

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Department of Veterans Affairs

*Audit of  
VA's Compliance With  
the DATA Act*

November 8, 2017  
17-02811-21

# ACRONYMS

ARC	Allocation Resource Center
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CFDA	Catalog of Domestic Assistance
CFO	Chief Financial Officer
CLA	CliftonLarsonAllen
DAIMS	DATA Act Information Model Schema v1.0
DATA Act	Digital Accountability and Transparency Act of 2014
eCMS	Electronic Contract Management System
FFATA	Federal Funding Accountability and Transparency Act
FY	Fiscal Year
FMS	Financial Management System
FPDS-NG	Federal Procurement Data System - Next Generation
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
ID	Identifier
IFCAP	Integrated Funds Distribution, Control Point Activity Accounting, and Procurement System
IG	Inspector General
JV	Journal Voucher
MCA	Management Cost Accounting
MinX	Management Information Exchange
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIID	Procurement Instrument Identifier
PMO	Project Management Office
SBR	Statement of Budgetary Resources
SCFIP	State County Federal Information Processing Standard
TAS	Treasury Account Symbol
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

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**Department of  
Veterans Affairs**

**Memorandum**

**Date:** November 8, 2017  
**From:** Assistant Inspector General for Audits and Evaluations (52)  
**Subj:** Audit of VA's Compliance With the Digital Accountability and Transparency Act of 2014  
**To:** Acting Assistant Secretary for Management and Acting Chief Financial Officer

1. We contracted with the independent public accounting firm, CliftonLarsonAllen LLP (CLA), to audit VA's compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act), Public Law 113-101. The contract required CLA to conduct this performance audit in accordance with Generally Accepted Auditing Standards. The results of CLA's audit are presented in the attached report.
2. The DATA Act requires the Inspector General of each Federal agency to review a statistically valid sample of the spending data submitted by its Federal agency for publication on the website USASpending.gov. Each Inspector General must submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of Government-wide financial data standards. Three biennial reports are required, with this first report due on November 8, 2017, in accordance with the schedule recommended by the Council of the Inspectors General for Integrity and Efficiency.
3. CLA reported that VA did not fully comply with the DATA Act due to weaknesses in VA's existing financial management systems and internal controls related to source systems, data management, and data reporting processes. As a result, VA did not submit complete, timely, quality, and accurate financial and award data to USASpending.gov for the second quarter of fiscal year 2017.
4. CLA recommended you continue VA's system modernization efforts and coordinate with VA's shared service provider to ensure DATA Act requirements will be met. Overall, CLA made 21 recommendations for improving compliance with the DATA Act. Your response to CLA's draft report indicated concurrence with all recommendations, and planned corrective actions are responsive.
5. CLA is responsible for the attached report dated October 27, 2017, and the conclusions and recommendations expressed in it.



**LARRY M. REINKEMEYER**  
Assistant Inspector General  
for Audits and Evaluations

Attachment

**Report of  
the Department of Veterans Affairs' Compliance  
with the  
Digital Accountability  
and Transparency Act of 2014**

Prepared by:  
CliftonLarsonAllen LLP  
11710 Beltsville Drive, STE 300  
Calverton, MD 20705

October 27, 2017

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CliftonLarsonAllen LLP  
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## I. OBJECTIVE

The objective of this performance audit was to assess the Department of Veterans Affairs' (VA's) compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act), including:

- A. The completeness, timeliness, quality, and accuracy of fiscal year (FY) 2017, second quarter financial and award data VA submitted for publication on USASpending.gov, and
- B. VA's implementation and use of the Government-wide financial data standards established by the Office of Management and Budget (OMB) and the U.S. Department of the Treasury (Treasury).

The VA Office of Inspector General (OIG) contracted with CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to perform this audit assessing VA's compliance with the DATA Act.

## II. BACKGROUND

The DATA Act was enacted on May 9, 2014, intending to make Federal spending data more accessible, searchable, and reliable. It required Federal agencies to report financial and award data in accordance with Government-wide financial data standards established by the OMB and Treasury, beginning January 2017. This data is published on USASpending.gov.

The DATA Act also requires the Inspector General (IG) of each Federal agency to review a statistically valid sample of the spending data submitted by its Federal agency and to submit to Congress a publicly available report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of the Government-wide financial data standards by the Federal agency. To meet the DATA Act review needs of the IG community and to assure consistency of the testing approach and methodology used by the IGs across the Federal agencies, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Federal Audit Executive Council established the DATA Act Working Group to provide a common approach and methodology, referred to as the IG audit guide.

The following sections briefly describe the data submission requirements as set forth by the DATA Act and implementing guidance from Treasury and OMB, and the requirements of the IG audit guide.

### DATA STANDARDS, SCHEMA, AND SUBMISSION

The DATA Act requires Treasury and OMB to:

- Establish Government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds
- Include common data elements for financial and payment information to be reported

On August 31, 2015, OMB and Treasury finalized 57 data definition standards, and on April 29, 2016, Treasury issued the final version of the DATA Act Information Model Schema v1.0 (DAIMS). The DAIMS guides agencies in the production and submission of the required data and included additional data elements. Appendix V lists the original 57 different data standards. Agencies are required to submit their financial data to Treasury through software called the DATA Act broker (broker). The broker also pulls procurement and financial assistance award and sub-award information from Government-wide

systems. Those systems are:

- *Federal Procurement Data System – Next Generation (FPDS-NG)* – Repository for Federal procurement award data operated by the General Services Administration
- *Award Submission Portal* – Repository for financial assistance transactions on awards of more than \$25,000 operated by Treasury
- *Federal Funding Accountability and Transparency Act Sub-award Reporting System* – Reporting tool prime awardees use to capture and report sub-award and executive compensation data operated by the General Services Administration
- *System for Award Management* – System that collects registration information from entities doing business with the Federal government.

**REPORTING SUBMISSION SPECIFICATION AND THE INTERFACE DEFINITION DOCUMENT**

The DAIMS includes two documents that contain specifications for reporting required data — the Reporting Submission Specification and the Interface Definition Document. The Reporting Submission Specification provides details on data to be submitted to the broker from an agency's financial system as required by the DATA Act and OMB M-15-12. This includes appropriations account, object class, program activity, and award financial data. Federal agencies must generate and submit three files:

- *File A – “Appropriations Account Detail”* – Contains appropriation summary level data that are aligned with OMB Standard Form 133, “Report on Budget Execution and Budgetary Resources” (SF-133) reporting.
- *File B – “Object Class and Program Activity Detail”* – Includes obligation and outlay information at the program activity and object class level
- *File C – “Award Financial Detail”* – Reports the obligation and outlay information at the award level

The Interface Definition Document provides detail on data that will be extracted by the broker from other Government-wide systems pertaining to procurement and financial assistance data, recipient attributes, and sub-award information. Federal agencies must submit four files:

- *File D1 – Award and Awardee Attributes for Procurement (from FPDS-NG)* – Award and awardee details are to be linked to File C
- *File D2 – Award and Awardee Attributes for Financial Assistance (i.e., direct loans, loan guarantees, grants, etc.) (from Award Submission Portal)* – Award and awardee details are to be linked to File C
- *File E – Additional Awardee Attributes (from System for Award Management)* – Includes additional prime awardee attributes
- *File F – Sub-award Attributes (from Federal Funding Accountability and Transparency Act Sub-award Reporting System)* – Includes sub-award information

**IG AUDIT GUIDE**

The IG audit guide requires auditors to perform procedures in the following areas:

- ***Internal control over agency source systems*** – Auditors are to determine the extent to which agency systems can be relied on as authoritative sources for the information reported in accordance with the DATA Act.
- ***Internal control over DATA Act submission*** – Auditors are to assess the effectiveness of the internal controls implemented to reasonably assure that the data submitted are complete, accurate, timely, and of quality.



- **Detail testing of FY 2017 second-quarter data submitted to the broker** – Auditors are to test an agency's submission to the broker, which is used to populate USASpending.gov, for FY 2017 second quarter data as follows:
  - *Summary level financial data* – Auditors are to test the reliability of summarized financial data contained in Files A and B
  - *Award-level linkages* – Auditors are to test whether individual award data can be linked for Files C through F
  - *Award-level transaction data* – Auditors are to test a statistically valid sample of awards to determine the completeness, accuracy, timeliness, and overall quality of the data submitted, including the use of the required data standards.

Results of these procedures are to be summarized in a standard template to be used across all agencies. The completed template for this audit is found in Appendix I. Please see Appendix II concerning scope and methodology for a description of how we implemented this guide.

#### PRIOR REVIEWS

We performed a review of VA's readiness to implement the DATA Act in 2016, and the results are contained in the OIG report, *Review of VA's Readiness To Implement the Digital Accountability and Transparency Act* (Report No. 16-02454-250, August 8, 2017). We reported that VA's ability to comply with the DATA Act was challenged by system limitations, VA had not completed a data inventory as of the close of our fieldwork in November 2016, and weaknesses in internal control affected data accuracy and completeness.

We also have performed VA's annual financial statement audit since FY 2010, with the most recent report published by the OIG as *Audit of VA's Financial Statements for Fiscal Years 2016 and 2015* (Report No. 16-01484-82, November 15, 2016).

### III. OVERALL AUDIT RESULTS

VA did not fully comply with the DATA Act due to weaknesses in VA's existing financial management systems and internal controls related to source systems, data management, and data reporting processes. As a result, VA did not submit complete, timely, quality, and accurate financial and award data to USASpending.gov for the FY 2017 second quarter. VA faces significant challenges in implementing the DATA Act as identified by our prior readiness review and as evidenced by the internal control weaknesses identified in our audit of VA's FY 2016 financial statements. Our assessment was as of October 27, 2017, when our fieldwork concluded.

### IV. KEY FINDINGS

VA employs over 350,000 employees and received approximately \$180 billion in appropriations in FY 2017. It is comprised of three main administrations – Veterans Benefits Administration (VBA), Veterans Health Administration (VHA), and National Cemetery Administration along with many other offices. VHA in particular operates in a decentralized manner with over 140 medical centers and 18 Veterans Integrated Service Network administrative offices spread across the country.

VA's financial management structure is decentralized, with Chief Financial Officers (CFOs) of component organizations reporting up through their organizational hierarchies rather than to VA's CFO. VHA's financial management structure in particular is fragmented with financial management functions managed by three groups of CFOs—the VHA CFO, the Office of Community Care CFO, and the 18 Veterans Integrated Service Network CFOs. This complex and decentralized structure, along with VA's long standing internal control deficiencies and legacy, non-integrated systems, have made VA's implementation of the DATA Act requirements extremely challenging.

Our key findings are organized by the following IG audit guide categories:

1. Internal controls over source systems
2. Internal controls over data management and processes
3. Tests of summary-level data
4. Tests of award level transaction data

#### 1. RESULTS OF ASSESSMENT OF INTERNAL CONTROL OVER SOURCE SYSTEMS

Key findings we identified as part of our readiness review and our financial statement audits continued to exist at the time of the FY 2017 second quarter data file submission. VA has focused its efforts on modernizing its financial systems by transitioning to a shared service provider. Throughout FY 2017, VA was undertaking serious efforts to transition to U.S. Department of Agriculture as a shared service provider for its financial reporting systems. As a result, the Office of Management has focused resources on that transition rather than the remediation of legacy systems. VA's financial systems are outdated, not fully integrated, and cannot produce files that completely meet DATA Act requirements. We identified the following source system issues:

##### A. Control Weaknesses Related to FMS

The Financial Management System (FMS) is VA's core financial management and general ledger system. It is the source system for producing File A and a significant portion of File B. Financial data in Files B, C, D1, and D2 should reconcile with summary financial data in File A, as produced by FMS.

FMS was implemented in 1992, and its technology has become obsolete over time. As a result, FMS requires extensive manipulations through journal entries, manual processes, and reconciliations in order for VA to produce a set of auditable financial statements. VA utilizes another application, the

Management Information Exchange (MinX) system, to consolidate general ledger activities from FMS and create financial statements for external reporting. However, this process requires significant manual intervention and workarounds to ensure accurate financial reporting. In particular, VA typically records a large number of journal vouchers (JVs), or adjustments, to its MinX accounts in order to produce reliable financial reports. As discussed in the next finding, these JVs may not be linked to obligation and expenditure data by program activity, and therefore, manual adjustments and judgments must be made to reflect the effect of those JVs in the respective program activity data for File B.

Also, because of FMS limitations, VA was not able to submit File C. VA did report one small program for File C at OMB's request, but VA had to develop the information manually, as described in the next finding. File C should be produced by an agency's financial system, report obligation and outlay information at the award level, and use award identifiers (ID) defined by the DAIMS. The award ID allows financial data in File C to be linked with other award information in Files D1 and D2. Per the DAIMS, the award ID is the Procurement Instrument Identifier (PIID) for contracts and the Federal Award Identification Number for grants. However, FMS does not store award IDs; rather, they are housed in various subsidiary systems across VA in the form of contract award identification number, benefit policy number, loan identification number, etc. As a result, no unique identifier exists that links events in the subsidiary systems back to FMS. An award ID in VA's accounting system will not be available in an automated fashion until a modernized financial system is implemented.

Further, certain key data elements are not retained in FMS or subsidiary procurement and award systems and therefore require manual mapping to align for completion of the DATA Act submission.

**B. Control Weaknesses Related to the Electronic Contract Management System and the Integrated Funds Distribution Control Point Activity, Accounting and Procurement System**

VA faces increased risk of reporting errors in File D1 because VA has not been able to complete reconciliations of all obligation and outlay data between the Electronic Contract Management System (eCMS), the Integrated Funds Distribution Control Point Activity, Accounting and Procurement (IFCAP) system, and FMS. eCMS is used to maintain procurement documentation, while IFCAP is used to initiate and authorize purchase requisitions and payment of invoices. eCMS is the source of procurement data for File D1. Procurement data from eCMS is transmitted to FPDS-NG, which is used by Treasury's broker to generate File D1.

Further, procurement documentation in eCMS may be incomplete. VA frequently relies on its Form 1358, "Obligation or Change in Obligation" – also called miscellaneous obligations, or "1358s" – to record obligations in IFCAP. They are used in large part for VA Community Care programs, but also to make other purchases. However, 1358s do not have associated contract awards; as such, transactions obligated with this mechanism are not recorded in eCMS, and payments to contractors, service providers, etc. related to those obligations may not be accounted for in VA's File D1, although VA said that 1358 transactions could be recorded directly in FPDS-NG through its "Express Reporting." The amount of the 1358s recorded, excluding VA Community Care programs, amounted to approximately \$3.6 billion as of February 28, 2017.

**C. Control Weakness Related to Grants Management System**

Treasury's broker will generate the grants portion of VA's File D2 by pulling award data from the Government-wide Award Submission Portal system. However, VA's submission of grant data to the Award Submission Portal is manually intensive as VA has no centralized grants management system. According to Office of Finance officials, grant data is gathered through spreadsheets from program offices for submission to the Award Submission Portal, and program offices do not have consistent methods for maintaining the underlying data. No automated subsidiary system exists to support and

link to VA's financial system. Without an automated grants management system that properly interfaces with the financial system, VA will have an inherently more difficult time ensuring the reliability and accuracy of data submitted to the Award Submission Portal, and thus included in File D2.

**D. Data Elements not Available or Requiring Additional Manual Input**

A list of data elements that were challenging for VA to capture and report in an automated fashion is shown in the table below.

Table 1: Data Elements not Retained in FMS or Subsidiary Systems

File	Data Element	Comment
File B	Program Activity Code	Additional information is needed to tie back to FMS. According to the PMO, currently, mapping is required for Treasury Account Symbol (TAS) 0160 – Medical Services and TAS 0161 – Medical and Prosthetic Research to tie the Program Activity Code to certain fields in FMS, such as the Account Classification Code, Treasury fund symbol, station, cost center, etc.
File B	Object Class	Additional information is needed to tie this field back to FMS. Currently, mapping is required to tie to the Budget Object Codes in FMS.
File C	PIID	This field is not available in FMS, but does currently exist in eCMS. There is no common identification number within FMS and subsidiary systems, i.e., eCMS, to track award information.
File C	Parent Award ID	This field is not available in FMS, but does currently exist in eCMS. There is no common identification number within FMS and subsidiary systems, i.e., eCMS, to track award information.
File C	Federal Award Identification Number	This field is not available in FMS and there is no central grants management system to track grants data. Excel spreadsheets are used by points of contact.  Loan and other benefit data are tracked in various subsidiary systems. Though award identification information is available in the subsidiary system, i.e., loan ID, policy ID, there is no common identification number within FMS and subsidiary systems.

**CORRECTIVE ACTIONS RECOMMENDED**

We recommend the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

1. Continue progress with system modernization efforts. Ensure that current and upcoming DATA Act requirements are incorporated so that the detail level requirements for meeting the DATA Act will be made possible as automatic bulk file transmissions going forward.
2. Establish milestones to monitor VA's system modernization efforts. Coordination with the shared service provider should continue to incorporate current and upcoming DATA Act requirements to ensure that they will be met going forward.
3. Obtain procurement management system and if feasible, grants management system capabilities that are integrated with the financial system as part of VA's transition to a shared service provider.
4. To the extent possible, reduce the amount of journal vouchers to those related to accrual adjustments or one time, unusual transactions. Journal vouchers recorded should contain data elements required for File B such as the program activity. In addition, if possible, automate efforts to combine FMS journal output files with the MinX-based Governmentwide Treasury Account Symbol

Adjusted Trial Balance System (GTAS) trial balance and resolve variances between the two systems.

5. Reduce the extensive use of 1358 obligations, and develop an automated procurement action capturing and reporting mechanism to timely capture all procurement activities greater than \$3,500 for the File D1 submission.

## 2. RESULTS OF ASSESSMENT OF INTERNAL CONTROLS OVER DATA MANAGEMENT AND PROCESSES

The IG audit guide required us to assess the effectiveness of VA's internal controls to reasonably assure the completeness, accuracy, timeliness, and quality of VA's DATA Act submission. Key findings we identified as part of our prior readiness review continued to exist at the time of the FY 2017 second quarter data file submission. As summarized in Appendix I, we concluded that internal controls were not sufficient to ensure control objectives were met. We also report additional findings based on this audit work. Findings are presented by data submission file.

### A. Control Weaknesses Related to File A – Appropriations Account Detail

**A.1 SF-133 to Statement of Budgetary Resources reconciliation was untimely:** VA did not perform a reconciliation of its SF-133 budgetary reports to its Statement of Budgetary Resources (SBR) until after the second quarter DATA Act submission was completed. Specifically, File A was submitted on April 28, 2017; however, the reconciliation for the second quarter of VA's SF-133s to its SBR was not performed until May 2, 2017.

Timely performance of a reconciliation between the SF-133s and SBR helps ensure the accuracy of File A, as any variances among File A, the SF-133s, and the SBR can indicate errors. OMB Memorandum 17-04 (M-17-04), "Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability," requires File A data to match data reported in VA's SF-133s. SF-133s report information about an agency's budgetary resources and are prepared for open appropriations accounts. The compilation of SF-133s should generally agree with an agency's SBR. The SBR is part of VA's financial statements, which are audited as of fiscal year-end, and summarizes the status of VA's budgetary resources.

### B. Control Weaknesses Related to File B – Object Class and Program Activity

**B.1 Some data elements defaulted to zero:** According to the PMO, certain required data elements were reported using the default code of "0000" due to limitations in the source system. We observed the following:

- Program Activity Code "0000" with no program activity name was submitted for the following TASes:
  - 0152 – Expenses, Medical Support and Compliance
  - 0160 – Expenses, Medical Services
  - 0161 – Medical and Prosthetic Research
  - 0162 – Medical Facilities
- Object Class "000" was submitted for certain transactions.

**B.2 Significant use of journal vouchers presents challenges:** Due to system limitations, VA records a large number of JVs in MinX at quarter end. JVs are written authorizations to adjust financial accounts directly and are outside of the normal automated transaction posting process. JVs present challenges for DATA Act reporting:

- The Project Management Office (PMO), within VA's Office of Management, had to manually adjust File B programmatic data to account for JV activity. According to the PMO, extensive

manual effort is required to compare FMS journal output files with the MinX-based GTAS trial balance, and research any variances related to MinX JVs as the process must be performed TAS by TAS. The MinX JVs do not always contain the necessary data elements to infer the program activity codes. The PMO must manually map the JVs by their TAS and dollar amount to resolve any variances noted between the FMS balance and the GTAS balances in order to assign a program activity code to those JVs reported in File B. The PMO had to use judgment when that information was not included in JVs.

- The PMO's procedures for analyzing JVs did not consider that the JVs might contain errors. We observed one JV recorded as a no-year and reimbursable entry, but it was in error because the TAS was single year with only direct funds.
- VBA's process to assign budget object class to MinX JVs was manual for some TASes.

**B.3 Broker warnings were not researched prior to submission:** Not all File A to File B cross-validation warnings identified by the broker were researched and resolved by management prior to VA's File B submission. The broker returned 241 warnings on the File A to File B cross-validation, and 447 warnings on the File B submission. According to the PMO, they performed an analysis of the warnings after the second quarter submission. Some warnings were fixable, others were not or were dependent upon a new financial system, and others required further research. Many warnings were repetitive due to the same cause.

**B.4 FMS does not use OMB's 3-digit object class scheme:** FMS uses a 4-digit numbering scheme versus OMB's 3-digit object class that is required for the DATA Act submission. The PMO had to map VA's codes to OMB's and develop an automated workaround.

**B.5 Controls over VBA's preparation of File B needed improvement:** VBA prepared the segments of File B that pertained to its accounts, which the PMO then included in VA's File B submission. We noted the following weaknesses:

- Knowledge of the processes and compilation of information related to the File B submission was limited to one individual within VBA for all of its major programs.
- In performing reconciliations involving general ledger account 4902 – Delivered Orders, Paid (i.e., outlays), VBA included two different balances for this account. The difference of \$7.5 billion was unexplained and indicated a potential error in the reconciliation process. In addition, there was a variance of \$36 million identified for Fund 0102 - Compensation and Pension , which was allocated across four Compensation and Pension programs. We observed that the process for allocating the variances and other costs was not formally documented.
- For TAS 0137 - Readjustment Benefits, VBA reported that it was unable to distinguish between the amounts to be recorded for two File B data elements represented by U.S. Standard General Ledger accounts:
  - 4901 - Delivered Orders – Obligations, Unpaid (i.e., accounts payable)
  - 4902 - Delivered Orders – Obligations, Paid (i.e., outlays)

In VA's response to our report, VBA asserted that the amount that it could not identify to properly split was \$11.5 million.

- VBA completed a narrative to document its process for preparing File B after the second quarter. However, it did not include the procedures used to prepare and submit data for TAS 0137 – Readjustment Benefits.

**B.6 Reconciliations between File B and other files were not completed timely:** The reconciliations between File A and File B and between File B and Files D1 and D2 were not performed prior to VA management certifying the second quarter data submission to the broker. We noted large reconciling differences between File A and File B for “Obligations Incurred” and “Gross Outlays,” as shown in Table 2. Per management, the reconciling items were caused by programming-related coding errors. As FMS is an outdated system, DATA Act files required programming code to extract financial information from the system. For the two differences identified in the table below labelled “Non-VBA Beginning Balances Erroneously included in File B calculation” and “File B .CSV number formatting,” we reviewed subsequent information provided by management and confirmed that those coding errors were corrected for the third quarter File B submission.

Table 2: Reconciling Differences between File A and File B

	Gross Outlays	Obligations Incurred
File A	\$95,675,045,818	\$98,665,961,041
File B	\$92,150,427,236	\$112,670,095,844
<b>Difference: (A)</b>	<b>\$3,524,618,582</b>	<b>\$14,004,134,803</b>
Financing Accounts reported in File A but excluded from File B per Treasury guidance	(\$2,994,638,910)	(\$3,293,346,850)
Non-VBA Beginning Balances Erroneously included in File B calculation <sup>1</sup>	\$678,253,447	\$23,767,594,403
File B .CSV number formatting <sup>2</sup>	(\$1,667,521,098)	(\$6,453,303,921)
VBA related discrepancies	\$459,287,979	(\$16,808,829)
<b>Total of Reconciling Items: (B)</b>	<b>(\$3,524,618,582)</b>	<b>\$14,004,134,803</b>
<b>Net Difference: (A) – (B)</b>	<b>\$0</b>	<b>\$0</b>

<sup>1</sup>Note: Caused by program coding errors that inadvertently included certain beginning balances in File B, when they should not have been included.

<sup>2</sup>Note: Caused by a coding error that put decimal points in the wrong place.

As a result, proper controls were not in place to ensure the data’s accuracy, timeliness, quality, and completeness prior to the files submission.

**C. Control Weaknesses Related to File C – Award Financial Detail**

**C.1 VA was generally unable to submit File C:** Due to the system limitations discussed in Finding 1, VA was unable to submit File C except for one small grant program. As agreed to by VA and OMB, VA submitted File C for TAS 0183 - Grants for the Construction of State Veteran Cemeteries, which had only 13 grants with limited activity during the second quarter.

Challenges associated with the submission of File C are attributed to FMS system limitations, as FMS does not contain the Award ID and other required data elements. As described to us, preparation of File C for just the one grant program was manually intensive, as all information was input by hand to an Excel template. The National Cemetery Administration obtained data from various sources, including obtaining the Award ID from USASpending.gov rather than from VA’s own systems. Research by management was needed for certain Award IDs consisting of multiple obligations. The PMO manually validated the information submitted by the National Cemetery Administration back to the original submission on USASpending.gov to identify the Award ID since a subsidiary grants management system

does not exist. The VA PMO manually verified 16 data elements for each award to check for completeness. As demonstrated by this manually intensive process, the PMO stated that File C submission for the agency as a whole was unattainable.

**D. Control Weaknesses Related to Files D1 and D2 – Award and Awardee Attributes for Procurement and Financial Assistance**

Files D1 and D2 are generated through the broker based on information agencies submit to FPDS-NG (used to produce File D1) and the Award System Portal (used to produce File D2). FPDS-NG and the Award System Portal are source systems for USASpending.gov.

***D.1 File D1 and D2 submissions were incomplete and not reported timely:*** VA made its DATA Act submission by the required due date of April 28, 2017, but according to the PMO, an error related to File D2 required re-submission, which did not occur until June 28<sup>th</sup>. However, upon re-submission, VA added a significant number of transactions that should have been included in the April 28<sup>th</sup> submission and that did not involve the original error. We further identified differences between VA's June 28<sup>th</sup> submission provided to us by the PMO and the files we extracted from the broker. As such, VA's DATA Act submission was not timely or complete.

To explain the circumstances, the PMO told us that they identified an error causing the broker to generate warnings based on the inter-file validation between File C and File D2. VA attempted to correct this discrepancy on April 27, 2017, but the Treasury system had already processed the initially submitted transactions. In order to meet Treasury's submission deadline, VA proceeded with certifying the original files, in anticipation of re-certifying File D2 once the corrected information interfaced from the Award Submission Portal to USASpending.gov. Per management, the initial attempt to re-certify failed due to an error on the broker portal. After Treasury corrected the error, VA completed the re-submission on June 28, 2017, two months later. The PMO told us that although File D2 was the only file re-created in the second submission, they re-loaded all files to the broker. We noted differences in transaction counts between the original April 28th and the re-certified June 28th submissions for both Files D1 and D2, as follows:



Table 3: Files D1 and D2 Differences

	Transaction Count	Federal Action Obligation Amount
<b>File D1</b>		
Original 4/28 Submission	49,761	\$4,397,592,511
Re-Certified 6/28 Submission	51,386	\$5,149,881,038
Difference	1,625	\$752,288,527
Percent increase	3.26%	17.11%
<b>File D2</b>		
Original 4/28 Submission	194,259	\$40,148,054,324
Re-Certified 6/28 Submission	243,798	\$46,519,145,023
Difference	49,539	\$6,371,090,699
Percent increase	25.50%	15.87%
<b>File D2 Loans Face Value</b>		<b>Face Value</b>
Original 4/28 Submission	4,985	\$7,556,658,846
Re-Certified 6/28 Submission	7,269	\$9,685,970,271
Difference	2,284	\$2,129,311,425
Percent increase	45.82%	28.18%

In summary, we noted that upon re-submission, an additional 49,539 non-loan related transactions for the second quarter not previously transmitted were added to File D2. An additional 2,284 loan records for File D2 and an additional 1,625 records for File D1 were also processed.

Per the PMO, the differences between the April 28<sup>th</sup> and June 28<sup>th</sup> submissions were due to additional transactions that were captured based on VA's delayed reporting. For File D2, these transactions represented an increase of approximately 25 percent in the count and 16 percent in the obligation amounts reported. These additional transactions were primarily attributed to VHA programs that report on a 30-day or 60-day delay. As these transactions were not included in VA's original certification, they were not recorded timely to permit a complete data submission.

Additional transactions reported in File D2 related to Loan programs represented an increase of approximately 46 percent in the count and 28 percent in the total face value of the loans. The VA point of contact said VA made its submission timely to the Award Submission Portal, but transactions for a particular CFDA program were not included in File D2. File D2 is produced by the broker, and the point of contact suggested a possible broker issue.

Additional transactions reported in File D1 represented approximately a 3 percent increase in transaction count and a 17 percent increase in obligation amount. The PMO primarily associated the additional transactions with procurement actions reported through the FPDS-NG "Express Reporting" mechanism. The PMO said this mechanism was available to report individual procurement actions less than \$3,500 as well as to report 1358 activity. According to the PMO, with the exception of fiscal year-end (i.e., September 30), Express Reporting does not have a cut-off deadline for reporting; therefore, procurement activity can continue to accumulate and process through FPDS, even if it relates to a prior month or quarter. Per management, due to the volume and low dollar amount of these items, the Express Reporting performs a sweep to capture the activity in bulk when processing for USASpending.gov. In summary, management said the additional transactions in File D1 were related to second quarter activity that was not included in the initial April 28th certifications.

***D.2 VHA employed complex and time consuming cost allocation methodologies for aggregated transactions submitted for File D2, which included employee payroll and duplicated contract costs:***

VA's FY 2017 second quarter submission for File D2 reported financial awards totaling approximately \$54 billion, with obligations of approximately \$46 billion. The File D2 submission contained two main types of transactions: individual grant award payments, and aggregated payments for loans and other federal financial assistance. Aggregate transactions, referred to as "aggregates," comprised the vast majority of the File D2 submission (i.e., approximately 99 percent of the 243,798 transactions).

Aggregates represent awards to individuals that are aggregated at a level that protects personally identifiable information. At VA, awards to individuals and associated data are aggregated at the Congressional district level. Each aggregate is reported as a single transaction, or record, in File D2. Of these aggregates, most are attributable to VHA programs in terms of number of records. VHA aggregates represent services provided to individual veterans grouped by Congressional district and by Catalog of Federal Domestic Assistance (CFDA) programs.

The information contained in the VHA aggregate records is prepared by VHA's Allocation Resource Center (ARC). According to the ARC, cost information is sourced from individual patient treatment or outpatient fee files and allocated data from the Managerial Cost Accounting (MCA) system, which is VA's system for managerial cost accounting. MCA combines a variety of financial and non-financial workload data feeds to generate product based costs of VHA patient care. Among other inputs, the product costing includes direct and indirect payroll costs and contracts for medical supplies, which were already reported in the D1 file submission as contracts greater than \$3,500 are captured in eCMS, which feeds FPDS-NG, from which File D1 is generated. The MCA outputs, referred to as National Data Extracts, are distributed on a monthly basis to the ARC. The ARC uses the data received from MCA – excluding costs that are not medical center-specific – and merges this with corporate clinical data to determine the service cost of treatment per veteran. Such costs include VHA employee payroll costs and contracted costs as directly or indirectly related to patient care. Transactions are grouped by CFDA number and Congressional districts. MCA costs are translated into obligations and the aggregated results are included in the File D2 submission.

Due to the manner in which costs are allocated by MCA, employee payroll costs were included in the VHA aggregates in the File D2 submission. In accordance with USASpending.gov requirements, payroll-related costs are not related to Federal awards and therefore are to be excluded from File D2. In addition, certain contract costs that have been previously incurred and reported through FPDS-NG for the File D1 submission were also included in the VHA aggregate costs for File D2. For example, costs for prosthetics, medical supplies, materials, contract labor, and other indirect costs procured through contracts are duplicated within File D2. Therefore, the D2 submission was overstated.

Also, the reporting timeline for the ARC is generally on a 30 to 60-day cycle, which falls outside of the DATA Act submission timeline. Therefore, the VHA information included in the DATA Act submission may not be reported timely, as already reported above in sub-finding D.1. According to VHA, this timeline is further exacerbated by the delay of MCA patient information submitted by the medical centers. For example, medical centers could not complete the reconciliation of patient information in time for the second quarter reporting, and proxy costs had to be used by the ARC. VHA also did not complete a reconciliation of File D2 aggregate transactions to the SF-133s.

We also note that OMB Memorandum 15-12 (M-15-12), "Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable" lists financial assistance as grants, loans, insurance, loan guarantees, cooperative agreements and other assistance. USASpending.gov – where File D2 data will ultimately be posted – defines "other financial assistance" as including "direct payments to individuals (such as, Medicare and food stamps), insurance payments

(such as, unemployment benefits and flood insurance), and other types of assistance payments (such as, reimbursements for prescriptions for veterans)." As such, it is unclear whether allocated costs for direct services – as opposed to actual payments to individuals – is technically within the intended meaning of financial assistance. Although requested, VHA did not provide us any documentation supporting the decision to include direct services as financial assistance awards for posting to USASpending.gov. We recommend that VA seek formal confirmation from OMB and Treasury that allocated costs for direct services should be included in File D2 as financial assistance awards.

**D.3 Insurance payments may be understated due to zip code errors:** Certain insurance payments were excluded from File D2 due to errors identified with the beneficiary's zip code. VBA said it was unable to manually change the zip codes because the change could deviate from what the U.S. Postal Service has on record, and could prevent veterans from receiving future payments. VBA generates a report of excluded transactions on a monthly basis in order to perform further research. Therefore, the File D2 may not be complete; and excluded disbursements that occurred during the second quarter and resolved in the subsequent quarter may result in untimely reporting of certain transactions to USASpending.gov.

**E. VA did not perform procedures to validate linkages for Files E and F**

The PMO completed a certification within the broker to certify that File E and File F had been generated and that the upload to the broker was complete. However, no additional procedures were performed to ensure that the linkages among Files A through F were valid and reliable. As per the IG audit guide, Senior Accountable Officials are to assure that "The linkages among Files A through F are valid and reliable. Senior Accountable Officials are required to attest to the validity and reliability of the complete DATA Act submission including linkages across all the data in Files A through F."

**F. Deficiencies were identified within management's quarterly assurance process, and the assurance statements did not assert that the linkages among Files A through F were valid and reliable**

Management reported deficiencies related to the completeness, timeliness, accuracy, and quality assertions in its broker certification for the second quarter submission. However, its assurance statements did not address the validity and reliability of linkages among all submitted files, including File E and File F.

A total of 14 TASes could not be certified by VHA and VBA, as complete program activity crosswalks and/or data element inventories in support of File B were not completed in time for VA's second quarter submission.

Four of the 14 TASes were associated with VHA. For these items, the default object class of "000" and the default program activity code of "0000" and program activity name of "Unknown/Other" were reported. No additional information was provided in VBA's assurance statement to indicate how the remaining 10 TASes were reported. Below are exceptions identified by management.

Table 4: Exceptions Identified through Management's Assurance Process

Assertion by File	Exceptions Identified by Management
File B	<ol style="list-style-type: none"> <li>1. VA was unable to determine the reimbursable amounts by Object Class and Program Activity when a TAS has direct and reimbursable activity commingled. In such cases, default codes for both Object Class and Program Activity ("000" and "0000") were used.</li> <li>2. Sufficient information did not exist to map beginning balances to Program Activity; therefore, default Object Class and Program Activity Codes were assigned.</li> <li>3. For Advances, transactions summarized by Budget Fiscal Year, Fund, Station, and Fed/Non-Fed are assigned default Object Class and Program Activity Codes. The PMO further clarified that this only applies to advances for construction projects.</li> <li>4. VBA did not complete the required program activity crosswalks and data element inventories for a total of 10 TASes. VHA did not complete the inventory for a total of 4 TASes.</li> <li>5. Potential errors were noted in the allocation of VBA's balances between programs for all TASes reported by VBA, due to incorrect input or incorrect allocation model.</li> <li>6. System limitations prevented VBA from distinguishing reimbursable and direct activity between general ledger accounts 4801 and 4901.</li> </ol>
File C	<ol style="list-style-type: none"> <li>1. VA was only able to report one TAS, Fund 0183 – Grants for the Construction of State Veteran Cemeteries</li> </ol>
File D2	<ol style="list-style-type: none"> <li>1. VHA reports activity for certain CFDA's for USASpending.gov one month or two months in arrears.</li> <li>2. One VHA program reported Transfers of Disbursing Authority instead of grant obligations.</li> <li>3. Certain VHA programs reported payments to a veteran's state home instead of obligations.</li> <li>4. One VHA program excluded expedited payments made to Choice program contractors.</li> </ol>

**CORRECTIVE ACTIONS RECOMMENDED**

We recommend the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

6. Prepare the SBR and ensure reconciliation of File A, SF-133s and the SBR prior to File A submission.
7. Continue efforts to reduce the number of journal vouchers to those related to accrual adjustments or one time, unusual transactions. Journal vouchers recorded should contain data elements required for File B such as the program activity code and budget object class. In addition, if feasible, automate efforts to combine FMS journal output files with the MinX-based GTAS trial balance and identify and resolve variances between the two systems.
8. Where feasible, perform validation of MinX journal vouchers as they may contain errors and reside in the ultimate File B submission.
9. Research and resolve warnings identified by the broker before DATA Act files submission.

10. Ensure that knowledge of DATA Act processes is not limited to one or a few people, and develop a succession plan to ensure the required expertise and capabilities will continue to remain available before personnel with highly technical and specialized knowledge leave or retire from the agency.
11. Ensure complete reconciliations between the subsidiary and general ledger systems are performed. Differences should be researched and resolved to improve data accuracy, completeness and quality.
12. For all TASes, ensure that amounts can be distinguished between general ledger accounts 4901 and 4902.
13. Ensure a timely reconciliation process between File A and File B; File B to File C (when applicable); and File B to Files D1 and D2 such that procedures are completed prior to certifying each quarter's submission through the broker. Research and resolve variances identified through reconciliation processes.
14. Maintain documentation to support the various cost allocation methodologies used for aggregating VHA transactions included in File D2. Ensure File D2 VHA aggregated data includes only the required costs for DATA Act submission. Seek formal confirmation from OMB and Treasury that the direct services VHA is reporting should be included in File D2 as financial assistance awards and the employee payroll and File D1 duplicate contract cost data VHA is reporting should or should not be included in File D2 as financial assistance awards
15. Provide targeted training to address specific issues identified to DATA Act points of contact on USASpending.gov requirements.
16. Implement PMO oversight of the reports submitted by VBA and VHA's ARC to ensure completeness, timeliness, quality, and accuracy of the information reported.

**3. RESULTS OF TESTS OF SUMMARY-LEVEL DATA:**

We further identified the following issues in our testing of the summary level data:

**A. Intragovernmental Transfers reported in File B contained reconciling differences to File A**

File B contained three allocation transfer transactions reported for activity with the Department of Defense, specifically for Fund 0165 – DOD-VA Health Care Sharing Incentive Fund—Parent. Management did not provide explanations to support the following variances noted between File A and File B, as follows.

Table 5: Intragovernmental Transfer Variances Identified between File A and File B

Fund 0165	Gross Outlays	Obligations Incurred
File A	(\$18,761,899)	8,324,574
File B	(\$18,764,822)	(\$54,936,805)
<b>Difference:</b>	<b>\$2,923</b>	<b>(\$46,612,230)</b>

**B. Object class codes from File B did not match the codes defined in Section 83 of OMB Circular A-11**

The object class codes in VA's File B submission for 57 programs included a default object class code, or "000" and as a result, were inconsistent with Section 83 of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*.

**C. Program activity names and codes did not match the codes defined in the Program and Financing Schedule in the President's Budget**

VA used a default Program Activity Code, or "0000" for 100 programs in File B.

Additionally, for the following three programs, the Program Activity Name/Program Activity Code combinations were not defined in the President's Budget:

Table 6: Program Activity Name/Program Activity Code not in the President's Budget

Fund	Program Activity Name	Program Activity Code
1121	FILIPINO VETERANS EQUITY COMPENSATION FUND	1
8132	Disability Claims	802
8150	Other Costs	7

The PMO noted that these three programs were comparatively small and did not require annual appropriations.

**CORRECTIVE ACTIONS RECOMMENDED**

We recommend the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

17. Implement internal controls related to the proper tracking and accounting for intragovernmental transfers as to their trading partner, type, and nature. Produce reliable subsidiary reports with transfer level details to facilitate management's reconciliation and reporting with the trading partner. Any differences between File A and B should be researched and corrected prior to file submission.
18. Research and identify the root cause of those transactions with default program activity names and implement corrective actions to address those issues. In addition, implement FMS and MinX JV edit checks to ensure all JVs contain the proper program activity name, program activity code and object class code or the JV will not be accepted by the system. The JV reviewer should ensure all those elements are properly recorded and are consistent with OMB A-11 and the President's Budget to improve the accuracy of the data.

**4. RESULTS OF SAMPLE TESTS OF AWARD-LEVEL TRANSACTION DATA**

As reported in Finding 1 and 2 above, VA was not able to produce File C for all TASes. Therefore, Files D1 and D2 became the source for statistical sampling purposes. CLA performed tests of VA's D1 and D2 file submissions to assess the completeness, accuracy, timeliness, and quality of data by reviewing source documents of individual awards from a statistical sample of 45 transactions. The IG audit guide recommended that agencies select 385 transactions for consistency in reporting results of testing. However, as described in Appendix III, Sampling Plan, the VA OIG and CLA chose a statistical sample size of 45 transactions as more feasible given the known internal control weaknesses, anticipated testing difficulties, and timeframe for the work to be accomplished. A sample size of 45 also allowed us to assess whether VA's DATA Act reporting controls were operating in a manner to produce reliable – i.e., complete, accurate, timely, and quality – results.

With respect to the population tested, File D1 contained award and awardee attributes information submitted for 51,386 procurement transactions that represented individual award level transactions. File D2 contained award and awardee attributes information for financial assistance. VA submitted nearly 244,000 transactions for financial assistance in the second quarter of FY 2017, of which approximately 99 percent represented an aggregation of individual awards. VA reported aggregate data for programs listed in the CFDA and included award amounts by state and Congressional district.

The sample of 45 transactions was comprised of 7 from File D1, and 38 from File D2. For the 38 aggregated D2 transactions, we tested 80 sub-samples of individual transactions included in the aggregate totals reported. We used the DAIMS to identify the data elements to test, and we tested those elements applicable to Files D1 and D2 and aggregated data. We tested completeness, timeliness, and accuracy according to definitions provided in the IG Guide.

**Completeness:** According to the IG Guide, completeness is measured by whether all transactions are recorded in the proper reporting period and by the percentage of transactions containing all applicable data elements required by the DATA Act. The IG Guide also included the proper use of the Government-wide financial data standards in this measurement. With respect to completeness, we identified the following exceptions:

1. *Wrong aggregate action date:* For 14 of the 45 samples tested, the aggregate action date reported in File D2 was submitted with a date other than the end of the month. According to Federal Funding Accountability and Transparency Act submission guidance, the obligation/action date field for aggregate transactions will be the last day of the reporting period (i.e., end of the month).
2. *Unique Recipient Identifier not used for aggregates:* For 14 of the 45 samples tested, a Federal Award Identification Number was reported for aggregate level transactions in File D2. Per the DAIMS, the Federal Award Identification Number should be an identifier specific to an individual financial assistance award, at a de-aggregated level. For aggregated awards, records should be to be linked using the Unique Recipient Identifier.
3. *Transactions not reported within the reporting period:* For 6 of the 45 samples tested, the transactions sampled from File D2 were not included in VA's original certified submission dated April 28, 2017. Therefore, these transactions were not reported within the proper reporting period as of the due date. These exceptions are also reported below under "Timeliness."
4. *Blank fields:* For 2 of the 45 samples tested, the required DAIMS data element was blank in File D1. This was noted for elements "Consolidated Contract," and "Manufacturer of Goods." For both elements, VA's system showed the data element to be marked as applicable. In one case, the PMO identified the blank field as a potential broker issue, where the broker did not pull this data from FPDS into File D1. For the other case, the blank field may have been caused as a result of updates to the vendor record in the System for Award Management (SAM).
5. *Inconsistent data element between File D1 and File E:* For 1 of the 45 samples tested, the required DAIMS data element, "UltimateParentLegalEntityName," field was blank in File D1 although it was complete in File E. The PMO had an open request ticket with the Broker Service Desk for assistance in explaining the inconsistency.

**Timeliness:** According to the IG Guide, we are to assess timeliness according to whether the transactions sampled were reported within 30 days after the quarter in which they occurred. With respect to timeliness, we identified the following exceptions:

1. *Transactions not reported timely:* As also reported above under "Completeness," for 6 of the 45 samples tested, the transactions sampled from File D2 were not included in VA's original certified submission dated April 28, 2017. Therefore, these transactions were not reported within the proper reporting period as of the due date.

**Accuracy:** According to the IG Guide, accuracy is the percentage of transactions that are complete and consistent with the system(s) of record or other authoritative sources. With respect to accuracy, we identified the following exceptions:

1. *Incorrect state and county coding:* For 18 of the 45 samples tested, multiple states and/or counties existed under one State County Federal Information Processing Standard (SCFIP)

number. One state and county should be designated under an individual SCFIP number. However, for certain sub-samples under VHA programs, the disaggregated detail contained multiple counties and states. Therefore, the aggregate's SCFIP number was not supported by sub-sample information provided. The PMO said the error was a result of a data extraction problem.

2. *Duplicate subsample included in aggregate:* For 1 of the 45 samples tested, we identified a duplicate subsample that caused the aggregate transaction amount to be overstated.
3. *Subsample amounts did not equal aggregate amount:* For 1 of the 45 samples tested, the total subsample detail amount did not match the aggregate transaction total amount by \$908.
4. *Discrepancies with source systems:* For 2 of the 45 samples tested, we noted inconsistencies with VA's source systems. For one sample, the DAIMS data element field for "Legal Entity Address" did not match the data in VA's system. For another sample, the data element field for "Self-Certified Small Disadvantaged Business" was checked off in the File D1 submission detail, but was marked as blank in the source record. The PMO said that VA's system pulls this data from the System for Award Management, and VA has no control over it.
5. *PIID assigned to two awards:* For 1 of the 45 samples tested, the PIID attribute field contained two awardees/contracts that reported the same PIID number. According to the DAIMS schema, the PIID is the unique identifier of the specific award being reported. Although the PMO said that in certain circumstances the PIID could be duplicated, the DAIMS does not identify exceptions to this standard.
6. *Inconsistent data element between File D1 and File E:* For 1 of the 45 samples tested, the required DAIMS data element field, "UltimateParentLegalEntityName," had an entry that could not be traced to File E, which showed a blank field for that element. The PMO had an open request ticket with the Broker Service Desk for assistance in explaining the inconsistency.
7. *Broker errors:* For 5 of the 45 samples tested, the broker incorrectly captured the value of a procurement action that increases or decreases an existing award as the total contract value. For 7 of the 45 samples, the broker incorrectly transmitted "contract award type" and "Indefinite Delivery Vehicle (IDV) type" to File D1. Both are broker issues related to File D1 beyond VA's control and confirmed by the Federal Executive Audit Council working group.

**CORRECTIVE ACTIONS RECOMMENDED**

We recommend the Acting Assistant Secretary for Management and Acting Chief Financial Officer:

19. Assess the impact of the internal control weaknesses reported and develop corrective actions to address data quality issues at the individual or aggregate transaction level.
20. Ensure the complete reporting of all required data elements. Establish and develop a process to validate data quality for all DATA Act files on a regular basis prior to file submission.
21. Continue to maintain communication with OMB and Treasury regarding VA's data reporting limitations and progress, and document such communication.





**APPENDIX I – SUMMARY OF DATA ACT AUDIT RESULTS**

<b>Section 1: Results of Assessment of Internal Controls over Source Systems</b>			
<b>Control Objectives</b>	<b>Controls Properly Designed to Achieve Control Objective?</b>	<b>Controls Implemented to Achieve Control Objective?</b>	<b>Controls Operating Effectively to Achieve Control Objective?</b>
Overall conclusion	No	No	No
Internal controls over data management to ensure the integrity and quality of the data	No	No	No
Internal controls over data reporting to ensure that the data reported are complete, accurate, timely, and of quality	No	No	No
<b>Section 2: Results of Assessment of Internal Controls over Data Management and Processes (DATA Act Submission)</b>			
<b>Control Objectives</b>	<b>Controls Properly Designed to Achieve Control Objective?</b>	<b>Controls Implemented to Achieve Control Objective?</b>	<b>Controls Operating Effectively to Achieve Control Objective?</b>
Overall conclusion	No	No	No
Internal controls over data management to ensure the integrity and quality of the data	No	No	No
Internal controls over data reporting to ensure that the data reported are complete, accurate, timely, and of quality	No	No	No
<b>Section 3: Summary of Control Deficiencies and Impact on Completeness, Timeliness, and Accuracy</b>			
<b>Description of Control Deficiency</b>	<b>Impact of Control Deficiency</b>		
	<b>Completeness</b>	<b>Timeliness</b>	<b>Accuracy</b>
1. VA's financial management systems are outdated and unable to meet DATA Act requirements without extensive manual efforts	X		X
2. Existing financial management practices affect the accuracy and completeness of data	X	X	X
3. Reconciliation for the SF-133, Report on Budget Execution and Budgetary Resources (SF-133) to VA's Statement of Budgetary Resources (SBR) was not performed until after the second quarter DATA Act File A submission had been completed	X		X
4. File B did not contain all required data elements and various key internal controls to ensure information submitted for File B is complete and accurate were not in place	X		X
5. Necessary reconciliations	X	X	X

between File A and File B, and between File B and Files D1 and D2 were not performed prior to certifying the second quarter data submission through the DATA Act Broker			
6. VA was unable to submit File C	X	X	X
7. A substantial number of transactions in File D1 and D2 were not reported timely and completely	X	X	X
8. VHA employed complex and time consuming cost allocation methodologies for aggregated transactions submitted for File D2, which included employee payroll and duplicate contract costs	X		X

**Section 4: Results of Sample Tests Performed at the Award-Level Transactions**

Description of Attribute Testing	Completeness	Timeliness	Accuracy <sup>1</sup>
Error Rate	D1: 43% D2: 50% Overall: 49%	D1: 0% D2: 16% Overall: 13%	D1: 100% D2: 53% Overall: 60%
Sampling Error (margin of error)	+/- 15%	+/- 10%	+/- 14%
Source of Sample (File C, D1, D2)	D1 & D2		
Population Size (# and \$ of each type of transactions for grants, loans, contracts, and others)	File D1: 51,386 records; Federal Action Obligation (total value) - \$5,149,881,038 File D2: 243,798 records; Federal Action Obligation/Face Value Loans (total value) - \$56,205,115,294 with the transaction breakdown as follows: <ul style="list-style-type: none"> <li>• Grants: 1,507 records, \$328,784,349</li> <li>• Loans: 7,269 records; \$9,685,970,271</li> <li>• Other (ex. VHA healthcare and VBA benefits, including Insurance): 235,022 records; \$46,190,360,673</li> </ul>		
Type of Statistical Sampling Methodology Used	Stratified random sampling by D1/D2 (strata)		
Confidence Level	95%		
Expected Error Rate	50%		
Planned Sample Precision	15.3% <sup>2</sup> assuming a worst-case scenario of 50% error rate		
Sample Size	45, with 80 sub-samples, broken out as follows: File D1: 7 samples File D2: 38 samples; 80 sub-samples		

**Section 5: Overall Assessment of Implementation and Use of Data Standards**

As reported in Section IV, "Key Findings," of this report, VA remains challenged in complying with the requirements of the DATA Act. Many of the issues faced by VA are caused by business processes and systemic deficiencies. As a result, VA did not submit complete, timely, quality, and accurate financial and award data to USASpending.gov for the FY 2017 second quarter.

<sup>1</sup>Second-stage sampling affects accuracy only. When sub-samples were used to assess accuracy of the overall transaction accuracy, the transaction was determined as being accurate if no errors were identified (i.e., accuracy assessment occurred at the aggregate transaction level).

<sup>2</sup>The margin of error was estimated based on decisions made on the aggregate level of the sampled transactions, without consideration of the second-stage sampling. This simpler approach is expected to slightly under-estimate the margin of error, which would be expected to be higher if the full complexity of the sampling were taken into consideration. Nevertheless, given the high error rate observed through the sampling (60%), the potential slight under-estimation of the margin of error is of secondary consideration.

## APPENDIX II – SCOPE, METHODOLOGY, AND MANAGEMENT'S RESPONSE TO FINDINGS

### Scope

The VA OIG contracted with CLA to perform an audit to report on VA's compliance with the DATA Act, Public Law 113-101. CIGIE identified a timing anomaly with the oversight requirements contained in the DATA Act. That is, the first IG reports were due to Congress in November 2016; however, Federal agencies were not required to report spending data until May 2017. To address this reporting date anomaly, the IGs planned to provide Congress with their first required reports by November 8, 2017, a 1-year delay from the statutory due date, with two subsequent reports each following on a 2-year cycle. On December 22, 2015, CIGIE's chair issued a letter describing the strategy for dealing with the IG reporting date anomaly and communicated it to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. Appendix VI contains a copy of this letter. This report is in fulfillment of the OIG's responsibility to report to Congress by November 8, 2017.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective was to report on VA's compliance with the DATA Act, including:

- The completeness, timeliness, quality, and accuracy of FY 2017, second quarter financial and award data VA submitted for publication on USASpending.gov, and
- VA's implementation and use of the Government-wide financial data standards established by the OMB and Treasury, and any applicable procedures, certifications, documentation and controls.

CLA's last day of fieldwork for the audit was October 27, 2017. We conducted our work at the VA Central Office located in Washington, D.C.; and the CLA offices located in Calverton, MD, and Arlington, VA. VA management is responsible for the implementation of the DATA Act. The results of our procedures are described in the Key Findings section of this report.

### Methodology

To accomplish the audit objective, we reviewed the "Inspectors General Guide to Compliance Under the DATA Act," published by the Federal Audit Executive Council DATA Act Working Group and referred to as the IG audit guide, to establish, where applicable, our audit procedures to be consistent with the methodology and reporting approach across the IG community.

Consistent with the IG audit guide, we performed the following procedures as part of our audit:

- Obtained an understanding of regulatory criteria related to the agency's responsibilities to report financial and award data under the DATA Act
- Assessed the agency's systems, processes, and internal controls in place over data management under the DATA Act
- Assessed the general and application controls pertaining to the financial management systems (e.g. grants, loans, procurement) from which the data elements were derived and linked
- Assessed the agency's internal controls in place over the financial and award data reported to USASpending.gov

- Reviewed a statistically valid sample from fiscal year 2017, second quarter financial and award data submitted by the agency for publication on USASpending.gov
- Assessed the completeness, timeliness, quality, and accuracy of the financial and award data sampled
- Assessed the agency's implementation and use of the 57 data definition standards established by OMB and Treasury.

We could not perform detailed tests of award level transactions for File C as reported in the Key Findings section of this report. In lieu of File C, the IG audit guide recommended that if File C was not suitable for sampling, the auditor should derive its sample from Files D1 and D2. We used statistical sampling to select 45 transactions from Files D1 and D2 using stratified sampling design with proportional allocation of samples to strata (D1/D2) meaning that the number of samples was determined based on the relative size of each stratum (i.e., files D1 and D2). This resulted in 7 transactions selected from D1 and 38 from D2. The IG audit guide recommended that auditors select 385 transactions for consistency in reporting results of testing. However, in Appendix III, Sampling Plan, we describe the reasons for selecting a smaller sample.

For the sample transactions, we reviewed source documents as source systems were not deemed reliable, to validate that reporting elements in VA's DATA Act submissions were complete, accurate and submitted for the proper time period. Documentation reviewed included contracts, veteran benefit payments, calculated cost of patient services, and clinical and demographic data. It was not within the scope of our audit to evaluate the cost allocation methodology VHA used in assigning monetary value to the direct services provided Veterans, which VHA reported as financial assistance in File D2. We discussed the results of our sampled transactions with the VA PMO.

### **Standard Report Language**

The following is standard report language provided by the Federal Audit Executive Council DATA Act Working Group to describe errors caused by broker issues that were beyond an agency's control. The language provides a proper context for matters we reported.

**Testing Limitations for Data Reported from Files E and F** – File E of the DAIMS contains additional awardee attribute information extracted from the System for Award Management via the broker. File F contains sub-award attribute information extracted from the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System via the broker. It is the prime awardee's responsibility to report executive compensation and sub-award information in the System for Award Management and the FFATA Subaward Reporting System. Data reported from these two award reporting systems are generated in the broker for display on USASpending.gov. As outlined in OMB's Management Procedures Memorandum 2016-03, the authoritative sources for the data reported in Files E and F are the System for Award Management and the FFATA Subaward Reporting System, respectively, with no additional action required of Federal agencies. As such, we did not assess the completeness, accuracy, timeliness, and quality of the data extracted from the System for Award Management and the FFATA Subaward Reporting System via the broker.

### **Government-wide Data Reporting Issues**

*Current Total Value of Award and Potential Total Value of Award Errors for Procurement Award Modifications* – Data from the (1) Current Total Value of Award and (2) Potential Total Value of Award elements are extracted from FPDS-NG via the legacy USASpending.gov and provided to the broker.<sup>3 4</sup>

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<sup>3</sup> OMB defines the current total value of award data element as the total amount obligated to date on a contract, including the base and

Specifically, data for these elements are extracted from the following FPDS-NG fields respectively: (1) base and exercised options value and (2) base and all options value. These two fields are categorized in FPDS-NG under two columns for data entry labeled "Current" and "Total."

The "Current" column contains amounts entered into the system by the agency. The "Total" column contains cumulative amounts computed by FPDS-NG based on the modification amounts entered into the system by the agency. Procurement award modifications, included in our sample, reported values for these elements from FPDS- NG's "Current" column, which displays the modification amount, rather than the "Total" column, which displays the total award value. As a result, data for the Current Total Value of Award and Potential Total Value of Award elements were inconsistent with agency records. A no-cost modification would cause the "Total" column to display an erroneous zero balance. Procurement awards (base awards) that were not modified did not produce these same errors. The Department of the Treasury's PMO Government-wide DATA Act Program Management Office officials confirmed that they are aware that the broker currently extracts data for these elements from the "Current" column rather than the "Total" column. A Treasury official stated that the issue will be resolved once DAIMS version 1.1 is implemented in the broker and related historical data from USAspending.gov are transferred to Beta.USAspending.gov during fall 2017. However, as VA does not have responsibility for how data is extracted by the broker, we did not evaluate the reasonableness of Treasury's planned corrective action.

***Indefinite Delivery Vehicle Type Errors*** – For procurement awards included in our sample, data from the Indefinite Delivery Vehicle Type element should be extracted from FPDS-NG and provided to the broker. The FPDS-NG atom feed<sup>5</sup> delivers the Indefinite Delivery Vehicle Type and Contract Award Type in the same field. The broker did not break down the data for IDV Type which resulted in inconsistencies with agency records. Treasury's DATA Act PMO officials confirmed that they are aware of this issue and have taken steps to avoid this issue in future reporting periods. However, as VA does not have responsibility for how data is extracted by the broker, we did not evaluate the reasonableness of Treasury's planned corrective action.

***Legal Entity City Code and Primary Place of Performance County Name Errors*** – The Interface Definition Document, a DAIMS artifact, states that data from Legal Entity City Code and Primary Place of Performance County Name, for financial assistance awards in File D2, are extracted via Treasury's Award Submission Portal. During fieldwork, we noted that data for these two fields were consistently blank. A Treasury official stated that data for Legal Entity City Code had not been derived since January 2017 and there were plans to reconsider how this element would be handled. The Treasury official further explained that data derived for Primary Place of Performance County Name would not be implemented until September 2017. Because data for these elements were not derived or implemented, these data fields were consistently blank and therefore not reported for display on USAspending.gov. However, as VA does not have responsibility for how data is extracted by the broker from Treasury's Award Submission Portal, we did not evaluate the reasonableness of Treasury's planned corrective action.

### **Data Quality Assessments**

Until the broker weaknesses identified in this report are addressed, any efforts to assess the quality of

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exercised options. Potential total value of award is defined as the total amount that could be obligated on a contract, if the base and all options are exercised.

<sup>4</sup> The legacy USAspending.gov uses FPDS Version 1.4 to extract and map that data from FPDS-NG. This was a one-time extraction for 2<sup>nd</sup> quarter transactions.

<sup>5</sup> FPDS-NG has data reporting web services that provide access in real-time to a central data repository. FPDS-NG also provides real-time feeds of the same contractual data using atom feeds.

VA data submitted for publication on Beta.USAspending.gov will be limited.

**Management's Response to Findings**

Management has presented a response to the findings identified in our report. See Appendix VII. Management concurred with all recommendations. We reviewed management's technical comments and revised or incorporated their comments into our report, as appropriate.

### APPENDIX III – SAMPLING PLAN

The IG audit guide requires OIG engagement teams to “randomly select a statistically valid sample of certified spending data from the reportable award-level transactions included in the agency’s certified submission for File C, or Files D1 and D2 if File C is unavailable.” It recommends a sample size of 385 transactions, a confidence interval of 95 percent, a desired precision rate of 5 percent, and an expected error rate of 50 percent. The IG audit guide also allows for deviations; i.e. “The engagement team should not hesitate to modify this guide based on specific systems and controls in place at its agency, but must use professional judgment when designing alternative review procedures.”

VA did not submit File C, and as a result, Files D1 and D2 became the source for statistical sampling purposes. Based on the results of our financial statement audits, our review of VA’s readiness to implement the DATA Act, and the extensiveness of aggregate level transactions in File D2, we anticipated a potentially high rate of error for File D1 and potential systemic and complex issues for File D2 and the need for sub-sampling. We assessed the procurement and other source systems to be unreliable, so transaction testing would require source records. Given our past experience, we anticipated the request and evaluation of source records and the follow-up of and management concurrence with exceptions to be time and resource-intensive for both the OIG and VA, especially for 385 transactions.

In collaboration with the OIG, we chose a statistical sample size of 45 transactions as more feasible given the known internal control weaknesses, anticipated testing difficulties, and timeframe for the work to be accomplished. As such, CLA and the OIG did not believe the cost of obtaining high statistical precision and confidence for a potentially high error rate or in light of systemic issues was justified given the cost in terms of OIG and VA resources. The smaller sample size also allowed us to focus more efforts on internal control, process, and systemic issues. Based on these considerations, CLA and the OIG jointly determined that a sample size of 45 would be tested.

With respect to the population sampled, VA reports nearly all (99 percent) of its financial assistance transactions in File D2 at an aggregate level in order to protect personally identifiable information. All 38 selected File D2 samples represented transactions that were reported at an aggregate level. To fully test the completeness, accuracy, and timeliness of the reported samples, a sub-sample of the aggregate transactions was needed to trace to source documents from originating source systems. Approximately two sub-samples per File D2 aggregate transaction were selected randomly from detailed sub-listings, for a total of 80 sub-samples. In total, 125 samples were tested (45 samples + 80 sub-samples). The accuracy of the transaction was determined based on whether any errors were identified in either of the two sub-samples selected within each aggregate sample. Completeness and timeliness on the other hand, were determined on the aggregate level (i.e., without regard to the sub-sample audit).

## **APPENDIX IV – DEFINITIONS**

- Awards include grants, subgrants, loans, awards, cooperative agreements, and other forms of financial assistance; and contracts, subcontracts, purchase orders, task orders, and delivery orders.
- An appropriation is a provision of law authorizing the expenditure of funds for a given purpose.
- Obligations represent a legal liability of the Federal government such as a contract or grant award.
- Object class is a means of identifying obligations by types of goods or services purchased (such as personnel compensation, supplies and materials, and equipment).
- Outlays include the issuance of checks, disbursements of cash, or electronic transfers of funds made to liquidate a federal obligation.
- Program activity is a specific activity or project as listed in the program and financing schedules of the annual budget of the US Government. The Program Activity section of the President's Budget shows the new obligations incurred for each of the principle program activities or projects financed.
- The Treasury Account Symbol is an identification code assigned by Treasury, in collaboration with OMB and the owner agency, to an individual appropriation, receipt, or other fund account. All financial transactions of the Federal government are classified by TAS for reporting to OMB and Treasury.



**APPENDIX V – FEDERAL SPENDING TRANSPARENCY DATA STANDARDS  
(57 standards)**

The table below lists the original 57 data standards issued by OMB and Treasury on August 31, 2015. The DAIMS subsequently added additional data elements.

<b>Element Number</b>	<b>Data Element</b>	<b>Data Standard Type</b>
1	Appropriations Account	Account Level
2	Budget Authority Appropriated	Account Level
3	Object Class	Account Level
4	Obligation	Account Level
5	Other Budgetary Resources	Account Level
6	Outlay	Account Level
7	Program Activity	Account Level
8	Treasury Account Symbol (excluding sub-account)	Account Level
9	Unobligated Balance	Account Level
10	Action Date	Award Characteristic
11	Action Type	Award Characteristic
12	Award Description	Award Characteristic
13	Award Identification (ID) Number	Award Characteristic
14	Award Modification/Amendment Number	Award Characteristic
15	Award Type	Award Characteristic
16	Business Types	Award Characteristic
17	CFDA Number	Award Characteristic
18	CFDA Title	Award Characteristic
19	North American Industrial Classification System Code	Award Characteristic
20	North American Industrial Classification System Description	Award Characteristic
21	Ordering Period End Date	Award Characteristic
22	Parent Award Identification (ID) Number	Award Characteristic
23	Period of Performance Current End Date	Award Characteristic
24	Period of Performance Potential End Date	Award Characteristic
25	Period of Performance Start Date	Award Characteristic
26	Primary Place of Performance Address	Award Characteristic
27	Primary Place of Performance Congressional District	Award Characteristic
28	Primary Place of Performance Country Code	Award Characteristic
29	Primary Place of Performance Country Name	Award Characteristic
30	Record Type	Award Characteristic
31	Amount of Award	Award Amount
32	Current Total Value of Award	Award Amount

<b>Element Number</b>	<b>Data Element</b>	<b>Data Standard Type</b>
33	Federal Action Obligation	Award Amount
34	Non-Federal Funding Amount	Award Amount
35	Potential Total Value of Award	Award Amount
36	Awardee/Recipient Legal Entity Name	Award Amount
37	Awardee/Recipient Unique Identifier	Award Amount
38	Highly Compensated Officer Name	Award Amount
39	Highly Compensated Officer Total Compensation	Award Amount
40	Legal Entity Address	Award Amount
41	Legal Entity Congressional District	Award Amount
42	Legal Entity Country Code	Award Amount
43	Legal Entity Country Name	Award Amount
44	Ultimate Parent Legal Entity Name	Award Amount
45	Ultimate Parent Unique Identifier	Award Amount
46	Awarding Agency Code	Awarding Entity
47	Awarding Agency Name	Awarding Entity
48	Awarding Office Code	Awarding Entity
49	Awarding Office Name	Awarding Entity
50	Awarding Sub Tier Agency Code	Awarding Entity
51	Awarding Sub Tier Agency Name	Awarding Entity
52	Funding Agency Code	Awarding Entity
53	Funding Agency Name	Awarding Entity
54	Funding Office Code	Awarding Entity
55	Funding Office Name	Awarding Entity
56	Funding Sub Tier Agency Code	Awarding Entity
57	Funding Sub Tier Agency Name	Awarding Entity

## **APPENDIX VI – CIGIE's DATA ACT ANOMALY LETTER**

### **SUBMITTED TO THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS AND THE HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**

December 22, 2015

The Honorable Ron Johnson  
Chairman  
The Honorable Thomas Carper  
Ranking Member  
Committee on Homeland Security  
and Governmental Affairs  
United States Senate  
Washington, D.C.

The Honorable Jason Chaffetz  
Chairman  
The Honorable Elijah Cummings  
Ranking Member  
Committee on Oversight and Government  
Reform  
U.S. House of Representatives  
Washington, D.C.

Dear Mr. Chairmen and Ranking Members:

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognizes and appreciates your leadership on issues of Government transparency and accountability. In particular, we believe the enactment last year of the Digital Accountability and Transparency Act of 2014 (DATA Act) will significantly improve the quality of Federal spending data available to Congress, the public, and the accountability community if properly implemented. To make sure this happens, the DATA Act provides for strong oversight by way of the Federal Inspectors General and the Government Accountability Office (GAO). In particular, the DATA Act requires a series of reports from each to include, among other things, an assessment of the completeness, timeliness, quality, and accuracy of data submitted by agencies under the DATA Act.

I am writing this letter on behalf of CIGIE to inform you of an important timing anomaly with the oversight requirement for Inspectors General in the DATA Act. Your staffs have been briefed on this timing anomaly, which affects the first Inspector General reports required by the DATA Act. Specifically, the first Inspector General reports are due to Congress in November 2016. However, the agencies we oversee are not required to submit spending data in compliance with the DATA Act until May 2017. As a result, Inspectors General would be unable to report on the spending data submitted under the Act, as this data will not exist until the following year. This anomaly would cause the body of reports submitted by the Inspectors General in November 2016 to be of minimal use to the public, the Congress, the Executive Branch, and others.

To address this reporting date anomaly, the Inspectors General plan to provide Congress with their first required reports in November 2017, a one-year delay from the due date in statute, with subsequent reports following on a two-year cycle, in November 2019 and November 2021. We believe that moving the due dates back one year will enable the Inspectors General to meet the intent of the oversight provisions in the DATA Act and provide useful reports for the public, the Congress, the Executive Branch, and others.

Although we think the best course of action is to delay the Inspector General reports, CIGIE is encouraging the Federal Inspector General Community to undertake DATA Act “readiness reviews” at their respective agencies well in advance of the first November 2017 report. Through a working group, CIGIE has developed guidance for these reviews. I am pleased to report that several Inspectors General have already begun reviews at their respective agencies, and many Inspectors General are planning to begin reviews in the near future. We believe that these reviews, which are in addition to the specific oversight requirements of the Act, will assist all parties in helping to ensure the success of the DATA Act implementation.

We have kept GAO officials informed about our plan to delay the first Inspector General reports for one year, which they are comfortable with, and our ongoing efforts to help ensure early engagement through Inspector General readiness reviews.

Should you or your staffs have any questions about our approach or other aspects of our collective DATA Act oversight activities, please do not hesitate to contact me at (202) 514-3435.

Sincerely,

Michael E. Horowitz

Chair, Council of the Inspectors General on Integrity and Efficiency

Inspector General, U.S. Department of Justice

cc: The Hon. David Mader, Controller, OMB

*For accessibility, the format of the original contractor's report has been modified to fit in this document.*

**APPENDIX VII – MANAGEMENT COMMENTS**

**Department of  
Veterans Affairs**

# Memorandum

**Date:** November 2, 2017

**From:** Deputy Assistant Secretary for Finance and Acting Deputy Chief Financial Officer (047)

**Subj:** Office of Inspector General (OIG) Draft Report, Audit of VA's Compliance with the DATA Act

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

1. Thank you for the opportunity to participate in the review of VA's compliance with the DATA Act FY17 Q2 submission. We appreciate the work your staff has conducted to help us strengthen and improve our compliance with the DATA Act.
2. We have reviewed the draft report and, in general, concur with the findings. We also want to highlight that VA has taken actions to mitigate some of the findings noted by the IG during the audit. As a result, several of the findings do not reflect VA's current processes.
3. Attached is the requested response for each recommendation. An appropriate implementation plan with a target completion date or an alternative corrective action has been included for recommendations with which we concur.
4. If you have any questions, please call me, or have a member of your staff contact Avie Snow, Associate Deputy Assistant Secretary, Financial Business Operations, at (202) 461-6239.

*(Original signed by)*

Laurie Park

Attachments

*For accessibility, the format of the original documents in this appendix has been modified to fit in this document, to comply with Section 508 of the Americans with Disabilities Act.*

**Department of Veterans Affairs  
Action Plan**

**OIG Draft Report: Audit of VA's Compliance with the DATA Act**

**Date of Draft Report: October 27, 2017**

<b>Recommendations/ Actions</b>	<b>Status</b>	<b>Completion Date</b>
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**OIG Recommendations**

**Recommendation 1.** Continue progress with system modernization efforts. Ensure that current and upcoming DATA Act requirements are incorporated so that the detail level requirements for meeting the DATA Act will be made possible as automatic bulk file transmissions go forward.

DATA Act PMO Comments: Concur with intent

The DATA Act PMO is actively working with the Financial Management Business Transformation (FMBT) to ensure DATA Act requirements are considered as part of the implementation.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 2.** Establish milestones to monitor VA's system modernization efforts. Coordination with the shared service provider should continue to incorporate current and upcoming DATA Act requirements to ensure that they will be met going forward.

DATA Act PMO Comments: Concur

Milestones have been added to the Integrated Master Schedule (IMS). IMS was provided to OIG as part of the DATA Act audit. The PMO will continue to monitor system modernization efforts to ensure DATA Act requirements are met.

Status: Complete

Completion Date: August 2017

**Recommendation 3.** Obtain procurement management system and if feasible, grants management system capabilities that are integrated with the financial system as part of VA's transition to a shared service provider.

DATA Act PMO Comments: Concur

The current system modernization efforts include an integrated procurement system. The DATA Act PMO will work FMBT to consider the feasibility of obtaining a centralized grants management system. Currently, a grants management system is not part of the system implementation. The DATA Act PMO will assess options for collecting and maintaining grant information.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 4.** To the extent possible, reduce the amount of journal vouchers to those related to accrual adjustments or one time, unusual transactions. Journal vouchers recorded should contain data elements required for File B such as the program activity. In addition, if possible, automate efforts to combine FMS journal output files with the MinX-based Governmentwide Treasury Account Symbol

Adjusted Trial Balance System (GTAS) trial balance and resolve variances between the two systems.

DATA Act PMO Comments: Concur in principle

VA's use of the Management Information Exchange System (MinX) is required due to FMS system limitations. Where feasible, VA will work to reduce the number of journal vouchers. MinX allows for the inclusion of certain File B data elements in journal vouchers. We anticipate reductions will be realized as a result of VA's efforts to move to a Shared Service Provider. In the interim, VA will explore the options for automating the combination of FMS journal output files with the MinX-based GTAS trial balance.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 5.** Reduce the extensive use of 1358 obligations, and develop an automated procurement action capturing and reporting mechanism to timely capture all procurement activities greater than \$3,500 for the File D1 submission.

DATA Act PMO Comments: Concur in principle

The DATA Act PMO principally agrees with this recommendation and will work in conjunction with the Financial Management Business Transformation (FMBT) team to communicate this business need. We anticipate this recommendation will be addressed as an outcome of our Business Process Re-engineering activities.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 6.** Prepare the SBR and ensure reconciliation of File A, SF-133s and the SBR prior to File A submission.

DATA Act PMO Comments: Concur

SBR to SF-133 reconciliation is performed quarterly by OFP. PMO received the Q3 reconciliation prior to submission to Data Broker.

Status: Complete

Completion Date: August 2017

**Recommendation 7.** Continue efforts to reduce the number of journal vouchers to those related to accrual adjustments or one time, unusual transactions. Journal vouchers recorded should contain data elements required for File B such as the program activity code and budget object class. In addition, if feasible, automate efforts to combine FMS journal output files with the MinX-based GTAS trial balance and identify and resolve variances between the two systems.

DATA Act PMO Comments: Concur in principle

VA's use of the Management Information Exchange System (MinX) is required due to FMS system limitations. Where feasible, VA will work to reduce the number of journal vouchers. MinX allows for the inclusion of budget object class as well as certain other File B data elements in journal vouchers. We anticipate reductions will be realized as a result of VA's efforts to move to a Shared Service Provider. In the interim, VA will explore the options for automating the combination of FMS journal output files with the MinX-based GTAS trial balance.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 8.** Where feasible, perform validation of MinX journal vouchers as they may contain errors and reside in the ultimate File B submission.

DATA Act PMO Comments: Concur

In 2017, VA instituted a new review and approval process for all journal vouchers in excess of \$100 million. This new process will be included in a December 2017 update to Volume II, Chapter 1 – Accounting Classification Structure. VA expects that as part of the implementation of a new financial management system all adjustments will be made in the new core financial system.

Status: In Process

Target Completion Date: Q3 FY18

**Recommendation 9.** Research and resolve warnings identified by the broker before DATA Act files submission.

DATA Act PMO Comments: Concur

SMART reviewed the Q2 warnings subsequent to the Q2 submission. The Q3 warnings received were greatly reduced from Q2. SMART will continue to review and address warnings which can be resolved prior to quarterly submission.

Status: In Process

Target Completion Date: Ongoing

**Recommendation 10.** Ensure that knowledge of DATA Act processes is not limited to one or a few people, and develop a succession plan to ensure the required expertise and capabilities will continue to remain available before personnel with highly technical and specialized knowledge leave or retire from the agency.

DATA Act PMO Comments: Concur

The DATA Act PMO has an initiative to cross-train PMO staff to ensure redundancy of the required expertise and capabilities to develop and submit quarterly DATA Act files to the Broker. The PMO is working with Administrations responsible for providing key inputs to ensure there is cross training to prevent a knowledge gap in the event of a personnel change.

Status: In Process

Target Completion Date: Q3 FY 18

**Recommendation 11.** Ensure complete reconciliations between the subsidiary and general ledger systems are performed. Differences should be researched and resolved to improve data accuracy, completeness and quality.

DATA Act PMO Comments: Concur in principle

The DATA Act PMO anticipates that this recommendation will be addresses as part of the financial management system modernization initiative. It is critical that eCMS, IFCAP and the core financial management system be integrated to allow for comprehensive reconciliations.

Due to the limitations and age of the technical infrastructure the systems currently do not have integrated components that ensure complete synchronization. In the current environment reconciliation between the systems, especially FMS and IFCAP are not possible. Current inter-system reconciliation processes are almost exclusively dependent on manual monitoring and intervention by users. The current reconciliation process in most cases requires the generation and use of transaction processing status reports and status of fund balances reports to ensure consistency across systems.



Additionally, contract numbers are not transferred from eCMS to IFCAP in an automated fashion.

Status: In Process

Target Completion Date: Initial Operating Capability Q1 FY20

**Recommendation 12.** For all TASes, ensure that amounts can be distinguished between general ledger accounts 4901 and 4902.

DATA Act PMO Comments: Concur

The DATA Act PMO will work with the Administrations to ensure amounts can be distinguished between general ledger accounts 4901 and 4902. The Q3 FY17 DATA Act submission reflected improvements in the ability to distinguish between 4901 and 4902.

Status: In Process

Target Completion Date: Q3 FY18

**Recommendation 13.** Ensure a timely reconciliation process between File A and File B; File B to File C (when applicable); and File B to Files D1 and D2 such that procedures are completed prior to certifying each quarter's submission through the broker. Research and resolve variances identified through reconciliation processes.

DATA Act PMO Comments: Concur

The DATA Act PMO developed and implemented a robust reconciliation process subsequent to the FY17 Q2 submission. Reconciliation procedures are performed prior to submission and certification by the SAO. The PMO continues to enhance reconciliation processes to ensure data quality.

Status: In Process

Target Completion Date: Q3 FY18

**Recommendation 14.** Maintain documentation to support the various cost allocation methodologies used for aggregating VHA transactions included in File D2. Ensure File D2 VHA aggregated data includes only the required costs for DATA Act submission. Seek formal confirmation from OMB and Treasury that the direct services VHA is reporting should be included in File D2 as financial assistance awards and the employee payroll and File D1 duplicate contract cost data VHA is reporting should or should not be included in File D2 as financial assistance awards.

DATA Act PMO Comments: Concur

The DATA Act PMO will work with VHA to review and update cost allocation methodologies which impact aggregate reporting for certain VHA programs. VA will review documentation related to program reporting where some costs are reported in both File D1 and File D2. The PMO will provide recommendations for adjustments to current reporting processes including coordination with OMB and Treasury.

Status: In Process

Target Completion Date: Q4 FY18

**Recommendation 15.** Provide adequate training to DATA Act points of contact on USASpending.gov requirements.

DATA Act PMO Comments: Concur

The DATA Act PMO will continue to provide training to reporting programs on DATA Act specific issues. The PMO currently provides program specific training as well as group training during DAWG meetings. The PMO will enhance training to address exceptions noted during the DATA Act performance audit.

Status: In Process

Target Completion Date: Ongoing

**Recommendation 16.** Implement PMO oversight of the reports submitted by VBA and VHA's ARC to ensure completeness, timeliness, quality, and accuracy of the information reported.

DATA Act PMO Comments: Concur

The DATA Act PMO continues to enhance business processes designed to ensure completeness, timeliness, quality, and accuracy of information reported. The PMO is performing a review of all reporting programs, assessing source data and reporting processes. At the conclusion of the review, the PMO will provide process improvement recommendations to improve reporting.

Status: In Process

Target Completion Date: Q3 FY18

**Recommendation 17.** Implement internal controls related to the proper tracking and accounting for intragovernmental transfers as to their trading partner, type, and nature. Produce reliable subsidiary reports with transfer level details to facilitate management's reconciliation and reporting with the trading partner. Any differences between File A and B should be researched and corrected prior to file submission.

DATA Act PMO Comments: Concur

VA reports only one appropriation with IGT, which is reported using 2 Treasury Account Symbols. VHA provided guidance for identifying activity in FMS. The process will be automated as part of the implementation of VA's new financial management system. The File A to File B reconciliation issue was resolved for Q3 reporting.

Status: Complete

Completion Date: August 2017

**Recommendation 18.** Research and identify the root cause of those transactions with default program activity names and implement corrective actions to address those issues. In addition, implement FMS and MinX JV edit checks to ensure all JVs contain the proper program activity name, program activity code and object class code or the JV will not be accepted by the system. The JV reviewer should ensure all those elements are properly recorded and are consistent with OMB A-11 and the President's Budget to improve the accuracy of the data.

DATA Act PMO Comments: Concur

The DATA Act PMO continues to work with program owners to develop program activity crosswalks for Treasury Account Symbols that use complex allocations to assign cost to program activities. There were four appropriations reported for Q2 using default program activity codes, however, for the Q3 submission, we were able to successfully crosswalk program activities for two additional appropriations resulting in only two appropriations reported using default program activity codes. The remaining two appropriations are extremely complex and reporting in compliance with the DATA Act may not be achieved until the implementation of VA's new financial management system.

The PMO will explore options for FMS and MinX JV edit checks to ensure data elements are present and consistent with OMB A-11 and the President's Budget. The review process will continue to be manually intensive until the implementation of VA's new financial management system. Currently MinX does not have enough fields in order to capture all of the data elements required to infer Program Activity. Additionally, if it were possible to add these data elements to MinX, it would increase the number of MinX JVs significantly, which would impact VA's remediation efforts related to the number of

JV's recorded via MinX. The Program Activity Code and Program Activity Name data elements are currently not stored in FMS - it is being considered as part of iFAMS – and therefore edit checks cannot be added to FMS without significant software modifications.

Status: In Process

Target Completion Date: Q4 FY18

**Recommendation 19.** Assess the impact of the internal control weaknesses reported and develop corrective actions to address data quality issues at the individual or aggregate transaction level.

DATA Act PMO Comments: Concur

The DATA Act PMO will assess the impact of identified internal control weaknesses and develop and implement corrective actions designed to address data quality issues. Checklists and templates will be updated to include specific procedures to validate data quality.

Status: In Process

Target Completion Date: Q3 FY18

**Recommendation 20.** Ensure the complete reporting of all required data elements. Establish and develop a process to validate data quality for all DATA Act files on a regular basis prior to file submission.

DATA Act PMO Comments: Concur

The DATA Act PMO will develop interfile validation processes to validate that required data elements are present in agency created files. We will test the completeness of Data Broker created files to validate completeness. Throughout the process, the PMO initiates service desk tickets with the Data Broker Service Desk, as needed, to address data quality concerns.

Status: In Process

Target Completion Date: Q3 FY18

**Recommendation 21.** Continue to maintain communication with OMB and Treasury regarding VA's data reporting limitations and progress, and document such communication.

DATA Act PMO Comments: Concur

The DATA Act PMO provides a monthly progress report to the Office of Management and Budget. The monthly report provides an assessment of progress, challengers, and mitigation strategy, and an updated timeline for implementing mitigation strategies.

Status: In Process

Target Completion Date: Ongoing

**DEPARTMENT OF VETERANS AFFAIRS**

**Statements of Fact**

**OIG Draft Report: Audit of VA's Compliance with the DATA Act**

**Date of Draft Report: October 27, 2017**

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**Statement/Response**

**Item/Page Number**

**Item 1 – Page 5, Data Standards, Schema, and Submission**

**Audit Statement:**

The broker also pulls procurement and financial assistance award and sub-award information from Government-wide systems, as agencies are already required to submit such data. Those systems are:

- Federal Funding Accountability and Transparency Act Sub-Award Reporting System
- System for Award Management

**Response:**

The Federal Funding Accountability and Transparency Act Sub-Award Reporting System and System for Award Management are not agency systems. Recipients are responsible for submitting data to these systems.

**Item 2 – Page 8, Control Weaknesses Related to FMS**

**Audit Statement:**

As discussed in the next finding, these JVs may not be linked to obligation and expenditure data by object class or program activity, and therefore, manual adjustments and judgments must be made to reflect the effect of those JVs in the respective object class or program activity data for File B.

**Response:**

There is no judgment made in determining OC. However, if it is not possible to determine PA, then our judgment is to default that activity.

**Item 3 – Page 9, Table 1: Data Elements not Retained in FMS or Subsidiary Systems**

**Audit Statement:**

Program Activity Code - Additional information is needed to tie back to FMS. Currently, mapping is required to tie the Program Activity Code to certain fields in FMS, such as the Account Classification Code, Treasury fund symbol, station, cost center, etc.

Program Activity Name - Although the Program Activity Name itself is not stored in FMS, it is possible to infer it using accounting elements that FMS does retain.

**Response:**

Program Activity Code – Program activity is mapped for all TAS except for 0160 and 0161.

Program Activity Name – Once program activity codes are identified, program activity code is assigned a program activity name based on the Program & Financing Schedule. No additional inference using accounting elements is required.

**Item 4 – Page 11, B.5 Controls over VBA's preparation of File B needed improvement**

**Audit Statement:**

For TAS 0137 - Readjustment Benefits, VBA was unable to distinguish between the amounts to be recorded for two File B data elements represented by U.S. Standard General Ledger accounts:

- o 4901 - Delivered Orders – Obligations, Unpaid (i.e., accounts payable)
- o 4902 - Delivered Orders – Obligations, Paid (i.e., outlays)

Therefore, all transactions were captured under 4902.

**Response:**

VBA non-concur. VBA response: VBA believes this is an over statement. For the majority of the amount posted to this TAS VBA was able to determine amounts to post to GL 4901 and 4902 in 2<sup>nd</sup> qtr. Although there were a couple of minor program codes that could not be determined for 2<sup>nd</sup> quarter of the \$7.6 billion reported in GL 4902 the total amount that VBA could not identify to properly split was only \$11.5 million. Recommend this statement be re-written to reflect an accurate statement or removed entirely due to the non-materiality of the amounts.

**Item 5 – Page 13, D.1 File D1 and D2 submissions were incomplete and not reported timely**

**Audit Statement:**

VA made its DATA Act submission by the required due date of April 28, 2017, but an error related to File C and D2 required re-submission, which did not occur until June 28<sup>th</sup>.

**Response:**

File C contained the correct FAIN, only File D2 contained an incorrect FAIN.

**Item 6 – Page 16, E: VA did not perform procedures to validate linkages for Files E and F**

**Audit Statement:**

The PMO completed a certification within the broker to certify that File E and File F had been generated and that the upload to the broker was complete. However, no additional procedures were performed to ensure that the linkages among Files A through F were valid and reliable.

**Response:**

As outlined in OMB's Management Procedures Memorandum 2016-03, the authoritative sources for the data reported in Files E and F are SAM and FSRS respectively with no additional action required of Federal agencies. Any errors in these files are not the responsibility of the Federal agency reporting the prime award.

**Item 7 – Page 16, Table 5: Exceptions identified through management's assurance**

**Audit Statement:**

File B - 2. Sufficient information did not exist to map beginning balances to Program Activity; therefore, default Object Class and Program Activity Codes were used.

**Response:**

Default Program Activity Codes were used, not default Object Class.

**Item 8 – Page 23, Appendix I – Summary of DATA Act Audit Results**

**Audit Statement:**

Section 3, Item 9 - VBA's attempt to reconcile between the transactions submitted in its File D2 to the SF 133 outlays identified material differences

**Response:**

The reconciliation of VBA's File D2 and the SF-133 finding was removed from the report. This control deficiency should be removed too.

**Item 9 – Page 23, Section 4, Results of Sample Tests Performed at the Award-Level Transactions**

**Audit Statement:**

The auditors cited overall error rates of 51% for completeness, 13% for timeliness, and 60% for accuracy.

**Response:**

The VA Office of Inspector General (OIG) based the error rate calculation on the methodology defined in the OMB April 6, 2010 memorandum, Open Government Directive – Federal Spending Transparency, Footnote 5 on page 8. The definition states that completeness and accuracy error rates are measured as the percentage of transactions containing all data elements that are complete and are consistent with source records or authoritative sources. Application of the April 2010 methodology results in treating all elements with equal weight, and if just one element is incorrect, the whole transaction is considered incorrect. OMB acknowledges that the April 2010 rule was implemented to enhance the accuracy of the first generation of USASpending and may need to be updated so it is relevant to DATA Act files, and the error rate for accuracy, completeness, and timeliness is calculated on an element basis rather than transaction basis. On a per element basis, we would anticipate lower error rates.

To implement DATA Act requirements, the Department of Treasury (Treasury) developed a Broker to consolidate agency data and authoritative source data to display on USASpending.gov. Treasury acknowledges the following five data elements/fields may not display the correct result because of issues in deriving, extracting, and displaying fields: Current Total Value of Award, Potential Total Value Of Award, and indefinite delivery vehicle (IDV) Type on the D1 file and Legal Entity City Code and Primary Place Of Performance County Name on the D2 File. Treasury is working to resolve the issues with the display of these five data elements. Therefore, these known data element issues are outside the control of VA, and there are no actions that VA could have taken to address these issues. Given these elements appear on all transactions and cut across both the D1 and D2 files, it is likely that all agencies will have missing or incorrect data in these fields across all transactions. VA anticipates lower error rates if these five data elements are excluded from the VA error rate calculation.

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