US DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2023

Review	22-00879-196	September 22, 2023

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Executive Summary

As part of the federal government's response to the COVID-19 pandemic, Congress passed legislation to provide VA with supplemental funding to support VA's mission. Accordingly, the Families First Coronavirus Response Act (FFCRA); Coronavirus Aid, Relief, and Economic Security (CARES) Act; and American Rescue Plan (ARP) Act of 2021 were enacted to ensure uninterrupted care and benefits for veterans.[1] In November 2021, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act) to provide oversight of VA's spending of the emergency relief funding.[2] In accordance with the act, VA must provide a detailed plan to Congress outlining its intent for obligating and expending funds covered by the act, including a justification for each type of obligation, not later than 30 days after the act was signed into law on November 22, 2021.[3] When the Transparency Act was enacted, VA had obligated and spent nearly all of FFCRA and CARES Act funds; therefore, the detailed plans VA submitted to Congress on December 22, 2021, were retroactive. That is, the detailed plans indicated what VA had already spent.[4] Additionally, the act requires VA to submit reports to Congress every 14 calendar days (biweekly) detailing its obligations, expenditures, and planned uses, as well as justification for any deviation from the plan.

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

What the Review Found

In the inaugural report, the OIG focused on whether VA's plans provided to Congress on December 22, 2021, satisfied the requirements of the Transparency Act.[5] The OIG made two recommendations to the assistant secretary for management and chief financial officer. The

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

[2] VA Transparency & Trust Act of 2021, Pub. L. No. 117-63, 135 Stat. 1484 (2021).

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

[4] In contrast, the ARP Act funding was only about 4 percent obligated, so VA submitted its detailed plans to Congress on December 22, 2021, for how it would spend the remaining covered funds, referred to as its spend plan. For more background information, see appendix A.

[5] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*, Report No. 22-00879-118, March 22, 2022.

first was to consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violates the Purpose Statute and, if a violation occurred, take the steps necessary to remedy the violation. Second, VA should determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. The target completion date for both recommendations was June 2022, but both recommendations remained open until the OIG agreed to close them in April 2023 after receiving sufficient responses from VA.

In the semiannual reports for September 2022 and March 2023, the OIG looked at the ARP Act spend and FFCRA detailed plans and reporting, respectively.[6] Although there were no recommendations for the September 2022 semiannual report, the OIG was unable to complete its analysis of the FFCRA funds in the March 2023 semiannual report. Specifically, the OIG found VA generally complied with the Transparency Act because the justifications provided for its programs and activities and VA's biweekly reports were adequate for the purposes of the act. However, the OIG was unable to conclude whether actual FFCRA obligations and expenditures matched how the funds were planned to be obligated and expended in the FFCRA detailed plan, as required by the Transparency Act, because VA did not provide sufficient supporting documentation requested by the team.

This semiannual report provides the results of the OIG's comparison between planned and actual FFCRA obligations and expenditures and VA's compliance with the Transparency Act requirements for a detailed CARES Act plan and biweekly reports.[7] The OIG found VA initially purchased services, supplies, and materials that were not aligned with FFCRA but took action to correct its obligations and expenditures based on guidance from the Office of General Counsel. Although VA ultimately aligned its actual obligations and expenditures with FFCRA reporting requirements and its detailed plan after responding to that guidance—as VA's purchases were related to COVID-19 testing—VA's extensive use of expenditure transfers without supporting documentation to reverse the transactions reduced its financial reporting transparency.

Additionally, the OIG determined that expenditure transfers may pose a risk to VA's financial reporting and that VA generally did not comply with its financial policies to process and authorize FFCRA expenditure transfers. Although the review team validated that VA corrected or adjusted its fund code balances for some potential reporting errors identified in the March 2023 semiannual report, most could not be supported by VA's documentation, as the records were either incomplete or did not exist.[8] Therefore, the team could not validate that fund

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

[7] For more information on the scope and methodology, see appendix B.

[8] Potential reporting errors may be negative amounts in fields that should report positive amounts and vice versa.

code balances resulted in a $0 net impact. Further, the team found that, as VA did not comply with its financial policies, its execution and completion of expenditure transfers did not always provide an adequate audit trail to validate the transferred amounts. The availability of fully executed and complete supporting documentation is necessary to mitigate the risks associated with VA's reliance on manual transfer processes. Without that documentation, VA's financial reporting transparency is diminished.

The OIG also found that VA generally complied with the Transparency Act for CARES Act reporting requirements and biweekly reports. However, as discussed in an OIG report, VA's controls over CARES Act funds may impact its financial reporting.[9] The team determined that the detailed plan generally provided descriptions regarding CARES Act use. Additionally, the OIG determined VA's CARES Act biweekly reports to Congress were adequate for the purposes of the Transparency Act. Although the team found VA did not meet reporting milestones and some monthly and biweekly reports, VA generally provided routine reports for congressional awareness.

What the OIG Recommended

The OIG made one recommendation to VA's under secretary for health to ensure that Veterans Health Administration (VHA) fiscal staff are trained on the VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers).

VA Management Comments and OIG Response

The assistant secretary for management and chief financial officer concurred with recommendation 1, stating that VA's under secretary for health will ensure training is developed and implemented that informs VHA fiscal staff on the VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers). The OIG will close the recommendation once VA provides evidence that this VA financial policy training has been developed and implemented. Appendix C provides the full text of the response.

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[9] VA OIG, *VHA Can Improve Controls Over Its Use of Supplemental Funds*, Report No. 21-03101-73, May 9, 2023.

Contents

Abbreviations

ARP	American Rescue Plan
CARES	Coronavirus Aid, Relief, and Economic Security
FFCRA	Families First Coronavirus Response Act
FMS	Financial Management System
FY	fiscal year
OIG	Office of Inspector General
OMB	Office of Management and Budget
VHA	Veterans Health Administration

Introduction

In response to the COVID-19 pandemic, Congress passed legislation to provide VA with funding to support uninterrupted care and benefits for veterans.[10] Congress passed the Families First Coronavirus Response Act (FFCRA) on March 18, 2020, and allocated $60 million to VA for COVID-19–related items and services. In the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed on March 27, 2020, Congress provided VA with about $19.6 billion to prevent, prepare for, and respond to COVID-19 domestically and internationally, which included impacts on healthcare delivery. Congress passed the American Rescue Plan (ARP) Act of 2021 on March 11, 2021, which provided about $17.1 billion to VA for veteran and VA medical and healthcare programs. In later legislation, Congress rescinded about $76.1 million of ARP Act funds.[11]

To provide oversight of VA's spending of pandemic-related emergency relief funding, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act).[12] The act requires VA to provide a detailed plan to Congress outlining its intent for covered fund obligations and expenditures, including a justification for each type of obligation, not later than 30 days after the act was signed into law on November 22, 2021.[13] When the Transparency Act was enacted in November 2021, VA had obligated and spent nearly all of FFCRA and CARES Act funds. Therefore, the detailed plans VA submitted to Congress on December 22, 2021, were retroactive and indicated what VA had already spent.[14] Additionally, the act requires VA to submit reports to Congress every 14 calendar days (biweekly) detailing its obligations, expenditures, and planned uses of the funds, as well as justification for any deviation from the plan.

[10] Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4 (2021).

[11] Consolidated Appropriations Act of 2022, Pub. L. No. 117-103, 136 Stat. 49 (2022). VA initially received $17,080,000,000 in ARP Act funds; however, Congress passed the Consolidated Appropriations Act of 2022, which rescinded $76,105,000 made available by section 8003 for supply chain modernization. A rescission cancels the availability of budget authority previously enacted before the authority would otherwise expire.

[12] VA Transparency & Trust Act of 2021, Pub. L. No. 117-63, 135 Stat. 1484 (2021).

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

[14] In contrast, the ARP Act funds were only about 4 percent obligated, so VA submitted its detailed plans to Congress for how it would spend the remaining covered funds (its spend plan) on December 22, 2021.

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

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

Table 1 shows the Transparency Act–related funds that VA received and how those funds were obligated and expended from enactment through June 30, 2023, which is the most recent reporting date provided by VA.

Table 1. Overview of All Transparency Act–Covered Funds

Covered fund	Allocated ($ thousands)	Rescission* ($ thousands)	Allocated (with rescissions) ($ thousands)	Total obligations ($ thousands)	Paid expenditures ($ thousands)
FFCRA	60,000	0	60,000	60,000	60,000
CARES Act	19,569,500	0	19,569,500	19,247,558	18,933,763
ARP Act	17,080,000	-76,105	17,003,895	16,789,665	14,142,620
Total	**36,709,500**	**-76,105**	**36,633,395**	**36,097,223**	**33,136,383**

Source: VA's monthly reports of allocations, obligations, and expenditures for FFCRA (through September 30, 2022, which was VA's final monthly report), CARES Act, and ARP Act (through June 30, 2023, which are VA's most recent monthly reports).

Note: Amounts are rounded.

** The Consolidated Appropriations Act of 2022, section 256, rescinded $76,105,000 from the ARP Act effective March 15, 2022.*

The OIG published its inaugural report on March 22, 2022—120 days after the Transparency Act was enacted on November 22, 2021—and focused on whether VA's plans provided to Congress satisfied the requirements of the act.[15] The semiannual report was issued on September 22, 2022, and focused on whether VA's ARP Act spend plan and biweekly reports satisfied the requirements of the Transparency Act with no recommendations.[16] The most recent semiannual

[15] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*, Report No. 22-00879-118, March 22, 2022.

[16] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022*, Report No. 22-00879-236, September 22, 2022.

report was issued on March 21, 2023, and focused on VA's FFCRA detailed plan and biweekly reports.[17]

This semiannual report generally assesses VA's FFCRA detailed plan, compares the plan and biweekly reports to evaluate whether VA used the FFCRA-covered funds as VA stated in its plan, and evaluates VA's compliance with the biweekly reporting requirements through August 30, 2022.[18] To capture actual obligations and expenditures the review team relied on VA's final FFCRA biweekly report through September 13, 2022 (referred to hereafter as the VA September 2022 biweekly report).[19]

The FFCRA detailed plan was developed to justify VA's FFCRA obligations and expenditures through September 30, 2021, and to describe the activities and results of VA's spending. Table 2 provides an overview of the act's detailed plan sections and how VA reported those funds were obligated and expended for each section through September 30, 2021.

Table 2. Overview of the FFCRA Detailed Plan Sections

VHA account*	Allocated ($ thousands)	Total obligations ($ thousands)	Paid expenditures ($ thousands)
Medical services	30,000	29,800	29,027
Medical community care	30,000	30,000	30,000
Total	**60,000**	**59,800**	**59,027**

Source: VA reports of allocations, obligations, and expenditures as of September 30, 2021, according to the FFCRA detailed plan dated December 22, 2021.

Note: Amounts are rounded. The medical services total obligations and paid expenditures do not total the $30 million in table 1 due to timing; specifically, table 1 reports all Transparency Act–covered funds through September 30, 2022, while table 2 reports specifically on obligations and expenditures for the FFCRA detailed plan through September 30, 2021.

** Medical services and medical community care are Veterans Health Administration (VHA) accounts. See table A.1 in appendix A for a description of VHA.*

As stated in VA's FFCRA detailed plan, these two Veterans Health Administration (VHA) accounts covered medical services and medical community care. For medical services, VHA obligated about $29.8 million for supplies and materials and spent about $29 million on COVID-19 testing supplies and materials that helped provide care to 307,575 veterans as of

[17] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023*, Report No. 22-00879-79, March 21, 2023.

[18] According to the Transparency Act, VA was required to submit biweekly reports until seven days after its final expenditure. As all FFCRA-covered funds were expended by August 23, 2022, VA only needed to report through August 30, 2022.

[19] Though its reporting requirement ended as of August 30, 2022, VA continued to submit reports through September 13, 2022. The team did not identify any FFCRA variation between the reports; therefore, the team relied on the final FFCRA biweekly report.

September 29, 2021. For medical community care, VHA obligated and spent $30 million for COVID-19 tests administered to veterans in community care settings.

This semiannual report also generally assesses VA's CARES Act detailed plan, compares the plan and biweekly reports to determine whether VA used CARES Act–covered funds as stated in the plan, and evaluates VA's compliance with the reporting requirements through June 30, 2023. This review also takes into consideration the findings of the May 2023 OIG audit report in which the OIG assessed the effectiveness of VA's controls over VHA's use of CARES Act supplemental funds.[20]

The review team relied on VA's final CARES Act biweekly report in September 2022 and the most recent monthly report through June 30, 2023. In a subsequent report, the OIG will assess VA's reported ARP Act obligations and expenditures since the OIG's September 2022 semiannual report.

The CARES Act detailed plan was developed to justify VA's CARES Act obligations and expenditures through September 30, 2021, and to describe the activities and results of VA's spending. Table 3 provides an overview of the act's detailed plan sections and how funds were obligated and expended for each section through September 30, 2021.

Table 3. Overview of the CARES Act Detailed Plan Sections

VA account	Allocated (with transfers)* ($ thousands)	Total obligations ($ thousands)	Paid expenditures ($ thousands)
Medical services	7,991,000	7,934,440	7,134,445
Medical community care	7,600,000	7,600,000	7,600,000
Medical support and compliance	355,000	332,101	270,379
Medical facilities	746,000	742,358	495,027
Canteen	140,000	140,000	140,000
James A. Lovell Federal Health Care Center	10,000	10,000	10,000
Information technology	2,195,000	2,194,991	1,588,606
Veterans Benefits Administration	351,000	346,779	88,172
National Cemetery Administration	12,000	11,892	1,855
State home construction grants	150,000	150,000	0

[20] VA OIG, *VHA Can Improve Controls Over Its Use of Supplemental Funds*, Report No. 21-03101-73, May 9, 2023.

VA account	Allocated (with transfers)* ($ thousands)	Total obligations ($ thousands)	Paid expenditures ($ thousands)
General administration	6,000	5,970	4,419
Board of Veterans' Appeals	1,000	1,000	924
Office of Inspector General	12,500	12,500	12,060
Total	**19,569,500**	**19,482,031**	**17,345,886**

Source: VA reports of allocations, obligations, and expenditures as of September 30, 2021, according to the CARES Act detailed plan dated December 22, 2021.

Note: Amounts are rounded.

** Transfers from the medical services account were permitted under section 20001 of the CARES Act, as well as section 163 of the Continuing Appropriations Act and sections 514, 515, and 517 of the Consolidated Appropriations Act.*[21]

According to VA's CARES Act detailed plan, the act's resources provided veterans COVID-19–related health care in VA medical facilities as well as in the community. The funding supported all levels of VA's response including procurement of test kits and specialized equipment, as well as the overtime and travel costs for staff associated with emergent locations.

[21] Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, title X (March 2020); Continuing Appropriations Act, Pub. L. No. 116-159 (October 1, 2020); Consolidated Appropriations Act, Pub. L. No. 116-260 (December 27, 2020).

Results and Recommendations

Finding 1: VA Generally Aligned Its Expenditures with FFCRA Reporting Requirements and Its Detailed Plan, but Issues Exist

The Transparency Act requires VA to produce a detailed plan for obligating and spending covered funds (including a detailed justification) and to report on any spending deviations from that plan in its biweekly reports.[22] The Transparency Act also required the OIG to compare how the funds are being obligated and expended to how the funds were planned to be obligated and expended in that detailed plan.[23]

In the March 2023 semiannual report, the OIG found that VA generally met the act's reporting requirements to produce an FFCRA detailed plan and submit to Congress its FFCRA biweekly reports. The detailed plan contained some inaccuracies that overall were not significant, so the OIG declined to make any recommendations.[24] However, the OIG also reported that it was unable to form a conclusion for the comparison of how funds were spent and planned to be spent because the documentation VA provided to support actual FFCRA expenditures did not have sufficient line-level detail.

In this semiannual review, the team found that VA generally provided sufficient information and documentation to determine the actual item or service purchased. As a result, the team could reasonably conclude that VA's FFCRA purchases were related to COVID-19 testing. However, the team observed some minor deviations from the FFCRA detailed plan in actual FFCRA medical services purchases. Additionally, the team observed that VA's reliance on expenditure transfers continued to impede both the team's ability to provide independent oversight and the overall level of transparency of VA's use of FFCRA funds.

Although the OIG identified certain risks related to VA's use of FFCRA-covered funds and VA's retention of supporting documentation related to those funds, the team concluded that the issues by themselves do not warrant a recommendation. The following determinations support the OIG's evaluation:

- VA's obligations and expenditures generally aligned with FFCRA reporting requirements and VA's detailed plan.
- VA's purchases prior to September 2020 were not aligned with the FFCRA purpose and were reversed based on the VA Office of General Counsel's guidance.

[22] VA Transparency & Trust Act of 2021 § 2(a).

[23] VA Transparency & Trust Act of 2021 § 2(b)(1).

[24] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023*.

What the OIG Did

To determine VA's compliance with Transparency Act requirements, the team reviewed relevant laws, regulations, and VA policy. The team also made several requests for information and documentation from VA staff to solicit their interpretations of VA's activities under the Transparency Act and FFCRA and to understand the reliability of VA's detailed plan. The team took a conservative approach in the final assessment as to whether expenditures were supported and leveraged the information gained from previous reviews including past interviews with VA staff. To compare VA's FFCRA detailed plan to its actual obligations and expenditures, the team

- asked VA's Office of Management if it had submitted any revisions to the detailed plan and assessed each stated program and activity in the detailed plan to establish a basis of comparison;
- evaluated reporting up to the VA September 2022 biweekly report to determine if VA reported any deviations from its detailed plan;
- obtained obligation and expenditure data from VA up to August 23, 2022, to compare with the VA September 2022 biweekly report;
- had VA confirm the accuracy of the OIG-assessed final list of FFCRA transactions;
- analyzed VA's obligation and expenditure data for biweekly reporting purposes;
- relied on data analysis to assess FFCRA medical community care purchases but corroborated that data through review of supporting documentation of line-level detail, which represented the actual service purchased; and
- reviewed documentation related to FFCRA medical services purchases for all purchase orders obtained from various sources including those provided by VA or independently obtained from VA's Integrated Funds Control Point Activity Accounting and Procurement system or VA's Invoice Payment Processing System.

As mentioned above, the team took a conservative approach in its assessment but also gave VA a generous amount of time to satisfy its requests and advised VA on the support it could provide regarding its use of those FFCRA-covered funds. Importantly, the team did not design tests to express an opinion on VA's internal control environment and relied only on the sufficient level of documentation that reliably describes in line-level detail the actual item or service purchased. Despite the limited design of the testing, the team documented any concerns regarding VA's internal control environment. For more information about the scope and methodology, see appendix B.

VA's Obligations and Expenditures Generally Aligned with FFCRA Reporting Requirements and VA's Detailed Plan

The Transparency Act requires VA to submit biweekly reports to Congress on its obligations, expenditures, and planned uses of the funds, as well as justification for any spending deviation from the detailed plan. In the OIG's March 2023 semiannual report, the review team did not identify any deviations from the FFCRA detailed plan after evaluating VA-provided obligations and expenditures that aligned with VA's reporting up to the September 2022 biweekly report.

VA's detailed plan included a brief narrative with justifications for its use of FFCRA funds in accordance with the Transparency Act. To determine whether VA's obligations and expenditures aligned with its detailed plan justifications, the team compared the plan's descriptions of activities to VA-provided obligations and expenditures and determined the VA-provided data were in line with the stated program and activity based on the line of accounting. Table 4 presents the VA-provided amounts obligated and expended for FFCRA activities as of the expiration of those funds (September 2022).

Table 4. VA-Provided FFCRA Obligations and Expenditures by Activity

Covered fund	Fund code	Amount* ($ thousands)	Activity
Medical community care	0140C3	30,000	Fees for non-VA medical outpatient COVID-19 testing
Medical services	0160C3	30,000	VHA Central Office's procurement of medical supplies
Total		**60,000**	

Source: VA OIG's analysis as of the OIG's March 2023 semiannual report for VA-provided obligated and expended amounts. Due to scope limitations at the time of publication, the team was unable to form a conclusion for the sampled transactions.

Note: Amounts are rounded.

** Total obligations and paid expenditures are equal.*

The OIG's Review of Actual FFCRA Medical Community Care Purchases

VA's FFCRA detailed plan for medical community care stated that the funds were used to pay for COVID-19 tests administered to veterans in community care settings. Since the FFCRA law passed in March 2020, VA made significant adjustments through a series of expenditure transfers. Ultimately, all medical community care purchases were aggregated into 10 expenditure transfers, which were made up of thousands of individual transactions that represented the actual service purchased (or the line-level detail). Of those 10 expenditure transfers, the team selected eight to review, which amounted to about $25 million (83 percent of total FFCRA medical community care transactions).

The team received the line-level details for those eight expenditure transfers, which included the purchased service's Current Procedural Terminology code that identifies the actual service provided. To validate that dataset, the review team randomly selected 18 line-item transactions and reviewed source documentation to determine if the actual service purchased matched what was recorded in VA's data. Unable to independently obtain this documentation, the OIG had to rely on VA to provide those documents, but the OIG confirmed that all 18 transactions were to pay for COVID-19 tests administered to veterans in community care settings.

With the underlying line-level data validated, the review team relied on data analysis to tie the recorded Current Procedural Terminology code to independent authorities' descriptors of those codes.[25] The team determined that the services VA purchased using FFCRA medical community care funds (about $25 million) were to pay for COVID-19 testing and were generally consistent with VA's FFCRA detailed plan as well as the FFCRA supplemental appropriation's purpose.

The OIG's Review of Actual FFCRA Medical Services Purchases

VA's FFCRA detailed plan for medical services stated that VHA obligated those FFCRA funds for supplies and materials related to COVID-19 testing for use throughout VA's healthcare system. The team relied on the Office of Management and Budget's (OMB) definition of supplies and materials as commodities that are consumed within the year or otherwise a "minor part of equipment."[26]

The OIG reviewed the FFCRA medical services transactions to determine whether the obligated and expended amounts could be accounted for in VA's financial system and in VA's subsidiary Integrated Funds Control Point Activity Accounting and Procurement system. The review team then compared that information to VA's invoice payment-processing system to ensure each expenditure had corresponding vendor-invoiced activity. Further, the team accessed each purchase order line item to ensure that it matched VA's assertions and the FFCRA supplemental fund's purpose.

After comparing supporting documentation of actual purchases to VA's planned use, the team confirmed that about 98 percent of VA's purchases with medical services funds were related to COVID-19 testing supplies and materials, which is consistent with both the FFCRA detailed plan and the purpose of the FFCRA supplemental appropriation. For the remaining 2 percent, the

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[25] The team relied on publicly sourced information published by the Centers for Medicare & Medicaid Services and the American Medical Association, which clearly defined what service was related to each code, including if that code was related to COVID-19 testing.

[26] OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, August 15, 2022. OMB Circular A-11 provides agencies guidance on preparing budgets and instructions on budget execution. Section 83 defines a government-wide classification system for agencies' obligations by the item or service purchased.

team confirmed the purchases were for equipment, transportation of things, or operation and maintenance of equipment related to COVID-19 testing, which did not qualify as supplies and materials (table 5), but the OIG did not take exception to these deviations from the detailed plan.

Table 5. FFCRA Medical Services Deviations

OMB A-11 classification	Item or service purchased	Amount* ($ thousands)	Percentage of funds
Equipment	Equipment related to COVID-19 testing	566	1.9
Transportation of things	Shipping related to COVID-19 testing equipment	5	0.0
Operation and maintenance of equipment	Annual service fees related to COVID-19 testing equipment	46	0.2
Total		**617**	**2.1**

Source: These results were based on VA OIG’s analysis of VA-provided obligated and expended amounts.
Note: Amounts and percentages are rounded.

Although the team identified issues related to VA’s use of both FFCRA medical community care and medical services funds, the actual items or services purchased were generally consistent with VA’s FFCRA detailed plan. Additionally, the team concluded that VA’s use of FFCRA-covered funds was within the purpose of that supplemental appropriation.

VA’s Purchases Prior to September 2020 Were Not Aligned with the FFCRA Purpose and Were Reversed Based on the Office of General Counsel’s Guidance

As discussed in the OIG’s March 2023 semiannual report, VA’s FFCRA purchases prior to September 2020 were not aligned with the FFCRA purpose and based on guidance from the Office of General Counsel, those expenditures had to be reversed. The first of VA’s purchases using FFCRA-covered funds occurred on April 1, 2020, and the funds were generally obligated by May 1, 2020, in a way that did not align with FFCRA. In late July 2020, VA asked OMB officials and the Office of General Counsel what those FFCRA funds could be used for. The Office of General Counsel determined that the “FFCRA funds supplement the regular [fiscal year (FY)] 2020 [Medical Services] and [Medical Community Care] account and may be used for coronavirus testing products and testing administration in FY 2020 and FY 2021.” According to VA’s routine reporting to Congress, VA first informed Congress of the issue in mid-September 2020. However, by the end of September 2020, VA had reversed the initial FFCRA obligations and expenditures. Figure 1 shows that VA obligated nearly 100 percent of the FFCRA-covered funds within the first two months of receiving them, after which there was a reversal of that activity.

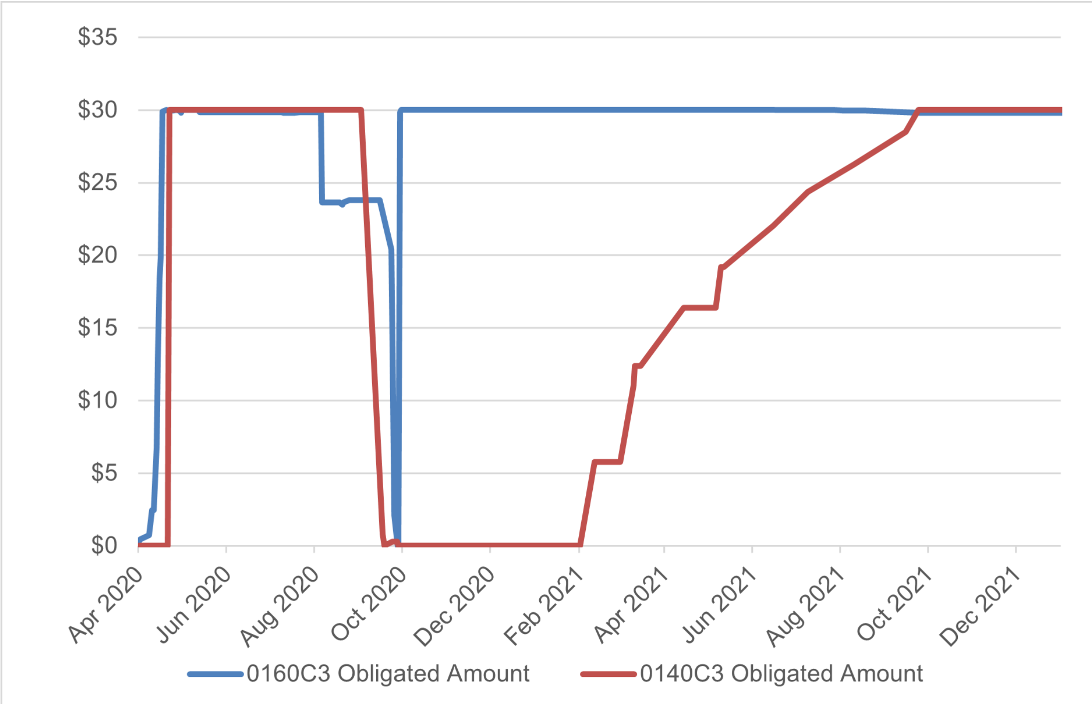

Figure 1. *VA's obligation of FFCRA-covered funds (in millions) from April 2020 until December 2021.*
Source: VA OIG analysis of VA's FFCRA obligations and expenditures.

To facilitate the necessary corrections in September 2020, VA used expenditure transfers to adjust those original purchases, mostly with new document identifiers. Although document identifiers allow reviewers to look up the pertinent information about each purchase, VA's series of expenditure transfers and new document identifiers inhibit an external party's ability to validate the original purchase. As a result, any subsequent review of these purchases requires VA's involvement to clarify the complexity of shifting purchases from one document identifier to another. This conflicts with federal standards, which require management to communicate quality information externally so that external parties can help the entity achieve its objectives and address related risks.[27] Therefore, although VA took appropriate action and properly informed Congress, the process created an environment that did not promote transparency. Additionally, VA's use of expenditure transfers created two definable periods and datasets (before and after the guidance), making it difficult for external parties to provide meaningful independent oversight.

Purchases Prior to the Office of General Counsel's Decision

Before the Office of General Counsel's decision, VA mostly purchased items and services using standard appropriations and then later transferred those obligations and expenditures to the

[27] Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

selected supplemental appropriation through a series of expenditure transfers. Each obligation identifier may represent one or hundreds of line items purchased. When VA uses an expenditure transfer, it may assign a new identifier for that purchase in VA's financial systems, where a reviewer would look to identify purchases with certain funding sources, such as FFCRA-covered funds. In its financial system, VA can cross-reference to the original obligation identifier, but when VA bundles multiple obligations, the other systems do not have the capability to account for all the separate document identifiers. VA's early expenditure transfers for FFCRA purchases often bundled multiple obligations under one new expenditure transfer document identifier. Figure 2 shows how expenditure transfer 630JV0287 had two primary lines. One of those lines had 39 purchase orders, and the other had seven. Of the 39 purchase orders, one included alcohol pads, intravenous solution, plastic urinals, instant cold packs, antisepsis swabs, exam gloves, drinking pitchers, tourniquets, disposable washcloth wipes, and specimen bags.

VA's reliance on expenditure transfers to transfer purchases to FFCRA funds was not limited to medical services, however. For VA's purchases using medical community care funding, the team found that on multiple occasions VA created one expenditure transfer using a single identifier but created a new document identifier for each expenditure transferred, representing up to hundreds of payments. VA explained that its staff must use a multi-line process in VA's Financial Management System (FMS) due to system limitations for an expenditure transfer.

Purchases Following the Office of General Counsel's Decision

As previously discussed, VA determined that its medical community care and medical services purchases had to be reversed. However, due to the limited features of FMS, expenditure transfers were again necessary. A new document identifier was created, sometimes indicating a parent-child relationship, but at other times the relationship to the original purchase document was not obvious. This inconsistency made it difficult for the review team to determine which transactions were actually paid using FFCRA funds.

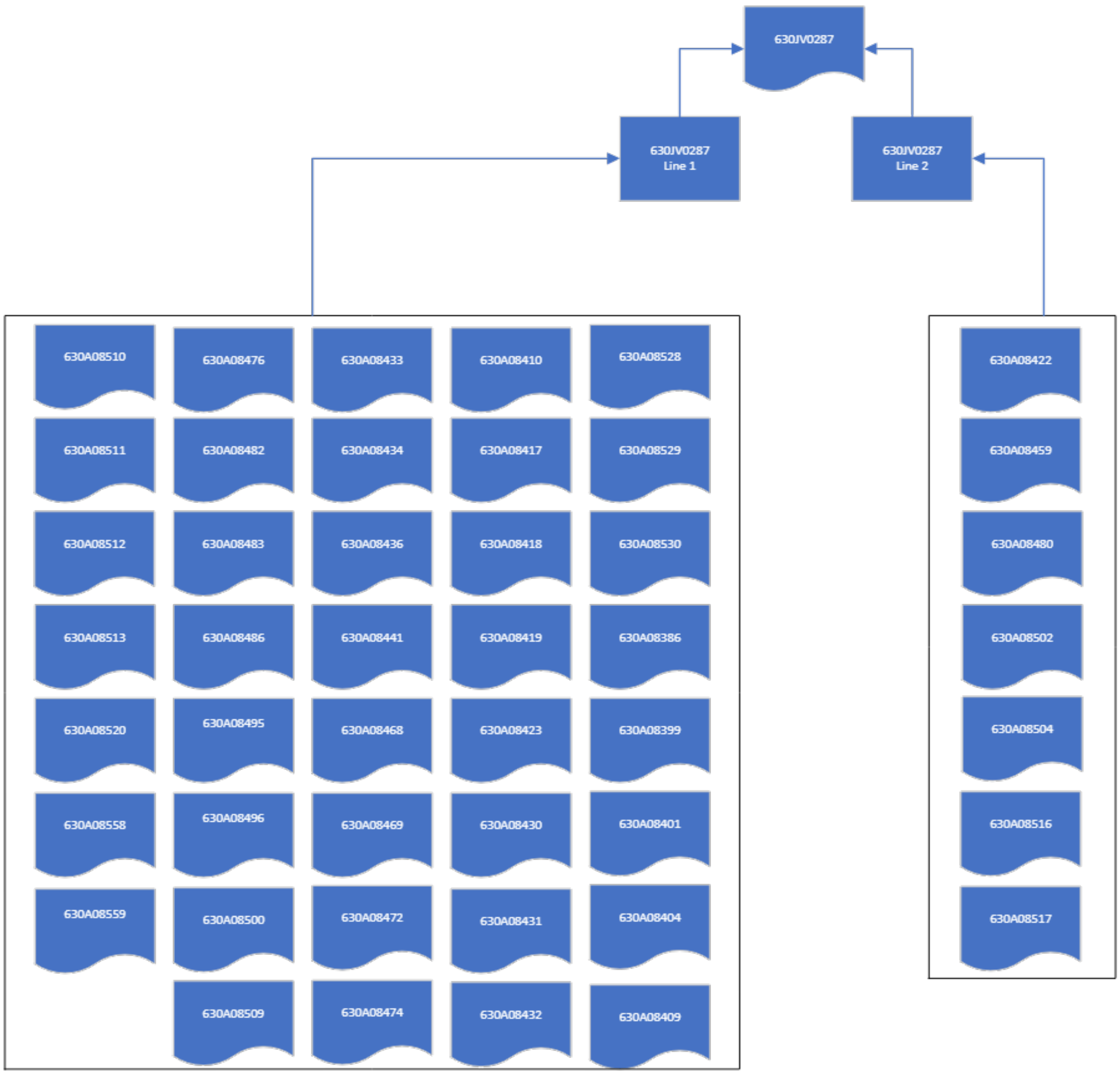

Figure 2. *Example of an FFCRA medical services expenditure transfer. One expenditure transfer can have multiple lines, each line can have multiple purchase orders, and each purchase order can list multiple items or services.*

Source: VA OIG analysis of VA's FFCRA expenditure transfer process.

Impact on Transparency

VA's expenditure transfer process prevents an external reviewer from fully performing an independent assessment without VA's involvement. VA's assistance was critical to perform this OIG review to the extent that VA had the final determination on which transactions should be reviewed. For example, the review team's original request to VA was for a detailed list of all FFCRA obligations and expenditures. VA's initial submission contained summary-level information, which did not provide line-level details. Additionally, the list VA provided next in response to the team's follow-up request was not delineated in such a way that the team could inherently understand which document identifiers (1) were relevant to purchases with FFCRA funds and (2) moved purchases off FFCRA funds and thus were paid using one of VA's other funding sources. The OIG relies on VA to provide transparency of VA's financial reporting; otherwise, an external reviewer would have difficulty ascertaining the details of VA's expenditure transfer process.

Finding 1 Conclusion

The OIG determined that VA generally complied with the Transparency Act, and the FFCRA detailed plan was fairly presented in all material respects. Although the review team identified some discrepancies within the FFCRA detailed plan, the OIG did not believe these warranted a recommendation. Additionally, although VA could improve on these matters and its ability to facilitate external oversight efforts, the OIG did not consider these discrepancies a material concern since the focus of this semiannual report is VA's compliance with the Transparency Act.

The OIG does consider VA's overreliance on and the ineffective controls supporting the use of expenditure transfers a more significant matter, which is further addressed in finding 2.

VA Management Comments and OIG Response

The assistant secretary for management and chief financial officer stated in his September 8, 2023, response that VA's Office of Management acknowledged the OIG's observations regarding the challenges that expenditure transfers pose to accurate reporting but anticipates that the new financial management system will decrease manual adjustments in processing financial transactions. Appendix C provides the full text of the response. The assistant secretary for management and chief financial officer's comments are responsive to the finding.

Finding 2: VA Generally Did Not Comply with Its Financial Policies to Process and Authorize FFCRA Expenditure Transfers

As discussed in the OIG's March 2023 semiannual report, VA's reliance on manual expenditure transfers may impact its reporting of FFCRA-covered funds.[28] In this semiannual report, the OIG assessed VA's use of expenditure transfers to correct its potential reporting errors (negative amounts in fields that should report positive amounts and vice versa) and determined VA's compliance with its own financial policies for the preparation and documentation of expenditure transfers.

VA's financial policies require VA to record and document its manual expenditure transfers so that the supporting documentation or required forms provide a way to verify that the transfer is accurate, properly approved, and satisfies segregation of duties requirements. The OIG found that VA generally abided by its journal voucher financial policy for its medical community care transfers by providing forms and supporting documents for the expenditure transfers (though it could improve its process to ensure all financial events have an adequate audit trail). Conversely, the OIG found that VA generally did not abide by either the journal voucher or expenditure transfer financial policies for its medical services transfers because VA did not include either the relevant forms and supporting documentation to verify the amounts identified or the name, title, and dated signature of the preparer and approving official.[29]

The availability of fully executed and complete supporting documentation is necessary to mitigate the risks associated with VA's reliance on manual processes to correct potential reporting errors. Absent such documentation, VA's financial reporting transparency is diminished.

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[28] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023*.

[29] VA Financial Policy, "Expenditure Transfers," in vol. 1, *General Accounting* (June 2012), chap. 9. The journal voucher serves as an integral part of the audit trail and should include a symbol code, transaction number, transaction date, amount, ledger account(s), and the signatures of the preparer and approver. VA Financial Policy, "VA Journal Vouchers," in vol. 2, *Appropriations, Funds, and Related Information* (June 2020), chap. 1A. The preparer identifies the need for a journal voucher, collects the necessary supporting documentation, and prepares the journal voucher for review and approval. The approving official ensures the accuracy and completeness of supporting documentation and approves the journal voucher for posting.

This finding discusses the following two issues with VA's compliance with financial policies to adequately prepare and document expenditure transfers:

- Expenditure transfers may pose a risk to the transparency of VA's biweekly reporting.
- VA did not comply with its financial policies to process and authorize expenditure transfers.

What the OIG Did

The team reviewed expenditure transfers executed with FFCRA funds. Expenditure transfers accounted for 537 of the 1,316 obligations or expenditures examined (41 percent). To determine VA's compliance with its financial policies related to expenditure transfers, the team reviewed prior OIG reports and applicable VA financial policy. Also, the team reviewed other available transfer-related documentation, such as VA's FMS screens, spreadsheets, and purchase orders.

Expenditure Transfers May Pose a Risk to the Transparency of VA's Biweekly Reporting

The review team identified risks related to VA's use of expenditure transfers that may affect VA's ability to report accurate and complete data in its biweekly reports to OMB and Congress. An expenditure transfer is a manual process that VA staff generally use to transfer funds. However, these transfers are susceptible to human error, which poses a risk to data reliability in financial reporting.

VA's Financial Tracking and Biweekly Reporting Methodologies Carry Inherent Risks

As discussed in the OIG's March 2023 semiannual report, FMS uses the 48-hundred and 49-hundred (48xx and 49xx) general ledger series to capture all of VA's obligation activity.[30] These accounts provide a complete record of obligation activity, such as credit and debit obligations. A credit obligation is a negative amount that shows what funds will be spent as an expenditure. A debit obligation is a positive amount that shows an obligation is being cancelled out or adjusted or that funds are being transferred from one account to another as an expenditure transfer.[31]

[30] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023*. A description of VA's FMS can be found in appendix A.

[31] These transfers are allowed under financial policy but require a manual assessment and assignment to complete them. Relevant factors of an expenditure transfer may include the fund code, transaction ID, vendor code, date, and amount. A transaction ID is a unique FMS identifier comprising a two-character transaction code (for example, "ET") and a nine-character document number. A vendor code is a unique 11-character code (not all characters must be used) in FMS that identifies the vendor.

An incorrectly completed expenditure transfer may result in a reporting error—for example, negative amounts in fields that should report positive amounts and vice versa. These errors could contribute to misstated FFCRA biweekly reports if not properly addressed in VA's financial systems. This is a concern because VA's methodology for pulling financial data does not automatically compensate for these potential reporting errors. VA officials previously stated to the OIG that these potential reporting errors could result from expenditure transfers between or within fund codes, deobligations, system errors, or credits from vendors.

VA's Practice of Aggregating Expenditure Transfers May Lessen the Transparency of Its Financial Reporting

As explained in the OIG's March 2023 semiannual review, the OIG team assessed VA's use of expenditure transfers and found 537 of the 1,316 unique obligations or expenditures examined (41 percent) were expenditure transfers. Of the 537 expenditure transfers, at least 81 were potential reporting errors for fund codes for medical community care and medical services, which represent the risks associated with VA's reliance on manual expenditure transfers.

During this semiannual review, the team identified and validated the offsetting transactions for two potential reporting errors found in the fund code for medical community care. In other words, the team determined that VA corrected or adjusted its fund code balance, resulting in a $0 net impact on medical community care biweekly reporting. Conversely, for the 19 expenditure transfers (563 total line items) reviewed that represented about $23.8 million of potential reporting errors for fund code medical services obligations and expenditures (at least 90 percent of errors), the team was unable to identify all offsetting transactions due to the high level of aggregation in those expenditure transfers (table 6).[32]

Table 6. FFCRA Medical Services Expenditure Transfers by Transaction Number

Transaction number	Line items	Amount ($)	Identified line items	Total amount identified ($)	Unidentified line items	Total amount unidentified ($)
1010JV488A	31	1,011,165	28	977,044	3	34,121
1010JV489A	25	1,025,316	25	1,025,316	0	0
1010JV490A	23	709,535	23	709,535	0	0
1010JV492A	42	801,666	35	582,224	7	219,442
1010JV493A	38	1,686,536	38	1,686,536	0	0
1010JV496A	37	1,371,146	35	1,306,633	2	64,513

[32] The 19 expenditure transfers ($23.8 million) represent 92.3 percent of the $25.8 million and 90.1 percent of the $26.1 million of potential reporting errors on medical services obligations and expenditures, respectively.

Transaction number	Line items	Amount ($)	Identified line items	Total amount identified ($)	Unidentified line items	Total amount unidentified ($)
1010JV497A	19	1,851,729	15	1,578,481	4	273,248
1010JV498A	13	708,775	13	708,775	0	0
1010JV499A	77	1,503,133	74	1,254,375	3	248,758
1010JV500A	43	1,129,810	31	710,601	12	419,209
1010JV501A	25	822,512	19	711,771	6	110,741
1010JV504A	16	1,254,623	16	1,254,623	0	0
1010JV505A	24	882,206	21	835,707	3	46,499
1010JV506A	9	772,443	9	772,443	0	0
1010JV507A	46	1,083,932	38	728,261	8	355,671
1010JV508A	26	1,191,129	22	1,024,847	4	166,282
1010JV509A	50	1,061,364	50	1,061,364	0	0
1010JV510A	1	3,794,580	0	0	1	3,794,580
1010JV511A	18	1,127,661	18	1,127,661	0	0
Total	**563**	**23,789,261**	**510**	**18,056,197**	**53**	**5,733,064**

Source: OIG's analysis of FFCRA actual expenditure transfers as of the expiration of those funds (September 30, 2022).

Note: Amounts are rounded.

Specifically, although the team identified offsetting transactions for 510 line items (about $18.1 million), 53 line items (about $5.7 million) could not be reconciled to a transaction number. Further, of the 510 line items identified, some line items had as many as 56 offsetting lines (example 1).

Example 1

EW 5010JV134, dated April 13, 2020, includes 56 line items totaling $92,631, for costs not related to COVID-19 test kits. The potential offsetting transaction is line #1 from EW 1010JV508A, dated September 28, 2020, with a $92,631 total. However, EW 1010JV508A has a total amount of about $1.2 million and includes 26 lines. The team identified about $1 million in offsetting lines for EW 1010JV508A, but there is no clear connection to identify the remaining offsetting lines.

The team asked VA to provide supporting documentation for the 19 expenditure transfers to explain the link between these potential reporting errors and any offsetting transactions. VA stated that these expenditure transfers were executed to correct the balance of funds in medical services due to obligations and expenditures outside the purpose of FFCRA spending. However, VA's supporting documentation does not demonstrate a link between the expenditure transfers and underlying line items. In other words, the supporting documentation for EW 1010JV508A does not indicate coverage of EW 5010JV134 or any other transactions to validate the $1.2 million total. When the OIG requested further information, VA stated it did not have supporting documentation as of May 2023.

VA was unable to provide an explanation for why the supporting documentation was not available, despite multiple OIG requests. Since VA cannot provide information to link the expenditure transfers to the offsetting transactions, the OIG cannot validate that (1) the assumptions used for the OIG's identification of offsetting transactions are accurate or (2) the fund code balances were corrected or adjusted to result in a $0 net impact on medical services biweekly reporting. The availability of fully executed and complete supporting documentation for expenditure transfers is necessary to mitigate the risks associated with VA's reliance on manual processes to correct potential reporting errors. Without supporting documentation, VA's financial reporting transparency is lessened.

VA Did Not Comply with Its Financial Policies to Process and Authorize Expenditure Transfers

As discussed in the OIG's March 2023 semiannual report, from the enactment of the FFCRA on March 18, 2020, through the VA September 2022 biweekly report, two VA financial policies governed VA's use and approval of expenditure transfers. Additionally, in a previous report published in May 2023, the OIG found that the use of manual expenditure transfers limited VA's transparency and accountability for CARES Act funds.[33] Specifically, VA's financial system's limitations and the absence of clear guidance about the required documentation to support an audit trail contributed to expenditure transfers being inadequately prepared and documented. During fieldwork for this semiannual report, the review team found similar issues in that VA did not adequately prepare and document all its expenditure transfers.

VA's Financial Policies

VA's expenditure transfer policy states that VA staff will document expenditure transfers through either a manual or system-generated journal voucher entry.[34] Further, expenditure transfers involving entry by another finance activity require the use of Optional Form 1017-G and require VA staff to maintain supporting documentation and appropriate approvals as follows:

- An entry that accurately captures the transaction and provides a detailed audit trail

[33] VA OIG, *VHA Can Improve Controls Over Its Use of Supplemental Funds*.

[34] VA Financial Policy, "Expenditure Transfers." A system-generated journal voucher entry is created in FMS or interfaced to FMS.

- The names of the preparer and approver to ensure the proper segregation of duties

This policy is still effective since its enactment in June 2012 but only describes the expenditure transfer documentation process. However, VA established a separate journal voucher financial policy in June 2020, which includes concurrent guidance on expenditure transfer documentation and approval.[35]

The latter policy states that journal voucher entries would be used to record expenditure transfers and, similar to the expenditure transfer financial policy, the entry should include sufficient details to support the transaction and the segregation of duties between preparer and approver. However, unlike the expenditure transfer policy, the journal voucher policy makes the use of the form mandatory to document a journal voucher entry. Further, the journal voucher policy provides guidance related to approvals of journal vouchers (in other words, expenditure transfers). Specifically, once the approving official receives the form and reviews the journal voucher and supporting documentation for adequacy, the approving official must sign and date the journal voucher for posting.

Though VA's financial policies were concurrent through September 2022 (the expiration date for VA's spending of FFCRA-covered funds), only the journal voucher policy designates requirements for VA staff approval for expenditure transfer processing. The OIG has determined that the journal voucher policy takes precedence over the expenditure transfer policy when both were active in June 2020. As confirmed by VA, the journal voucher financial policy "contains the current expenditure transfer documentation and approval requirements to be followed by VA." Further, information in the expenditure transfer policy "that is not duplicative of information covered in the [journal voucher] policy will be incorporated into the appropriations law policy in the upcoming update."

VA's Compliance with Financial Policies

During this semiannual review, the team determined that the expenditure transfers used to execute FFCRA funds did not always meet VA's financial policy requirements due to issues with the form and related supporting documentation or the completion of the transfers. The form (or equivalent when the form is not required) should provide a way to verify that the expenditure transfer is accurate, is properly approved, and satisfies segregation of duties requirements.[36]

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[35] VA Financial Policy, "VA Journal Vouchers."

[36] VA Financial Policies, "Expenditure Transfers" and "VA Journal Vouchers." The expenditure transfer financial policy states that the journal voucher should identify the names and titles of the preparer and approver and requires that these be different individuals. Similarly, the journal voucher financial policy requires documentation of the preparer's and approving official's names, titles, and dated signatures and that these individuals must be different, with the approving official having a level of authority above the preparer.

Further, VA staff may potentially risk overstating or understating VA's expenditures and obligations while executing manual transfers if they do not abide by policy.

The team found that VA generally complied with the journal voucher financial policy for its medical community care transfers by providing forms and supporting documents for them. Although VA's efforts to meet VA financial policy requirements for medical community care transfers were generally adequate, the supporting documentation could have been improved. The team found that VA generally did not abide by its financial policies for the medical services transfers listed in table 6 as it did not include (1) the form or form-equivalent (when the form is not required); (2) supporting documentation for the amounts identified; or (3) the names, titles, and dated signatures of the preparer and approving official. The transfers occurred in September 2020 and therefore fall under the journal voucher financial policy requirement to complete the form for each expenditure transfer. However, as previously discussed, VA stated completed forms were not available. Also, although VA provided some supporting documentation for the total amount identified, the documentation could not be used to validate the transferred amount. When the team requested documentation showing the preparer and approving official for these transfers, VA provided email correspondence showing the transfers but not clearly designating the preparers or approving officials. In other words, there is little evidence to support that a proper review was performed before the transfers were posted. Therefore, not only did VA staff fail to prepare forms in accordance with VA's journal voucher financial policy—which helps mitigate the risks of completing manual transfers in FMS—but there is no evidence that duties were segregated, the transfers were approved, or the transfers were completed accurately and adequately.

In addition to the concerns noted above for the September 2020 transfers, the team also found that forms provided for subsequent medical services transfers (late September 2020 through May 2022) were dated in June 2023 and signed by the preparer and approving official in July 2023. In other words, some forms were dated and signed almost three years after the transfers were executed in FMS. The team asked VA to explain this delay in completing FFCRA forms, and VA stated that its staff "worked to recreate the missing journal vouchers." The team requested clarification regarding why VA needed to recreate missing documents, and VA speculated that "the transactions were initially approved verbally and once [VA] realized that the transactions were not compliant with VA financial policy, the VA staff did the transaction and FMS research to identify the contract actions and FMS transactions that expended the [medical services] $30 million in accordance with [Office of General Counsel] guidance."

As stated in the overview of the journal voucher financial policy, "VA will ensure that [journal vouchers] are reviewed and approved timely by appropriate personnel, and that documentation of [journal voucher] approval is maintained for audit purposes."[37] The policy does not define

[37] VA Financial Policy, "VA Journal Vouchers."

"timely"; however, the preparer's and approving official's responsibilities should be met before a journal voucher can be posted (see figure A.1 in appendix A). Specifically, the journal voucher process is sequential. Preparers should complete their responsibilities—identifying the need for a journal voucher, collecting the necessary supporting documentation, and preparing the journal voucher for review and approval—before approving officials can ensure the accuracy and completeness of supporting documentation and approve the journal voucher for posting. As such, VA should prepare adequate documentation that is reviewed and approved prior to the transfer and that can be relied on to facilitate both internal and external oversight efforts. As previously stated, the availability of fully executed and complete supporting documentation for expenditure transfers is necessary to mitigate the risks associated with VA's reliance on manual processes. Without supporting documentation—prepared and approved at the time of the transfer's execution—VA's financial reporting transparency is diminished.

Under the expenditure transfer financial policy, VA was not required to prepare a form but could complete a form-equivalent when applicable. However, for the transfers executed under this financial policy (in other words, before June 2020), VA prepared a form for most of its transfers (rather than a form-equivalent). As with the medical services transfers under the journal voucher financial policy, VA did not adequately prepare and document the form to support the amounts being transferred (examples 2 and 3).

Example 2

VA provided the form, form-equivalent, and supporting documentation for EW 519JV0156, dated April 13, 2020. The form was generally completed, and the preparer and approving official were identified, but the form did not include dated signatures. The OIG team found that the form-equivalent provided sufficient details of the applicable accounting information. However, the supporting documents did not provide sufficient information to validate the transfer amounts. Therefore, the transfer was not completed in accordance with the expenditure transfer financial policy.

Example 3

VA provided the form and supporting documentation for EW 673JV0344, dated April 14, 2020. The form did not include a transaction date, the dated signature of the preparer, or the identity and dated signature of the approving official. The supporting documents did not provide sufficient information to validate the transfer amounts and cannot show that the transfer was properly posted to the general ledger. As with the example above, the transfer was not completed in accordance with the expenditure transfer financial policy.

As another consideration for form (or form-equivalent) completion, the expenditure transfer financial policy states that "VA will process adjustments to expenditures only after an expenditure has been recorded."[38] In other words, VA staff must consider the correct data while preparing the form (or form-equivalent) to accurately adjust fund code balances. The team found some expenditure transfers were based on obligated amounts that may not have been representative of paid expenses. For example, VA's supporting documentation for EW 630JV0287, dated April 13, 2020, did not include details on paid expenses, only obligated amounts. When reviewing these expenditure transfers, the team found that only about $170,815 of the $211,994 total represented paid expenses. The difference ($41,179) overstated medical services expenditures but left obligations of the same amount available for use. Ultimately, as these transactions were reversed in September 2020, there was no net impact on expenditures and obligations related to these transfers. However, VA staff may potentially overstate or understate VA's expenditures and obligations reporting while executing manual transfers.

VA was unable to provide any relevant form, form-equivalent, or supporting documentation for some of the transfers under review. Specifically, VA did not provide documentation at all or provided documentation for transfers not associated with the review. For example, VA provided supporting documentation for EW 60720JV162A, dated April 13, 2020. However, the transfer under review, EW 60720JV162F, dated April 28, 2020, could not be supported. When questioned, VA stated the form to support EW 60720JV162F was not available; therefore, the team was unable to validate the transfer.

VA generally abided by its financial policies for medical community care expenditure transfers even during the unprecedented circumstances of the COVID-19 pandemic. Conversely, regarding medical services transfers—and similar to OIG findings in the May 2023 report—the review team determined that (1) VA did not always comply with financial policy to adequately prepare and document expenditure transfers and (2) an adequate audit trail was not established for many of the expenditure transfers performed.[39] VA previously acknowledged these issues and is taking action to address the concerns based on the recommendations made in the May 2023 report.

Finding 2 Conclusion

The review team found that VA significantly relied on manual expenditure transfers to execute FFCRA-covered funds due to the limitations of VA's financial system. Of the potential reporting errors identified in the OIG's March 2023 semiannual report, the team validated that VA took corrective action for its medical community care transactions, resulting in a $0 net impact on biweekly reporting. Conversely, the team found that VA was unable to support its medical services transactions as fully executed because supporting documentation was not available.

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[38] VA Financial Policy, "Expenditure Transfers."

[39] VA OIG, *VHA Can Improve Controls Over Its Use of Supplemental Funds*.

Further, the team found that VA did not always comply with financial policy to adequately prepare and document expenditure transfers. Consequently, an audit trail was not established to support many expenditure transfers and to validate the transferred amounts.

The availability of fully executed and complete supporting documentation is necessary to mitigate the risks associated with VA's reliance on manual transfer processes. Without that documentation, VA's financial reporting transparency is negatively affected. VA must ensure staff know and understand VA's financial policies, including the respective roles and responsibilities of preparers and approving officials. Greater awareness will minimize any potential effects on the accuracy and transparency of VA's financial records and reporting.

Recommendation 1

The OIG made one recommendation to VA's assistant secretary for management and chief financial officer:

1. Ensure that Veterans Health Administration fiscal staff are trained on VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers).

VA Management Comments

The assistant secretary for management and chief financial officer concurred with recommendation 1, stating that VA's under secretary for health will ensure training is developed and implemented that informs VHA fiscal staff on the VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers).

OIG Response

The assistant secretary for management and chief financial officer's comments and corrective action plans are responsive to the intent of recommendation 1. The OIG will close the recommendation once VA provides evidence that this VA financial policy training has been developed and implemented.

Finding 3: VA Generally Complied with the Transparency Act, but VA's Controls over CARES Act Funds May Impact Financial Reporting

The Transparency Act requires VA to produce a detailed plan for obligating and spending covered funds (including a detailed justification) and to report on any spending deviations from that plan in its biweekly reports. The OIG found that VA generally met the act's reporting requirements to produce a CARES Act detailed plan and submit biweekly reports to Congress. However, because VA missed some biweekly reporting milestones, VA may not have provided the continuous updates to Congress intended by the Transparency Act. The OIG did not consider the risk significant since VA continued to provide monthly reports as required by the CARES Act; these reports had nearly the same information, with slight differences due to their timing (biweekly versus monthly). Still, a previous OIG report indicated that the reliability of CARES Act reporting, including the detailed plan provided to Congress in December 2021, is diminished by VA's extensive reliance on manual expenditure transfers and noncompliance with fiscal controls when using CARES Act supplemental funds.[40]

Although the OIG identified concerns within VA's CARES Act biweekly reports and previously identified issues with documentation and fiscal controls, VA generally complied with the Transparency Act. The following determinations support the OIG's finding:

- VA's CARES Act detailed plan generally complied with the Transparency Act but could have been improved.
- VA's schedule deviations for CARES Act reporting did not affect its compliance with the Transparency Act, but CARES Act reporting reliability is diminished.
- The OIG's Transparency Act inaugural report recommendations were closed.

What the OIG Did

To determine VA's compliance with Transparency Act requirements, the team reviewed relevant laws, regulations, and VA policy. The team also reviewed biweekly and monthly CARES Act reports as required under the Transparency Act and the CARES Act, respectively. Further, to gain an understanding of the processes for developing the CARES Act detailed plan and the accuracy of CARES Act reporting, the team reviewed prior Government Accountability Office and OIG reports. To compare VA's CARES Act detailed plan to its actual obligations and

[40] VA OIG, *VHA Can Improve Controls Over Its Use of Supplemental Funds*.

expenditures, the review team

- asked VA's Office of Management if it had submitted any revisions to the detailed plan,
- assessed the detailed plan for disclosures regarding programs and activities,
- evaluated the VA monthly and biweekly reports to determine if VA reported any deviations from CARES Act purposes or VA's CARES Act detailed plan, and
- analyzed VA's obligation and expenditure data for biweekly reporting purposes.

VA's CARES Act Detailed Plan Generally Complied with the Transparency Act but Could Have Been Improved

As explained in the inaugural report, the OIG determined that VA submitted detailed plans that generally outlined how it intended to spend CARES Act supplemental funds.[41] The review team relied on VA's December 2021 CARES Act detailed plan, its most current plan, for comparison purposes. The team found VA's detailed plan generally provided descriptions regarding the use of CARES Act funds, including significant amounts provided to VHA to respond to the pandemic within its own facilities and to support veterans who sought care in the community. Additionally, the CARES Act detailed plan stated that funds were used to purchase personal protective equipment, such as N95 masks, and to support VA staff who transitioned to telework by expanding telework solutions.

However, the detailed plan could have been improved (1) when a significant amount of funding was associated with the use of funds, but the descriptive narrative was limited and (2) when the narrative did not fully comment on the amount in the detailed plan. For example, the CARES Act detailed plan stated it obligated \$687.7 million for contracts with narratives to support \$362 million (53 percent) but did not provide commentary on the remaining \$325.7 million. The review team acknowledges the challenges presented by the pandemic and the flexibility demonstrated by the VA staff who supported the medical needs of VA veterans. The team determined the detailed plan to be adequate and did not make any related recommendations.

VA's Schedule Deviations for CARES Act Reporting Did Not Affect Its Compliance with the Transparency Act, but CARES Act Reporting Reliability Is Diminished

Congress passed the CARES Act and the Transparency Act with varying reporting requirements. The team reviewed whether VA complied with all reporting requirements:

[41] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*.

- Section 20002 of the CARES Act (enacted March 27, 2020) required VA to submit monthly reports for all covered funds appropriated in the CARES Act to Congress and to detail obligations, expenditures, and planned activities until September 30, 2021.
- The Transparency Act (enacted November 22, 2021) required VA to provide a report detailing obligations and expenditures and a written justification for any deviations every 14 days beginning on the date the detailed plan was submitted (December 22, 2021) and ending seven days after all funds have been expended.[42]

The review team found that VA generally met its milestones for reporting requirements. However, VA did not consistently provide all monthly or biweekly reports required by the acts. Specifically, although VA has continued to provide monthly CARES Act reports to Congress (the most recent is through June 30, 2023), VA has not provided a biweekly report to Congress as required by the Transparency Act since September 13, 2022. Nonetheless, as VA's monthly CARES Act reports were similar to the biweekly reports—with minor differences due to timing of the week's or month's end—the team did not consider this a significant deviation. Therefore, the OIG did not make a recommendation for improvement in this area.

A previous OIG report found that the use of manual expenditure transfers limited transparency for CARES Act supplemental funds used for employee payroll, other contractual services, and medical supply purchases. For example, in the previous report, according to VA and VHA officials, the FMS configuration contributed to the need for VHA to use regular annual appropriations to process COVID-19–related personnel, compensation, benefits, and other contractual services and then complete an expenditure transfer to the appropriate CARES Act supplemental appropriation.[43] According to the CARES Act detailed plan provided to Congress in December 2021, the CARES Act medical services account obligated about $2.7 billion for personnel salaries and benefits of healthcare providers. However, as the previous OIG audit report found, VA relied extensively on manual journal voucher transfers to record these expenses, and documentation did not allow the audit team to trace specific samples because transfers included items from several of VHA's regular annual appropriations.

Additionally, the same report found that about 10,000 COVID-19–related transactions that were directly obligated from the CARES Act funds were noncompliant with key fiscal controls set out in VA's policies and procedures. Again, according to the CARES Act detailed plan, VA obligated about $2.7 billion for supplies and materials from the CARES Act medical services fund. Although this report did not review detailed CARES Act transactions, the previous OIG findings indicate that the reliability of CARES Act reporting for supplies and materials may not

[42] As of the enactment of the Transparency Act, VA had obligated and spent all (or nearly all) of CARES Act supplemental funds.

[43] VA OIG, *VHA Can Improve Controls Over Its Use of Supplemental Funds*.

provide Congress with reasonable assurance that funds allocated for veterans' COVID-19–related care are being spent as intended.

The OIG's Transparency Act Inaugural Report Recommendations Were Closed

The inaugural OIG report for the Transparency Act (issued on March 22, 2022) focused on whether VA's plans provided to Congress on December 22, 2021, satisfied the requirements of the act. Although VA's plans generally outlined how it spent, or intended to spend, its covered funds, the OIG found that the CARES Act detailed plan for the National Cemetery Administration's use of $3.6 million for the Beaufort National Shrine project may have violated the law because the work did not appear to be directly related to COVID-19. The ARP spend plan also did not include a projected cost related to maintaining information technology projects. The OIG made two recommendations to the assistant secretary for management/chief financial officer. The first was to consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violates the Purpose Statute and, if a violation occurred, take the necessary steps to remedy the violation. The second recommendation was to determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. According to the Office of Management/chief financial officer's action plan, the target completion date for both recommendations was June 2022.[44] VA provided information in March 2023 and requested closure of both recommendations. The OIG determined that VA provided sufficient information for both recommendations and notified VA in April 2023 that the recommendations were closed.

Finding 3 Conclusion

VA generally complied with the Transparency Act regarding its CARES Act detailed plan but did not fully comply with the Transparency Act biweekly reporting requirements. Additionally, although VA-provided obligations and expenditures largely aligned with VA's stated programs and activities, a previous OIG report found that the reliability of information in the detailed plans and biweekly reporting may be decreased due to manual transactions necessary to properly reflect personnel salaries and benefits financial information in FMS. Further, the same OIG report found that noncompliance with key fiscal controls by VHA staff led to the OIG questioning funds used for COVID-19 transactions because staff did not have documented authority to purchase items and did not segregate duties, properly track the receipt of goods ordered, or properly certify and pay invoices.

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[44] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*.

However, the OIG did not make recommendations regarding these issues because VA continues to provide monthly reports to Congress; therefore, the lack of biweekly reports did not significantly impact Congress's awareness of CARES Act funds obligations and expenditures. The OIG also did not make recommendations regarding the reliability of CARES Act funds reporting because recommendations made in the previous OIG report remain open.

VA Management Comments and OIG Response

The assistant secretary for management and chief financial officer stated that VA's Office of Management agreed with the OIG's findings regarding its compliance with Transparency Act congressional reporting and that it has not always met its monthly and biweekly reporting milestones. The Office of Management stated it would coordinate with VHA to ensure future supplemental plans are updated to align with actual expenditures and noted that VA strives to ensure it provides congressional stakeholders with timely data and information to inform congressional decision-making. The assistant secretary for management and chief financial officer's comments are responsive to the finding.

Appendix A: Background

VA Entities

Table A.1 lists the entities covered by the Families First Coronavirus Response Act (FFCRA) detailed plan and those that are discussed in this report.

Table A.1. Overview of VA Entities

Entity	Description
Office of General Counsel	Provides legal advice and services to VA
Office of Management	Provides strategic and operational leadership in budget, asset enterprise management, financial management, financial management business transformation service, actuarial services, and business oversight and promotes public confidence through stewardship and oversight of business activities that are consistent with national policy, law, and regulations
Veterans Health Administration (VHA)	The nation's largest integrated healthcare system that serves over nine million enrolled veterans and provides contingency support during national emergencies

Source: VA Office of Inspector General (OIG) analysis of information provided on VA websites and in the VA Functional Organization Manual.

VA's Financial Management System

VA's Financial Management System (FMS) interfaces externally with government and commercial vendors and banks for electronic billing and payment purposes. FMS also aggregates VHA financial information derived from several subsidiary applications and systems. VHA relies on these subsidiary systems for recording line-level details as part of its administration of medical services and community care operations. VA relies on FMS to execute expenditure transfers. These transfers adjust how the financial activity from those subsidiary systems was originally recorded in FMS under the appropriate FFCRA line of accounting.

VA's Journal Voucher Financial Policy

Figure A.1 shows VA's process under the journal voucher financial policy to prepare, document, and approve FMS transactions.

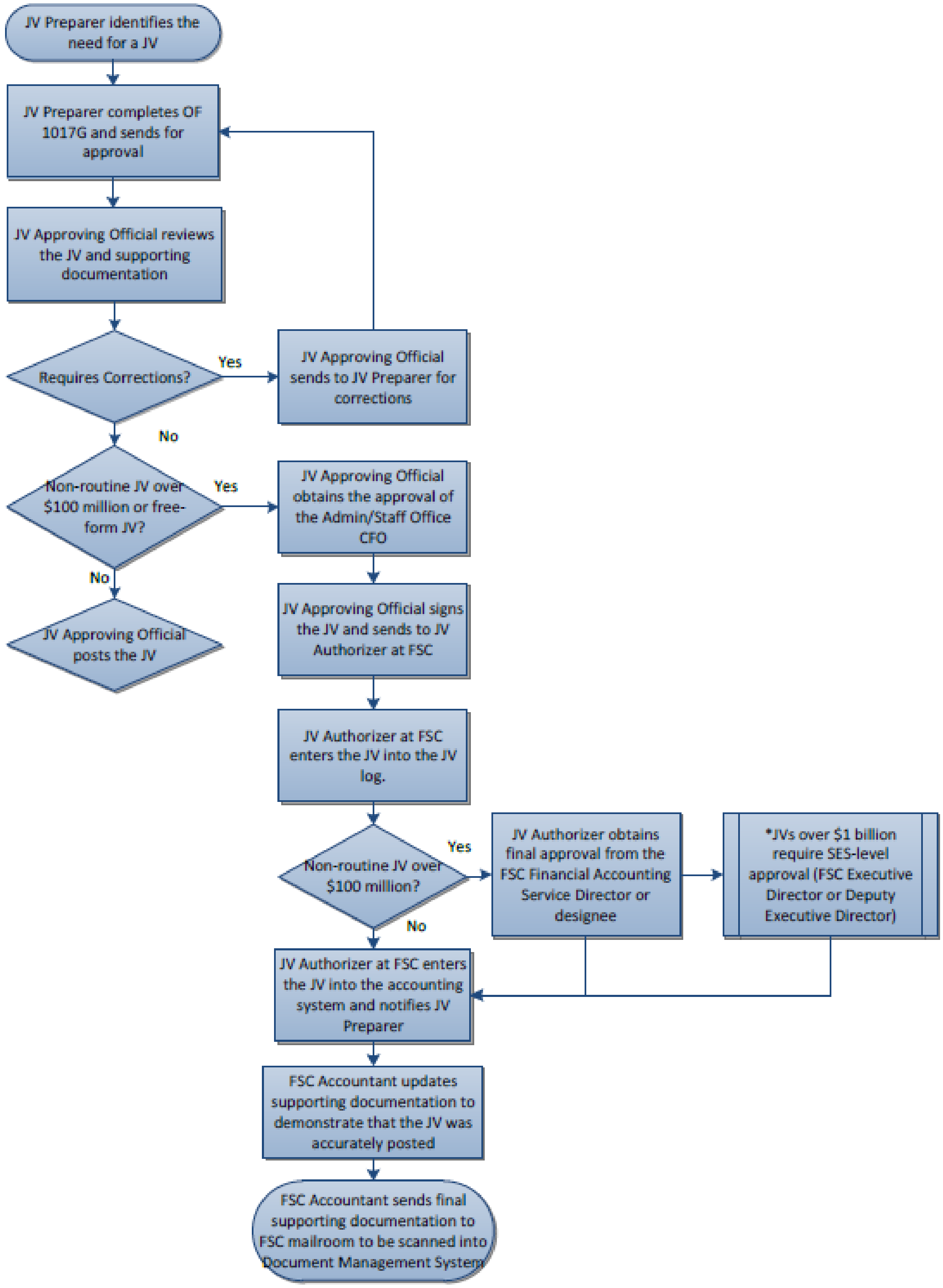

***Figure A.1**. VA's process to prepare, document, and approve FMS transactions.*
Source: Screenshot of VA Financial Policy, "VA Journal Vouchers," appendix A image titled "[Journal Voucher] Preparation and Approval in FMS."

FFCRA Budget Object Class Code

Table A.2 shows the two FMS budget object class codes relevant to the FFCRA.

Table A.2. Overview of FFCRA Budget Object Class Codes

Budget object class code	Code title	Code description	Fund code
2562	Non-VA medical and nursing service (off-station only)	Includes professional, technical, medical, and nursing services off-station only (excludes all other on-station professional, technical, medical, and nursing services program)	0140C3
2632	Other medical and dental supplies (also expendable property)	Includes items such as hospital, physical medicine, and rehabilitation supplies, and clinical diagnosis and therapy	0160C3

Source: VA OIG analysis of VA-provided expenditures and VA Financial Policy, "FMS Budget Object Class Code Listing," in vol. 13, Cost Accounting (October 2020), chap. 2, app. A.

Appendix B: Scope and Methodology

Scope

The review team conducted its work from March 2023 through August 2023. Although the review focused on all covered funds under the VA Transparency & Trust Act (Transparency Act)—Families First Coronavirus Response Act (FFCRA); Coronavirus Aid, Relief, and Economic Security (CARES) Act; and American Rescue Plan (ARP) Act of 2021—for consideration of fraud, waste, abuse, or other matters, the team limited its comparative analysis to VA's FFCRA detailed plan and biweekly and monthly reports to determine whether VA used all $60 million of FFCRA-covered funds as stated in the plan. Further, the team limited its analysis to the CARES Act detailed plan, biweekly and monthly reports, and prior VA Office of Inspector General (OIG) reports.

Methodology

To assess VA's compliance with the Transparency Act for planned tasks affected by the scope limitations under the most recent semiannual report, the team[45]

- compared VA's FFCRA detailed plan submitted to Congress to actual obligations and expenditures up to August 23, 2022, to identify any unreported deviations from VA's asserted planned use;
- determined whether VA complied with relevant law and policy during the expenditure transfer process; and
- analyzed FFCRA actual expenditures at the network, medical center, and program levels.

Further, for the CARES Act, the team

- reviewed federal laws, regulations, VA policy, and supplemental information to policies to gain an understanding of what is required of VA regarding compliance with the act, the act's covered funds, and overall reporting requirements;
- inventoried the list of projects, contracts, and other evidence that supports VA's reported planned uses of CARES Act funds to provide a basis of the comparison review;

[45] VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023*.

- compared VA's CARES Act detailed plans submitted to Congress to actual obligations and expenditures to identify any unreported deviations from VA's asserted planned use;
- examined VA's biweekly reports to Congress related to its use of CARES Act funds to determine whether VA presented any deviations from its detailed plan and, if so, determine if justification was provided;
- reviewed VA's CARES Act biweekly reports to Congress, to ensure VA reasonably met all the basic requirements of section 2(a)(2) of the Transparency Act;
- reviewed the methodologies VA used to develop its biweekly reporting of obligations and expenditures of CARES Act funds to identify any risks associated with the reliability of that information;
- reviewed VA's use of expenditure transfers in its CARES Act obligations and expenditures;
- determined whether VA complied with relevant law and policy during the expenditure process;
- made inquiries to VA and its administrations about their interpretations of the requirements of the Transparency Act, as well as about evidence that supports their assertions;
- conducted interviews with VA and its administrations' staff at multiple levels to understand the reliability of VA's assertions;
- leveraged existing and previous OIG work related to the CARES Act–covered funds and the OIG's reviews of VA's compliance with the Transparency Act to provide context for any other matters the review team determined were relevant; and
- collaborated and coordinated with other OIG teams within the Office of Audits and Evaluations and the Office of Investigations.

Internal Controls

The team determined that internal controls were not significant to the review objective.[46]

Fraud Assessment

In compliance with the Transparency Act, the team assessed the risk that fraud and noncompliance with provisions of law, regulations, contracts, and grant agreements, significant

[46] GAO, *Standards for Internal Control in the Federal Government*.

in the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by

- soliciting the OIG's Office of Investigations for indicators;
- reviewing the indictments and convictions that are published on the Pandemic Response Accountability Committee website;[47]
- reviewing VA data submissions for actual obligations and expenditures under FFCRA as of August 23, 2022; and
- reviewing VA-reported obligations and expenditures under the CARES Act as of June 30, 2023.

The OIG did not identify any instances of potential fraud during this semiannual review, but the team will stay alert to fraud indicators for subsequent reports.

Data Reliability

The OIG obtained data from VA for actual FFCRA obligations and expenditures for April 1, 2020, through August 23, 2022.[48] The review team electronically tested the data to identify obvious errors in accuracy and completeness and determined the data provided were consistent with the Financial Management System. Further, the OIG statistically tested the accuracy of transactions related to FFCRA obligations and expenditures for data reliability purposes. Taking all the evidence together, the team determined that the data were sufficient and reliable for the purposes of the team's analysis to support the results and conclusions.

Government Standards

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

[47] As of March 2023, nine indictments or convictions were listed on the website of the Pandemic Response Accountability Committee—a committee of the Council of the Inspectors General on Integrity and Efficiency. "Reporting on Oversight" (web page), Pandemic Response Accountability Committee, accessed March 15, 2023, https://www.pandemicoversight.gov. The team exercised due diligence in staying alert to fraud indicators. Although the team identified potential risks associated with vendors charging for fraudulent COVID-19 or other medical testing, the team determined that the overall risk of fraud was low and did not require additional measures to test for fraud, waste, and abuse.

[48] FFCRA was enacted on March 18, 2020, but VA did not start obligating or expending FFCRA-covered funds until April 1, 2020.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: September 8, 2023

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

Subj: Draft Report, Review of VA’s Compliance with the Transparency and Trust Act of 2021 Semiannual Report: September 2023 (project number 2022-00879-AE-0062)

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

1. Thank you for the opportunity to review the Office of Inspector General (OIG) draft September 2023 semiannual report on the Department of Veterans Affairs’ (VA) compliance with the Transparency and Trust Act of 2021.

2. The Office of Management (OM) acknowledges OIG’s observations regarding the challenges that expenditure transfers pose to accurate reporting. OM anticipates the VHA transition to the new financial management system will decrease manual adjustments in processing financial transactions.

3. VA notes that, unlike the May 2023 report, most findings cited were administrative in nature (ex. Signatures) demonstrating that VA correctly allocated funds to Veteran care. To address the OIG’s finding, the VA Action Plan is attached.

4. OM agrees with OIG’s finding regarding VA’s compliance with the Transparency Act reporting with respect to Congressional reporting. OM will coordinate with VHA to ensure future supplemental plans are updated to align with the actual expenditures.

5. OM agrees with OIG’s finding that VA has not always met reporting milestones on some monthly and biweekly reports. VA strives to ensure we provide our Congressional stakeholders with timely data and information needed to inform their decision making.

The OIG removed point of contact information prior to publication.

(Original signed by)

Jon J. Rychalski

Attachment

OFFICE OF MANAGEMENT/CHIEF FINANCIAL OFFICER

Action Plan

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

(Project number 2022-00879-AE-0062)

Recommendation 1. VA's under secretary for health to ensure that VHA fiscal staff are trained on the VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers).

OM Comment: Concur

VA's Under Secretary for Health will ensure training is developed and implemented that informs VHA fiscal staff on the VA financial policy requirements for the preparation and approval of journal vouchers (including expenditure transfers).

Status: In Progress Target Completion Date: June 2024

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

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