



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

FY 2019 Audit of VA's
Compliance under the
DATA Act of 2014

AUDIT

REPORT #19-07247-251

NOVEMBER 8, 2019



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



November 8, 2019

MEMORANDUM

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

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

SUBJECT: FY 2019 Audit of VA's Compliance under the DATA Act of 2014

1. The VA OIG contracted with the independent public accounting firm, CliftonLarsonAllen LLP (CLA), to audit VA's compliance under the Digital Accountability and Transparency Act of 2014 (DATA Act), Public Law 113-101, for the first quarter of fiscal year (FY) 2019. The contract required CLA to conduct this performance audit in accordance with Generally Accepted Government 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 a publicly available report to Congress assessing the completeness, timeliness, accuracy, and quality of the data sampled, as well as the implementation and use of government-wide financial data standards. This is the second of three required biennial reports, with this report due on November 8, 2019, in accordance with the schedule recommended by the Council of the Inspectors General on Integrity and Efficiency.
3. CLA reported that VA's existing financial management and related systems have limited functionality to fully support the reporting standards and requirements under the DATA Act. Also, data management and reporting processes need improvement to ensure compliance with those requirements. As a result of these challenges, CLA reported that VA did not fully meet the reporting standards and attributes of completeness, timeliness, accuracy, and quality required under the DATA Act in its FY 2019 first quarter submission for publication on USASpending.gov.
4. CLA's recommendations included that VA continue system modernization efforts and improve internal controls over certain aspects of the data submission process. Overall, CLA made 16 recommendations for improving compliance under the DATA Act. VA's 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 November 4, 2019, and the conclusions and recommendations expressed therein. The VA OIG does not express an opinion on VA's compliance under the DATA Act.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

Attachment

FY 2019 Audit of VA's Compliance under the DATA Act of 2014

Prepared by:

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November 4, 2019

ACRONYMS

ARC	Allocation Resource Center
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
CLA	CliftonLarsonAllen
DAIMS	DATA Act Information Model Schema
DATA Act	Digital Accountability and Transparency Act of 2014
DQP	Data Quality Plan
eCMS	Electronic Contract Management System
FABS	Financial Assistance Broker Submission
FMBT	Financial Management Business Transformation
FMS	Financial Management System
FPDS-NG	Federal Procurement Data System - Next Generation
FRS	Financial Reporting System
FY	Fiscal year
ID	Identifier
IFCAP	Integrated Funds Distribution, Control Point Activity Accounting, and Procurement System
IG	Inspector General
JV	Journal Voucher
MinX	Management Information Exchange
NCA	National Cemetery Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PA&I	Office of Performance Analysis & Integrity
PMO	Project Management Office
Q1	First quarter
SAO	Senior Accountable Official
TAS	Treasury Account Symbol
USSGL	United States Standard General Ledger
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

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I. OBJECTIVE

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

- A. The completeness, timeliness, accuracy, and quality of fiscal year (FY) 2019, first quarter (Q1), 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 under the DATA Act.

II. BACKGROUND

The DATA Act (Public Law No. 113-101) 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 the established Government-wide financial data standards. In May 2015, OMB and Treasury published 57 data definition standards (commonly referred to as data elements) and required Federal agencies to report financial and award data in accordance with these standards for DATA Act reporting 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, accuracy, and quality 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 develop a guide to set a baseline framework for the required reviews performed by the IG community and to foster a common methodology for performing these mandates, referred to as the IG audit guide. This guide was updated for the second required report, due November 8, 2019 and is based on the feedback from the IG community.

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 June 29, 2018, Treasury issued the DATA Act Information Model Schema v1.3 (DAIMS). The DAIMS guides agencies in the production and submission of the required data and included additional data elements. Appendix II 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
 - *Financial Assistance Broker* - 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* – Includes the appropriations account detail information
- *File B – Object Class and Program Activity* – Includes the object class and program activity detail information
- *File C – Award Financial* – Includes the award financial detail information

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 (Procurement)* – Contains the award and awardee attributes information for procurement sourced from FPDS-NG
- *File D2 – Award (Financial Assistance)* – Contains the award and awardee attributes information for financial assistance sourced from the Financial Assistance Broker Submission (FABS) component of the DATA Act Broker
- *File E – Additional Awardee Attributes* – Contains additional awardee attributes information sourced from the System for Award Management
- *File F – Sub-award Attributes* – Contains sub-award and sub-awardee attributes information sourced from the Federal Funding Accountability and Transparency Act Sub-award Reporting System

IG AUDIT GUIDE

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

- ***Internal controls*** – Auditors should obtain an understanding of the design of internal control and information system controls as it relates to the extraction of data from source systems and the reporting of data to the DATA Act Broker. This includes exercising professional judgment in considering the reliability of financial and award data in relevant information systems when determining the source of support for testing individual attributes in the agency’s DATA Act submission.
- ***Implementation and use of the data standards*** – Auditors should assess the agency’s

consistent use of data standards, including consideration of the results of the detailed test work performed over the DATA Act submission files.

- **Testing of agency's DATA Act Submission** – Auditors are to test an agency's submission to the broker, which is used to populate USASpending.gov, for FY 2019 Q1 data. Testing procedures are to cover the following areas:
 - Agency certification and submission process
 - Timeliness of agency submission
 - Completeness of summary level data files for files A and B
 - Completeness of File C and sampling suitability
 - Linkages for File C and Files D1 and D2
 - Results of detailed testing for Files D1 and D2 for completeness, timeliness, accuracy, and quality

The due date for this report is November 8, 2019. Please see Appendix I concerning scope and methodology for a description of how we implemented this guide.

DATA ACT DATE ANOMALY

CIGIE identified a timing anomaly with the oversight requirements contained in the DATA Act of 2014. 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 provided Congress with their first required reports by November 8, 2017, 1-year after the statutory due date, with two subsequent reports to be submitted following on a 2-year cycle. On December 22, 2015, CIGIE's chair issued a letter detailing the strategy for dealing with the IG reporting date anomaly and communicated the strategy to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. A copy of CIGIE's DATA Act Anomaly Letter can be found at Appendix IV.

PRIOR REVIEWS AND AUDITS

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 systems 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.

Also, we performed the performance audit of VA's Compliance with the DATA Act in 2017, and those results are contained in the OIG report, *Audit of VA Compliance with the DATA Act* (Report No. 17-02811-21, November 8, 2017). Similar to our DATA Act readiness review results, we reported that VA's inability to fully comply with the DATA Act was primarily due to weaknesses in its financial management systems, and internal controls related to source systems, data management, and data reporting processes.

We 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 2018 and 2017* (Report No. 18-01642-09, November 26, 2018).

III. OVERALL AUDIT RESULTS

VA's existing financial management and related systems have limited functionality to fully support the reporting standards and requirements under the DATA Act. Also, data management and reporting processes need improvement to ensure compliance with those requirements. As a result of these challenges, VA did not fully meet the reporting standards and attributes of completeness, timeliness, accuracy, and quality required under the DATA Act in its FY 2019 Q1 submission for publication on USASpending.gov. Our assessment was as of November 4, 2019.

IV. KEY FINDINGS

VA employs over 379,000 employees and received approximately \$198 billion in appropriations in FY 2019. It is comprised of three main administrations – the Veterans Benefits Administration (VBA), the Veterans Health Administration (VHA), and the National Cemetery Administration (NCA) 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 most of the financial reporting responsibilities under the operational control of its major administrations and offices. VHA's financial management functions are primarily managed by three groups of Chief Financial Officers (CFO)—the VHA CFO, the Office of Community Care CFO, and the 18 Veterans Integrated Service Network CFOs. Also, VA's financial management systems pose some risk and challenges to meeting the objectives of the DATA Act requirements. Overall, VA's complex and decentralized structure, along with VA's long-standing internal control deficiencies and legacy, non-integrated systems, have made VA's implementation and execution of the DATA Act reporting requirements extremely challenging.

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

1. Internal controls over source systems
2. Tests of agency's DATA Act submission
3. Implementation and use of the data standards

1. RESULTS OF ASSESSMENT OF INTERNAL CONTROLS OVER SOURCE SYSTEMS

VA is currently undertaking a comprehensive overhaul of its core financial management system through its Financial Management Business Transformation (FMBT) efforts. The VA's Financial Management System (FMS) is outdated, not fully integrated, and cannot produce complete and accurate files that meet DATA Act requirements. The scope of the FMBT program entails a migration of FMS to a Momentum® commercial cloud solution. VA estimates that the new core financial management system will take more than 10 years to fully implement.

CLA's FY 2018 Independent Auditors' Report¹ continued to disclose VA's non-compliance with the Federal Financial Management Improvement Act (FFMIA).² As we reported, VA's legacy systems architecture had continued to deteriorate and did not meet the demanding financial management and reporting requirements mandated by the Treasury and OMB. Further, complete and consolidated reconciliations

¹ *Audit of VA's Financial Statements for Fiscal Years 2018 and 2017* (VA OIG Report No. 18-01642-09, November 26, 2018)

² Under FFMIA, an agency must implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level.

between FMS and some significant feeder systems were not performed throughout FY 2018. We also issued a repeat material weakness in FY 2018 around IT security controls. Overall, we continue to identify issues with VA's financial management systems and compliance with the United States Standard General Ledger (USSGL) at the transaction level. The following source system issues have continued since our FY 2017 DATA Act report.

A. Control Weaknesses Related to FMS

FMS is VA's core financial management and general ledger system that was implemented in 1992. This system has limited functionality to meet the current financial reporting needs and requires extensive manipulations through manual journal voucher (JV) entries, manual processes, and reconciliations in order for VA to produce a set of auditable financial statements. It is the source system for producing File A and a significant portion of File B. The manual JVs processed by VA may not contain the necessary data elements to link the obligation and expenditure data by object class or program activity as required for File B, which results in the use of judgement to assign the appropriate object class and program activity codes to files that must be reported for the DATA Act.

Further, VA could not prepare and submit a complete File C due to its financial system limitations. The VA submitted File C for one small program. 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 for contracts and the Federal Award Identification Number for financial assistance. 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. Consequently, no unique identifier exists that links events in the subsidiary systems back to FMS. As reported in the FY 2017 DATA Act performance audit report, an award ID in VA's accounting system will not be available in an automated fashion until a modernized financial system is implemented. The financial data in Files B, C, D1, and D2 should reconcile with summary financial data in File A, as produced by FMS. Certain reconciliations between these files continue to be problematic for VA.

On June 6, 2018, OMB issued a memorandum (M-18-16) which mandated a requirement that agencies must develop and maintain a DATA Quality Plan (DQP) that considers the risks to data quality in Federal spending data and any controls that manage risk in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The DQP should cover significant milestones and major decisions related to the following:

- Organizational structure and key processes providing internal controls for spending reporting
- VA management's responsibility to supply quality data to meet the reporting objectives for the DATA Act in accordance with OMB A-123
- Testing plan and identification of high-risk reported data, including specific data the agency determines to be high risk that are explicitly referenced by the DATA Act, confirmation that these data are linked through the inclusion of the award identifier in the agency's financial systems, and reporting with plain English award descriptions

We found that VA did not prepare a DQP for the FY 2019 DATA Act process, as required by OMB M-18-16. However, management stated that a draft has been prepared for the FY 2020 DATA Act process.

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

Similar to our FY 2017 DATA Act report finding, VA continues to face 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 primarily for VA purchases. However, 1358s may 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.”

C. Control Weakness Related to Grants Management System

Treasury’s broker generates the grants portion of VA’s File D2 by pulling award data from the Treasury’s Financial Assistance Broker. VA’s submission of grant data to the Financial Assistance Broker is manually intensive as VA has no centralized grants management system. No automated subsidiary system exists to support and link to VA’s financial system. We reported this system limitation in the FY 2017 DATA Act Report.

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 and Name	Additional information is needed to tie back to FMS. According to the VA Project Management Office (PMO), ³ mapping is required for Treasury Account Symbol (TAS) 0160 – Medical Services to tie Program Activity Codes with spending data in FMS.
File B	Object Class	Additional information is needed to tie this field back to FMS. According to the VA PMO, mapping is required to tie to the Budget Object Codes in FMS.
File C	Procurement Instrument Identifier	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.

³ The VA PMO is responsible for the overall coordination and execution of VA’s compliance under the DATA Act.

File	Data Element	Comment
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. Financial assistance 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.

E. CORRECTIVE ACTIONS RECOMMENDED

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

1. Continue the system modernization efforts that provide VA with the capability to generate the required DATA Act reporting files containing the necessary elements to meet compliance with the DATA Act. Ensure the modernization will provide the following:
 - a. Accurate reporting of object class, program activity codes, program activity names and all other elements required by the DATA Act.
 - b. Store award identification to allow VA to be able to develop a File C and reconcile the File C to both summary level data (Files A and B) and award level data (File D). The reconciliations should be performed prior to the quarterly certification.
 - c. Report reconciliation with its subsidiary systems.
 - d. A mechanism to ensure transactions are reported that currently may be excluded due to the use of 1358s.
 - e. Standardize data field use to allow for management to record an award ID across financial and supporting systems.
2. Ensure a DQP is finalized and implemented for future DATA Act submissions which meets the requirements for DATA Act reporting. In addition, the Office of Management, Office of Internal Control, and the Office of Enterprise Risk Management should ensure that the DQP supports the annual assurance statement and quarterly certification.
3. Implement a grants management solution that will be either integrated with the new financial system or interface into it once completed. The VA should identify a grants management solution that can be implemented across all of VA’s grant programs.

2. RESULTS OF TESTING AGENCY’S DATA ACT SUBMISSION

The IG audit guide required us to assess the effectiveness of VA’s internal controls over the completeness, timeliness, accuracy, and quality of VA’s DATA Act submission. We evaluated whether the reporting of VA’s DATA Act submission to the DATA Act Broker is in accordance with the schedule established by the Treasury DATA Act Project Management Office (Timeliness). In addition, we evaluated that all transactions and events were recorded in the proper period (Completeness). Finally, we evaluated that the amounts and other data relating to recorded transactions have been recorded in accordance with the data element requirements of the DAIMS and agree with the authoritative source records (Accuracy). We determined that VA did not fully meet the reporting requirements under the DATA Act. The test results are detailed below.

A. Agency Certification and Submission Process

A.1 Controls over the Senior Accountable Official (SAO) certification process were not operating effectively: The IG audit guide required us to understand the agency’s process for determining whether the linkages among Files A through F are valid and reliable. Specifically, we examined the Senior Accountable Official⁴ (SAO) certification document and the related documentation to assess whether the underlying controls were operating to support the validity and completeness assertions for the File A through F submission. We found that the VA’s overall SAO certification relies on sub-certifications from designated component level SAO’s to certify and attest to the completeness, timeliness, and accuracy of data reported. VA’s overall SAO Q1 certification was not supported by all the component level sub-certifications. Specifically, six of these sub-certifications were not received as of the March 20th submission certification date including one of VA’s largest components, VHA. Table 2 below provides our findings related to the SAO sub-certification.

Table 2: Findings on Sub-certifications

Sub-Certification Organizations – Treasury Main Account Code	Date Sub-certification was received
General Administration – 0142	3/27/2019
Board of Veterans Appeals (BVA) – 1122	Not Received
Office of Electronic Health Records Modernization – 1123	3/21/2019
Pershing Hall – 4018	3/27/2019
General Post Fund – 8180	Not Received
Veterans Health Administration – Various (0140, 0160, etc.)	3/25/2019

VA management said that the TAS were not material for two sub-certifications and shown as “Not Received” in the table above. However, management did not provide a basis to support its materiality determination. Also, we found that some of the sub-certifications did not contain a sign-off date. For example, NCA, and overall VA sub-certifications did not contain a sign-off date. However, management accepted the email confirmations as evidence of the certification date for the sub-certifications. Currently, the VA PMO does not have a requirement that all certifications must be dated upon submission.

A.2 VA’s Q1 FY 2019 submission for File D2 contained inaccuracies for certain types of costs of care: VA’s SAO certification identified certain VHA programs that were not submitting the correct federal award level data in their monthly Financial Assistance Broker Submission (FABS). The FABS files include the complete set of elements required for submitting financial assistance award data. Agencies will submit to the FABS site at least twice monthly, using the DAIMS compatible submission format. VA did not report the award level data as required by DAIMS. See Table 3.

⁴ SAOs are high level senior officials or their designees who are accountable for the quality and objectivity of federal spending information. These senior leaders should ensure that the information conforms to OMB guidance on information quality and adequate systems and processes are in place within the agencies to promote such conformity.

Table 3: Errors reported in Catalog of Federal Domestic Assistance⁵ (CFDA) #'s

CFDA #	Program Title	Description of Exception
64.014	Veterans State Domiciliary Care	Currently reporting the monthly reimbursement payments made to state homes instead of the obligations recorded.
64.015	Veterans State Nursing Home Care	
64.026	Veterans States Adult Health Care	
64.024	Veteran's Homeless Providers Grant and Per Diem Programs	The Program Office is reporting the Transfer of Disbursing Authority instead of obligations. The Transfer of Disbursing Authority is a high-level budgetary instrument to allocate/allot funding and not an obligating document.

A.3 File D2 award (financial assistance) data reported was incomplete: VBA did not submit the expenditure information in File D2 for the monthly allowance for one program—the Monthly Allowance for Children of Vietnam Veterans Born with Spina Bifida (CFDA # 64.127). The VA PMO reported that the CFDA number was deactivated during GSA's Integrated Award Environment implementation process and was not reactivated until September 2019. Also, per the Strategic Management Analytics Reporting Team Memorandum for Agency Senior Accountable Official, the VHA Veterans Prescription Service program (CFDA # 64.012) normally reports activity to FABS two months in arrears which exceeds the standard reporting timeline. The VA PMO stated a notification was sent to OMB regarding the timeline and was told to research the solution. However, management stated a solution has not been found.

The expedited payments to contractors for the VA's Veterans Choice Program were excluded from File D2. These payments to the third party vendors are to pay medical claims of veterans seen by providers outside of the VA network. Other payments for similar VHA Community Care programs are reported in File D2 as financial assistance. However, the VA PMO said that the contracts with the third party service providers were processed through FPDS-NG as contract awards. VA should obtain guidance from Treasury and OMB on the proper treatment of these transactions as either contract awards (File D1) or financial assistance (File D2).

A.4 VA reported allocated payroll and contract costs as part of the File D2 submission: The VHA's Allocation Resource Center (ARC) receives data from various sources, including individual patient treatment and allocated data from the Managerial Cost Accounting system. This data is used to produce obligation data for inclusion in File D2. However, the allocated data contain direct and indirect payroll costs from the Personnel and Accounting Integrated Data system and contracts for medical supplies and services. As a result, the obligations reported by the ARC in File D2 include payroll costs that do not qualify as Federal awards as defined by the Federal Funding Accountability and Transparency Act of 2006 and contract costs that were previously reported in the File D1. Also, we found that proxy costs which VA said are the average costs of the service were used in the Q1 submission by the ARC as they were not able to receive and reconcile patient information submitted by the medical centers by the reporting date.

A.5 VBA's Insurance program data for File D2 is incomplete: The payments processed and disbursed to beneficiaries without a valid zip code or other key information were excluded from the FABS and captured

⁵ The Catalog of Federal Domestic Assistance is a government-wide compendium of Federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains financial and nonfinancial assistance listings administered by departments and establishments of the Federal government.

on an “Excluded Payment” report. VBA stated that the payments are not reported to the FABS. We found that VBA excluded 358 transactions with a value of \$187,350 in the Q1 FABS.

A.6 VBA’s aggregation process for File D2 is inaccurate: VA combines federal award data for individuals into aggregate records to protect personally identifiable information. VBA’s Insurance aggregation is performed at the county and zip code level. The county and zip codes are used to report the Congressional District. VBA defaults the Congressional District as 90 when the county or zip code is unknown. However, as required by DAIMS, the Congressional District “90” should be used for zip codes reported to multiple Congressional Districts.

We also found that VBA’s insurance aggregation includes the “face amount” of insurance programs as part of the FABS reporting. However, the face amount is not regarded as an accounting transaction (i.e., obligation, payment, liability, etc.). This amount is included within program records and included in the actuarial estimates as a potential future disbursement. The DAIMS does not define the data elements “federal action obligation” and “non-federal funding amount” for insurance programs. VA should obtain guidance from Treasury to support their current reporting method.

During our review of the VBA DATA Act submission reconciliation for Q1, we identified significant variances between the documentation provided by the Office of Performance Analysis & Integrity (PA&I) and Financial Reporting System (FRS) report for the Fund 4127 Direct Loans (CFDA program 64.118). See Table 4 below.

Table 4: VBA Loan face value and subsidy amount reconciliation between PA&I and FRS Reconciliation Errors

Source	Total of face value and subsidy amounts (combined)		
	October	November	December
PA&I	\$1,239,430	\$2,758,312	\$4,321,641
FRS Report – Fund 4127 (FMS)	\$704,537	\$5,262,839	\$9,728,397
Variance	\$534,893	(\$2,504,527)	(\$5,406,756)
Variance percentage	76%	-47.6%	-56%
Explanation from Management	No Vendee Loan was recorded in FMS	No new Vendee Loan was recorded in FMS, but an accrual JV was posted for the loans	Prior month accrual was reversed and \$11.6M accrual was posted for current month; \$2.1M new Vendee Loan was posted in FMS

Per the VA PMO, the errors were caused by timing issues because the lender has seven days per the contract requirements to report the loan to VA.

In addition, we identified errors in the VBA monthly FABS reconciliation process. These errors were not identified by VBA management during its quality control review process. The reconciliation process is manually intensive and excel spreadsheets are used by the VBA team to capture the applicable data.

B. Timeliness of Agency Submission

B.1 Transactions included within Files C, D1 and D2 were not reported timely and/or completely: VA initially certified the Q1 DATA Act submission on the required due date of March 20th. However, VA re-certified the Q1 submission on March 21, 2019 and subsequently on May 15, 2019. The VA PMO stated that the recertification of File C on March 21 was due to use of an incorrect “sign” for the amounts reported. The error was included in the file provided by NCA but was not identified through the VA PMO quality review of the file.

The VA PMO re-submitted Files D1 and D2 to the DATA Act broker on May 15, 2019. During our review, we identified the following differences in the transaction count between the original submission files for D1 and D2 dated March 20, 2019 and the re-certified submission dated May 15, 2019. See Table 5 for File D1 and Table 6 for File D2 below for the differences we identified with respect to dollar values and transaction counts.

Table 5: Difference between 3/20 and 5/15 certification for File D1

File D1	3/20 Certification (original)		5/15 Certification (recertification)		Difference	
	Total Value	Transaction count	Total Value	Transaction count	Total Value	Transaction count
Federal Action Obligation	\$5,579,759,144	34,819	\$7,786,372,010	35,076	\$2,206,612,866	257
Current Total Value of Award	\$41,964,835,847		\$44,550,118,624		\$2,585,282,777	
Potential Total Value of Award	\$2,199,666,429,076		\$2,202,916,998,614		\$3,250,569,538	

The VA PMO found that the majority of the differences were due to late submissions to FPDS-NG for consolidating multiple contract actions through FPDS-NG express reporting capability.

Per the VA PMO, VA recertified its File D2 submission on May 15, 2019, because VBA identified errors in their initial submission for one program that approximated \$124 million in File D2.

Table 6: Difference between 3/20 and 5/15 certification for File D2

File D2	3/20 Certification (original)		5/15 Certification (recertification)		Difference	
	Total Value	Transaction count	Total Value	Transaction count	Total Value	Transaction count
Federal Action Obligation	\$55,354,163,048	240,079	\$55,229,876,742	239,871	(\$124,286,306)	(208)
Total Funding Amount	\$55,354,163,048		\$55,229,876,742		(\$124,286,306)	
Face Value of Direct Loan or Loan Guarantee	\$8,575,219,391		\$8,575,219,391		(\$0)	

B.2 Use of 1358 obligations may lead to incomplete and untimely reporting of contract actions to File D1: As already discussed in the internal control section of the report, VA records miscellaneous obligations using the 1358 process in IFCAP. These obligations may not have associated contract awards. As such, the transactions obligated using the 1358 process are not recorded in eCMS. Without the use of a manual entry processed into FPDS-NG or eCMS, these obligations would not be reported to USAspending.gov and ultimately not recorded within File D1. The VA PMO could not accurately determine whether the 1358's were reported or quantify the total value of any 1358's reported to FPDS-NG.

C. Completeness of Summary Level Data Files for Files A and B

C.1 Inaccuracies exist in Budget Object Class Codes, Program Activity Codes, Program Activity Names and USSGL amounts reported by VA within the File B submission: Due to system limitations, VA used default object class codes, program activity codes, and program activity names to report data in File B. During our examination of File B, we found the following:

- 275 instances where the default object class "000" was used.
- 330 instances where the default Program Activity Code and Name were used.
- The default object class codes, program activity names, and program activity codes were applied to various types of unrelated financial transactions and/or activities including beginning balance accounts, MinX⁶ journal vouchers, direct versus reimbursable and others.

Further, VA's financial reporting processes include MinX adjustments during Q1 of FY 2019 that may not contain the data elements required for DATA Act reporting. As a result, the VA PMO and VBA used judgement to manually assign program activity codes and object class codes to MinX JV adjustments to

⁶ VA's current financial system has limited functionality to meet current financial management and reporting needs. VA utilizes another application, the Management Information Exchange (MinX) system, to consolidate general ledger activities from FMS and create financial statements for external financial reporting. This process requires significant manual intervention and creates risks to the accuracy and completeness of financial reporting.

report transactions within File B. Also, the VA PMO had to manually map VA’s four digit Budget Object Code to the three digit OMB Object Class due to FMS system limitations.

Additionally, the File B submission contained inaccurate amounts recorded in USSGL 4901 (Delivered Orders- Unpaid) (Data Element 53) and USSGL 4902 (Delivered Orders- Paid) (Data Element 57). These differences were caused in part by the reconciling differences between amounts reported in the monthly Government Wide Treasury Account Symbol submission and VA’s subsidiary system. The unsupported differences were allocated among VBA programs. We also observed incorrect reporting of direct versus reimbursable activity where VBA was not able to provide adequate documentation to fully resolve the variances or support the underlying cause. Per the VA PMO, VA is currently working towards establishing separate “R” fund symbols to identify Direct vs. Reimbursable transactions.

C.2 Reported Program Activity Names and Codes did not match the codes reported as part of the Quarterly OMB MAX Collect Exercise:⁷ We identified program activity codes that did not match the OMB Max Collect exercise. See Table 7 below.

Table 7: Program activities that did not reconcile to the OMB Max Collect exercise

Program Activity Name	Treasury Account Symbol	Program Activity Code
Community Care Network Contract	0140	0014
P.L. 113-146, Non-Recurring Maintenance	0162	0028

The SAO’s certification reported that the above program activity codes were not included as part of the OMB Q1 OMB Max Collect Exercise required by the OMB Budget Data Request. Further, the VA PMO program activity code exception work paper included the following explanations:

- Program Activity Code 0028 was mistakenly deleted in FY 2019 MAX Collect Exercise by VHA Budget
- Program Activity Code 0014 was not reported by VHA as part of the MAX Collect Exercise

C.3 VA was not able to report award level information for Intergovernmental Transactions: VA submitted summary level data for the intergovernmental transactions in File A and B for the DOD/VA Sharing Incentive Fund (0165) and DOD/VA Education Benefits Program (0137). However, due to FMS system limitations the financial award level information required to be submitted for File C was not reported. See Section D below for more detail on exceptions for File C.

D. Completeness of File C and sampling suitability

D.1 VA was not able to submit a complete File C for all programs and TASs timely: The VA’s FMS does not contain the award ID and other required data elements for File C. The process to develop File C is manually intensive. Due to the system limitation, we found the following.

- VA was unable to submit a complete File C for all programs and TAS. VA submitted File C for only TAS 0183 (NCA Grants for the Construction of State Veteran Cemeteries) with only 6 grant transactions.

⁷ OMB MAX is an OMB information system.

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- The VA PMO did not perform necessary reconciliations to assess the accuracy and completeness of Files D1 and D2. VA was not able to perform a File C to D (D1 and D2) reconciliation with an exception for the one TAS reported for File C, nor perform a File B to D (D1 and D2) reconciliation due to the system limitation as referenced above.
 - The VA PMO re-certified the File C on March 21, 2019, due to an incorrect “sign” used in the original submission. The error was embedded in the file provided by NCA and was not identified through the VA PMO quality review process. Per the VA PMO response, “a warning was identified (warning C23) but was not addressed in their review prior to submission.” The VA PMO subsequently updated their review and validation practices to prevent such errors going forward.

E. Results of detailed testing for Files D1 and D2 for completeness, timeliness, accuracy, and quality

E.1 Results of sample tests of award level transaction data - As reported in Section D above, VA was not able to produce File C for all TASs. 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, timeliness, accuracy, and quality of data by reviewing source documents of individual awards from a statistical sample of 45 transactions. The IG audit guide recommended that the audit team, with the assistance of a qualified statistician, randomly select a statistically valid sample of certified spending data from the reported records. The VA OIG and CLA chose a statistical sample size of 45 transactions based on the results of the FY 2017 DATA Act audit. The sample of 45 transactions was comprised of 6 records from File D1, and 39 records from File D2. Of the 39 File D2 records, 38 were aggregated records (i.e., groupings of individual records) and 1 was a non-aggregate record. From the 38 aggregated records, we tested 69 individual transactions. We used the IG audit guide and 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 audit guide. For more information on the sampling approach, please see the methodology section of Appendix I.

From our testing of the 6 samples from File D1 and 39 samples from File D2, we found the following exceptions:

File D1 exceptions

1. For 1 sample item (Sample 5) the contracting action was not reported to FPDS-NG timely (**Timeliness**).
2. For 2 sample items (Sample 4 and Sample 5), the DAIMS data element information reported did not agree to VA’s source system (**Accuracy**).
3. For 2 sample items (Sample 2 and Sample 6), the amount reported was not supported by the source documents (e.g., FPDS-NG, Contract documents, etc.) (**Accuracy**).

File D2 exceptions

4. For 1 sample item (Sample 30) the File D2 submission did not include a data element supported by the source documentation (**Accuracy and Completeness**).
5. For 20 samples (Samples 9, 12, 14, 16, 18, 19, 21, 23, 24, 26, 27, 28, 31, 32, 33, 37, 40, 41, 44 and 45) the information reported for Business Types was incorrect (**Accuracy**).
6. For 1 sample (sample 9) the Congressional District code was not reported accurately (**Accuracy**).
7. For 1 sample (sample 35) the obligation date of the supporting documentation did not match the Action Date (**Accuracy**).

-
8. For 1 sample (Sample 20) the source documentation provided did not support the Original Loan Subsidy Cost for the two sub-samples that were included in the aggregate record submitted in File D2 **(Accuracy)**.
 9. For 1 sample (Sample 17) one sub-sample should not have been included in the aggregate record **(Accuracy)**.

We note that VA considers the place of performance for its veteran health care spending to be the beneficiary residence. VA should obtain OMB and Treasury approval for aggregating and reporting transactions based on beneficiary address rather than the location of the facility where the service was provided. VHA and VBA aggregate individual records by county according to OMB M-17-04, "Additional Guidance for DATA Act Implementation: Further Requirements for Reporting and Assuring Data Reliability." Aggregated records are used to protect personally identifiable information.

F. Analysis of Results from the Testing of File D

F.1 Data Element Analysis and Overall Results

The Data Act Analysis in Appendix II depicts our test results and the associated error rates by data element for the sampled transactional testing for File D, which consisted of Files D1 and D2. The analysis includes the results for completeness, accuracy and timeliness. The overall results from our testing are presented below.

Completeness

A data element is considered complete if the required data element that should have been reported was reported. Our results show that the error rate with respect to completeness was 0.066%. The 95% confidence interval was 0.001% to 0.380%.

Accuracy

A data element is considered accurate when the amounts and other data relating to recorded transactions were recorded in accordance with the DAIMS RSS, IDD, and the online data dictionary, and agree with the authoritative source records. Our results show that the error rate with respect to accuracy was 2.635%. The 95% confidence interval was 1.723% to 3.847%.

Timeliness

A data element is considered timely based on the reporting schedules defined by procurement and financial assistance requirements (e.g., FPDS-NG, FABS, and DAIMS). Our results show that the error rate with respect to timeliness was 2.142%. The 95% confidence interval was 0.042% to 11.967%.

We note that the margin of error is 5% or less except for the attribute of timeliness, where the margin of error is just over 5% considering the half-length from the confidence interval. This is because 44 samples had 0% error while one sample (Sample #5) had a 100% error rate. This difference in the error rates resulted in a somewhat larger variability and a margin of error slightly beyond the limit of what is recommended by the IG guide (i.e., $\leq 5\%$). In the other two cases of accuracy and completeness, the margin of error was well within the recommended margin.

Quality

The quality of the data elements was determined using the table below, as provided by the IG guide, and the highest of the three error rates was used as the determining factor. Table 8 shows the range of error in determining the quality of data elements.

Table 8: IG guide’s table for determining quality

Highest Error Rate	Quality Level
0%-20%	Higher
21%-40%	Moderate
41% and above	Lower

Based on our test work and the highest error rate of 2.635%, we determined that the quality of VA’s data in File D is considered “Higher”.

F.2. Analysis of the Accuracy of Dollar Value-related Data Elements

Our analysis of the results of the test of the accuracy of dollar-value related data elements is presented in the following table. The absolute value of the errors reported is not projectable because the statistical sample test was performed on attributes and not on monetary amounts. See Table 9 below.

Table 9: Accuracy of dollar-value related elements

PIID/ FAIN	Data Element	Accuracy of Dollar-Value Related Elements					Error Rate	Absolute Value of Errors
		Accurate	Not Accurate	Not Applicable	Total Tested			
PIID	DE 11 Federal Action Obligation	6			6			
PIID	DE 14 Current Total Value Of Award	6			6			
PIID	DE 15 Potential Total Value Of Award	4	2		6	33%	\$330,193	
FAIN	DE 11 Federal Action Obligation	36	3		39	7%	\$6,271	
FAIN	DE 12 Non-Federal Funding Amount			39	39			
FAIN	DE 13 Amount Of Award	37	2		39	5%	\$6,271	
FAIN	DE 14 Current Total Value Of Award	2		37	39			
	Total	91	7	76	174		\$342,735	

F.3. Analysis of Errors in Data Elements Not Attributable to the Agency

There are instances where errors are caused by an entity other than the VA. Those errors are included in the statistical results. Table 10 is provided to identify the types of errors that were not within VA’s control. See Table 10.

Table 10: Data elements not attributable to the Agency

PIID/FAIN	Data Element	Attributed to
PIID	Ultimate Unique Identifier	FPDS-NG extracting from System for Award Management

G. CORRECTIVE ACTIONS RECOMMENDED

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

4. Work with the SAO and component level SAO’s to ensure that all certifications are signed, dated by the component SAO and received prior to the submission date.
5. Ensure that the four CFDA programs (64.014, 64.015, 64.026, and 64.024) report obligations according to the definitions established for FABS reporting or obtain OMB and Treasury’s approval for any deviations.
6. Ensure the Office of Budget implements monitoring controls over CFDA numbers to ensure any CFDA numbers that require activation are identified and activated promptly to avoid interruptions in expenditure reporting.
7. Research the basis for the delays in reporting expenditure data for FABS for the VHA Veterans Prescription Service program (CFDA # 64.012) and implement a corrective action plan for timely reporting going forward. The VA PMO should also seek an exemption from OMB and Treasury regarding the reporting delays for the program if no viable solutions are identified to mitigate the timing delays.
8. Obtain and document guidance from Treasury and OMB on the proper treatment of payments to contractors for VA’s Veterans Choice Program as either contract award (File D1) or financial assistance (File D2).
9. Obtain and document guidance from Treasury and OMB regarding inclusion of payroll and contract costs in the FABS (File D2) and the duplication of the same contract costs in the FPDS-NG (File D1).
10. Implement internal controls and update policies and procedures to improve the accuracy of and completeness of the information submitted for FABS reporting. The internal controls should ensure the following:
 - a. Excluded payments not reported due to zip code issues are researched, cleared, and reported in VBA’s sub certification.
 - b. The default code “90” for Congressional District is not used when the county or zip code are unknown; instead, perform research to obtain the required data.
 - c. Support from Treasury and OMB on the proper reporting of face amount of insurance in its FABS submissions.
 - d. The information submitted for each data element is adequately supported and readily available.
 - e. All data elements are reported in compliance with the definitions established by the DAIMS.
11. Improve review procedures prior to submission to identify errors and ensure all transactions are included in procurement and financial assistance data.
12. Perform research to determine the extent to which 1358 transactions are not reported for File D1 and develop solutions.
13. Develop solutions and continue system modernization efforts to reduce the use of the default object class. Research and develop program activity crosswalk for medical services.
14. Strengthen procedures over the process to report all program activity names and program activity codes that are reported in the quarterly OMB MAX Collect Exercise in accordance with the latest Budget Data request requirements.
15. Reinforce guidance for Contracting Officers concerning areas where exceptions were noted in DATA Act reporting.

16. Obtain OMB and Treasury approval for aggregating and reporting transactions based on beneficiary address. Ensure controls around the aggregation process are implemented and operating effectively.

3. IMPLEMENTATION AND USE OF THE DATA STANDARDS

We evaluated VA's implementation and use of the government-wide financial data standards as developed by OMB and Treasury. As part of the evaluation, we reviewed VA's data inventory and mapping for Files A, B, C, D1 and D2. The VA's legacy information system limitations and decentralized operations are significant factors that contribute to control weaknesses identified for DATA Act reporting. As a result, VA could not successfully implement and use all financial data standards developed by OMB and Treasury. The findings that support our assessment are described in Sections 1 and 2 above.

CliftonLarsonAllen LLP

APPENDIX I – SCOPE, METHODOLOGY, AND MANAGEMENT’S RESPONSE TO FINDINGS

Scope

CIGIE identified a timing anomaly with the oversight requirements contained in the DATA Act of 2014. 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 provided Congress with their first required reports by November 8, 2017, 1-year after the statutory due date, with two subsequent reports to be submitted following on a 2-year cycle. On December 22, 2015, CIGIE’s chair issued a letter detailing the strategy for dealing with the IG reporting date anomaly and communicated the strategy to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. A copy of CIGIE’s DATA Act Anomaly Letter can be found at Appendix IV.

This report is in fulfillment of the OIG’s responsibility to report to Congress by November 8, 2019.

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 under the DATA Act with respect to:

- i. The completeness, timeliness, accuracy, and quality of FY 2019, Q1 financial and award data VA submitted for publication on USASpending.gov, and
- ii. VA’s implementation and use of the Government-wide financial data standards established by OMB and Treasury.

CLA’s last day of fieldwork for the audit was November 4, 2019. We conducted our work at the VA’s Central Office located in Washington, D.C.; and the CLA offices located in Greenbelt, 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
- Reviewed the status of a VA data quality plan
- Assessed the internal controls in place as they relate to the extraction of data from source systems and the reporting of data to Treasury’s DATA Act Broker, in order to assess audit risk and design audit procedures

-
- Reviewed and reconciled the FY 2019, Q1 summary-level data submitted by the agency for publication on USASpending.gov
 - Reviewed a statistically valid sample from the FY 2019, Q1 financial and award data submitted by the agency for publication on USASpending.gov
 - Assessed the completeness, timeliness, accuracy, and quality of the financial and award data sampled
 - Assessed the agency's implementation and use of the 57 data elements/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 (Files D1 and 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 6 transactions selected from D1 and 39 from D2.

For the sample transactions, we reviewed documentation from VA systems that 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.

With respect to the aggregate D2 records sampled, each data element was declared as being in error if this data element were in error in at least one of the underlying sub-samples (or, conversely, it was qualified as not being in error if the data element did not contain any errors in all sub-samples). As described in the sampling plan approved by the VA OIG, the extrapolation methodology took into account both the *clustering* of the data elements within each file as well as the stratification rendered by the two file types (i.e., File D1 versus File D2). In addition, the error rate was estimated as the ratio of the total errors observed (i.e., with respect to each attribute of completeness, accuracy, or timeliness) divided in each case by the total number of data elements tested. We did not simply average the error rates in the 45 sampled observations because the number of data elements tested in each sample was not the same. To estimate the precision of the estimates, we generated stratified clustered estimates of the variance and calculated Clopper-Pearson ("exact") binomial 95% two-sided confidence intervals. The choice of this methodology was made to ensure correct coverage of these intervals⁸ despite the error rate being very low. As stated in the IG guide, approximate (normal) confidence intervals are not reliable when the error rate is below 20%. The margin of error was calculated as half the length of the confidence interval.

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.

⁸ That means that the intervals are wide enough to ensure that the unknown population error rate will be contained in them with 95% confidence.

Testing Limitations for Data Reported from Files E and F

File E of the DAIMS contains additional awardee attribute information the broker extracts from the System for Award Management. File F contains sub-award attribute information the broker extracts from the Federal Funding Accountability and Transparency Act Subaward Reporting System. Files E and F data remains the responsibility of the awardee in accordance with terms and conditions of Federal agreements; and the quality of this data remains the legal responsibility of the recipient. Therefore, agency senior accountable officials are not responsible for certifying the quality of File E and F data reported by awardees, but they are responsible for assuring controls are in place to verify that financial assistance awardees register in the System for Award Management at the time of the award. As such, we did not assess the completeness, timeliness, accuracy, and quality of the data extracted from SAM and Federal Funding Accountability and Transparency Act Subaward Reporting System via the DATA Act broker system.

Period of Performance Start Date for Procurement Awards

The DAIMS defines Period of Performance Start Date as the date on which, for the award referred to by the action being reported, awardee effort begins or the award is otherwise effective. For modifications of procurement awards, it is not clear whether “the award referred to” is the initial award or the modification and neither the OMB nor Treasury’s DATA Act Program Management Office has issued guidance with specific instructions on this. Thus, for procurement awards with modifications, if agencies recorded the initial award date or the date of the modification as the start date, in accordance with their internal policies and procedures/practices, it is not an error for DATA Act reporting purposes.

Management’s Response to Findings

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

APPENDIX II – DATA ELEMENT ANALYSIS

VA's results listed in <u>descending</u> order by accuracy error rate percentage (non-projected). ^[1]				
Accuracy (A), Completeness (C), Timeliness (T)		Error Rate (Not Projected)		
Data Element No.	Data Element Name	A	C	T
37	Business Types	51%	0%	0%
15	Potential Total Value of Award	33%	0%	17%
11	Federal Action Obligation	7%	0%	2%
13	Amount of Award	5%	0%	0%
5	Legal Entity Address	4%	2%	2%
6	Legal Entity Congressional District	4%	0%	2%
25	Action Date	4%	0%	2%
31	Primary Place of Performance Congressional District	4%	0%	2%
3	Ultimate Parent Unique Identifier	2%	0%	0%
22	Award Description	2%	0%	2%
26	Period of Performance Start Date	2%	0%	2%
30	Primary Place of Performance Address	2%	0%	2%
1	Awardee/Recipient Legal Entity Name	0%	0%	2%
2	Awardee/Recipient Unique Identifier	0%	0%	2%
4	Ultimate Parent Legal Entity Name	0%	0%	0%
7	Legal Entity Country Code	0%	0%	2%
8	Legal Entity Country Name	0%	0%	2%
12	Non-Federal Funding Amount	0%	0%	0%
14	Current Total Value of Award	0%	0%	2%
16	Award Type	0%	0%	2%
17	NAICS Code	0%	0%	17%
18	NAICS Description	0%	0%	0%
19	Catalog of Federal Domestic Assistance (CFDA) Number	0%	0%	0%
20	Catalog of Federal Domestic Assistance (CFDA) Title	0%	0%	0%

^[1] For each data element, we divided the number of exceptions by the total sample count for the relevant files to obtain the percentage error rate for that data element.

23	Award Modification / Amendment Number	0%	0%	0%
24	Parent Award ID Number	0%	0%	0%
27	Period of Performance Current End Date	0%	0%	2%
28	Period of Performance Potential End Date	0%	0%	17%
29	Ordering Period End Date	0%	0%	0%
32	Primary Place of Performance Country Code	0%	0%	2%
33	Primary Place of Performance Country Name	0%	0%	0%
34	Award ID Number (PIID/FAIN)	0%	0%	2%
35	Record Type	0%	0%	0%
36	Action Type	0%	0%	0%
38	Funding Agency Name	0%	0%	2%
39	Funding Agency Code	0%	0%	2%
40	Funding Sub Tier Agency Name	0%	0%	2%
41	Funding Sub Tier Agency Code	0%	0%	2%
42	Funding Office Name	0%	0%	2%
43	Funding Office Code	0%	0%	2%
44	Awarding Agency Name	0%	0%	2%
45	Awarding Agency Code	0%	0%	2%
46	Awarding Sub Tier Agency Name	0%	0%	2%
47	Awarding Sub Tier Agency Code	0%	0%	2%
48	Awarding Office Name	0%	0%	2%
49	Awarding Office Code	0%	0%	2%
9	Highly Compensated Officer Name	N/A	N/A	N/A
10	Highly Compensated Officer Total Compensation	N/A	N/A	N/A
21	Treasury Account Symbol (excluding Sub-Account)	N/A	N/A	N/A
50	Object Class	N/A	N/A	N/A
51	Appropriations Account	N/A	N/A	N/A
52	Budget Authority Appropriated	N/A	N/A	N/A
53	Obligation	N/A	N/A	N/A
54	Unobligated Balance	N/A	N/A	N/A
55	Other Budgetary Resources	N/A	N/A	N/A
56	Program Activity	N/A	N/A	N/A
57	Outlays	N/A	N/A	N/A

APPENDIX III – FEDERAL SPENDING TRANSPARENCY DATA STANDARDS

57 Data Elements Mapped to Files A to D2							
Data Element #	Data Element Name	Links among Files					Comment
		File A	File B	File C	File D1	File D2	
1	Awardee/Recipient Legal Entity Name				•	•	
2	Awardee/Recipient Unique Identifier				•	•	
3	Ultimate Parent Unique Identifier				•	•	
4	Ultimate Parent Legal Entity Name				•	•	
5	Legal Entity Address				•	•	
6	Legal Entity Congressional District				•	•	
7	Legal Entity Country Code				•	•	
8	Legal Entity Country Name				•	•	
9	Highly Compensated Officer Name						Reported in Files E and F
10	Highly Compensated Officer Total Compensation						Reported in Files E and F
11	Federal Action Obligation				•	•	
12	Non-Federal Funding Amount					•	
13	Amount of Award					•	
14	Current Total Value of Award				•	•	
15	Potential Total Value of Award				•		
16	Award Type				•	•	
17	NAICS Code				•		
18	NAICS Description				•		
19	Catalog of Federal Domestic Assistance (CFDA) Number					•	
20	Catalog of Federal Domestic Assistance (CFDA) Title					•	
21	Treasury Account Symbol (excluding Sub-Account)						Included with Data Element #51
22	Award Description				•	•	
23	Award Modification / Amendment Number				•	•	
24	Parent Award ID Number			•	•		
25	Action Date				•	•	
26	Period of Performance Start Date				•	•	
27	Period of Performance Current End Date				•	•	
28	Period of Performance Potential End Date				•		
29	Ordering Period End Date				•		

57 Data Elements Mapped to Files A to D2

Data Element #	Data Element Name	Links among Files					Comment
		File A	File B	File C	File D1	File D2	
30	Primary Place of Performance Address				•	•	
31	Primary Place of Performance Congressional District				•	•	
32	Primary Place of Performance Country Code				•	•	
33	Primary Place of Performance Country Name				•	•	
34	Award ID Number (Procurement Instrument Identifier/Federal Awards Identifier Number)			•	•	•	
35	Record Type					•	
36	Action Type				•	•	
37	Business Types					•	
38	Funding Agency Name				•	•	
39	Funding Agency Code				•	•	
40	Funding Sub Tier Agency Name				•	•	
41	Funding Sub Tier Agency Code				•	•	
42	Funding Office Name				•	•	
43	Funding Office Code				•	•	
44	Awarding Agency Name				•	•	
45	Awarding Agency Code				•	•	
46	Awarding Sub Tier Agency Name				•	•	
47	Awarding Sub Tier Agency Code				•	•	
48	Awarding Office Name				•	•	
49	Awarding Office Code				•	•	
50	Object Class		•	•			
51	Appropriations Account	•	•	•			
52	Budget Authority Appropriated	•					
53	Obligation	•	•	•			
54	Unobligated Balance	•	•	•			
55	Other Budgetary Resources	•					
56	Program Activity		•	•			
57	Outlay	•	•	•			

Source: CIGIE Federal Audit Executive Council Inspectors General Guide to Compliance under the DATA Act

APPENDIX IV – CIGIE’S DATA ACT ANOMALY LETTER

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 Honorable David Mader, Controller, OMB
The Honorable Gene Dodaro, Comptroller General, GAO

This letter has been transcribed from the original signed document for accessibility and modified to fit in this report. The original document can be found at
<https://iqnet.gov/sites/default/files/files/CIGIE%20DATA%20Act%20Letter-Final.pdf>

APPENDIX V – MANAGEMENT’S COMMENTS

Department of

Memorandum

Veterans Affairs

Date: November 1, 2019

From: Associate Deputy Assistant Secretary for FMBTS Operations (047E)

Subj: Office of Inspector General (OIG) Draft Report, FY 2019 Audit of VA’s Compliance under the DATA Act of 2014

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 FY19 Q1 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
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 Maria Sadek, Deputy Director, PMO, at (202) 461-6017.

(Original signed by :)

Avie Snow

Associate Deputy Assistant Secretary for FMBTS Operations

Office of Management, FMBTS

Attachment

**Department of Veterans Affairs
Action Plan**

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

Date of Draft Report: October 18, 2019

Recommendations/ Actions	Status	Completion Date
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OIG Recommendations

Recommendation 1. Continue the system modernization efforts that provide VA with the capability to generate the required DATA Act reporting files containing the necessary elements to meet compliance with the DATA Act. Ensure the modernization will provide the following:

- a. Accurate reporting of object class, and program activity codes, program activity names and all other elements required by the DATA Act.
- b. Store award identification to allow VA to be able to develop a File C and reconcile the File C to both summary level data (Files A and B) and award level data (File D). The reconciliations should be performed prior to the quarterly certification.
- c. Report reconciliation with its subsidiary systems.
- d. A mechanism to ensure transactions are reported that currently may be excluded due to the use of 1358s.
- e. Standardize data field use to allow for management to record an award ID across financial and supporting systems.

DATA Act PMO Comments: Concur with intent

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

Status: In Process

Target Completion Date: Initial Operating Capability Q3 FY20

Recommendation 2. Ensure a Data Quality Plan (DQP) is finalized and implemented for future DATA Act submissions which meets the requirements for DATA Act reporting. In addition, the Office of Management, Office of Internal Control, and the Office of Enterprise Risk Management should ensure that the DQP supports the annual assurance statement and quarterly certification.

DATA Act PMO Comments: Concur

The VA Office of Enterprise Integration (OEI) developed a draft data quality plan. OEI is developing a work plan which will guide the updates to ensure the DQP is complete and addresses data quality across multiple VA source systems.

Status: In Process

Target Completion Date: Q3 FY20

Recommendation 3. Implement a grants management solution that will be either be integrated with the new financial system or interface into it once completed. The VA should identify a grants management solution that can be implemented across all of VA's grant programs.

DATA Act PMO Comments: Concur with intent

The current system modernization efforts do not include a grants management solution. VA will gather requirements from the grant program offices, assess options for collecting and maintaining grant information, and determine an appropriate solution.

Status: In Process

Target Completion Date: Q4 FY23

Recommendation 4. Work with the SAO and component level SAO's to ensure that all certifications are signed, dated by the component SAO and received prior to the submission date.

DATA Act PMO Comments: Concur

The DATA Act PMO has updated the certifications to include a date signed field. The PMO will update the certification procedures to include escalation for component level certifications not received two days prior to the submission date.

Status: In Process

Target Completion Date: Q1 FY20

Recommendation 5. Ensure the four CFDA programs (64.014, 64.015, 64.026, and 64.024) report obligations according to the definitions established for FABS reporting within the DAIMS or obtain OMB's approval for any deviations.

DATA Act PMO Comments: Concur

The DATA Act PMO will work with VHA to assess the four CFDA programs reporting requirements. VA will make any necessary changes to the data reporting to ensure compliance with the DAIMS.

Status: In Process

Target Completion Date: Q4 FY20

Recommendation 6. Ensure the Office of Budget implements monitoring controls over CFDA numbers to ensure any CFDA numbers that require activation are identified and activated promptly to avoid interruptions in expenditure reporting.

DATA Act PMO Comments: Concur

VA's Office of Budget is developing a process to ensure the timely update of CFDA information, to include the prompt activation of CFDA numbers. Once finalized, the process will be shared with all VA Administrations and Staff Offices.

Status: In Process

Target Completion Date: Q3 FY20

Recommendation 7. Research the basis for the delays in reporting expenditure data for FABS for the VHA Veterans Prescription Service program (CFDA # 64.012) and implement a corrective action plan for timely reporting going forward. The VA PMO should also seek an exemption from OMB and Treasury regarding the reporting delays for the program if no viable solutions are identified to mitigate the timing delays.

DATA Act PMO Comments: Concur

VHA will research the basis for delays in reporting data to FABS and implement corrective actions to shorten the timeline for reporting with the end goal of timely reporting. If VHA is unable to achieve data

reporting within the FABS guidelines, the DATA Act PMO will seek an exemption from OMB and Treasury for the Veterans Prescription Service program.

Status: In Process

Target Completion Date: Q4 FY20

Recommendation 8. Obtain and document guidance from Treasury and OMB on the proper treatment of payments to contractors for VA's Veterans Choice Program as either contract award (File D1) or financial assistance (File D2).

DATA Act PMO Comments: Concur

VA will obtain guidance from Treasury and OMB on the proper treatment of payments to contractors for VA's Veterans Choice Program.

Status: In Process

Target Completion Date: Q4 FY20

Recommendation 9. Obtain and document guidance from Treasury and OMB regarding inclusion of payroll and contract costs in the FABS (File D2) and the duplication of the same contract costs in the FPDS-NG (File D1).

DATA Act PMO Comments: Concur

VA will obtain guidance from Treasury and OMB on the proper treatment of payroll and contract costs related to VHA medical services programs.

Status: In Process

Target Completion Date: Q4 FY20

Recommendation 10. Implement internal controls and update policies and procedures to improve the accuracy of and completeness of the information submitted for FABS reporting. The internal controls should ensure the following:

- a. Excluded payments not reported due to zip code issues are researched, cleared, and reported in VBA's sub certification.
- b. The default code "90" for Congressional District is not used when the county or zip code are unknown; instead, perform research to obtain the required data.
- c. Support from Treasury and OMB on the proper reporting of face amount of insurance in its FABS submissions.
- d. The information submitted for each data element is adequately supported and readily available.
- e. All data elements are reported in compliance with the definitions established by the DAIMS.

DATA Act PMO Comments: Concur

- a. VBA will report the number and dollar amount of excluded cases for the next quarterly certification. These cases will also be reported in the subsequent reporting month as part of Insurance's IT modernization project scheduled for implementation in 2021.
- b. VBA will exclude cases from aggregation where the County or Zip code is unknown. These excluded cases will be documented on an "Excluded Payment" report following current procedure. They will be researched, resolved and reported the next month as part of Insurance's IT modernization project scheduled for implementation in 2021.

- c. VBA will work with Insurance Center to request support from Treasury and OMB on the proper reporting amount.
- d. VBA OFM will work with all Business lines to develop a standard operating procedure to document proper validation support for each data element on the reporting file. VBA Insurance Center proposed solution is to procure a new policy maintenance and awards payment system, currently in progress.
- e. VA PMO is actively working with program offices to review the FABS submissions to ensure all data elements reported comply with the DAIMS.

Status: In Process

Target Completion Date: FY 2021

Recommendation 11. Improve review procedures prior to submission to identify errors and ensure all transactions are included in procurement and financial assistance data.

DATA Act PMO Comments: Concur

The DATA Act PMO will assess current review and reconciliation procedures for procurement and financial assistance data. We will coordinate with the program offices to provide review and reconciliation tools to assist reporters in performing a self-review prior to submission to the DATA Act PMO. Further, the DATA Act PMO will refine and enhance internal review procedures. The implementation of VA's modernized financial management system is expected to include data elements within accounting transactions to assist in performing reconciliations and validations of data.

Status: In Process

Target Completion Date: Q4 FY20

Recommendation 12. Perform research to determine the extent to which 1358 transactions are not reported for File D1 and develop solutions.

DATA Act PMO Comments: Concur

The Office of Acquisitions and Logistics will analyze 1358 contract actions to identify the population of 1358 contract actions not reported to FPDS and ultimately File D1. Due to the complexity and number of actions, this analysis is expected to take several months to complete.

Status: In Process

Target Completion Date: Q4 FY20

Recommendation 13. Develop solutions and continue system modernization efforts to reduce the use of the default object class. Research and develop program activity crosswalk for medical services.

DATA Act PMO Comments: Concur

VA primarily uses the default object class due to current financial system limitations, whereby the level of summarization during annual close results in the loss of VA's Budget Object Code. VA's new financial system will retain this data element and inherently reduce the use of the default object class going forward. However, historical beginning balances that are converted to the new financial system will continue to use the default object class. VA will continue to explore solutions for object class for legacy beginning balances.

VHA will assess the medical services appropriation to determine program activities for which program activity crosswalks can be developed. Crosswalks will be limited to those program activities which do not involve an allocation process.

Status: In Process

Target Completion Date: Initial capability: Q4 FY21 – will be fully complete with iFAMS is fully implemented

Recommendation 14. Strengthen procedures over the process to report all program activity names and program activity codes that are reported in the quarterly OMB MAX Collect Exercise in accordance with the latest Budget Data Request requirements.

DATA Act PMO Comments: Concur

The DATA Act PMO currently facilitates the quarterly OMB MAX Collect Exercise through a data call to POCs to ensure the necessary updates are made to program activity names and codes. The DATA Act PMO will continue to work with POCs to ensure the quarterly OMB MAX Collect Exercise includes all program activities.

Status: In Process

Target Completion Date: Q2 FY20

Recommendation 15. Reinforce guidance for Contracting Officers concerning areas where exceptions were noted in DATA Act reporting.

DATA Act PMO Comments: Concur

The Office of Acquisitions and Logistics provided guidance to Contracting Officers in October 2019 focusing on areas where exceptions were noted in DATA Act reporting.

Status: Complete

Target Completion Date: Q1 FY20

Recommendation 16. Obtain OMB and Treasury approval for aggregating and reporting transactions based on beneficiary address. Ensure controls around the aggregation process are implemented and operating effectively.

DATA Act PMO Comments: Concur

VA will seek approval from OMB and Treasury for the aggregation process whereby medical services are aggregated based on the beneficiary address. VA will assess controls over the current aggregation process and implement new and/or additional controls, as deemed necessary.

Status: In Process

Target Completion Date: Q4 FY20

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Veterans Health Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
Office of Acquisition, Logistics, and Construction
Board of Veterans Appeals

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
House Committee on Oversight and Reform
House Committee on the Budget
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
Senate Committee on the Budget
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget
Department of the Treasury, Office of Inspector General