



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

*Office of Audits and Evaluations*

DEPARTMENT OF VETERANS AFFAIRS

Improvements Needed in  
Integrated Financial and  
Acquisition Management  
System Deployment to Help  
Ensure Program Objectives  
Can Be Met



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## Executive Summary

To modernize its financial and acquisition management systems, VA established the Financial Management Business Transformation (FMBT) program in 2016 with the specific goals of promoting operational efficiency, strengthening compliance and automated controls, mitigating long-standing audit deficiencies, and improving data reliability and reporting. As part of the FMBT program, VA is implementing the Integrated Financial and Acquisition Management System (iFAMS), which will replace legacy systems as the single financial and acquisition management system of record and facilitate all VA financial and contracting activities. As of fiscal year 2021, the total cost of the FMBT program was estimated at about \$3.2 billion.

iFAMS is being deployed across VA in 18 “waves,” beginning with the National Cemetery Administration (NCA).<sup>1</sup> The go-live date for this wave at NCA was November 9, 2020, and included the financial functionality of the system related to budgetary, procurement, and purchasing processes, as well as business intelligence (BI) reporting capabilities.<sup>2</sup> At the time of the first wave at NCA, the FMBT program’s objectives included streamlining processes, improving data reliability, and providing robust reporting. As of January 2023, iFAMS has been deployed at the Veterans Benefits Administration and some staff offices, and system deployment is planned to continue across VA through 2027.<sup>3</sup>

The VA Office of Inspector General (OIG) conducted this audit as part of its oversight of this extensive modernization program because of risks associated with the continued use of the legacy financial systems and VA’s previous failed attempts at replacing them.<sup>4</sup> In this audit, which is the first on the FMBT program and iFAMS, the OIG determined whether the responsible program office, the FMBT Service, identified and addressed system issues during the first implementation of the iFAMS financial functionality at NCA. The OIG examined whether the FMBT Service identified and addressed issues in the development process and developed

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<sup>1</sup> FMBT Service, “FMBT Implementation Waves as of July 15, 2022.” See appendix A for more information about the iFAMS deployment strategy.

<sup>2</sup> The term “go-live” refers to when iFAMS becomes available for use. BI reporting provides VA managers and FMBT users with tools to make program and financial decisions based on timely and accurate financial management information.

<sup>3</sup> iFAMS’ financial functionality for VBA’s general operating expenses functions, which support the delivery of benefits such as payroll, was deployed in two phases: February 8, 2021, and May 10, 2021. iFAMS was deployed at some staff offices, including the Office of Management and the Board of Veterans appeals, on October 11, 2022. Implementation of iFAMS is planned to continue through November 2027, as indicated in the notional roadmap dated July 15, 2022.

<sup>4</sup> The VA OIG previously published two VA management advisory memoranda related to iFAMS. VA OIG, [Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System](#), Report No. 21-02609-229, September 8, 2021; VA OIG, [Results of Consulting Engagement Related to Selected Financial Reporting Controls for the Integrated Financial and Acquisition Management System at the National Cemetery Administration](#), Report No. 21-02924-166, June 15, 2022.

controls to mitigate similar issues during subsequent deployment waves. Managing these issues at NCA, which is VA's smallest administration, will help prevent them from compounding as implementation continues at the larger administrations and offices.

## What the Audit Found

The OIG recognizes the magnitude of the FMBT program and the FMBT Service's significant efforts to implement iFAMS. NCA has been using iFAMS for more than one and a half years as of July 2022. During this time, the OIG identified four system functionality issues and three procedural weaknesses from the FMBT Service's first iFAMS deployment at NCA:<sup>5</sup>

- iFAMS' user interface initially increased the complexity of purchase card orders and contracting requests, which are high-volume transactions.
- The FMBT Service did not establish comprehensive controls to reduce data reliability risks posed by a manual acquisition process.
- The FMBT Service can improve compliance with its risk management process.
- iFAMS implementation initially complicated the process of paying certain invoices.<sup>6</sup>
- The FMBT Service did not comprehensively test converted contracts.<sup>7</sup>
- The FMBT Service did not provide all of NCA's priority BI reporting functionality at go-live.
- The FMBT Service can improve communication regarding high-priority report requirements during development.

Although streamlining processes was an objective of the FMBT program, the iFAMS user interface initially increased the complexity of some common system processes, causing NCA staff more work and requiring them to spend more time performing high-volume purchasing and contracting transactions. To address this issue, the FMBT Service launched a simplified user interface about one year after go-live.<sup>8</sup> However, the office missed the opportunity to address this issue sooner.

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<sup>5</sup> See appendix B for more details about the audit's scope and methodology.

<sup>6</sup> The affected invoices were related to converted contracts. Footnote 7 provides the definition of converted contracts.

<sup>7</sup> This testing is specific to the invoice payment process with converted contracts. Converted contracts are contracts that were created in the Electronic Contract Management System (eCMS), the legacy system, and were active when iFAMS' financial functionality went live at NCA.

<sup>8</sup> Because this solution had not been widely used by NCA staff, the audit team did not evaluate its effectiveness; however, initial feedback from NCA was generally positive.

The new system also required NCA contracting staff to manually enter data in both iFAMS and the Electronic Contract Management System (eCMS)—the legacy system—for deobligations, which risked the reliability of the data.<sup>9</sup> Contracting staff manually adjusted the dollar amount of funds available in both iFAMS and eCMS for about 27 percent of NCA’s 1,082 converted contracts processed between go-live and September 30, 2021. Without comprehensive controls, the risk that data will be unreliable in these systems persists due to the potential for human error with manual processes, and it can affect NCA’s ability to pay vendors in a timely manner. Although the FMBT Service planned to implement a control to check for data consistency, in the form of a report, an NCA official explained they did not have a usable report as of January 2023. NCA staff continue to manually review iFAMS to mitigate data reliability risk.

These issues occurred due to weaknesses with the program’s risk management. The FMBT Service has opportunities to improve its risk management process by placing a greater emphasis on users’ feedback in its risk assessment and using the program’s risk register, a central repository used to document and monitor all risks. Doing so could have helped the FMBT Service assess, prioritize, and respond to the issues sooner.

iFAMS also made paying some contract invoices more cumbersome. Because modifications to converted contracts increased the number of lines of data transmitted from iFAMS to the Invoice Payment and Processing System, NCA staff needed to review more funding lines to pay invoices. These additional funding lines increase the risk of human error and the risk of unreliable data. The FMBT Service mitigated this issue in July 2021. However, had the FMBT Service comprehensively tested converted contracts, it could have identified and addressed this issue before go-live.

In addition, the FMBT Service did not initially deliver high-priority BI reporting functionality, an issue the OIG first identified in a previous VA management advisory memorandum.<sup>10</sup> The OIG previously reported that the FMBT Service did not ensure NCA received all priority BI reporting capabilities for about eight months after iFAMS was launched. After the OIG published this memorandum, the team identified a reportable weakness with the FMBT Service’s communication. Specifically, NCA had communicated the needed functionality for its highest-priority BI report during development, but the FMBT Service did not formally acknowledge these requirements and did not develop the reports accordingly. Without the needed BI reporting functionality, NCA staff were unable to easily make mission-critical decisions. Therefore, the FMBT Service should provide clear and formal communication to help all parties understand and agree on the requirements for priority BI reports for go-live.

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<sup>9</sup> A deobligation is a downward adjustment in funds set aside in the budget.

<sup>10</sup> VA OIG, *Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System*.

Improving risk management, system testing, and communication could help the FMBT Service prevent issues from affecting a significantly greater number of staff at VA's larger administrations and allow the FMBT Service to achieve the overall program goals of promoting operational efficiency, strengthening compliance, strengthening automated controls, mitigating long-standing audit deficiencies, and improving data reliability and BI reporting.

## What the OIG Recommended

The OIG made five recommendations to the deputy assistant secretary for the FMBT Service:

1. Implement controls to mitigate the risk that data are unreliable and inconsistently recorded between eCMS and iFAMS when staff deobligate funds for converted contracts.
2. Establish and implement a methodology to prioritize user feedback into the risk management process.
3. Use the risk register to document and assess the risks associated with the manual deobligation process.
4. Ensure that converted contracts are included in integrated system testing and user acceptance testing.
5. Implement a process that provides formal acknowledgment on whether requests related to high-priority business intelligence reports have been accepted as requirements.

## VA Comments and OIG Response

The deputy assistant secretary for the FMBT Service concurred with all five recommendations but submitted a fully responsive action plan only for recommendation 3. However, this recommendation will remain open because the actions that address it have not yet been completed.

For recommendation 1, the deputy assistant secretary stated the FMBT Service is communicating with the Office of Acquisition, Logistics, and Construction on potential system improvements, but the action plan does not outline specific actions or have a target completion date. The OIG will keep this recommendation open until the FMBT Service provides evidence that controls have been implemented. The deputy assistant secretary reported that the following actions completed during the audit period satisfy recommendations 2, 4, and 5: created a simplified user interface based on user feedback, applied lessons learned to subsequent testing activities, and instituted a customer sign-off process for agreed-upon reports through the BI Reporting Group. However, the OIG will keep these recommendations open until the FMBT Service provides evidence that user feedback is being prioritized in its risk management process, converted contracts are included in integrated system and user acceptance testing, and a process is in place to formally acknowledge all high-priority BI report requirements.

The OIG will monitor the implementation of all five recommendations and will close them when VA provides sufficient evidence demonstrating progress in addressing the issues identified. The full text of the deputy assistant secretary's response is included in appendix C.



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## Abbreviations

BI	business intelligence
CAATS	Centralized Administrative Accounting Transaction System
CoreFLS	Core Financial and Logistics System
eCMS	Electronic Contract Management System
FLITE	Financial and Logistics Integrated Technology Enterprise
FMBT	Financial Management Business Transformation
FY	fiscal year
GAO	Government Accountability Office
iFAMS	Integrated Financial and Acquisition Management System
IPPS	Invoice Payment and Processing System
NCA	National Cemetery Administration
OIG	Office of Inspector General
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration



## Introduction

VA's continued use of its outdated legacy financial management and acquisition systems presents a risk to its operations, financial reporting, and compliance with federal regulations. VA sought to incorporate lessons learned from two previous attempts to modernize these systems and established the Financial Management Business Transformation (FMBT) program. The program's mission is to increase the transparency, accuracy, timeliness, and reliability of financial information across VA, ultimately resulting in improved care for veterans and accountability to taxpayers. Central to the FMBT program's modernization efforts is the multiyear, phased deployment of the Integrated Financial and Acquisition Management System (iFAMS).<sup>11</sup> In 2020, the initial implementation of iFAMS began at the National Cemetery Administration (NCA), the smallest of VA's three administrations. Department-wide implementation of iFAMS is planned to continue through calendar year 2027.<sup>12</sup> As of fiscal year (FY) 2021, the FMBT program's life cycle cost was estimated at about \$3.2 billion, an increase of approximately \$901 million (about 38 percent) from the FY 2018 life cycle cost estimate.<sup>13</sup>

Given the program's complexity and scale, the rising costs, and the importance of its success to the entire department, the VA Office of Inspector General (OIG) conducted this audit to evaluate the first deployment of iFAMS' financial functionality at VA.<sup>14</sup> Specifically, the OIG examined whether the FMBT Service, the responsible program office, identified and addressed system functionality issues from the implementation of iFAMS at NCA, including addressing issues in the development process and developing controls to mitigate similar issues during subsequent deployment waves. Managing issues from implementation at NCA will help prevent issues from compounding as implementation continues at the larger administrations and offices.

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<sup>11</sup> See appendix A for more information on these prior modernization efforts. Each of VA's annual congressional budget submissions from fiscal year (FY) 2017 to the present year have included funding requests for financial management and acquisition systems modernization. VA's budget submissions can be viewed at <https://www.va.gov/budget/products.asp>.

<sup>12</sup> VA is divided into three administrations: the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and NCA. The FMBT program's notional roadmap, dated July 15, 2022, indicates that iFAMS implementation is planned to continue through 2027.

<sup>13</sup> The life cycle cost estimate identifies and documents actual and estimated costs for the FMBT program. The most current estimate as of this audit was completed in September 2021. It covers a 16-year period from FY 2016 through 2031 and includes costs for data migration, software development, and user training. In the FY 2021 estimate, the FMBT Service attributed cost increases to including an additional year in the estimate and business intelligence (BI) report development.

<sup>14</sup> The VA OIG previously published two VA management advisory memoranda related to iFAMS. VA OIG, [Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System](#), Report No. 21-02609-229, September 8, 2021; VA OIG, [Results of Consulting Engagement Related to Selected Financial Reporting Controls for the Integrated Financial and Acquisition Management System at the National Cemetery Administration](#), Report No. 21-02924-166, June 15, 2022.

## FMBT Program

VA established the FMBT program in 2016 to modernize the department's financial and acquisition management systems. Through this program, VA is implementing iFAMS to replace legacy systems that facilitate its financial and contracting activities.<sup>15</sup> This modernization effort is led by the FMBT Service, which is aligned under VA's Office of Management. The FMBT Service is responsible for planning and implementing the new system, including oversight of the cost and schedule, organizational change management, and training. The FMBT Service is supported by several contractors: CGI Federal Inc. for systems integration and business intelligence (BI) report development, CACI Inc. for data cleansing and software interface development, and Deloitte Consulting LLP for program management services.<sup>16</sup>

## FMBT Program Objectives

The FMBT program's objectives are to

- standardize, integrate, and streamline financial and acquisitions processes, including budgeting, procurement, accounting, resource management, and financial reporting;
- strengthen management decision-making by providing advanced analytics and projections for planning purposes;
- improve customer service and support of goods, supplies, and services for veterans;
- improve the speed and reliability of communicating financial and acquisitions information throughout VA; and
- provide timely, robust, and accurate financial reporting.<sup>17</sup>

Although these are overall program objectives, the OIG considered them when testing areas specific to the NCA wave because each wave contributes to the success of achieving program objectives. Thus, not meeting the objectives incrementally with each wave could place achievement of overall program objectives at risk.

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<sup>15</sup> Three of the key legacy systems that will be replaced are the Financial Management System, the Electronic Contract Management System (eCMS), and the Centralized Administrative Accounting Transaction System (CAATS).

<sup>16</sup> iFAMS is VA's configuration of CGI's cloud-based application called Momentum, a commercial off-the-shelf software package. BI reporting provides VA managers and FMBT users with tools to make program and financial decisions based upon timely and accurate financial management information.

<sup>17</sup> FMBT Service, "iFAMS NCA Project Scope Statement," ver. 9.0, February 14, 2019.

The program office did not develop NCA wave-specific objectives; rather, it developed success metrics.<sup>18</sup> However, these metrics can change for each wave based on input from the administration or staff office receiving the deployment. Thus, in lieu of wave-specific objectives, the OIG considered these overall program objectives while conducting this audit to provide a consistent metric against which to evaluate the FMBT Service's actions specific to the NCA implementation and to help ensure the FMBT program as a whole—across all deployment waves—can eventually meet those objectives. The OIG therefore notes that issues discussed in this report do not indicate a failure of meeting the overall program objectives because the NCA implementation is only one part of the FMBT program.

## **iFAMS Deployment Schedule**

The FMBT Service is deploying iFAMS in 18 phases through November 2027, referred to as “waves,” across VA’s three administrations and staff offices.<sup>19</sup> Broadly, the system offers two types of functionality: one is related to financial activities, including capabilities needed to maintain budgets, some procurement and purchasing actions, and BI reporting. The second is related to acquisition activities and includes the ability to solicit, award, and modify contracts.

These two functionalities may be deployed separately or together. Staff will need to use legacy systems for any functionality iFAMS offers but has not yet been deployed. For example, at a VA office where only the financial functionality of iFAMS has been deployed—as was the case for NCA during the audit scope—staff use iFAMS for financial processes and the legacy acquisition system, the Electronic Contract Management System (eCMS), to manage contracts until the acquisition functionality of the new system is deployed.<sup>20</sup> Even with only the financial functionality rolled out, iFAMS can affect acquisitions-related processes made in the legacy system because they are generally linked through interfaces to financial processes within iFAMS. The OIG found some issues with iFAMS’ interfaces with the legacy acquisition system, which are discussed in this report.

For the first wave, which is the focus of this report, the FMBT Service deployed iFAMS’ financial functionalities at NCA on November 9, 2020.<sup>21</sup> The FMBT Service then deployed

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<sup>18</sup> For example, metrics for the NCA wave included the system’s ease of use, whether the system met users’ operational needs, users’ satisfaction with financial and BI reporting, and users’ ability to manage funds efficiently in the system.

<sup>19</sup> FMBT Service, “FMBT Implementation Waves as of July 15, 2022.” Implementation of iFAMS acquisition functionality is planned to continue through the final implementation wave in November 2027, as indicated in the notional roadmap dated July 15, 2022. Staff offices are outside of the three VA administrations and support VA’s mission. These include the Office of Management; the Office of Acquisition, Logistics, and Construction; the Office of Human Resources and Administration/Operations, Security, and Preparedness; and the Office of Information and Technology.

<sup>20</sup> eCMS is a software suite used by VA contracting staff to manage the acquisition life cycle and will be replaced by iFAMS.

<sup>21</sup> The date when a system is first available for use is called the “go-live” date.

iFAMS' acquisition functionality at NCA on April 25, 2022. As of January 2023, iFAMS' financial functionality has also gone live at the Veterans Benefits Administration (VBA) for general operating expense funds and at some staff offices.<sup>22</sup> See appendix A for more information about the iFAMS deployment strategy.

## **iFAMS Development Process**

To address specific requirements for each iFAMS deployment wave, the FMBT program uses Agile software development, a method that emphasizes iterative product development and delivery of functionality. The FMBT Service is also required to comply with VA's veteran-focused integration process, a framework that outlines successful information technology project management principles.<sup>23</sup> This process includes core principles of prioritizing the needs of users, testing, and working closely with all stakeholders, and states that an information technology project is not successful unless it meets the needs of end users.

## **Organizational Change Management**

The FMBT Service is responsible for organizational change management, which includes the process, tools, and techniques to prepare people to achieve desired outcomes and be successful in using a new system. The program's change management objectives include assessing stakeholder readiness for change, adoption (acceptance of change) and satisfaction, and managing the risks and issues associated with iFAMS. Proper change management is critical to a project's success, and the FMBT Service noted that previous attempts to replace VA's Financial Management System failed, in part, because of inadequate change management and stakeholder engagement.

As part of its organizational change management processes for the NCA wave, the FMBT Service conducted organizational change assessments via a series of four surveys intended to measure users' readiness: two before go-live (in August 2019 and February 2020) and two after go-live (in November 2020 and February 2021).<sup>24</sup> The results from these assessments were intended to help drive communication and training, prepare users, and gauge their abilities to use iFAMS. This feedback mechanism is part of the FMBT Service's process for evaluating user concerns about the system's usability and determining whether system enhancements are needed.

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<sup>22</sup> iFAMS' financial functionality for VBA's general operating expenses functions, which support the delivery of benefits such as payroll, was deployed in two phases: February 8, 2021, and May 10, 2021. iFAMS was deployed at some staff offices, including the Office of Management and the Board of Veterans appeals, on October 11, 2022.

<sup>23</sup> VA Office of Information and Technology, *Veteran-focused Integration Process Guide*, ver. 3.2, December 2018. This version of the process guide was applicable during the system development process and is discussed throughout this report. Version 4.0 was released in March 2021, about four months after the iFAMS go-live at NCA. Version 4.0 is based on Agile principles, which are incorporated in the FMBT Service's Agile processes for delivering software to customers. Thus, the concepts of version 3.2 are still applicable.

<sup>24</sup> The five outcomes measured by the organizational change assessments were awareness, desire, knowledge, ability, and reinforcement.

## iFAMS Functionality at NCA: Noncontractual Purchases and Contracting-Related Processes

During the first implementation wave, iFAMS provided NCA with the financial functionality needed to make noncontractual purchases, as well as the functionality to support contracting-related processes with interfacing systems. NCA staff use iFAMS to submit purchase card orders for noncontractual purchases of goods and services, such as tools or cemetery supplies, needed to support the administration’s memorial mission.<sup>25</sup> The FMBT Service defined these as “high-volume” transactions in internal documents, and NCA staff used iFAMS to submit about 31,000 purchase card orders from go-live through the end of FY 2021.<sup>26</sup>

NCA staff also use iFAMS, in conjunction with other systems, to support the acquisition life cycle, including contract requests, modifications, and invoice payment. Contracts, such as those used to procure cemetery grounds maintenance services, help support NCA’s memorial mission, and NCA had about \$256 million in contractual obligations in FY 2021.<sup>27</sup> As of July 2022, NCA contracting staff need to use both iFAMS and eCMS to complete some contracting-related processes for “converted” contracts, meaning contracts that were created in eCMS—the legacy acquisition system—and that were active when iFAMS’ financial functionality went live at NCA. To help transmit data, the FMBT Service deployed an interface for communicating and updating data between eCMS and iFAMS (referred to as the eCMS–iFAMS interface). The eCMS–iFAMS interface was intended to be a temporary solution until iFAMS acquisition functionality was implemented across VA.

NCA cemetery and other requesting staff use iFAMS to initiate contracting requests when they need contracting staff to perform actions throughout the acquisition life cycle, such as submitting requests for new contracts or modifying existing contracts for cemetery grounds maintenance. Submitting contracting requests is also a high-volume transaction, and NCA staff submitted about 6,900 requests—about 8 percent of NCA’s 91,600 iFAMS transactions—from go-live to the end of FY 2021.<sup>28</sup> These requests are routed to contracting staff through the interface, and contracting staff use eCMS to perform the requested actions.

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<sup>25</sup> A purchase card is a centrally billed account established on behalf of agencies to which the cost of purchasing goods and services may be charged.

<sup>26</sup> The 31,000 total purchase card orders NCA submitted include origination, amendments, corrections, and cancellations.

<sup>27</sup> “SAM.gov” (web page), General Services Administration, accessed November 8, 2021, <https://sam.gov/content/home>. An obligation sets aside funds in the budget for immediate or future outlays (i.e., disbursement of funds). For example, VA incurs obligations when it enters into a contract to purchase goods and services.

<sup>28</sup> The 6,900 total contracting requests NCA submitted include originations, amendments, corrections, and cancellations.

Contracting staff also use eCMS to modify contracts as required when additional goods or services are needed, which can increase the related obligation. Modifications may also be required if the quantity of goods or services is reduced or no longer needed. Such modifications would result in a decrease to an obligation and are referred to as deobligations. According to VA financial policy, deobligations are needed if any funds remain after a contract has been canceled or modified or after all goods or services have been received and invoices have been paid.<sup>29</sup> This action essentially makes excess funds from contractual obligations available for other needs.

Cemetery staff designated as certifying officials must review contractor invoices in the Invoice Payment and Processing System (IPPS) to verify that NCA is only billed for goods and services that were received and that billed amounts comply with contract terms. IPPS is used to make payments to vendors and transmits data to iFAMS. To pay the invoice, cemetery staff select the appropriate funding lines in the system and enter the amount to be paid for each invoiced item.<sup>30</sup> Selecting the appropriate funding lines is important because the funding lines indicate the funding source, the fiscal year of the budget, and the budget object class code of the expense.<sup>31</sup> To ensure the appropriate funding lines in IPPS are selected, cemetery staff may also need to review the corresponding funding lines in iFAMS for additional details.

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<sup>29</sup> VA Financial Policy, “Obligations Policy,” in vol. 2, *Appropriations, Funds, and Related Information*, chap. 5, October 2020.

<sup>30</sup> Funding lines identify the budget object class, fiscal year, fund, and other information to ensure obligations and expenditures are correctly recorded.

<sup>31</sup> VA Financial Policy, “Budget Object Class Codes,” in vol. 13, *Cost Accounting*, chap. 2, June 2020. Budget object class codes are required on all spending transactions to classify obligations and expenditures according to the nature of the service or items purchased.

## Results and Recommendations

### **Finding: The FMBT Service Did Not Fully Address Some System Functionality Issues at NCA**

Although iFAMS provided much of the core financial functionality required by NCA, the FMBT Service did not fully address some functionality issues related to the program's objectives of streamlining processes and improving the reliability of information. The OIG considered these program objectives when examining the first implementation wave because each wave contributes to the achievement of program objectives, and the FMBT Service did not have NCA-specific objectives. At NCA, the FMBT Service introduced a user interface that made high-volume purchase card order and contracting request transactions more complicated in iFAMS and required users to perform more work. In addition, the FMBT Service did not develop comprehensive controls to ensure that deobligation data for converted contracts were reliable and consistently recorded between iFAMS and the legacy contracting system, eCMS. Furthermore, the implementation of iFAMS initially complicated the payment process for some invoices, which increased the risk of unreliable data. These issues had been identified by the FMBT Service in some instances months before go-live but continued to affect users for some time after go-live.

Ineffective prioritization of user feedback in the risk assessment process, lack of a formal risk assessment for a manual contracting process, and weaknesses in the testing of converted contracts limited the FMBT Service's ability to deploy a system that fully supported the functionality needed by NCA users at go-live.

The OIG issued a VA management advisory memorandum in September 2021 that identified inadequate BI reporting functionality in iFAMS.<sup>32</sup> During this audit, the team found that the FMBT Service did not clearly communicate with NCA leaders about whether NCA's requested functionality during development had been accepted as a requirement.

For over one year after iFAMS' financial functionality was rolled out at NCA, NCA staff needed to spend more time on a significant portion of transactions and continued to perform manual reviews to ensure data reliability. Improving risk management, system testing, and communication could help the FMBT Service avoid similar issues in subsequent iFAMS deployment waves, where significantly more staff could be affected at the larger VA administrations. Furthermore, these improvements could help the FMBT Service achieve the

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<sup>32</sup> VA OIG, *Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System*.

program's goals to promote operational efficiency, strengthen compliance and automated controls, mitigate long-standing audit deficiencies, and improve data reliability and BI reporting.

The OIG's finding and recommendations are based on the following determinations:

- The iFAMS user interface initially increased the complexity of purchase card orders and contracting requests, which are high-volume transactions.
- The FMBT Service did not establish comprehensive controls to reduce data reliability risks posed by a manual contracting process.
- The FMBT Service can improve compliance with its risk management process.
- iFAMS implementation initially complicated the process of paying some invoices.
- The FMBT Service did not comprehensively test converted contracts.
- The FMBT Service did not provide all of NCA's priority BI reporting functionality at go-live.
- The FMBT Service can improve communication on high-priority report requirements during development.

## **What the OIG Did**

The audit team reviewed applicable system development procedures and guidelines and interviewed leaders and staff from the FMBT Service, NCA, and other VA offices. The team defined functionality issues as (1) those that hindered NCA's mission-critical functions and (2) common system processes that required manual work after iFAMS implementation and that could increase the workload for many staff.

To identify functionality issues, the team reviewed and analyzed FMBT Service documentation and data, such as service desk ticket and user surveys, and interviewed NCA staff members who had submitted the most service desk tickets. After identifying frequently reported issues, the team validated the issues through observing system processes; interviewing NCA staff and leaders at cemeteries, districts, the Finance Service, and the Contracting Service; and confirming the issues with the FMBT Service. The team focused on issues that had not been substantially resolved as of June 2021. See appendix B for more details about the audit's scope and methodology.

## **iFAMS' User Interface Initially Increased the Complexity of Purchase Card Orders and Contracting Requests, Which Are High-Volume Transactions**

The iFAMS user interface initially increased the complexity and the work required for two types of transactions at NCA—purchase card orders and contracting requests—thereby increasing the

risk of not achieving the program’s objective of streamlining processes.<sup>33</sup> Purchase card orders and contracting requests are both high-volume transactions that together comprised about 41 percent of NCA’s total 91,600 iFAMS transactions from the November 2020 go-live date through the end of FY 2021.<sup>34</sup>

The iFAMS user interface, which is the primary method by which staff complete transactions in the new system, required users to enter more data and navigate through more tabs on the screen when completing these two system processes. This, in turn, required staff to spend additional time completing transactions compared to the legacy system, Centralized Administrative Accounting Transaction System (CAATS). In surveys conducted by the FMBT Service before and after go-live, staff remarked that the iFAMS interface was too complex, required more work, and was not well-suited for NCA’s nonfinancial staff.

Table 1 shows the number of required steps users needed to take and the number of screens and tabs they had to navigate to complete purchase card orders and contracting requests in the iFAMS interface versus the legacy system. The new system increased workload for these processes by at least 95 percent.

**Table 1. Workload Comparison Between iFAMS and CAATS**

Transaction type	Count	CAATS	iFAMS	Percent increase from CAATS to iFAMS
Purchase card order	Number of steps	20	39	95
	Number of screens/tabs	1	5	400
Contracting request	Number of steps	16	37	131
	Number of screens/tabs	1	4	300

*Source: Audit team review of iFAMS and CAATS user guides.*<sup>35</sup>

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<sup>33</sup> A transaction is any financial event that requires staff to perform system inputs. For example, filling out a form and routing it for approval or action constitute a transaction.

<sup>34</sup> As discussed earlier, purchase card orders are used to make noncontractual purchases of goods and services, and contracting requests are used to initiate a request for contracting staff to perform a needed action on a contract. Of the 91,600 iFAMS transactions, about 31,000 were purchase card orders (34 percent), and 6,900 were contracting requests (8 percent). These counts include different transaction types, such as originations, amendments, corrections, and cancellations. Numbers are rounded and may not sum exactly.

<sup>35</sup> FMBT Service, *iFAMS Integrated Purchase Request (IPR) End User Desk Guide*, ver. 2.4, September 18, 2020; FMBT Service, *iFAMS Purchase Card End User Desk Guide*, ver. 2.4, September 2, 2021; VBA Administrative and Loan Accounting Center and NCA, *Centralized Administrative Accounting Transaction System (CAATS) Volume 2 – Purchase Card Training Manual*, ver. 2, March 6, 2012; VBA Administrative and Loan Accounting Center and NCA, *Centralized Administrative Accounting Transaction System (CAATS) Volume 1 – Finance – Requisition Training Manual*, ver. 2.0, May 2, 2014. The count of steps includes data entry and navigation according to the iFAMS and CAATS guides and includes the number of screens/tabs. Screens that did not require deliberate navigation by the user, such as a pop-up screen, were included in the steps a user needed to complete but were not included in the system’s number of screens/tabs.

Nearly all NCA staff the audit team questioned reported that completing these transactions was more time-intensive in the new system than in the legacy system.<sup>36</sup> Some staff told the team that purchase card orders take them up to 15 extra minutes, and contracting requests can take more than 15 extra minutes. This additional workload could be a significant burden on NCA staff, considering these transactions made up about 41 percent of NCA's transactions from go-live through the end of FY 2021. The audit team's conclusion that the interface initially increased complexity was also generally echoed by some users in FMBT Service surveys, as discussed later in this report. In May 2020, partly in anticipation of the extra work iFAMS created for staff, NCA decided to shift purchase card order transactions from field staff to central office staff to avoid burdening field staff who directly support cemetery operations.<sup>37</sup>

To address the complexity of purchase card orders and contracting requests, the FMBT Service began rolling out a simplified user interface in late 2021.<sup>38</sup> User feedback about this version was generally positive, and NCA moved the purchase card order process back to field staff when the simplified interface was implemented. Even so, staff experienced inefficient processing for a significant portion of NCA's transactions for over one year after go-live. Although the additional time needed to complete these transactions, as estimated by staff, may not be significant on an individual basis, the administration completed nearly 38,000 of these transactions from go-live to the end of FY 2021. This represents a significant time increase collectively for NCA staff.

The OIG recognizes that iFAMS may necessarily introduce complexity in some processes because the system was designed to comply with current financial policies and federal regulations, which the legacy system did not. However, as iFAMS continues to be implemented, the FMBT Service will need to prioritize user feedback in its risk management process to identify and develop other potential system enhancements earlier for staff to be efficient. Specifically, ensuring iFAMS improves efficiency will become even more critical as implementation continues to the Veterans Health Administration (VHA), which is expected to have about 115,000 users compared to fewer than 1,200 users at NCA.<sup>39</sup>

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<sup>36</sup> Five staff reported completing purchase card orders in both systems, and all reported that purchase card orders took more time in iFAMS than the legacy system. Of the nine staff who reported completing contracting requests in both systems, eight reported that contracting requests took more time in iFAMS than the legacy system.

<sup>37</sup> NCA leaders stated another reason for moving purchase card transactions to central office staff was because the COVID-19 pandemic affected training.

<sup>38</sup> The FMBT Service implemented the simplified user interface, called iFAMS EZ, for purchase card orders in November 2021 and for contracting requests in January 2022. The FMBT Service developed this simplified interface with input from users from all administrations and staff offices. Because this solution had not been widely used by NCA staff, the audit team did not evaluate its effectiveness.

<sup>39</sup> The FMBT Service provided the estimated number of VHA users on March 2, 2022, and noted that the estimate may change as it begins stakeholder data collection activities at the start of each wave.

## **The FMBT Service Did Not Establish Comprehensive Controls to Reduce Data Reliability Risks Posed by a Manual Contracting Process**

The FMBT Service did not comprehensively address the risk of unreliable and inconsistent data with the manual deobligation process required for converted contracts.<sup>40</sup> After iFAMS implementation, NCA staff still needed to manually adjust the dollar amounts of obligations in iFAMS and eCMS to deobligate funds on converted contracts, continuing the manual process performed before iFAMS implementation.<sup>41</sup> When funds need to be deobligated from a converted contract, NCA contracting staff modify the contract in eCMS to reflect the changes to the contract—a process that requires manually adjusting the contract’s funding by contract line item.<sup>42</sup> Contracting staff with special access rights then need to use iFAMS to manually decrease the obligated funds to also reflect those changes in the financial system. The FMBT Service authorized special access rights to a limited number of contracting staff members as a control shortly after go-live.<sup>43</sup> Between the November 2020 go-live date and September 30, 2021, contracting staff manually adjusted the dollar amounts of funds available in iFAMS and eCMS for about 27 percent of NCA’s 1,082 converted contracts.

Manual processes with legacy systems have been a long-standing risk to the accuracy and completeness of financial reporting, and these risks continue in iFAMS because the FMBT Service did not implement comprehensive controls to minimize that risk. The FMBT Service initially anticipated the deobligation data would automatically transfer through an interface between eCMS and iFAMS, but program officials told the audit team they decided it was not practical for converted contracts because the anticipated cost and time to implement an automated process would outweigh the benefits. The only control to the manual process involved limiting the number of users with special access rights—without further controls, the potential for human error creates a risk that data will be unreliable between iFAMS and eCMS. Because NCA leaders stated this manual deobligation process would continue until the converted contracts are either canceled or closed out, this risk could continue for years.<sup>44</sup>

The audit team observed that iFAMS has some limited system controls to prevent some manual data entry error. For example, iFAMS does not allow users to deobligate more than the remaining balance of obligations, but users can still deobligate an amount that is different than the amount deobligated in eCMS. In general, deobligating too much money would require

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<sup>40</sup> Converted contracts are contracts that were created in eCMS and were active when iFAMS went live at NCA.

<sup>41</sup> Before iFAMS implementation, staff needed to manually adjust obligations in the Financial Management System because it was not integrated with eCMS.

<sup>42</sup> Contract line items define the good or service being acquired, pricing, and funding information.

<sup>43</sup> The FMBT Service granted 12 NCA contracting staff with special access rights, but only seven performed manual deobligations between go-live and September 30, 2021.

<sup>44</sup> Contract closeout occurs when the terms of the contract have been met, administrative actions have been completed, disputes have been settled, and final payment has been made.

additional work to increase funds through a contract modification and could delay payments to vendors. Deobligating too little would hinder NCA's ability to use these funds for other important needs.

NCA recognized the need to detect potential errors and, within one month after go-live, proactively implemented a 100 percent manual review in iFAMS to verify the accuracy of associated transactions from eCMS. NCA staff stated that they did this manual review before iFAMS implementation and did not expect they would need to after implementation. In September 2021, FMBT Service officials stated that at the request of NCA, the program was developing a report to reconcile data between eCMS and iFAMS. The audit team believes the reconciliation report could serve as an additional control to help reduce the risk of unreliable data, but the FMBT Service has not rolled out a usable report for NCA's use as of January 2023.<sup>45</sup> Without this additional control, NCA staff continued to perform the 100 percent manual review in iFAMS over one and a half years after go-live.

## **The FMBT Service Can Improve Compliance with Its Risk Management Process**

Risk management facilitates decision-making and allows the FMBT Service to prioritize and mitigate risks related to iFAMS implementation.<sup>46</sup> Federal standards require organizations to assess risk, allowing managers to respond to risks that may prevent an organization from meeting its objectives.<sup>47</sup> The FMBT Service documents, categorizes, and tracks risks in a central repository called a risk register. Using the risk register and following the risk management process is critical to ensuring the FMBT Service appropriately responds to all identified risks.

The team found that the FMBT Service did not prioritize user feedback in its risk assessment of the complex user interface and did not use the risk register to document and assess the risk

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<sup>45</sup> An official from the NCA Finance Service explained that they are receiving emails that contain lists of documents that are supposed to represent a reconciliation between the two systems, but the information provided "has no meaning."

<sup>46</sup> FMBT Service, "VA Financial Management Business Transformation (FMBT) Program Integrated Risk Management and Lessons Learned Framework and Plan," ver. 1.2, August 30, 2019. This document went through multiple iterations through October 2021, but no substantial changes were made that affected this report's description of the process. A risk is defined as the potential for loss, harm, or missed opportunities in achieving the organization's mission and strategic objectives due to uncertainty. An issue is defined as an existing event or condition that is impeding performance and may be the result of a realized risk. The risk management process includes identifying risks from various sources, assessing the probability and impact of risks, prioritizing and escalating risks, developing responses to risks, and monitoring and reassessing risks.

<sup>47</sup> OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016; Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014. Objectives include the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

associated with manual deobligations.<sup>48</sup> Although the FMBT Service took some actions to address the complex user interface and mitigate the risk of unreliable data, the program office can strengthen compliance with its risk management process by prioritizing user feedback in its risk assessment and identifying risks in the program’s risk register.

## **Prioritization of User Feedback Can Be Improved**

The audit team found the FMBT Service did not prioritize user feedback in its risk assessment process. In late August 2019, the FMBT Service logged a risk in the risk register regarding potential difficulties for staff adopting the iFAMS user interface.<sup>49</sup> Because the FMBT Service categorized this risk as low probability and low impact, it was not prioritized or elevated to the risk review board.<sup>50</sup>

Low user adoption was a risk recognized before go-live, and user feedback should have prompted the FMBT Service to assess a higher probability and impact rating to this risk to address the needs of users.<sup>51</sup> Before go-live, recurring negative survey feedback and an assessment by the FMBT Service suggested that the complex user interface—contrary to the “low probability” and “low impact” categorization of the risk—would have a significant impact on NCA staff:

- In August 2019 and February 2020, the FMBT Service surveyed NCA staff and received recurring negative feedback about the complex interface and the need to navigate through additional tabs.
- In November 2019, the FMBT Service assessed the potential effects of implementation and found that NCA users would initially experience an increased technological burden due to the complex interface, particularly for contracting

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<sup>48</sup> VA Office of Information and Technology, *Veteran-focused Integration Process Guide*; FMBT Service, “FMBT NCA Wave Organizational Change Management (OCM) Plan,” ver. 1.0, February 7, 2019; FMBT Service, “VA FMBT Program Integrated Risk Management and Lessons Learned Framework and Plan.” A core principle of the *Veteran-focused Integration Process Guide* is to prioritize the needs of veterans and users, and this guide provides direction, procedures, and processes that staff must follow for successful information technology project management within VA. One of the objectives of the “FMBT NCA Wave Organizational Change Management Plan” is to identify, assess, and facilitate mitigation of iFAMS user risks and issues. FMBT’s risk management plan states that sources of risk information should include feedback or concerns from customers.

<sup>49</sup> User adoption is the process by which users accept change to achieve business outcomes.

<sup>50</sup> FMBT Service, “VA FMBT Program Integrated Risk Management and Lessons Learned Framework and Plan.” The risk review board holds meetings that provide FMBT executive leaders with visibility over the most critical risks and allows those leaders to make decisions on how risks should be managed. According to this plan, a “low” probability risk has a slight chance of occurring (10–35 percent). “Low” impacts are those that may create schedule delays of fewer than 10 days or could lead to cost increases of 2–5 percent, defects in quality, or adverse events at the project level but are unlikely to lead to regulatory noncompliance.

<sup>51</sup> VA’s veteran-focused integration process emphasizes meeting the needs of users as a core principle.

requests and purchase card orders.<sup>52</sup> This assessment was consistent with the user feedback gathered before go-live.

- In April 2020, surveyed user acceptance test participants felt that iFAMS had too many tabs/clicks, which created a less efficient process for common transactions, including purchase card orders and contracting requests.

Before go-live in November 2020, the FMBT Service took steps to improve the user interface. However, surveys conducted in late November 2020 and February 2021 continued to reveal the same concerns, indicating that the risk had not been sufficiently addressed. Due to the negative user feedback, the FMBT Service began developing a simplified interface in March 2021. Program officials stated they waited until March 2021 because they wanted users to have time to work in the new system before developing the simplified interface. The fact that the FMBT Service developed this interface supports the OIG’s observation that the user experience should have been classified as a higher risk when user feedback was gathered.

Prioritizing user feedback could have helped the FMBT Service to identify the need for the simplified interface earlier and ultimately could have improved user adoption. To avoid similar issues in subsequent implementation waves at larger offices and administrations, the FMBT Service will need to continuously assess and prioritize user feedback in its risk management process and respond in a timely manner to identified issues.

## **Identification and Assessment of Risk Can Be Improved**

The OIG found the FMBT Service did not formally identify and document the risk associated with the manual deobligation process, despite prior OIG audit findings that identified significant control deficiencies with manual processes in the legacy system. Federal standards and the FMBT Service’s risk management plan state that audit findings should be used to identify

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<sup>52</sup> The Workforce Readiness and Impact Assessment was conducted to provide a holistic view of the impact of implementing iFAMS at NCA and to articulate how roles would be affected. In this assessment, “high impact” is described as significant workload changes; risk of overall process failure assured if not mitigated; significant training, job aids, and/or communications required to overcome; and significant changes to the organizational culture.

risks.<sup>53</sup> Furthermore, from FY 2017 to FY 2021, OIG audits of VA's financial statements identified material weaknesses and significant deficiencies in the following areas:<sup>54</sup>

- VA did not reconcile all data between the legacy financial system and subsidiary systems, including eCMS, which increased the risk that all activities were not accurately reflected in the financial records and, ultimately, in the financial statements.
- VA had financial reporting control weaknesses caused in part by relying on manual processes to identify or correct financial information errors.

Even though prior audits identified manual processes as a risk area, the FMBT Service did not include risks associated with the manual deobligation process in the program's risk register. FMBT Service officials stated program staff discussed the risk and considered it low but did not formally document it since iFAMS users would continue to perform manual deobligations as done in the legacy system, and the risk would decrease as the converted contracts ended and the program implemented the acquisition functionality of iFAMS. Although the OIG recognizes this risk may decrease over time, the FMBT Service should have used the risk register to document and assess the risks associated with the manual deobligation process. The risk register is a critical tool in the risk management process because it allows risks to be assessed, prioritized and escalated, responded to, and monitored.

After informally assessing this risk, the FMBT Service attempted to reduce it by limiting the number of contracting staff who can manually adjust data in iFAMS. However, this was not a comprehensive mitigating control. Although limiting access could prevent some errors, this approach does not detect or correct errors that may have already occurred or address future errors.

Furthermore, limiting access as a risk mitigation strategy will be difficult to scale as iFAMS implementation continues at larger administrations. In FY 2021, VA's total contractual obligations were over \$34 billion. Of that amount, NCA had only \$256 million, which is less than 1 percent of VA's total contractual obligations. Furthermore, NCA had 36 contracting staff

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<sup>53</sup> GAO, *Standards for Internal Control in the Federal Government*; OMB Circular A-123; FMBT Service, "VA FMBT Program Integrated Risk Management and Lessons Learned Framework and Plan."

<sup>54</sup> VA OIG, [Audit of VA's Financial Statements for Fiscal Years 2018 and 2017](#), Report No. 18-01642-09, November 26, 2018; VA OIG, [Audit of VA's Financial Statements for Fiscal Years 2019 and 2018](#), Report No. 19-06453-12, November 19, 2019; VA OIG, [Audit of VA's Financial Statements for Fiscal Years 2020 and 2019](#), Report No. 20-01408-19, November 24, 2020; VA OIG, [Audit of VA's Financial Statements for Fiscal Years 2021 and 2020](#), Report No. 21-01052-33, November 15, 2021. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

who represented less than 2 percent of VA's contracting workforce. Given these numbers, as iFAMS deployment continues across VA, more contracting staff will need special access to manually deobligate a significantly greater number of contractual obligations, which could also increase the probability of human error. Program officials acknowledged concerns with scaling this strategy as system deployment continues to VHA, the largest administration. Accordingly, without sufficient controls, the data reliability risk associated with manual deobligations could continue for years because contracting staff will continue to manage converted contracts in eCMS until those contracts end. If the FMBT Service does not formally identify risks in the risk register, the program cannot properly assess, prioritize, respond to, and monitor those risks.

### **iFAMS Implementation Initially Complicated the Process of Paying Some Invoices**

iFAMS implementation-related problems initially complicated paying invoices for some converted contracts. Even though streamlining processes was an objective of the program, the FMBT Service did not implement a change to address this issue until May 2021, about six months after go-live.

After go-live, modifications to converted contracts increased the number of lines of data transmitted from iFAMS to the IPPS, which meant cemetery staff needed to review more funding lines to pay invoices.<sup>55</sup> However, the additional lines transmitted from iFAMS lacked sufficient identifying information for staff to see at a glance which lines to apply to the invoice. NCA reported additional funding lines were added to 198 converted contracts after modifications in the seven-month span from go-live through June 30, 2021. Because modifications are routine actions and can happen multiple times over the life of a contract, all of NCA's roughly 1,100 converted contracts are susceptible to increased funding lines should the contract be modified. In turn, the additional funding lines could increase the risk of human error and unreliable data because selecting the wrong funding lines could reduce available funding for other contractual goods or services, inaccurately record the nature of the expense, or pay from the incorrect fiscal year funds.

The FMBT Service tried to streamline invoice payments after NCA staff reported that the additional funding lines made it difficult to pay invoices. The FMBT Service reported that the Financial Services Center changed the IPPS user interface in May 2021 to include additional details, such as the fund, budget object class, and fiscal year, to help staff identify the appropriate funding line. This was an important change to IPPS because an NCA leader told the audit team there were instances of invoices paid using the wrong funding lines because it was difficult to identify the correct ones to use. However, staff still needed to scan through many similar-looking

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<sup>55</sup> Modifications to converted contracts that increased the funding available—for example, when additional goods or services were needed—would result in additional funding lines in IPPS.

funding lines to pay invoices because the system continued to add funding lines for modified contracts. The FMBT Service stated they updated the eCMS–iFAMS interface in July 2021 to consolidate funding lines for modified converted contracts and to reduce the number of unnecessary funding lines added when converted contracts were modified.

Although the FMBT Service took actions to improve the invoice payment process after go-live, the NCA chief financial officer’s quarterly certifications of NCA’s financial statements for the first and third quarters of FY 2021 still showed a risk to data reliability.<sup>56</sup> In these certifications, the chief financial officer indicated a lack of confidence in the accuracy of recorded account balances for funds under his purview and noted the additional funding lines led to payment challenges.<sup>57</sup> Although NCA’s financial statements are not material to VA’s consolidated financial statements, the chief financial officer’s concerns highlight risks for iFAMS implementation at the larger administrations and staff offices if issues are not addressed beforehand.<sup>58</sup>

## **The FMBT Service Did Not Comprehensively Test Converted Contracts**

The FMBT Service did not comprehensively test converted contracts before go-live, so it did not anticipate that additional funding lines would complicate the invoice payment process, as described above. FMBT Service officials stated that they became aware of the invoice payment issue about six weeks after go-live. The FMBT Service should have included the IPPS invoice payment process with converted contracts during integrated system testing and user acceptance testing.<sup>59</sup> Doing so could have prompted the FMBT Service to make needed system updates to mitigate the impact before go-live. Including converted contracts and their related processes in testing is important because converted contracts will continue to affect processes for years. Therefore, the FMBT Service should ensure converted contracts are thoroughly tested so that other potential issues can be identified and resolved before iFAMS is implemented at the larger administrations and offices.

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<sup>56</sup> Administration chief financial officers or their designees are required to certify quarterly and annual financial statements to ensure the financial statements are reported in accordance with regulatory and statutory guidance. VA Financial Policy, “Financial Statement Reporting,” in vol. 7, *Financial Reporting*, chap. 1, June 2019.

<sup>57</sup> NCA deputy under secretary for finance and planning/chief financial officer, “Fiscal Year 2021 Quarter 1 Financial Statement Certification,” memorandum to the Office of Financial Policy, February 26, 2021; NCA deputy under secretary for finance and planning/chief financial officer, “Fiscal Year 2021 Quarter 3 Financial Statement Certification,” memorandum to the Office of Financial Policy, July 16, 2021.

<sup>58</sup> NCA is immaterial, or not significant, to VA’s consolidated financial statements.

<sup>59</sup> FMBT Service, “FMBT Test Plan,” ver. 3.0, April 10, 2019. Integrated system testing is designed to ensure end-to-end business processes work across different systems and interfaces. User acceptance testing is designed to ensure the system functions according to user expectations.

## **The FMBT Service Did Not Provide All of NCA's Priority BI Reporting Functionality at Go-Live**

In addition to finding that the FMBT Service did not fully address some system functionality issues, the team found other weaknesses that led to the OIG issuing a VA management advisory memorandum in September 2021.<sup>60</sup> In that memorandum, the OIG reported that the FMBT Service did not ensure NCA received all priority BI reporting functionality for about eight months after go-live in November 2020. Specifically, the FMBT Service did not include every level of the budget and data on central office activities in NCA's highest-priority report and did not deliver high-priority payroll reports.<sup>61</sup> Without comprehensive reports needed for routine budget and operations monitoring, NCA could not easily make well-informed, mission-critical decisions for months after go-live. The FMBT Service acknowledged the deficiencies identified by the OIG and addressed the issues in the following ways:

- The FMBT Service delivered full functionality of NCA's highest-priority report in July 2021, and NCA subsequently stated this report met NCA's requirements.
- NCA's high-priority payroll reports became available for widespread use in August 2021.<sup>62</sup>

After the OIG published this memorandum, the team continued audit work on the implementation of iFAMS at NCA and, as explained later in the report, identified a weakness with the FMBT Service's communication that caused inadequate reporting functionality.

## **The FMBT Service Can Improve Communication on High-Priority Report Requirements during Development**

NCA did not receive some expected and critical BI reporting functionality at go-live because the FMBT Service did not develop some requirements that NCA communicated. In the report development process, NCA product owners discussed report requirements with the FMBT

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<sup>60</sup> VA OIG, *Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System*.

<sup>61</sup> NCA's budget is organized in a hierarchical structure. The higher levels of the budget represent consolidated funds for the entire administration, which are managed by central office staff, and the lower levels of the budget represent funds administered by district and cemetery staff.

<sup>62</sup> The audit team determined that the payroll report delays were due to delays in a concurrent system implementation outside of the FMBT Service's control. Therefore, the OIG did not make a recommendation related to the delayed payroll reports.

Service, which then provided general written explanations of the reports' desired functionality.<sup>63</sup> These explanations, called user stories, were reviewed and accepted by product owners, and the FMBT Service used these user stories to develop reports.<sup>64</sup> As the reports were developed, the FMBT Service provided demonstrations of the reports' functionality.

Before the user stories were developed, NCA communicated additional requirements during an April 2019 report prioritization meeting with the FMBT Service.<sup>65</sup> In this meeting, NCA leaders stated that the highest-priority report needed to include every level of the budget. Around the same time, FMBT Service documentation showed that NCA had also prioritized central office data as an important component needed for go-live. Multiple NCA staff stated they continued to convey these requirements in meetings during the report development process. NCA's product owner stated that she assumed the requirements were included in the report because NCA had expressed its needs to the FMBT Service, but she could not tell from the demonstrations whether they had been included.

Meeting minutes from shortly before go-live indicated that NCA and the FMBT Service did not have the same understanding of the report's requirements for go-live. Without a common understanding of requirements, the FMBT Service risks developing high-priority reports that lack the necessary functionality. Therefore, the FMBT Service can improve its communication by formally acknowledging whether requests have been accepted as requirements. This step can help VA administrations and offices determine whether requirements need to be revised so that critical BI reporting functionality is available at go-live.

## Conclusion

The OIG recognizes the complexity and scale of the FMBT program and the FMBT Service's significant efforts to implement iFAMS across VA. The OIG also recognizes that the FMBT Service has identified lessons learned from the first implementation wave at NCA that can be applied to subsequent waves. However, NCA is the smallest of the three administrations, with less than 1 percent of VBA's and VHA's budgets, and the FMBT Service's iFAMS implementation at NCA indicates there is risk of the program not fully achieving its objectives without some process improvements.

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<sup>63</sup> FMBT Service, "FMBT BI Tools and Reporting Strategy," ver. 1.0, February 8, 2019; FMBT Service, "FMBT Scaled Agile Framework," ver. 2.0, April 2020. Report development will be prioritized based upon the needs of each FMBT implementation wave. Product owners represent the voice of the customer. They convey the needs of the end users, prioritize items, set clear expectations, and serve as a resource to answer questions and provide clarification throughout the development process.

<sup>64</sup> FMBT Service, "VA FMBT Scaled Agile Job Aid — User Stories 101." User stories are brief descriptions of a small piece of desired functionality, written from an end user's perspective. They identify who the work is for, what they need, and why they need it.

<sup>65</sup> Both the veteran-focused integration process and Agile principles recognize the importance of welcoming changing requirements throughout development.

Although the FMBT Service has taken some steps to address the system functionality issues discussed in this report, improving risk management, system testing, and communication could help subsequent iFAMS deployment waves. Such improvements will be important as iFAMS deployment continues because the number of NCA users make up less than 1 percent of staff across VA who will use iFAMS. Furthermore, these improvements can help ensure the FMBT Service will meet the program's overall goals of promoting operational efficiency, strengthening compliance and automated controls, mitigating long-standing audit deficiencies, improving data reliability, and ensuring BI reporting needs are met as iFAMS deployment continues at the larger, more complex administrations.

## Recommendations 1–5

The OIG made the following recommendations to the deputy assistant secretary for the FMBT Service:

1. Implement controls to mitigate the risk that data are unreliable and inconsistently recorded between eCMS and iFAMS when staff deobligate funds for converted contracts.
2. Establish and implement a methodology to prioritize user feedback into the risk management process.
3. Use the risk register to document and assess the risks associated with the manual deobligation process.
4. Ensure that converted contracts are included in integrated system testing and user acceptance testing.
5. Implement a process that provides formal acknowledgment on whether requests related to high-priority business intelligence reports have been accepted as requirements.

## VA Management Comments

The deputy assistant secretary for the FMBT Service concurred with all five recommendations and reported completed actions specific to recommendations 2, 4, and 5, including creating a simplified user interface based on user feedback collected from organizational change assessments, applying lessons learned to testing activities in subsequent waves, and instituting a customer sign off process for agreed upon reports through the BI Reporting Group. For recommendation 1, the deputy assistant secretary reported that the FMBT Service is communicating with the Office of Acquisition, Logistics, and Construction to improve functionality of the iFAMS–eCMS interface. Regarding recommendation 3, the deputy assistant secretary reported that they will document the risk associated with the manual deobligation process in the risk register. The full text of the response from the deputy assistant secretary is included in appendix C.

## OIG Response

The deputy assistant secretary for the FMBT Service provided a responsive action plan for recommendation 3 but did not provide fully responsive action plans for recommendations 1, 2, 4, and 5. Although the action plan for recommendation 3 is responsive, the OIG considers this recommendation open as actions have not yet been completed.

The planned corrective action for recommendation 1 is not fully responsive because it does not have a target completion date and does not outline specific actions the FMBT Service will take in coordination with the Office of Acquisition, Logistics, and Construction. As discussed in this report, program officials stated that the FMBT Service was developing a report to reconcile data between eCMS and iFAMS, but a usable report has not been rolled out for NCA's use as of January 2023. The OIG will keep this recommendation open until the FMBT Service provides evidence that controls have been implemented.

For recommendation 2, the OIG acknowledges that the FMBT Service collected user feedback about the system and implemented a simplified user interface over one year after go-live. However, as discussed in this report, the OIG found the FMBT Service recognized low user adoption as a risk before go-live at NCA and that user feedback was not prioritized through the risk management processes. Therefore, the OIG will keep this recommendation open until the FMBT Service provides evidence it has implemented a methodology to prioritize user feedback in its risk management processes.

Regarding recommendation 4, the OIG acknowledges that to improve the invoice payment process for converted contracts after go-live, the FMBT Service worked with the Financial Services Center to update the IPPS user interface, and program officials reported changes to the eCMS–iFAMS interface to reduce the number of unnecessary funding lines. However, the OIG's recommendation will remain open until the FMBT Service provides evidence that improvements to testing involving converted contracts have been implemented.

Regarding recommendation 5, the OIG reviewed the BI Reporting Group's charter during the audit. However, NCA's highest-priority report was a wave-specific report, and the charter provided to the team indicated that this group would not manage development of new wave-specific reports. Thus, the recommendation will remain open until the FMBT Service provides evidence that it has implemented a process to formally acknowledge all high-priority BI report requirements, including those that are wave specific.

## **Appendix A: Background**

### **National Cemetery Administration**

NCA's mission is to honor veterans and their eligible family members with final resting places that commemorate their service and sacrifice. To fulfill its mission, NCA operates 155 national cemeteries, lots, and monument sites in 42 states and Puerto Rico. NCA is the smallest of the three VA administrations: NCA's FY 2023 budget request was about \$909 million, compared to \$3.9 billion for VBA and \$122.7 billion for VHA. NCA's FY 2023 budget request included funding for about 2,300 full-time equivalent employees, which is a fraction of VBA's and VHA's funding requests for about 26,500 and 378,800 full-time equivalent employees, respectively.

### **FMBT Program Scope**

The FMBT program will migrate functionality performed in VA's legacy core financial system and acquisition system to iFAMS. More specifically, this effort includes replacing all financial and acquisition functionality within VA, implementing a new BI solution and data warehouse to support financial reporting, and interfacing iFAMS with legacy VA systems that will not be replaced.

### **iFAMS Configuration and Deployment Strategy**

iFAMS is configured in layers, and its foundation is the commercial off-the-shelf Momentum Financials and Acquisitions solution. Using this foundation as the baseline configuration, the iFAMS enterprise configuration then incorporates standard system architecture, interfaces, business processes, and reference data for use across VA. Administration-specific configurations then build upon the enterprise configuration with the unique workflows, data, and business processes of each administration.

The FMBT Service is using a phased deployment strategy for iFAMS, which means administrations and staff offices will migrate to iFAMS at different times, in waves, through November 2027. As of July 2022, the FMBT Service reported 18 planned waves for system deployment. The first wave deployment was at NCA, which went live in November 2020. The FMBT Service began iFAMS deployment at VBA in February 2021 and will begin deployment at VHA in November 2024. Waves are overlapping and divided by VA organization and by major functions or service areas. For example, there are separate waves for VBA's general operating expenses, loan guaranty, and insurance functions. In contrast, VHA waves are primarily divided by Veterans Integrated Services Networks. In addition, some waves implement iFAMS' financial and acquisition functionality concurrently.

## Prior System Modernization Efforts

Before the FMBT program, VA made two attempts to implement a new financial and logistics system—Core Financial and Logistics System (CoreFLS) and Financial and Logistics Integrated Technology Enterprise (FLITE)—but these attempts were not successful. The following sections summarize previous OIG reports on these implementations and the lessons the FMBT Service learned from these previous attempts.

### CoreFLS

In 1998, VA began work on CoreFLS to create a single system that integrated VA's numerous financial and asset management systems. Despite spending more than \$249 million on CoreFLS, VA discontinued the project in 2004 after pilot tests indicated that the system failed due to significant project management weaknesses. In 2004, the OIG published a report about system deployment issues and concluded that inadequate contractor monitoring and program management, among other issues, contributed to the project's failure.<sup>66</sup>

### FLITE

After CoreFLS failed, VA began work on the FLITE program in 2005. The system was scheduled to be deployed in FY 2014 at an estimated cost of \$609 million. In three audit reports related to FLITE, the OIG found that program managers did not fully incorporate lessons learned from the failed CoreFLS into the development of FLITE; did not effectively control project cost, schedule, and performance or ensure deliverables were on time; did not adequately monitor the contractor's performance; and did not ensure that the Office of Information and Technology assigned legacy system programmers to the project in a timely manner.<sup>67</sup>

### Lessons Learned

The FMBT Service identified the following lessons learned from the two prior modernization efforts to be applied to the FMBT program:

- The government must lead the implementation.
- There must be clear lines of authority and decision-making.

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<sup>66</sup> VA OIG, [Issues at VA Medical Center Bay Pines, Florida and Procurement and Deployment of the Core Financial and Logistics System \(CoreFLS\)](#), Report No. 04-01371-177, August 11, 2004.

<sup>67</sup> VA OIG, [Audit of FLITE Program Management's Implementation of Lessons Learned](#), Report No. 09-01467-216, September 16, 2009; VA OIG, [Audit of the FLITE Strategic Asset Management Pilot Project](#), Report No. 09-03861-238, September 14, 2010; VA OIG, [Review of Alleged Improper Program Management within the FLITE Strategic Asset Management Pilot Project](#), Report No. 10-01374-237, September 7, 2010.

- Buy-in can only be gained through robust change management, communication, and stakeholder engagement.
- The accounting system must be tightly linked to the logistics system to ensure ordering, delivering, and payments are seamless.
- There must be an integrated master schedule, and activities must be transparent.

## FMBT Program Oversight Reports

The OIG and the Government Accountability Office (GAO) have published several memoranda and reports related to oversight of the FMBT program.

### OIG

In September 2021, the OIG issued a memorandum on inadequate BI reporting capabilities in iFAMS that hindered NCA's ability to easily monitor its budget and operations.<sup>68</sup> In June 2022, the OIG issued another memorandum on the results of a consulting engagement related to financial reporting controls for iFAMS at NCA.<sup>69</sup> This memorandum identified risks that could lead to inaccurate financial reporting, including interface errors, manual data entry, and the lack of automated controls.

### GAO

In March 2021, the GAO reported that the program did not fully meet best practices on cost and schedule estimates, which increases the risk of cost overruns and delays.<sup>70</sup> In March 2022, the GAO found that the program did not fully address data conversion timing risks, did not identify target values for achievement with performance metrics, and was not fully consistent with organizational change management leading practices.<sup>71</sup>

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<sup>68</sup> VA OIG, *Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System*.

<sup>69</sup> VA OIG, *Results of Consulting Engagement Related to Selected Financial Reporting Controls for the Integrated Financial and Acquisition Management System at the National Cemetery Administration*.

<sup>70</sup> GAO, *Ongoing Financial Management System Modernization Program Would Benefit from Improved Cost and Schedule Estimating*, GAO-21-227, March 2021.

<sup>71</sup> GAO, *Additional Actions Needed to Help Ensure Success of Future Deployments*, GAO-22-105059, March 2022.

## Appendix B: Scope and Methodology

### Scope

The audit team conducted its work from April 2021 through January 2023. The audit scope included VA's activities performed as part of the iFAMS implementation at NCA from program establishment in 2016 through July 2022. Implementation is defined as planning, developing, testing, deploying functionality, and enhancing the system after NCA's go-live on November 9, 2020.

### Methodology

To conduct the audit, the team

- reviewed applicable VA and GAO system development procedures and guidelines;
- interviewed and gathered evidence from leaders and staff from the FMBT Service, NCA, Financial Services Center, and Office of Information and Technology; and
- reviewed FMBT program documentation, such as project scope and planning documents, organizational change management and risk management plans, surveys, service desk tickets, lessons learned, risk register, decision logs, test plans, test scripts, system user guides, meeting minutes, memoranda, and email communication.

To understand and observe system functionality issues, the audit team interviewed FMBT Service and NCA staff and leaders, which included NCA contracting staff, NCA budget and financial staff at the district level and at the central office, and cemetery staff. The team also observed NCA staff demonstrate processes in iFAMS, eCMS, CAATS, and IPPS. Due to the COVID-19 pandemic, the team did not travel to conduct fieldwork. The audit team performed all fieldwork virtually through audio, video, and screen-sharing capabilities.

The team defined a functionality issue as either an issue that hindered NCA's mission-critical functions or a common system process that increased workload for many staff or required manual work after iFAMS implementation. To identify system functionality issues, the audit team first considered FMBT Service documentation and data, such as service desk tickets, lessons learned, issue tracker, and user surveys. The team reviewed and analyzed these documents and data to identify potential issues users had experienced with iFAMS. In addition, the team interviewed the three NCA staff members who had submitted the most service desk tickets as of February 2021.

Based on the potential areas of concern identified through document reviews and interviews, the team confirmed and validated functionality issues with knowledgeable stakeholders, including FMBT Service and NCA leaders and staff. NCA staff also demonstrated system processes to

explain these issues. Finally, the team focused on issues that were not substantially resolved as of June 2021.

## Internal Controls

The audit team assessed internal controls and underlying principles to determine whether they were significant to the audit objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring. In addition, the team assessed the principles of those internal control components. The team identified internal control weaknesses with three components and three principles:

- Component: Risk Assessment
  - Principle 7: Management should identify, analyze, and respond to risks related to achieving the defined objectives
- Component: Control Activities
  - Principle 11: Management should design the entity's information system and related control activities to achieve objectives and respond to risks
- Component: Information and Communication
  - Principle 13: Management should use quality information to achieve the entity's objectives

## Fraud Assessment

The audit team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the audit objectives, could occur during this audit. The team exercised due diligence in staying alert to any fraud indicators by

- discussing possible areas where fraud, waste, or abuse could occur in relation to the audit objectives and scope;
- reviewing OIG hotline submissions; and
- interviewing staff and leaders from the FMBT Service and NCA to determine whether they knew of fraudulent activity or weaknesses that could potentially lead to fraud or that would affect the scope of this audit.

The OIG did not identify any instances of fraud or potential fraud during this audit.

## **Data Reliability**

The audit team obtained computer-processed data in spreadsheets from the FMBT Service and NCA and data from SAM.gov. This information included data on deobligations, converted contract modifications, help desk tickets, purchase card and contract request transactions, and contractual obligations. The team assessed the reliability of the data by conducting reasonableness checks and verified certain information using other systems such as eCMS and IPPS. The team determined that the data used were sufficient and reliable to support the conclusions in this report.

## **Government Standards**

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## Appendix C: VA Management Comments

### Department of Veterans Affairs Memorandum

Date: February 23, 2023

From: Deputy Assistant Secretary for Financial Management Business Transformation Service (046)

Subj: Draft Report, Improvements Needed in Integrated Financial and Acquisition Management System Deployment to Help Ensure Program Objectives Can Be Met (project number 2021-01997-AE-0092)

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

1. Thank you for the opportunity to review the Office of Inspector General (OIG) draft report on Improvements Needed in Integrated Financial and Acquisition Management System Deployment to Help Ensure Program Objectives Can Be Met. OIG assigned five recommendations to the Deputy Assistant Secretary for Financial Management Business Transformation Service (FMBTS). FMBTS concurs with all findings and recommendations in the report. FMBTS' action plan is attached.

*The OIG removed point of contact information prior to publication.*

(Original signed by)

Terry Riffel

Attachment

FINANCIAL MANAGEMENT BUSINESS TRANSFORMATION SERVICE (FMBTS)

Action Plan

Improvements Needed in Integrated Financial and Acquisition Management System Deployment to Help  
Ensure Program Objectives Can Be Met

(Project number 2021-01997-AE-0092)

**Recommendation 1. Implement controls to mitigate the risk that data are unreliable and inconsistently recorded between eCMS and iFAMS when staff deobligates funds for converted contracts.**

Concur. At the request of VA's acquisition community and Office of Acquisition, Logistics, and Construction (OALC), FMBT implemented a minimum viable interface between the Integrated Financial and Acquisition Management System (iFAMS) and Electronic Contract Management System (eCMS). The minimum viable interface included the ability to process contracting transactions through the systems to allow contracts to be obligated and paid. Because an automated deobligation process was not in scope, OALC established manual controls to limit the number of users who could process deobligations within eCMS. FMBT is communicating with OALC executive stakeholders to improve functionality within the iFAMS–eCMS interface.

Status: In Progress

Target Completion Date: TBD based on additional funding

**Recommendation 2. Establish and implement a methodology to prioritize user feedback into the risk management process.**

Concur. In each wave, FMBT conducts Organizational Change Assessments (OCAs) both before and after go-live to collect user feedback and inform the program's risk management team. With the National Cemetery Administration (NCA) Finance wave, post-go-live OCAs indicated dissatisfaction with the iFAMS user interface. Based on those assessments and communication with NCA executive stakeholders, the program developed a simplified user interface (iFAMS EZ) for both purchase card orders and contracting requests. FMBT will continue to work with stakeholders to capture, document and prioritize risks.

Status: Completed

Target Completion Date: January 2022

**Recommendation 3. Use the risk register to document and assess the risks associated with the manual deobligation process.**

Concur. As noted in the response to Recommendation 1, OALC established manual controls to mitigate risks associated with the manual deobligations process. In addition, FMBT and OALC are considering enhancements to the iFAMS–eCMS interface to further reduce those risks. FMBT will create a risk in the risk register to document the manual deobligations process.

Status: In Progress

Target Completion Date: March 2023

**Recommendation 4. Ensure that converted contracts are included in integrated system testing and user acceptance testing.**

Concur. When the specific issue requiring users to log into the Invoice Payment Processing System (IPPS) and iFAMS to approve an IPPS invoice was not identified in testing, the program worked with the IPPS team to add additional detail to the IPPS record to allow approvers to identify and approve the invoice. This lesson learned has been applied to testing activities in subsequent waves.

Status: Completed

Target Completion Date: August 2021

**Recommendation 5. Implement a process that provides formal acknowledgement on whether requests related to high-priority business intelligence reports have been accepted as requirements.**

Concur: For each wave, FMBT conducts a go/no-go checkpoint prior to iFAMS go-live. At that checkpoint, NCA indicated that all go-live reporting requirements had been met and agreed to targets for the completion of high-priority backlog items. In November 2021, FMBT created the Business Intelligence Reporting Group (BIRG), which is comprised of stakeholders and subject matter experts from across the Department of Veterans Affairs, to guide and direct report development moving forward. Through the BIRG, FMBT instituted a customer sign-off process for agreed-upon reports. FMBT will continue to work to ensure that agreed-upon reports are available to customers and that the customer is aware of the status of backlog items that will be delivered post go-live.

Status: Completed

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