eligible to receive a grant for the subsequent fiscal year.

⁶ VA Financial Policy, vol. X, chap. 6, “Grant Closeout and Post Closeout.” Activities.”

Results and Recommendations

Finding: VA Needs More Effective Management of the Adaptive Sports Grants Program

In the course of this review, the OIG did not find evidence of fraud in the NVSPSE grant closeout process; however, the OIG found that VA's NVSPSE office was not effectively managing the adaptive sports grants program to ensure that grant recipients complied with applicable laws and regulations. Without adequate internal controls, federal agencies cannot ensure they comply with applicable laws and regulations for managing grants programs. In addition, mismanagement of such programs puts grants at risk for fraud, waste, and abuse, and could mean grant funds are not serving their intended purpose.

The NVSPSE's director had not established adequate internal controls, including developing standard operating procedures, for managing adaptive sports grants. Moreover, the program office did not hire staff with experience in grants management. Without established standard operating procedures and experienced staff, the NVSPSE could not effectively evaluate the risk grant applicants might pose, reimburse grant recipients on time, close out grants on time, or appropriately authorize extensions for using funds.

By not closing out grants on time, the NVSPSE could not release the remaining funds, which may have prevented VHA from using unspent funds totaling about \$346,000 for other purposes.⁷ Also, the OIG determined the NVSPSE may have committed an Antideficiency Act violation by allowing grant recipients to spend funds outside the approved grant period. Of the \$328,000 in FY 2017 appropriations that the NVSPSE improperly allowed grant recipients to spend in subsequent fiscal years, the office improperly reimbursed 19 recipients about \$247,000. By not spending these grant funds in the approved fiscal year, it appears the NVSPSE violated the Purpose Statute and may have violated the Antideficiency Act.⁸ Determination of that issue lies with VA's Chief Financial Officer in coordination with VA's Office of General Counsel.

⁷ As previously noted, closing out a grant involves submitting required paperwork within 90 days. The NVSPSE is required to complete all closeout actions no later than one year after it has received all the required reports. This process is designed to protect the taxpayers once the period for which the work is funded ends.

⁸ 31 U.S.C. § 1301. This section, known as the Purpose Statute, states that appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law. 31 U.S.C. § 1341 is known as the Antideficiency Act and prohibits federal agencies from obligating or spending federal funds in advance or more than what was appropriated or funded unless authorized by law.

What the OIG Did

The OIG evaluated program documents and interviewed VA and VHA grant program officials, one Department of Health and Human Services Payment Management System official and select grant recipients.

To determine how the NVSPSE assessed risks posed by recipients, the review team analyzed a judgmental sample of 60 FY 2019 grant recipient files (of 126) totaling about \$11,900,000, which represents about 80 percent of the total FY 2019 total grant award amount of approximately \$14,900,000. To determine whether the program office closed grant files on time, the team analyzed all 96 FY 2017 closeout files and the open/closed status for all 103 FY 2018 grant recipients.⁹

To assess whether grant recipients were reimbursed on time, the team analyzed FY 2017 through 2019 reimbursement data for 32 grant recipients who either contacted the review team or received an approved extension, and conducted additional follow-up based on those results. The review team also assessed relevant federal laws, regulations, VA policy, and NVSPSE controls in place for grants management, to include determining recipient eligibility, monitoring the grant award, and determining whether grants were closed out on time.

The following sections detail the OIG's findings that the NVSPSE did not establish adequate internal controls for managing the adaptive sports grants program and did not hire specialized staff needed. As a result, the office did not

- have an effective means to evaluate risks posed by grant applicants,
- always reimburse grant recipients,
- always close out grants on time, or
- appropriately authorize the extended use of funds.

The NVSPSE Did Not Establish Adequate Internal Controls for Managing the Adaptive Sports Grants Program

The Government Accountability Office (GAO) defines internal control as the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of an entity. Internal controls serve as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources.¹⁰ The OIG found that the NVSPSE did not establish adequate internal controls to effectively manage the

⁹ Of the files reviewed, the OIG included and analyzed one FY 2018 grant file because the complainant alleged that the program office did not obtain mandatory reports for one of the FY 2018 grant recipients. The OIG did not identify exceptions after reviewing the grant file.

¹⁰ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

adaptive sports grant program. Specifically, the NVSPSE's director did not develop standard operating procedures for managing grants or hire staff experienced in the grants management process.

The NVSPSE Director Did Not Develop Standard Operating Procedures

Even though VA financial policy requires standard operating procedures for grants programs, the OIG found that the NVSPSE's director did not develop such procedures for the adaptive sports grants program. Overall, the Code of Federal Regulations governs grants management and provides broad requirements over such programs. As part of these regulations, the Office of Management and Budget issued administrative requirements that provide guidance for a range of grants management activities, to include grant application forms, cost principles, audits, and financial reporting. According to VA financial policy, the head of a program office has the responsibility to ensure internal controls for the program are documented and reflected in the program procedures. VA financial policy also requires the head of a program office to develop procedures to address matters related to the effectiveness of compliance monitoring such as negotiating, enforcing a revised report due date, and ensuring all required actions are completed before grant closeout.¹¹

However, the NVSPSE's director told the review team he has not developed standard operating procedures for the adaptive sports grants program because he follows the general policies and procedures cited in the Code of Federal Regulations and the notice of funding availability. He stated he does not see a need to restate information already cited in those documents. Each grant program has a different mission, purpose, and requirements to ensure compliance with applicable laws and regulations, and developing standard operating procedures for the adaptive sports grant program would document the processes and methods program office staff follow to ensure compliance with the Code of Federal Regulations, the notice of funding availability, and VA financial policy.

The need for standard operation procedures is important because VA financial policy requires that the program office communicate with grant recipients who are delinquent in submitting their final reports. Federal regulations and appropriations law further require that appropriations be used as intended. However, these policies, regulations, and law do not say how a particular program office should ensure compliance with those requirements, such as how a program office might ensure that a grant recipient submit final reports on time. These requirements necessitate more specific procedures. Other VA grant programs have established directives or guidebooks to further define what employees and recipients must do to comply with applicable laws and regulations.

¹¹ VA Financial Policy, vol. X, chap. 5, "Grants Post-Award," January 2017.

Developing procedures that include a communications plan and deadlines for the NVSPSE to contact and remind grant recipients when their required reports are due could also help provide assurance that grants are closed out on time. Moreover, procedures could be established for an extension approval process, including identifying officials authorized to modify and extend grants. Without establishing effective procedures for managing adaptive sports grants, the NVSPSE cannot provide assurance that it can effectively mitigate the potential for fraud, waste, and abuse and ensure compliance with all applicable laws, regulations, and VA financial policy.

The NVSPSE Lacked Staff Specialized in Grants Management

The Government Accountability Office's internal control standards say managers should demonstrate a commitment to competence by recruiting and retaining individuals to help the entity achieve its objectives.¹² The Office of Personnel Management has established a grants management specialist job category that requires knowledge of laws, regulations, rules, policies, procedures, and financial methods to help govern the administration of federal grants and ensure accountability of the grant funds.

However, the OIG found that the NVSPSE lacked staff specialized in grants management. The NVSPSE had two staff members dedicated to managing the adaptive sports grants program, but neither were specialized in grants management. According to the NVSPSE's director, individuals had been detailed to the program office to assist with the workload. The NVSPSE's director told the OIG he had been working with VA's Workforce Management to hire grants management specialists and received approval to do so during the OIG's review.

The NVSPSE Did Not Have an Effective Means to Evaluate the Risks Posed by Grant Applicants

Federal regulations require that, in addition to reviewing repositories of government-wide information, grant-awarding agencies must have a framework in place to evaluate risks posed by applicants before they receive federal awards.¹³ VA financial policy further requires program offices to have a means to evaluate risks posed by grant applicants before they receive a federal award.¹⁴ The policy provides a template for a comprehensive evaluation of risk, which includes questions to help assess matters specific to applicants such as history of performance, managing federal funds, financial stability, suspension and debarment, criminal histories of staff, and timely submission of financial reports.

The OIG found the NVSPSE was not using this template. The director said the office previously used the risk assessment template but stopped because he felt it was inefficient. Instead, he used

¹² GAO, *Standards for Internal Control in the Federal Government*.

¹³ 2 C.F.R. § 200.206.

¹⁴ VA Financial Policy, vol. X, chap. 4, "Grant Application and Award Process," January 26, 2017.

Recipient Insight—a repository of government-wide information that establishes the legitimacy of an organization and whether an applicant can do business with the federal government—to evaluate the risks that grant applicants may pose.¹⁵

The review team found, however, that Recipient Insight has limitations, such as no capabilities to assess whether applicants have internal control systems or submitted timely financial reports—topics the VA risk assessment template does address. The review team also found the information within Recipient Insight was not always complete. For example, the team identified that Recipient Insight did not report active funding for two applicants who, at the time of the review, received adaptive sports program grants. Moreover, the team also found that, due to staff turnover, the NVSPSE could not provide evidence to support that any applicant reviews were completed in Recipient Insight.

With any grant program, there is some risk that grant recipients will not use the funds they receive to fulfill the obligations expressed in their grant agreement. Recipient Insight may be helpful as part of the grant award selection process, but it alone cannot help the NVSPSE effectively evaluate the risks posed by grant applicants, as required by VA financial policy and federal regulations. By coupling Recipient Insight with risk rating factors in VA’s risk assessment template, the NVSPSE could develop a more effective risk evaluation framework.

The NVSPSE Did Not Always Reimburse Grant Recipients on Time

Federal regulations provide that an awarding agency that chooses to reimburse grant recipients in lieu of prepayment of grant funds must make payment within 30 calendar days after receipt of the invoice.¹⁶ During this review, grant recipients contacted the OIG and alleged they were not receiving reimbursement for their grant-related expenses on time. They further stated that when they raised questions the program office had been slow to provide feedback. In response, the OIG reviewed the timeliness of reimbursements.

Of the 32 grant recipients who received awards from FY 2017 to FY 2019, the OIG found five who were not reimbursed on time after submitting their payment requests. Payment delays ranged from 39 to 115 days from the time the grant recipients submitted invoices.

Grant recipients expressed their frustration with these delays. For example, one grant recipient told the review team these delays contributed to unnecessary financial strain throughout the year in which the grant was active. This grant recipient’s congressional representative contacted the OIG and expressed concern that all communication seems to go to a general email inbox and

¹⁵ Recipient Insight is a Department of Health and Human Services-managed decision engine that draws from publicly available data and compiles and generates information from databases, such as System for Award Management and USA Spending, to provide concise profiles of selected organizations. The information retrieved from the decision engine is related to governmental system checks, prior audits, active grant funding, and financial profiles.

¹⁶ 2 C.F.R. § 200.305.

there is no “live” person to connect with. Another grant recipient expressed the same frustration with delays and the office’s lack of responsiveness. The grant recipient explained reimbursement may take 30 days or more, even though the recipient submitted the bill within a few days of completing the grant deliverables. The following examples illustrate the NVSPSE’s lack of timeliness in paying grant recipients.

Example 1

A grant recipient submitted a bill for expenses totaling about \$22,000 on May 1, 2020. However, the payment request was rejected due to a five-cent difference between the supporting documentation and requested payment amount. About two months later, on July 10, the NVSPSE notified the grant recipient why the payment was rejected and said the recipient could either provide appropriate support for the requested payment or submit a new payment request. The grant recipient updated the supporting documentation and resubmitted the bill on July 29, 2020. The NVSPSE paid the bill 70 days later. Consequently, it took 159 days from the recipient’s initial submission of the bill for the office to pay the expenses the recipient incurred while executing the grant. This significant delay was primarily caused by delayed communication. Although the grant recipient indicated they sent multiple emails, the NVSPSE stated it did not receive the emails. While there was a reason for questioning the first submission, the subsequent two-month delay in responding and the delay in paying the final invoice was not in accordance with controlling regulations.

Example 2

A grant recipient submitted a bill for expenses totaling about \$76,000 on December 27, 2019. The grant recipient did not hear from the NVSPSE and followed up on January 31, 2020. NVSPSE officials responded on February 14, 2020, indicating they had not received messages from the grant recipient and stating that they would like to discuss the final report due to the large increase in personnel expenses in the last quarter. Over the next month, the grant recipient made several attempts to contact the NVSPSE but did not receive a response that NVSPE was available to discuss until March 13, 2020. The NVSPSE did not provide evidence to support that a discussion occurred but did reimburse the grant recipient on March 16, 2020, for the requested amount.

It is important that the NVSPSE reimburse grant recipients on time because some may not have the cash reserves or credit to financially sustain their operations. If grant recipients are not reimbursed on time, they may cease operations and veterans may lose the opportunity to participate in their adaptive sports programs.

The NVSPSE Did Not Always Close Out Grants on Time

Intended to protect the financial interests of taxpayers, grant closeout occurs when the program office determines that all applicable administrative actions and all required work have been completed, including submission of all required reports. No later than 90 days after the end of the time authorized to carry out the work under the grant (known as the period of performance), the grant recipient should have submitted the reports required. The program office is required to complete all closeout actions no later than one year after it has received and accepted all the required reports.¹⁷

However, the OIG found that the NVSPSE did not always close out grants on time, meaning that they were not closed within a year after all required reports from the recipient were received and accepted. Of the 96 grants awarded in FY 2017, 24 were not closed out on time. Program officials informed the review team that they did not always close grants on time for various reasons, such as delays waiting for the grant recipients to submit final reports and make requested corrections and adjustments to final reports and payment requests.

In addition to developing standard operating procedures, the NVSPSE could limit delays in final report submissions if it notified grant recipients that their period of performance was expiring and the consequences of continued delinquency. VA financial policy requires program officials to remind grant recipients 60 days before the grant expires to ensure closeout requirements are met and the consequences if a final report is not received for any fiscal year.¹⁸ NVSPSE officials told the OIG they did not remind recipients of the grant expiring because that information is listed in the grant agreement and recipients are responsible for adhering to those requirements. Although this is true, the NVSPSE still must follow VA financial policy requiring that recipients be reminded of their grant end date.

By not following that policy, the NVSPSE did not closeout 24 grants on time and \$346,000 in unspent funds was not available for VHA to use for other purposes.¹⁹ The NVSPSE closed nine of 103 FY 2018 grants. Effective and efficient grant closeout processes could help ensure unused funds are free for other uses.

The NVSPSE Did Not Appropriately Authorize the Extended Use of Funds

Appropriated funds can only be used for their intended purpose under the law. The OIG found that it appears the NVSPSE violated the Purpose Statute by authorizing grant recipients to use funds after the grant period of performance ended. Because these were FY 2017 awarded grants,

¹⁷ VA Financial Policy, vol. X, chap. 6, “Grant Closeout and Post Closeout Activities.”

¹⁸ VA Financial Policy, vol. X, chap. 6, “Grant Closeout and Post Closeout Activities.”

¹⁹ The \$346,000 represents the total amount remaining on the 24 grants.

the funds should have been expended in FY 2018. However, NVSPSE staff improperly authorized about \$328,000 in FY 2017 appropriations for 22 grant recipients to spend in FY 2019 on items such as equipment purchases, activities such as a basketball event, new deliverables for training, or additional activities such as waterskiing clinics.²⁰ Of that amount, the NVSPSE reimbursed 19 grant recipients totaling about \$247,000.²¹ The following examples highlight some of the grant recipients' requests and justifications to use grant funds after their periods of performance ended.

Example 3

One FY 2017 grant recipient noted a remaining balance of about \$6,800 when finalizing the required report after completing work on a grant. Although the recipient submitted final reports in October 2018 to the program office, it was not until March 2019 that the recipient asked the program office to use the remaining FY 2017 funds for a custom basketball wheelchair and rock-climbing gear. The NVSPSE approved the request. According to financial records, about \$6,800 was spent in April 2019, indicating FY 2017 funds were spent in a subsequent fiscal year. This expenditure may constitute a Purpose Statute violation.

Example 4

In September 2018, a grant recipient requested an extension on the use of the remaining FY 2017 grant funds totaling about \$31,000 to complete four deliverables. Three of the four deliverables were to request an extension for the recipient's subgrant recipients because they did not use all the funds during their periods of performance. The fourth deliverable was for the recipient's travel to support athlete attendance at camps, gym rental expenses for camps, and an entry fee to the US Open Championships. The NVSPSE approved the request to use the remaining funds. According to financial records, funds totaling about \$9,000 were spent in 2019 indicating that FY 2017 funds were spent in a subsequent fiscal year. This expenditure may constitute a Purpose Statute violation.

Federal regulations that govern the revision of budget and program plans state that awarding agencies may grant extensions for budget and program plan revisions if the transfer would not

²⁰ Seventeen of these grants are closed. Five remain open and are part of the \$346,000 that the review team identified as part of the untimely grant closeout.

²¹ For the FY 2018 grants, the program office authorized about \$128,000 in extensions for grant recipients to spend on the same items. At the time of the review, information was not available for the OIG to determine whether payments were made to the grant recipients.

cause any federal funds to be used for purposes inconsistent with the appropriation.²² However, the NVSPSE's approval to extend the use of funds cited in the above examples resulted in those funds being used for purposes that were inconsistent with the appropriation. They thus appeared to violate the Purpose Statute.²³ The extended use of these funds may have also led to an Antideficiency Act violation.

The OIG concluded that the NVSPSE should take steps to determine the total amount of FY 2017 funding spent after the grant periods ended, determine whether Purpose Statute violations occurred, adjust accounts accordingly, and determine whether an Antideficiency Act violation occurred.

Conclusion

Adaptive sports play a vital role in improving the quality of life for veterans with disabilities by offering them opportunities to become more independent and confident. VA's adaptive sports grants program helps fund these opportunities, providing about \$14,900,000 through 126 grants in FY 2019. However, when grants are not well-managed, VA risks these funds not being used as intended. Without establishing adequate internal controls such as standard operating procedures for managing grants and hiring staff experienced in grants management, the NVSPSE cannot provide reasonable assurance that grant recipients are complying with applicable laws and regulations. Untimely grant closeout kept VHA from using unspent funds totaling about \$346,000. Moreover, by inappropriately extending the grant period and reimbursing \$247,000 in payments after the grant end dates, it appears that the NVSPSE may have violated the Purpose Statute and potentially violated the Antideficiency Act.

Recommendations 1–7

The OIG recommended the under secretary for health ensure the Office of National Veterans Sports Programs and Special Events director:

1. Develop standard operating procedures for all processes related to managing the adaptive sports grants program.
2. Develop and train current staff and identify and hire staff specialized in grants management.
3. Establish and execute a plan to evaluate risks posed by grant applicants before awarding grants, in accordance with VA financial policy.

²² 2 C.F.R. § 200.308.

²³ 31 U.S.C. § 1301.

4. Establish procedures to ensure the timely reimbursement of grant recipient expenses.
5. Establish grant closeout procedures that include communicating timelines with the grant recipients, documentation requirements for proper grant closeout, availability of grant funds, and a process to approve modification and extension requests.
6. Act to ensure all adaptive sports grants are closed out on time.
7. Determine, in coordination with VA's Office of Finance and Office of General Counsel, whether a Purpose Statute violation occurred, whether account adjustments need to be made, whether Antideficiency Act violations occurred, and report any Purpose Statute and Antideficiency Act violations.

Management Comments

The acting under secretary for health concurred with recommendations 1 through 5 and 7 and concurred in principle with recommendation 6. For recommendation 1, the acting under secretary said the NVSPSE will develop standard operating procedures to ensure management of the adaptive sports grant program is clearly defined. For recommendation 2, the acting under secretary said the NVSPSE added a grants management specialist and an operations officer in March 2021. For recommendation 3, the acting under secretary said the NVSPSE director will develop written guidance on the expected risk assessment process and execute the plan during the review period in the next available grant cycle. For recommendation 4, the acting under secretary said the NVSPSE program office will ensure reimbursement processes are captured in the standard operating procedures. For recommendation 5, the acting under secretary said the NVSPSE director will work to establish grant closeout procedures. For recommendation 6, the acting under secretary said the NVSPSE will review all new adaptive sports grants according to the newly developed standard operating procedure timelines and ensure timely closeout; however, efforts to resolve backlogged grants would not be held to that timeline. For recommendation 7, the acting under secretary said the NVSPSE will coordinate to determine whether any Purpose Statute or Antideficiency Act violations occurred, whether any account adjustments need to be made, and comply with reporting requirements.

The full text of management comments is available in appendix C.

OIG Response

The OIG considers the corrective action plans acceptable and will monitor VA's progress in meeting the intent of the recommendations. The OIG will close the recommendations when it receives sufficient evidence that appropriate corrective actions have been taken.

Appendix A: Scope and Methodology

Scope

The OIG conducted its review work from May 2020 through May 2021. The review focused on whether the NVSPSE effectively managed the adaptive sports grants program to ensure compliance with applicable laws and regulations. The team reviewed adaptive sports grants for FYs 2017 through 2019 specific to potentially ineligible grant recipients, compliance with application and grant reporting requirements, and grant closeout procedures.

Methodology

The review team evaluated program documentation and interviewed VA and VHA grant program officials, one Health and Human Services Department's Payment Management System official, and select grant recipients. The review team also assessed federal laws, regulations, VA policy, and the NVSPSE's controls in place for determining grant recipient eligibility, monitoring the grant award, and determining whether grants were closed out timely.

To determine whether the NVSPSE effectively managed adaptive sports grants, the review team selected 60 FY 2019 grant agreements totaling about \$11,900,000 for a review of eligibility requirements.²⁴ The team selected the 60 grants based primarily on the monetary value of the grant award and the grants the complainant identified.

To determine whether grants were closed timely, the review team analyzed all 96 FY 2017 grant recipient closeout files and the open/closed status report for 103 FY 2018 grant recipients.²⁵ The review team first obtained a list of FY 2017 open and closed grants from a Health and Human Services Department's Payment Management System official and then compared that list to the program office's list of FY 2017 grants.

Lastly, to assess whether grant recipients were being reimbursed on time, the review team analyzed FY 2017 through FY 2019 grant recipient reimbursement data for 32 grant recipients and conducted additional follow-up based on those results.

Internal Controls

The OIG assessed the program office's internal controls significant to the review objective. In addition, the OIG reviewed the principles of internal controls associated with the review objective. The OIG identified the following three components and related principles as

²⁴ FY 2019 grant agreements are awarded with FY 2019 appropriations for work to be completed during FY 2020.

²⁵ The review team analyzed one FY 2018 grant file because the complainant alleged that the program office did not obtain mandatory reports for one of the FY 2018 grant recipients. The team did not identify exceptions.

significant to the review objective. The OIG identified internal control weaknesses and proposed recommendations to address these control deficiencies:

- Component 1: Control Environment
 - Principle 4—Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
- Component 3: Control Activities
 - Principle 12—Management should implement control activities through policies.
- Component 5: Monitoring Activities
 - Principle 16—Establishment of a baseline, internal control system monitoring, and evaluate results.

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators. The OIG did not identify any instances of fraud or potential fraud during this review.

Data Reliability

The OIG used computer-processed data from the Health and Human Services Department's Payment Management System and VA's Financial Management System.²⁶ To test the reliability of the data, the OIG assessed data entries to ensure data was not missing in key fields, did not include calculation errors, or was not outside the requested period. The OIG also ensured there was no obvious duplication of records or illogical relationships among data elements. Furthermore, the OIG compared the information reported in the Health and Human Services Department's Payment Management System to the available information in VA's Financial Management System.²⁷ Based on this approach, the OIG concluded that the data were appropriate and sufficiently reliable to support the report's conclusions and recommendations.

²⁶ The Payment Management System is an online grants payment platform that provides the awarding agency and grant recipients with grant payments, cash management, and personal grant accounting support services.

²⁷ The review team compared authorized amounts, grant recipient names, employee identification numbers, amount disbursed, and open/closed status.

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*.

Appendix B: Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
7	The program office appears to have violated the Purpose Statute when it made payments to grant recipients using appropriated funds that were not available pursuant to the appropriation.	\$0	\$247,000
	Total	\$0	\$247,000

Appendix C: Management Comments

Department of Veterans Affairs Memorandum

Date: June 10, 2021

From: Acting Under Secretary for Health (10)

Subj: OIG Draft Report Adaptive Sports Grants Management Needs Improvement (2020-01807-R6-0002) (VIEWS # 05230946)

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

1. Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) draft report on the Adaptive Sports Grants Program. The Veterans Health Administration (VHA) concurs with recommendations 1-5 and 7. VHA concurs in principle with recommendation 6 and provides an action plan to address all recommendations.

2. VHA is proud to share information on the impressive growth of the VA Adaptive Sports Grant Program. VA has seen an increase in the number of Veterans served by this program yearly since 2014; starting from 4,415 Veterans with fiscal year (FY) 2014 funding to 11,976 Veterans with FY 2018 funding. Funding awarded by the VA Adaptive Sports Grant Program increased from \$8 million dollars in FY 2017, to nearly \$9 million in FY 2018 and then again increased to almost \$14.9 million in FY 2019. The National Veterans Sports Programs and Special Events program office awarded 96 grants in FY 2017, 103 in FY 2018 and 126 in FY 2019.

3. During FY 2019 National Veterans Sports Programs and Special Events launched a new grant reporting platform using Salesforce which has improved accountability and transparency of the management of the VA Adaptive Sports Grant program.

The OIG removed point of contact information prior to publication.

(Original signed by)

Richard A. Stone, M.D.

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan**

OIG Draft Report: Adaptive Sports Grants Management Needs Improvement (Project Number 2020-01807-R6-0002)

Date of Draft Report: May 19, 2021

Recommendations/Actions Status Target Completion Date

The OIG recommends the Under Secretary for Health ensure the Office of National Veterans Sports Programs and Special Events (NVSPSE) director:

Recommendation 1: Develop standard operating procedures for all processes related to managing the adaptive sports grants program.

VHA Comments: Concur

The Director of the NVSPSE currently directs the program office to follow United States Code, Code of Federal Regulations, and the notice of funding availability/opportunity. The Director of NVSPSE will work with the grants management team to review current processes, regulations and policies that govern these processes. At the conclusion of this assessment and in consultation with appropriate departments and officials, NVSPSE will develop standard operating procedures to assure processes for management of the VA Adaptive Sports Grant program are clearly defined.

Status: In Progress

Target Completion Date: June 2022

Recommendation 2: Develop and train current staff and identify and hire staff specialized in grants management.

VHA Comments: Concur

In January 2019 the Director of NVSPSE identified the need to create a Grant Management Job Series position within the NVSPSE program office. Upon the departure of the NVSPSE Operations Officer in August 2019, an effort was initiated to improve the efficiency of the NVSPSE organizational staffing alignment. The NVSPSE Operations Officer position description was revised to include the duties of a supervisory grants management specialist and a position description. At the initiation of this OIG audit, NVSPSE was in the process of hiring the Operations Officer and the Grants Management Specialist.

The NVSPSE program office on-boarded two new staff members as of March 2021; a Grants Management Specialist and the Operations Officer.

The NVSPSE program office is committed to ongoing growth and development of current and future staff engaged with the program. An assessment of necessary training of staff will be conducted by the Operations Officer and Director of NVSPSE and any identified gaps will be addressed.

Status: In Progress

Target Completion Date: October 2021

Recommendation 3: Establish and execute a plan to evaluate risks posed by grant applicants before awarding grants, in accordance with VA financial policy.

VHA Comments: Concur

The Director of NVSPSE and the grants management team will coordinate with VA Office of Finance and other federal grant management programs to evaluate the current risk assessment process in VA financial policy to determine the most appropriate risk assessment process for the VA Adaptive Sports Grant Program. Once the process has been determined, the NVSPSE program office will develop written

guidance on the expected process moving forward. This risk evaluation plan will be executed during the review period in the next available grant cycle.

Status: In Progress

Target Completion Date: June 2022

Recommendation 4: Establish procedures to ensure the timely reimbursement of grant recipient expenses.

VHA Comments: Concur

The NVSPSE program office will work with the grants management team to ensure reimbursement processes are captured in the standard operating procedure and will include timelines established by regulations, policies, and laws governing the VA Adaptive Sports Grant Program.

Status: In Progress

Target Completion Date: June 2022

Recommendation 5: Establish grant closeout procedures that include communicating timelines with the grant recipients, documentation requirements for proper grant closeout, availability of grant funds, and a process to approve modification and extension requests.

VHA Comments: Concur

The Director of NVSPSE will work with the grants management team to develop a standard operating procedure that establishes grant closeout procedures that includes timelines, documentation requirements, availability of grant funds and a process to approve modification extensions requests in accordance to regulations, policies, and/or laws governing the VA Adaptive Sports Grant Program.

Status: In Progress

Target Completion Date: June 2022

Recommendation 6: Act to ensure all adaptive sports grants are closed out on time.

VHA Comments: Concur in Principle

The Office of NVSPSE will review all new adaptive sports grants according to the newly developed standard operating procedure timelines and ensure timely close out.

The Office of NVSPSE concurs in principle because efforts to resolve the backlog of 248 grants from fiscal years 2014 to 2019 cannot be held to the new standard operating procedure timelines. The Office of NVSPSE will continue efforts to resolve the backlog until full compliance is achieved.

Status: In Progress

Target Completion Date: June 2022

Recommendation 7: Determine, in coordination with VA's Office of Finance and Office of General Counsel, whether a Purpose Statute violation occurred, whether account adjustments need to be made, whether Antideficiency Act violations occurred, and report Purpose Statute and Antideficiency Act violations as appropriate.

VHA Comments: Concur

The Director of NVSPSE and the grants management team will coordinate with VA's Office of Finance and Office of General Counsel to determine whether any Purpose Statute violations and/or Antideficiency Act violations occurred in the examples cited in the draft report. The offices will also work together to determine whether any account adjustments need to be made. If any violations are identified, the NVSPSE program office will comply with reporting requirements.

Status: In Progress

Target Completion Date: October 2021

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

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