



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

*Office of Audits and Evaluations*

DEPARTMENT OF VETERANS AFFAIRS

VA's Compliance with the  
VA Transparency & Trust  
Act of 2021 Semiannual  
Report: September 2022

REVIEW

REPORT #22-00879-236

SEPTEMBER 22, 2022



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## Executive Summary

As part of the federal government's response to the COVID-19 pandemic, Congress passed legislation to provide VA with supplemental funding to support VA's mission. Accordingly, the Families First Coronavirus Response Act (FFCRA); Coronavirus Aid, Relief, and Economic Security (CARES) Act; and American Rescue Plan (ARP) Act of 2021 were enacted to provide uninterrupted care and benefits for veterans.<sup>1</sup> In November 2021, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act) to provide oversight of VA's spending of the emergency relief funding.<sup>2</sup> In accordance with the act, VA must provide a detailed plan to Congress outlining its intent for obligating and expending funds covered by the act, including a justification for each type of obligation.<sup>3</sup> Additionally, the act requires VA to submit reports to Congress every 14 calendar days (biweekly) detailing its obligations, expenditures, and planned uses, as well as justification for any deviation from the plan.

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

### What the Review Found

In the inaugural report, the OIG focused on whether VA's spend plans provided to Congress on December 22, 2021, satisfied the requirements of the Transparency Act.<sup>4</sup> The OIG made two recommendations to the assistant secretary for management/chief financial officer: (1) consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violates the Purpose Statute and, if a violation occurred, take the steps necessary to remedy the violation and (2) determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future

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<sup>1</sup> Families First Coronavirus Response Act, Pub. L. No. 116-127 (2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117-2 (2021).

<sup>2</sup> VA Transparency & Trust Act of 2021, Pub. L. No. 117-63 (2021).

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

<sup>4</sup> VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021](#), Report No. 22-00879-118, March 22, 2022.

biweekly updates. The target completion date for both recommendations was June 2022; as of September 15, 2022, both recommendations remained open.

This semiannual report provides the results of the OIG's review of VA's compliance with the Transparency Act spend plan and biweekly reporting requirements. The OIG found VA generally complied with the Transparency Act because VA provided justification for its spend plan programs and activities and generally aligned actual spending to the plan. The review team relied on VA's ARP Act biweekly report to Congress (dated March 29, 2022) of actual obligations and expenditures since December 22, 2021 (referred to hereafter as the March 2022 biweekly report) and focused on ARP Act section 8002 planned and actual obligations and expenditures.<sup>5</sup> The review team found that VA's total actual obligations of about \$2.6 billion represented about half of the planned obligations (52 percent) as of the second quarter of fiscal year 2022. Although VA was generally not meeting its spend plan obligation schedule, the OIG did not consider this a significant deviation.

Additionally, the OIG found that VA's spend plan and biweekly reporting could be improved but determined VA's reports to Congress are not currently affected. The ARP Act spend plan does not inform Congress of spending related to sections 8002 and 8003 for VA's Electronic Health Record Modernization program and its supply chain modernization program, respectively, and must be updated accordingly. VA expects issuing spend plan updates later in September 2022. The OIG will review this information when the updated plan is approved.

VA continues to use expenditure transfers (a manual adjustment process to transfer funds from one account to another), and the team determined that almost half of VA's ARP Act obligations and expenditures (41 percent) were expenditure transfers. The OIG found that VA's manual expenditure transfer process resulted in at least 53 potential reporting errors. Although VA corrected these errors by manually adjusting funding balances to correct the errors and avoid misstating VA's reported obligations and expenditures to Congress, because VA was not adhering to its obligation schedule, VA might rush to obligate the remaining funds, which could increase the risk of wasteful spending or inaccurate congressional reports based on errors.

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<sup>5</sup> Section 8002 provides for funding (available until September 30, 2023) for medical care, nonrecurring maintenance, equipment, veterans experiencing homelessness, readiness (including emergency management), Staff Sergeant Parker Gordon Fox Suicide Prevention grants, research, and information technology programs. The grants enable VA to provide resources for community-based suicide prevention efforts for veterans and their families through outreach and suicide prevention services. Funding for section 8002 is allocated from VA to the Veterans Health Administration and then further to the Office of Information and Technology.

## What the OIG Recommended

The OIG did not make recommendations in this semiannual report. However, the OIG has open recommendations related to Transparency Act funds that, if not addressed, could eventually interfere with VA's compliance with the Transparency Act.

## VA Comments and OIG Response

The assistant secretary for management and chief financial officer stated in his September 12, 2022, response that the Office of Management was actively working with its administration and staff offices to improve biweekly reporting (including sections 8002 and 8003) based on changes to the spend plan, which were expected later in September 2022. The Office of Management also recognized that manual adjustments to financial transactions can lead to reporting errors but noted that as VA implements a modern financial system management solution it anticipates the need for manual adjustments will decrease, thereby reducing potential errors. Appendix E provides the full text of the assistant secretary's comments.

The OIG will review VA's spend plan updates when available and will monitor VA's progress toward closing the open recommendations from the inaugural report.



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## Contents

Executive Summary .....	i
Abbreviations .....	v
Introduction.....	1
Results and Recommendations .....	4
Finding: VA Generally Complied with the Transparency Act, but VA's Spend Plan and Biweekly Reports to Congress Could Be Improved .....	4
Appendix A: ARP Act Spend Plan .....	18
Appendix B: VA Programs and Systems and ARP Act Budget Object Class Codes.....	21
Appendix C: Prior Report on Transparency Act–Covered Funds and Expenditure Transfers .....	24
Appendix D: Scope and Methodology.....	25
Appendix E: VA Management Comments .....	28
OIG Contact and Staff Acknowledgments .....	29
Report Distribution .....	30

## Abbreviations

ARP	American Rescue Plan
CARES	Coronavirus Aid, Relief, and Economic Security
EHRM	Electronic Health Record Modernization
FFCRA	Families First Coronavirus Response Act
FMS	Financial Management System
FY	fiscal year
NRM	nonrecurring maintenance
OIG	Office of Inspector General
VHA	Veterans Health Administration



## Introduction

In response to the COVID-19 pandemic, Congress passed legislation to provide VA with funding to support uninterrupted care and benefits for veterans.<sup>6</sup> Congress passed the Families First Coronavirus Response Act (FFCRA) on March 18, 2020, and allocated \$60 million to VA for COVID-19–related items and services. In the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed on March 27, 2020, Congress provided VA with about \$19.6 billion to prevent, prepare for, and respond to COVID-19 domestically and internationally, which included impacts on healthcare delivery. Congress passed the American Rescue Plan Act of 2021 (ARP Act) on March 11, 2021, which provided about \$17.1 billion to VA for the funding purposes listed in appendix A. In later legislation, Congress rescinded about \$76.1 million of ARP Act funds.<sup>7</sup>

To provide oversight of VA's spending of this emergency relief funding, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act).<sup>8</sup> The act requires VA to provide a detailed plan to Congress outlining its intent for covered fund obligations and expenditures, including a justification for each type of obligation.<sup>9</sup> Additionally, the act requires VA to submit reports to Congress every 14 calendar days (biweekly) detailing its obligations, expenditures, and planned uses of the funds, as well as justification for any deviation from the plan.

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

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

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<sup>6</sup> Families First Coronavirus Response Act, Pub. L. No. 116-127 (2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117-2 (2021).

<sup>7</sup> Consolidated Appropriations Act of 2022, Pub. L. No. 117-103, March 15, 2022. VA initially received \$17,080,000,000 in ARP Act funds; however, Congress passed the Consolidated Appropriations Act of 2022, which rescinded \$76,105,000 made available by section 8003 for supply chain modernization. A rescission cancels the availability of budget authority previously enacted before the authority would otherwise expire.

<sup>8</sup> VA Transparency & Trust Act of 2021, Pub. L. No. 117-63 (2021).

<sup>9</sup> Covered funds are those funds under the FFCRA, CARES Act, and ARP Act. An obligation is a legal liability of the government for payment of goods or services immediately or in the future. An expenditure is the actual amount of the money spent.



Table 1 shows the Transparency Act–related funds that VA received and how those funds were obligated and expended from enactment through June 30, 2022.

**Table 1. Overview of Transparency Act–Covered Funds**

Covered fund	Allocated (\$ millions)	Rescission* (\$ millions)	Allocated (with rescissions) (\$ millions)	Total obligations (\$ millions)	Paid expenditures (\$ millions)
FFCRA	60	0	60	60	60
CARES Act	19,570	0	19,570	19,373	18,521
ARP Act	17,080	-76	17,004	7,771	5,607
<b>Total</b>	<b>36,710</b>	<b>-76</b>	<b>36,634</b>	<b>27,204</b>	<b>24,188</b>

Source: VA monthly report of allocations according to the FFCRA, CARES Act, and ARP Act spend plans as of December 22, 2021, and obligations and paid expenditures through June 30, 2022.

Note: Amounts are rounded.

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

The inaugural OIG report was issued on March 22, 2022—120 days after the Transparency Act was enacted on November 22, 2021—and focused on whether VA’s spend plans provided to Congress satisfied the requirements of the act.<sup>10</sup> This semiannual OIG report focuses on assessing VA’s ARP Act spend plan, comparing the plan and biweekly reports to include determining whether VA used the ARP Act–covered funds as stated in the plan, the status of VA’s plans to use the remaining ARP Act funds, and VA’s compliance with the biweekly reporting requirements through the end of the second quarter of fiscal year (FY) 2022.<sup>11</sup> The review team relied on VA’s ARP Act biweekly report to the Office of Management and Budget and Congress (dated March 29, 2022) of actual obligations and expenditures since December 22, 2021 (referred to hereafter as the March 2022 biweekly report). In subsequent reports, the OIG will assess VA’s reported obligation and expenditure of all covered funds as detailed in VA’s biweekly reports.

The ARP Act spend plan was developed to justify the intended activities for each section and included accomplishments to date, expected results, risk mitigation efforts, and an obligation schedule for remaining funds.<sup>12</sup> Table 2 provides an overview of the act’s spend plan sections

<sup>10</sup> VA OIG, *VA’s Compliance with the VA Transparency & Trust Act of 2021*, Report No. 22-00879-118, March 22, 2022.

<sup>11</sup> The period through the second quarter of FY 2022 was selected to follow the ARP Act spend plan obligation schedule (see table 4). Subsequent OIG reports will capture data later than the second quarter of FY 2022.

<sup>12</sup> Table A.1 in appendix A provides descriptions for each office covered by the ARP Act spend plan.

discussed in this report and how funds were obligated and expended for each section according to the March 2022 biweekly report.<sup>13</sup>

**Table 2. Overview of March 2022 Biweekly Report for ARP Act Sections**

Section	Section description	Allocated (with rescissions) (\$ millions)	Total obligations (\$ millions)	Paid expenditures (\$ millions)
8001	Funding for claims and appeals processing	272	11	8
8002	Funding availability for medical care and health needs	14,482	1,480	351
8003	Funding for supply chain modernization	24	0	0
8004	Funding for state homes	750	710	251
8005	Funding for the OIG <sup>14</sup>	10	2	2
8006	COVID-19 Veteran Rapid Retraining Assistance Program	386	107	68
8007	Prohibition on copayments and cost sharing for veterans during emergency relating to COVID-19	1,000	244	244
8008	Emergency VA Employee Leave Fund	80	18	18
<b>Total</b>		<b>17,004</b>	<b>2,572</b>	<b>942</b>

Source: VA reports of allocations according to the ARP Act spend plan as of December 22, 2021, and VA's March 2022 biweekly report.

Note: Amounts are rounded.

<sup>13</sup> Table A.2 in appendix A provides a detailed explanation of each section of the ARP Act spend plan. Appendix B lists the budget object class codes relevant to the ARP Act spend plan.

<sup>14</sup> ARP Act section 8005 funds provided to the OIG (see table 2) are included in this report for the purposes of identifying all funds VA received. Because the review team cannot make an independent assessment of the OIG's use of funds, the team did not review how the OIG used the provided funds.

## Results and Recommendations

### **Finding: VA Generally Complied with the Transparency Act, but VA's Spend Plan and Biweekly Reports to Congress Could Be Improved**

The Transparency Act requires VA to produce a spend plan for obligating and spending covered funds (including a detailed justification) and to report on any deviations from that plan. The OIG found that VA generally met the act's reporting requirements to produce a spend plan and submit to Congress its biweekly reports including any deviations for all covered funds. The act requires the OIG to compare VA's actual obligations and expenditures to its spend plan, and the OIG determined VA's actual obligations and expenditures generally aligned with the spend plan for section 8002 of the ARP Act. The review team focused on planned and actual obligations and expenditures for section 8002 of the ARP Act spend plan because this section represents at least 85 percent of VA's allocated funds (minus the rescinded funds) under the ARP Act.<sup>15</sup> However, the team found that VA was generally not meeting its planned schedule of obligations. Although the OIG did not consider this a significant issue at the time of this review because these funds will not expire for at least one year, VA may rush to obligate the remaining ARP Act funds, which could increase the risk of wasteful spending.

The team determined VA's ARP Act spend plan and biweekly reports could be improved but so far have not affected VA's biweekly reporting to Congress.<sup>16</sup> In addition to the recommendation in the OIG's inaugural report, the team found VA's spend plan for sections 8002 and 8003 did not inform Congress of spending for its Electronic Health Record Modernization (EHRM) program and supply chain modernization activities, respectively.<sup>17</sup> Furthermore, VA's methodology to capture financial data, which includes expenditure transfers that require manual adjustment, increases the risk of human error and could affect the accuracy of VA's biweekly reports to Congress.

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<sup>15</sup> VA received ARP Act funds of about \$17 billion (net of the rescission). About \$14.5 billion (85 percent) in ARP Act funding was distributed to section 8002 for medical care and health needs.

<sup>16</sup> Section 8002 provides for funding (available through September 30, 2022) for medical care, nonrecurring maintenance (NRM), equipment, veterans experiencing homelessness, readiness (including emergency management), Staff Sergeant Parker Gordon Fox Suicide Prevention grants, research, and information technology programs. The grants enable VA to provide resources for community-based suicide prevention efforts for veterans and their families through outreach and suicide prevention services. Funding for section 8002 is allocated from VA to the Veterans Health Administration (VHA) and then further to the Office of Information and Technology.

<sup>17</sup> VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*. The OIG recommended the assistant secretary for management/chief financial officer take the following actions: determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates.

Although the OIG identified certain risks within VA's Transparency Act reporting, the risks do not currently affect VA's compliance with the reporting requirements of the act. The following determinations support the OIG's evaluation:

- VA has not updated its ARP Act spend plan for all relevant matters.
- VA's obligations and expenditures generally aligned with VA's spend plan programs and activities.
- ARP Act obligation schedule deviations do not affect VA's compliance with the Transparency Act.
- Expenditure transfers may pose a risk to VA's biweekly reporting accuracy.
- The OIG's Transparency Act inaugural report recommendations remain open.

## What the OIG Did

To determine VA's compliance with Transparency Act requirements, the team reviewed relevant laws, regulations, and VA policy. The team also interviewed VA staff to solicit their interpretations of VA's activities under the Transparency Act or ARP Act and to understand the reliability of VA's spend plan assertions. Additionally, the team referred to prior OIG reports related to the Transparency Act or its covered funds to provide contextual references for any other matters the team determined relevant.<sup>18</sup> To compare VA's ARP Act spend plan to its actual obligations and expenditures, the review team

- asked VA's Office of Management if it had submitted any revisions to the spend plan or if it had any intention to do so within the scope of this review to determine if there were any applicable updates to consider;
- assessed each stated program and activity in the spend plan to establish a basis of comparison;
- evaluated the March 2022 biweekly report to determine if VA reported any deviations from its spend plan;
- obtained obligation and expenditure data from VA up to March 29, 2022, to coincide with the March 2022 biweekly report;<sup>19</sup>

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<sup>18</sup> VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*. See the inaugural VA OIG report and appendix C for a summary of the relevant OIG report. See appendix D for the scope and methodology for this review.

<sup>19</sup> The review team requested all transactions beyond the March 2022 biweekly report but filtered out transactions beyond March 29, 2022, to adhere to the scope of this semiannual OIG report. Actual obligations and expenditures after the March 2022 biweekly report were not considered for the purposes of this semiannual report and will be considered for subsequent reports.

- compared VA's actual obligations and expenditures to an independently obtained set of transactions from VA's Financial Management System (FMS) to determine if VA had underreported any material transactions outside of VA's spend plan;
- compared the uses outlined in VA's spend plan to actual obligations and expenditures to identify potential deviations; and
- analyzed VA's obligation and expenditure data for biweekly reporting purposes.

Updates to VA's spend plan or biweekly reporting mechanisms will be considered for subsequent reports.

## **VA Has Not Updated Its ARP Act Spend Plan for All Relevant Matters**

In addition to the OIG's previous recommendation related to VA's information technology projects under section 8002—which remained open as of September 15, 2022—the review team also found VA did not explain its spending of ARP Act funds for either its EHRM program under section 8002 or provide details of its section 8003 spending for supply chain modernization. The OIG relied on the December 2021 ARP Act spend plan, the most current plan, for comparison purposes. To comply with the intent of the Transparency Act, VA should have informed Congress that most of the section 8002 funding for nonrecurring maintenance (NRM) activities was for EHRM projects and provided details of its 8003 spending for supply chain modernization.

### **VA's Spend Plan for Section 8002 NRM Projects Did Not Include Descriptions for EHRM Projects**

Section 8002 of VA's ARP Act spend plan detailed broad spending programs and activities that fall under VA's NRM program.<sup>20</sup> Specifically, VA allocated about \$1.8 billion to VHA for NRM-related facility enhancements needed to deliver care in a pandemic or post-pandemic environment, including heating, ventilation, and air-conditioning upgrades; boiler upgrades; and other projects to prevent contagion. The team found that VA's spend plan explanation generally conformed to its NRM program policy. To verify VA's spend plan explanation, the review team asked VA to identify the NRM projects funded by the ARP Act. VA stated that about \$1.2 billion (67 percent) will be used for EHRM projects, and the remainder will be used for the programs and activities described in the spend plan.

The review team found that these EHRM projects complied with the NRM program because the EHRM projects require extensive physical infrastructure upgrades, which may include electrical work, cabling, heating, ventilation, and cooling. VA's spend plan provided limited details

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<sup>20</sup> The NRM program focuses on general maintenance projects to modify land, buildings, and fixed equipment.

regarding maintenance enhancements and did not mention the funds for the EHRM program. In other words, VA did not provide sufficient details related to its intended use of about \$1.2 billion in ARP Act funds for EHRM projects, which the OIG found inconsistent with the intent of the Transparency Act. The OIG deems this matter relevant for transparency because of the significant amount allocated to the undisclosed EHRM projects and the recent transparency act passed by Congress in June 2022, which requires VA to report monthly on the costs of its EHRM (including describing all expenses driven by the program).<sup>21</sup>

To comply with the intent of the Transparency Act, VA should have informed Congress that most of the section 8002 funding for NRM activities was for EHRM projects. Given that VA intends to update the spend plan, the OIG will review these updates when available.

### **VA's Spend Plan for Section 8003 Did Not Provide Details for How VA Would Spend These Funds**

VA's ARP Act spend plan for section 8003 (supply chain modernization) includes \$100 million available until September 30, 2022. No allocation plans were disclosed for FY 2021, and plans for FY 2022 stated that the VA's chief acquisition officer would conduct an enterprise-wide strategic analysis of VA's supply chain to include an assessment of the Defense Medical Logistics Standard Support/LogiCole system. The spend plan noted that VA would update activities and the obligation schedule for section 8003 funding after the strategic analysis was completed. In March 2022, the OIG's inaugural report stated that despite having met with congressional staff members to discuss supply chain modernization efforts, VA was still conducting its analysis and had not yet submitted a spend plan for the VA Secretary's approval.

In March 2022, and before VA's strategic analysis of its supply chain modernization efforts was completed, Congress passed the Consolidated Appropriations Act of 2022, which rescinded about \$76.1 million of the \$100 million in section 8003 ARP Act funds. VA's tentative plan to update its spend plan in late July or early August 2022 should reflect the rescission, but as of September 15, 2022, VA had still not provided an updated plan to the VA Secretary for approval.

### **VA's Obligations and Expenditures Generally Aligned with VA's Spend Plan Programs and Activities**

The Transparency Act requires VA to submit biweekly reports to Congress on its obligations, expenditures, and planned uses of the funds, as well as justification for any deviation from the plan. After evaluating the March 2022 biweekly report for ARP Act obligations and expenditures, the review team did not observe any reported deviations from the ARP Act spend plan. In other words, VA's ARP Act biweekly reports generally align with its spend plan. To

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<sup>21</sup> VA Electronic Health Record Transparency Act of 2021, Pub. L. No. 117-154 (2022).

further evaluate VA's compliance with the Transparency Act, the team reviewed VA's spend plan program and activity justifications.

VA provided to Congress a spend plan that included a brief narrative with justifications for its use of ARP Act funds in accordance with the Transparency Act (appendix A, table A.3). To determine whether VA's obligations and expenditures aligned with VA's spend plan justifications for programs and activities, the team compared the spend plan's descriptions of planned programs and activities to VA's actual transactions (VA-provided obligations and expenditures). The team determined the data were in line with the stated program and activity shown in the spend plan based on the line of accounting.<sup>22</sup> Further, based on a comparison of VA's provided set of section 8002 obligations and expenditures to the OIG's independently obtained set of transactions, the team did not find any material unreported transactions that would have indicated a deviation from VA's spend plan.<sup>23</sup>

Table 3 details the actual amounts obligated and expended for ARP Act section 8002 planned programs and activities as of March 29, 2022.

**Table 3. ARP Act Section 8002 Actual Obligations and Expenditures by Planned Program and Activity**

Planned program and activity	Total obligations (\$ millions)	Paid expenditures (\$ millions)
Medical care	443	284
NRM*	423	12
Equipment	17	2
Homelessness	289	6
Regional readiness centers	120	21
Staff Sergeant Fox grants <sup>†</sup>	0	0
Research	9	7

<sup>22</sup> The line of accounting may represent all or some of the following: fund code, accounting classification code, cost center, or budget object class code. A fund code is a Treasury account symbol that tracks funding via an identification code assigned by Treasury (in collaboration with the Office of Management and Budget and VA) to an individual appropriation, receipt, or other fund account. An accounting classification code is used to categorize financial information to support budget execution. The cost center is used to track costs incurred by area of responsibility or geographic region. A budget object class code is used to organize obligations by the types of items or services (including salaries). Table B.1 in appendix B lists the budget object class codes relevant to the ARP Act spend plan.

<sup>23</sup> Two transactions with totals of \$2,982.90 and \$0 were identified in the independently obtained set of FMS transactions that were not included in VA's actual obligations and expenditures; however, the team did not consider VA's ARP Act section 8002 total of about \$333 million to be materially affected by the unreported transactions.

Planned program and activity	Total obligations (\$ millions)	Paid expenditures (\$ millions)
Information technology	162	0
<b>Total</b>	<b>1,462</b>	<b>333</b>

Source: VA OIG analysis of VA-provided obligations and expenditures as of March 29, 2022.

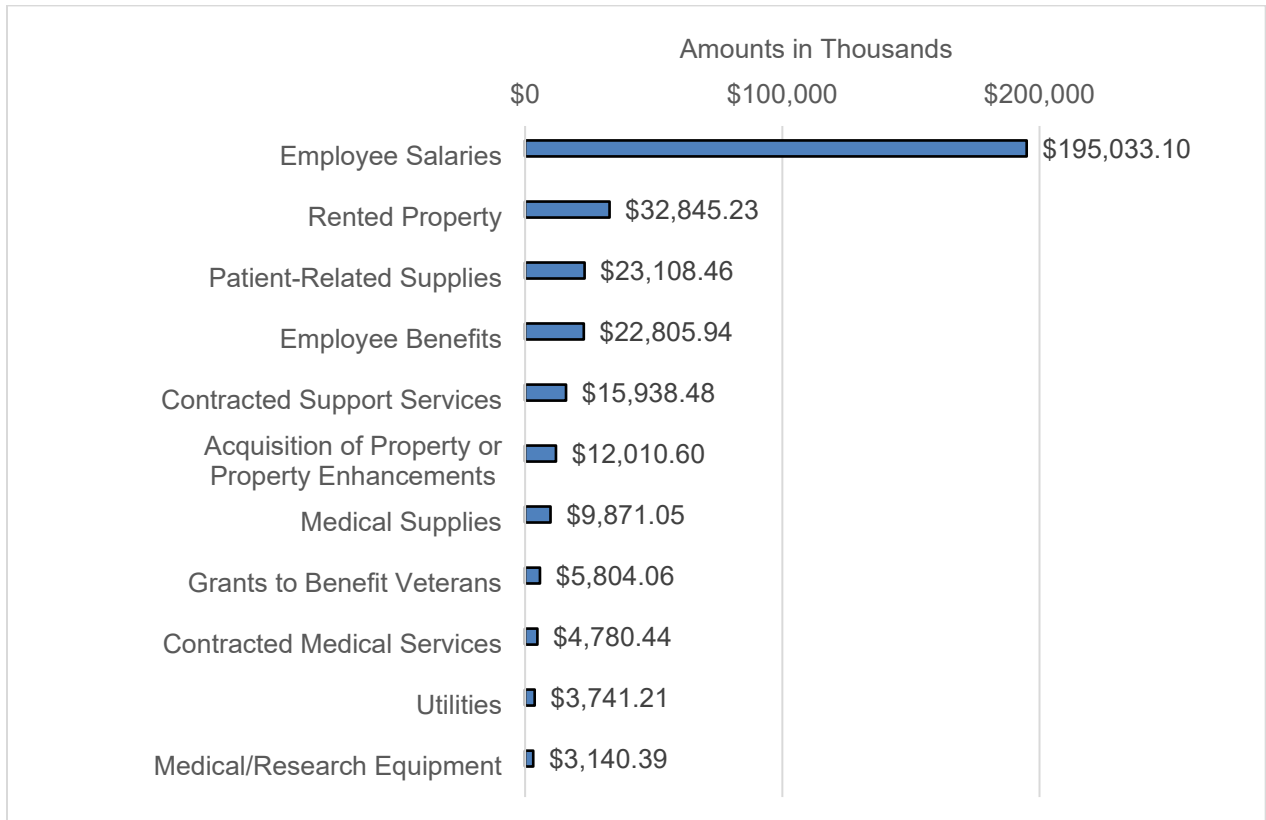
Note: Amounts are rounded, so numbers do not precisely total to the sum. Total obligations and paid expenditures do not match table 2 (which was based on VA's March 2022 biweekly report) due to reporting differences. According to VA, this was a unique situation where community care obligations went from about \$18 million on the March 2022 biweekly report to \$0 by the next biweekly report (April 12, 2022) because VHA used expiring funds to preserve the ARP Act funds, which have a longer period of availability.

\* NRM includes obligations and expenditures for the EHRM program as discussed throughout this report.

† VA had not awarded any grants for the Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program, as the application deadline was June 10, 2022.

Of the \$333 million in actual ARP Act section 8002 expenditures described in table 3, figure 1 represents about \$329 million in total paid expenditures (99 percent). Employee salaries made up more than half of paid expenditures (about \$195 million or 59 percent), followed by expenditures associated with rented property (about \$32.8 million or 10 percent), supplies purchased for care of patients (about \$23.1 million or 7 percent), and employee benefits (about \$22.8 million or 7 percent).





**Figure 1.** VA's top ARP Act section 8002 expenditures by related activities.

Source: VA OIG analysis of VA's ARP Act section 8002 expenditures as of March 29, 2022. Amounts rounded.

Actual spending, as outlined in figure 1, reflects the planned spending as described in the March 2022 biweekly report (see appendix B, table B.2). For example, VHA spends a significant amount of ARP Act funds on employee salaries.<sup>24</sup> Based on the review team's understanding, it appears reasonable that employee salaries constituted more than half of expenditures because the ARP Act section 8002 funds are allocated to VHA, which focuses on providing health care for more than nine million veterans. This result is echoed in VA's FY 2022 budget submission, which highlights staffing as representing the largest share of VHA Medical Services obligations by object class, including physicians; dentists; registered nurses; licensed practical nurses, licensed vocational nurses, and nurse assistants; nonphysician providers (e.g., podiatrists and physician assistants); and health technicians/Allied Health (e.g., respiratory therapists and physical therapists).<sup>25</sup>

<sup>24</sup> A description of VHA is available in appendix A in table A.1.

<sup>25</sup> VA, FY 2022 Budget Submission, Volume II—Medical Programs and Information Technology Programs, June 1, 2021.

## ARP Act Obligation Schedule Deviations Do Not Affect VA's Compliance with the Transparency Act

The review team compared VA's spend plan obligation schedule for each section to VA's actual obligations to determine whether VA is complying with its stated obligation schedule. As previously discussed, VA has generally obligated and expended ARP Act funds according to its spend plan; however, the team found that VA was not adhering to its spend plan obligation schedule. VA's spend plan provides an obligation schedule for each section detailing what funds were obligated as of FY 2021 and were planned to be obligated for each quarter of the fiscal years for which those funds are available. Table 4 illustrates the obligation schedule that VA reported to Congress through the second quarter of FY 2022 compared to actual obligations from VA's March 2022 biweekly report to Congress.

**Table 4. ARP Act Spend Plan Obligation Schedule and March 2022 Biweekly Report Obligations**

Section	Spend plan obligation totals as of the second quarter of FY 2022 (\$ millions)	Actual obligation totals from the March 2022 biweekly report (\$ millions)	Actual-to-planned obligations (%)
8001	58	11	19.4
8002	3,427	1,480	43.2
8003*	0	0	0
8004	682	710	104.1
8005†	4	2	48.5
8006	236	107	45.3
8007	486	244	50.2
8008	18	18	100.0
<b>Total</b>	<b>4,911</b>	<b>2,572</b>	<b>52.4</b>

*Source: ARP Act spend plan obligation schedules and monthly reports of allocations according to the spend plan as of December 22, 2021, and reported obligations and expenditures through March 29, 2022 (since enactment).*

*Note: Amounts are rounded. Percentages for sections 8001 and 8005 were calculated using the actual totals, not rounded numbers.*

*\* VA did not obligate section 8003 by March 29, 2022.*

*† As previously discussed, the team cannot make an independent assessment of section 8005 funds to the OIG; therefore, the information in table 4 is for informational purposes only.*

The review team found that VA's total actual obligations of about \$2.6 billion represented about half of the planned obligations (52 percent) as of the second quarter of FY 2022. Of those actual obligation totals, sections 8004 and 8008 had actual obligations representing at least 100 percent

of planned obligations, thereby indicating VA was adhering to its obligation schedule for these sections. Although it appears section 8004 was overobligated at 104 percent as of March 2022—as VA had already obligated about \$710 million of the total \$750 million allocated to this section (as noted in table 2)—the remaining funds are available until expended or September 30, 2023 (table A.2), so there is little risk of VA not meeting its spend plan obligation schedule for section 8004.

The team determined VA was generally not meeting its planned schedule of obligations because VA had underobligated funding for sections 8001, 8002, 8006, and 8007, which represents a deviation from VA's spend plan. As of September 15, 2022, VA had not explained why it deviated from its ARP Act spend plan obligation schedules. The OIG does not consider this a significant deviation at this time because funding for these sections will not expire for at least one year.<sup>26</sup> However, as VA approaches these expiration dates in one year, VA may rush to obligate the remaining funds, which could increase the risk of wasteful spending.

## **Expenditure Transfers May Pose a Risk to VA's Biweekly Reporting Accuracy**

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

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

VA's FMS uses the 48-hundred and 49-hundred (i.e., 48xx and 49xx) general ledger series to capture all of VA's obligation activity.<sup>27</sup> These accounts provide a complete record of obligation activity, such as credit and debit obligations. A credit obligation is a negative amount that shows what funds will be spent as an expenditure. A debit obligation is a positive amount that shows an obligation is being cancelled out or adjusted or that funds are being transferred from one account to another as an expenditure transfer. Expenditure transfers are allowed under financial policy

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<sup>26</sup> Table A.2 in appendix A lists the expiration dates for each section of VA's ARP Act spend plan.

<sup>27</sup> FMS is VA's core financial management system that interfaces externally and internally for electronic billing and payment purposes, managing budgets and inventory, ordering goods and services, and maintaining records of available funds.

but require a manual assessment and assignment to complete the transfer. Relevant factors of an expenditure transfer may include the fund code, transaction ID, vendor code, date, and amount.<sup>28</sup>

An incorrectly completed expenditure transfer may result in a reporting error, which could contribute to misstated ARP Act biweekly reports if not properly addressed in VA's financial systems. This is a concern as VA's methodology to pull financial data does not automatically compensate for these potential errors.<sup>29</sup> VA's biweekly reports include aggregations based on its ARP Act fund codes (table 5), which the review team used for its expenditure transfer analysis.

**Table 5. ARP Act Section 8002 March 2022 Biweekly Report by Fund Code**

Fund code	Fund code title	Allocated (with rescissions) (\$ millions)	Total obligations (\$ millions)	Paid expenditures (\$ millions)
0173CC	Medical community care	4,000	18	18
0173MF	Medical facilities	2,573	500	58
0173MS	Medical services	5,680	624	210
0173Q3	Information technology systems	1,241	162	0
0173RD	Medical and prosthetic research	9	9	7
0173SC	Medical support and compliance	978	167	58
<b>Total</b>		<b>14,481</b>	<b>1,480</b>	<b>351</b>

Source: VA report methodology and monthly reports of allocations according to the ARP Act spend plan as of December 22, 2021, and March 2022 biweekly report obligations and expenditures.

Note: Amounts are rounded. Due to rounding, the allocated (with rescissions) total in table 5 may not sum to other totals of \$14,482 million in this semiannual report. See table B.2 for paid expenditures by fund code and budget object class code.

## High Volumes of Expenditure Transfers Pose a Risk to VA's Biweekly Reports

In a previous report, the OIG identified a risk in how VHA handled CARES Act COVID-19 funds.<sup>30</sup> VHA staff needed to manually identify obligations and expenditures related to COVID-19 and then transfer that activity to the appropriate fund as an expenditure transfer. The report also found that VA's CARES Act monthly reports contained anomalies—for example,

<sup>28</sup> A transaction ID is a unique FMS identifier comprising a two-character transaction code (for example, "ET") and a nine-character document number. A vendor code is a unique 11-character code (not all characters must be used) in FMS to identify the vendor.

<sup>29</sup> See appendix C for details on a prior OIG report that identified similar risks in other covered funds under the Transparency Act.

<sup>30</sup> VA OIG, [Review of VHA's Financial Oversight of COVID-19 Supplemental Funds](#), Report No. 20-02967-121, June 10, 2021.

negative amounts in fields that should report positive amounts and vice versa—that misstated obligations and expenditures (referred to hereafter as potential reporting errors). VA speculated these errors could result from expenditure transfers between or within fund codes, deobligations, system errors, or credits from vendors.

In response to the OIG’s feedback about VA’s reporting under the CARES Act, VA’s ARP Act section 8002 spend plan stated that VA would prioritize obligations that could be completed without expenditure transfers to improve reporting accountability and transparency. However, as of March 29, 2022, the OIG team found 2,939 of 7,115 unique section 8002 obligations or expenditures were expenditure transfers (41 percent), as shown in table 6.<sup>31</sup>

**Table 6. ARP Act Section 8002 Expenditure Transfers by Fund Code**

Fund code	Process expenditure transfers	Process expenditure transfers within a station	Process expenditure transfers between stations	Total
0173MS	2,306	77	0	2,383
0173SC	220	56	0	276
0173MF	175	30	0	205
0173RD	48	26	1	75
0173Q3	0	0	0	0
<b>Total</b>	<b>2,749</b>	<b>189</b>	<b>1</b>	<b>2,939</b>

Source: OIG’s analysis of ARP Act section 8002 actual expenditure transfers as of March 29, 2022.

In this semiannual review, the team assessed whether VA’s biweekly reporting may be negatively affected due to expenditure transfers. The team found at least 53 potential reporting errors in VA’s ARP Act obligations and expenditures. These errors represent the risks associated with VA’s reliance on expenditure transfers that could affect VA’s financial reporting accuracy. However, the team found that VA took steps to address the risks posed to its biweekly reporting accuracy. The two examples below demonstrate how VA corrected a positive balance in fund code 0173MS (example 1) and a positive balance and incorrect vendor in fund code 0173SC (example 2).

**Example 1**

*On March 7, 2022, VA completed an expenditure transfer from fund code 0173MS to 0160A1—ARP Act section 8002 for medical services to VA medical services—*

<sup>31</sup> “Miscellaneous Transactions Data Entry,” Procedure Guide, VA FMS Intranet, accessed July 15, 2022, [https://vaww.va.gov/FMSHOME/FMS\\_Users\\_Guide.asp](https://vaww.va.gov/FMSHOME/FMS_Users_Guide.asp) (internal VA website not publicly accessible). According to VA’s FMS procedure guide, process expenditure transfers are used when the other categories—process expenditure transfers within a station or process expenditure transfers between stations—do not apply.

with two line items in the amounts of \$620,222.27 and \$174,476.40 for a cumulative total of \$794,698.67. This resulted in a **positive** balance of \$794,698.67 in fund code 0173MS (which should have had a negative balance, if any). That same day, VA completed a second expenditure transfer from fund code 0160A1 to 0173MS with two line items in the amounts of \$1,240,444.54 and \$348,952.80 for a total of \$1,589,397.34 (which is twice the amount of the first expenditure transfer at \$794,698.67). By subtracting \$1,589,397.34 from \$794,698.67, VA corrected the 0173MS fund code balance to a **negative** balance of \$794,698.67.

### **Example 2**

On January 20, 2022, VA created the obligation SO 134B24004 with the vendor code 1010142VA. Once an obligation is created, the vendor code should not change.

On February 4, 2022, VA completed an expenditure transfer for \$1,527,319.00 into fund code 0173SC (ARP Act section 8002 for medical support and compliance) related to the SO 134B24004 obligation. The vendor code was listed as 1340173VA (which did not match the SO 134B24004 vendor code of 1010142VA). This resulted in a **positive** balance of \$1,527,319.00 in fund code 0173SC (which should have had a negative balance, if any).

On February 14, 2022, VA completed an expenditure transfer for \$1,527,319.00 from fund code 0173SC to 3885 (VA's fund for undistributed intragovernmental payments), which resulted in a \$0 balance in fund code 0173SC.<sup>32</sup> The vendor code was once again listed as 1010142VA.

As vendor code 1010142VA was the historic vendor of record for obligation SO 134B24004, VA processed the expenditure transfer not only to correct the balance in 0173SC to \$0 but also to change the vendor from 1340173VA to 1010142VA.

VA's efforts to correct or adjust its fund code balances ultimately resulted in a \$0 net impact on its biweekly reporting. Although the OIG recognizes VA's efforts, these expenditure transfers—including the required manual processing and adjustments associated with each transfer—are just some of the limitations of VA's data systems that could decrease the accuracy of VA's reported obligations and expenditures to the Office of Management and Budget and Congress.

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<sup>32</sup> Undistributed intragovernmental payments are categorized under clearing and default accounts (3800–3899), which are nonbudgetary accounts that temporarily hold unidentified general, special, or trust fund collections that belong to the government until they are classified to the proper receipt or expenditure account by the receiving entity.

## The OIG's Transparency Act Inaugural Report Recommendations Remain Open

The inaugural OIG report for the Transparency Act (issued on March 22, 2022) focused on whether VA's spend plans provided to Congress on December 22, 2021, satisfied the requirements of the act. Although VA's spend plans generally outlined how VA intended to spend covered funds, the OIG found that the National Cemetery Administration's spend plan and use of \$3.6 million in CARES Act funds for the Beaufort National Shrine project may have violated the law because the work did not appear to be directly related to COVID-19, and the ARP Act spend plan included a stated planned use of funds that did not include a projected cost related to maintaining information technology projects. The OIG made two recommendations to the assistant secretary for management/chief financial officer: (1) consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violates the Purpose Statute and, if a violation occurred, take the steps necessary to remedy the violation and (2) determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. According to the Office of Management/chief financial officer's action plan, the target completion date for both recommendations was June 2022.<sup>33</sup>

As of June 2022, VA had not yet submitted a spend plan for the VA Secretary's approval. To follow up with the inaugural OIG report recommendations regarding an updated spend plan, the OIG team for this semiannual review reached out to VA for an update. In correspondence with the team, VA stated that the VA Office of Management, through the VA Office of Budget, was working to update the ARP Act spend plan dated December 22, 2021, for sections 8001, 8002, 8003, and 8007.<sup>34</sup> On June 22, 2022, the OIG received the official response to close recommendation 1; however, the OIG requested additional information based on VA's response to the recommendation. Therefore, both recommendations remain open.

## Conclusion

The review team found that VA generally complied with the Transparency Act regarding ARP Act-covered funds. Additionally, the team determined VA was generally conforming to its ARP Act spend plan, and that actual obligations and expenditures generally fell under VA's stated programs and activities. Although the team found that VA was underobligated for four of its eight ARP Act sections, the OIG determined that VA had not significantly deviated from its

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<sup>33</sup> VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*.

<sup>34</sup> Section descriptions for 8001, 8003, and 8007 are available in appendix A, table A.2.

spend plan because VA has at least one year to obligate the funds. Therefore, the OIG did not make a recommendation at this time.

Because VA stated that the VA Office of Management, through the VA Office of Budget, was working to update the ARP Act spend plan dated December 22, 2021, for sections 8001, 8002, 8003, and 8007, the OIG does not have a recommendation at this time. However, the OIG will review the updated spend plan when it is approved.

VA's ARP Act biweekly reports to Congress are currently adequate for the purposes of the Transparency Act. Therefore, the OIG does not have a recommendation at this time. However, VA's reliance on expenditure transfers increases the risk of errors that could affect the accuracy of VA's reporting of ARP Act obligations and expenditures. As VA increases its obligations and expenditures during the last quarters of FY 2022 and any remaining fiscal years until funds have expired or been expended, VA must continue to ensure accurate reporting to Congress.

## **VA Management Comments and OIG Response**

The assistant secretary for management and chief financial officer stated on September 12, 2022, that the Office of Management was actively working with its administration and staff offices to improve biweekly reporting (including sections 8002 and 8003) based on changes to the spend plan, which were expected later in September 2022. The Office of Management also recognized that manual adjustments to financial transactions can lead to reporting errors but noted that as VA implements a modern financial system management solution it anticipates the need for manual adjustments will decrease, thereby reducing potential errors. Appendix E provides the full text of the assistant secretary's comments.

The OIG will review VA's spend plan updates when available and will monitor VA's progress toward closing the open recommendations from the inaugural report.



## Appendix A: ARP Act Spend Plan

### VA Entities

Table A.1 details the entities covered by the ARP Act spend plan and those that are discussed in this report.

**Table A.1. Overview of VA Entities**

Entity	Description
Board of Veterans' Appeals	Considers and resolves decisions for appeals for veterans' benefits and services and conducts hearings and remands appeals for further development as required by law.
National Cemetery Administration	Provides burial services to members of the armed forces, veterans, and eligible spouses and children.
Office of Human Resources and Administration/Operations, Security, and Preparedness	Identifies access management, oversees law enforcement, and oversees emergency management and preparedness.
Office of Information and Technology	Delivers available, adaptable, secure, and cost-effective technology services to VA and acts as a steward for VA's information technology assets and resources.
Office of Management and Budget	Oversees and coordinates procurement, financial management, and information and regulatory policies to improve administrative management, develop better performance measures and coordinating mechanisms, and reduce any unnecessary burdens on the public.
OIG	Conducts independent oversight of VA by conducting audits, inspections, investigations, and reviews that address fraud, waste, and abuse, as well as improve the efficiency, effectiveness, and integrity of VA programs and services.
Veterans Benefits Administration	Provides various benefits and services to servicemembers, veterans, and their families, including compensation and pension, education, and loan guaranty.
VHA	The nation's largest integrated healthcare system that serves over nine million enrolled veterans and provides contingency support during national emergencies.

*Source: VA OIG analysis of information provided on VA websites and in the VA Functional Organization Manual.*

## ARP Act Sections

Table A.2 provides a brief overview of each ARP Act spend plan section.

**Table A.2. Overview of Sections**

Section	Section description according to the ARP Act spend plan	Fund expiration
8001	Claims and appeals processing funding is for improving hearing scheduling, supporting both short-term and long-term efforts to improve mail processing and intake, and providing support to manage appeals.	9/30/2023
8002	Funding is for medical care, NRM, equipment, veterans experiencing homelessness, readiness (including emergency management), Staff Sergeant Parker Gordon Fox Suicide Prevention grants, research, and information technology programs.	9/30/2023
8003	Funding for supply chain modernization was not allocated or obligated for any program. VA explained it began an enterprise-wide strategic analysis of its supply chain to improve coordination and performance of its operations before obligating ARP Act funds.	9/30/2022
8004	State home funding includes a one-time-only obligation and expenditure to existing state extended-care facilities for veterans in proportion to each state's share of total resident capacity and funds for construction.	Available until expended or 9/30/2022
8005	Funding is for OIG audits, investigations, and other oversight of VA projects and activities using ARP Act funds.	Available until expended
8006	Funding for the COVID-19 Veteran Rapid Retraining Assistance Program provides up to 12 months of retraining assistance to up to 17,250 eligible veterans for the pursuit of a covered program of education and shall be in addition to any other entitlement to educational assistance or benefits for which a veteran is, or has been, eligible. <sup>35</sup>	Available until expended
8007	The prohibition on copayments and cost sharing for veterans during the COVID-19 pandemic reimburses any veteran who paid a copayment or other cost sharing during April 6, 2020, through September 30, 2021.	Available until expended
8008	The Emergency VA Employee Leave Fund includes payments available to the VA for paid leave for any covered employee who is unable to work because the employee is subject to COVID-19 quarantine or isolation, caring for an individual experiencing COVID-19 symptoms and is seeking a medical diagnosis, is obtaining immunization, or recovering from conditions related to COVID-19.	9/20/2022

*Source: VA OIG analysis of VA's ARP Act spend plan section titles and descriptions for general purpose information and fund expirations.*

<sup>35</sup> To be eligible for this program, the veteran must be unemployed due to COVID-19, among other requirements.

Table A.3 lists the seven ARP Act section 8002 planned programs and activities and provides a summary of VA's narrative providing general justification for the planned use of the funds.

**Table A.3. Overview of Section 8002 Planned Programs and Activities**

Planned program and activity	Justification
Medical care	VA stated that resources in the base budget and ARP Act will support veterans' estimated healthcare needs both in VA facilities and the community. VA estimates that veterans' care needs in FYs 2022 and 2023 will face increased costs attributable to COVID-19–related delays in care, more complex care, and greater reliance on VA due to economic impacts from the pandemic.
NRM	ARP resources will support VA facility enhancements to better prepare VHA to deliver care in a pandemic or post-pandemic environment, including heating, ventilation, and air conditioning upgrades; boiler upgrades; and other projects to prevent pandemic contagion.
Equipment	ARP resources will purchase critical high-cost high-tech medical equipment upgrades (including magnetic resonance imaging, computerized tomography scanners, and positron emission tomography scanners).
Homelessness	The Sustain Homeless programs will enable VA to continue expanded levels of programming for veterans experiencing homelessness funded under the CARES Act to address COVID-19 driven increases in need. Expanded programs including Grant and Per Diem programs, Supportive Services for Veteran Families Programs, Health Care for Homeless Veterans Programs, Department of Housing and Urban Development-VA Supportive Housing Program.
Regional readiness centers	VA stated it will purchase one year's worth of personal protective equipment and stockpile other essential supplies to anticipate potential supply chain interruptions and delays.
Staff Sergeant Fox grants	VA stated that some section 8002 funds will be allocated to the Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program, which provides resources for community-based suicide prevention efforts that meet the needs of veterans and their families through outreach, suicide prevention services, and connection to VA and community resources.
Research	VA stated that some section 8002 funds will be allocated to supporting more than 40 research projects to help VA better understand and respond to the COVID-19 pandemic, including the collection, analysis, and viral sequencing of COVID-19 samples; observations of patients with COVID-19 and long COVID-19; and clinical trials of COVID-19 treatments.
Information technology	VA provided a list of 16 information technology projects that included funding for sustaining COVID-19–initiated investments, service contracts for developing and maintaining VA veteran-focused applications or platforms, the costs associated with licensing fees for VA's use of third-party software, salary costs to provide support for VHA's overall enhanced telehealth and telework capabilities, and general costs associated with maintaining the information technology security infrastructure.

Source: VA OIG analysis of ARP Act spend plan section 8002 planned programs and activities.

## Appendix B: VA Programs and Systems and ARP Act Budget Object Class Codes

### EHRM Program

The EHRM program is an effort to replace VA's current electronic health record system to create health records that provide veterans and clinicians a complete view of a patient's medical care during their military history or while in the private sector. Additionally, other components of the program are to implement the same electronic health record system as the Department of Defense and U.S. Coast Guard and offer an improved and more consistent patient-scheduling experience in VA or community care facilities.

### FMS

VA's FMS interfaces externally with government and commercial vendors and banks for electronic billing and payment purposes. FMS interfaces internally with the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement system, which is used to manage budgets, order goods and services, maintain records of available funds, and manage inventory.

### ARP Act Budget Object Class Codes

The FMS budget object class codes relevant to the ARP Act are shown in table B.1.

**Table B.1. Overview of ARP Act Budget Object Class Codes**

Budget object class code	Code title	Code description
10	Personnel service	Gross salaries and wages for services of individuals rendered to the government, compensation for personal services, services rendered by consultants or others, etc. This budget object class code has additional considerations: 10 series – Represents the combined total of series 11, 12, and 13 11 series – Personnel compensation (e.g., regular, overtime, or holiday pay) 12 series – Personnel benefits (e.g., real estate, retirement, or relocation services) 13 series – Benefits for former personnel (e.g., severance pay or unemployment compensation)
21	Travel personnel	Charges incurred for the transportation of government employees or others, the per diem allowances while in authorized travel status, and other expenses incident to travel that are to be paid by the government either directly or indirectly reimbursing the traveler

Budget object class code	Code title	Code description
22	Transportation	Contractual charges incurred for the transportation of things and the care of such things while in the process of being transported
23	Rent, communication, utilities	Charges for possession and use of land, structures, or equipment owned by others and charges for communications and utility services
24	Printing and reproduction	Charges incurred for contractual printing and reproduction and the related composition and binding operations performed by the Government Printing Office, other agencies or units, and commercial printers
25	Other services	Includes contractual services for consulting and purchases of goods and services from government and nongovernment accounts
26	Supplies and materials	Includes all commodities whether acquired by contract or other form of purchase
31	Equipment	Charges for personal property of a durable (nonexpendable) nature
32	Land and structure	Charges for land and interest in land, buildings and other structures, additions to buildings, nonstructural improvements, architectural and engineering services, and fixed equipment
41	Grants, subsidies, and contributions	Grants, subsidiaries, gratuities, and other aid for which cash payments are made to states, other political subdivisions, corporations, associations, and individuals
42	Insurance, claims, and indemnities	Payments of claims on insurance policies, annuities paid from trust funds to former government employees and others, and indemnities for destruction of property or injury to persons and payments for other losses

Source: VA OIG analysis of VA's Office of Finance, Financial Policy Volume XIII – Cost Accounting, Chapter II – Budget Object Class Codes October 2020), Appendix A: FMS Budget Object Class Code Listing.

Table B.2 shows the ARP Act March 2022 biweekly report expenditures under section 8002 by fund code and budget object class code.

**Table B.2. ARP Act March 2022 Biweekly Report Expenditures by Budget Object Class Code and Fund Code (Amounts in Thousands)**

Budget object class code-code title	0173CC (\$)	0173MF (\$)	0173MS (\$)	0173Q3 (\$)	0173RD (\$)	0173SC (\$)	Total (\$)
10-Personnel service	0	8,761	164,715	0	3,631	40,730	<b>217,837</b>
25-Other services	17,870	121	3,704	0	1,700	16,835	<b>40,230</b>
23-Rent, communication, utilities	0	36,587	280	127	0	0	<b>36,994</b>
26-Supplies and materials	0	113	32,602	0	1,200	146	<b>34,061</b>

<b>Budget object class code-code title</b>	<b>0173CC (\$)</b>	<b>0173MF (\$)</b>	<b>0173MS (\$)</b>	<b>0173Q3 (\$)</b>	<b>0173RD (\$)</b>	<b>0173SC (\$)</b>	<b>Total (\$)</b>
32-Land and structure	0	11,958	0	0	0	64	<b>12,022</b>
41-Grants, subsidies, and contributions	0	0	5,804	0	0	0	<b>5,804</b>
31-Equipment	0	176	2,856	0	614	182	<b>3,828</b>
21-Travel personnel	0	0	49	0	0	1	<b>50</b>
22-Transportation	0	0	0	0	0	3	<b>3</b>
24-Printing and reproduction	0	0	0	0	0	1	<b>1</b>
42-Insurance, claims, and indemnities	0	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>17,870</b>	<b>57,716</b>	<b>210,010</b>	<b>127</b>	<b>7,145</b>	<b>57,962</b>	<b>350,830</b>

Source: VA's ARP Act March 2022 biweekly report for section 8002.

Note: Amounts are rounded.

## **Appendix C: Prior Report on Transparency Act– Covered Funds and Expenditure Transfers**

### **Review of VHA's Financial Oversight of COVID-19 Supplemental Funds**

The OIG found VA met the FFCRA and CARES Act requirements to submit monthly and biweekly reports to the Office of Management and Budget and Congress on COVID-19 supplemental fund obligations and expenditures.<sup>36</sup> However, the review team noted two variances that affected the completeness and accuracy of VA's reporting to the Office of Management and Budget and Congress and that are similar to the findings in this semiannual report under the Transparency Act.

First, VHA relies on manual processes to track and adjust its spending for reporting purposes, as VHA financial systems are coded based on VA's base year appropriations line of accounting. However, because VHA did not use the appropriate COVID-19 Treasury fund account or accounting classification code, the review team identified 24,000 COVID-19–related transactions that were not covered by VHA's total report obligations and expenditures as the transactions were not recorded on a COVID-19 line of accounting. The OIG determined VHA's manual processes to transfer obligations or spending from VA's base line of accounting to a COVID-19 line of accounting likely contributed to the 24,000 transactions being mistakenly excluded for reporting purposes to Congress and the Office of Management and Budget.

Second, VA's reports to Congress and the Office of Management and Budget contained negative dollar amounts in fields that should normally contain positive dollar amounts for obligations. The OIG determined VA may have understated its obligation report by more than \$215 million due to these potential reporting errors. According to VA, early COVID-19 efforts did not use the correct accounting codes, so VA began corrective actions to reclassify early transactions. However, as the process was still underway, errors may continue to be reported due to the timing of data extractions in future reports. The OIG questioned VA Office of Management offices—the Financial Services Center and the Office of Budget—but as previously discussed in this semiannual report, VA could only speculate that these potential reporting errors could result from expenditure transfers between or within fund codes, deobligations, system errors, or credits from vendors.

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<sup>36</sup> VA OIG, *Review of VHA's Financial Oversight of COVID-19 Supplemental Funds*.

## Appendix D: Scope and Methodology

### Scope

The review team conducted its work from April 2022 to August 2022. Although the review focused on all covered funds under the Transparency Act (FFCRA, CARES Act, and ARP Act) for consideration of fraud, waste, abuse, or other matters, the team limited its comparative analysis to VA's ARP Act spend plan and biweekly reports to determine whether VA used ARP Act funds as stated in the spend plan and the current status of VA's plans to use the remaining available funds. The team selected section 8002 of the ARP Act to review. To select the section, the team referred to VA's ARP Act spend plan distribution (see table 2), which demonstrates that section 8002 represents at least 85 percent of VA's allocated funds (net of the rescission) under the ARP Act.<sup>37</sup> Table 5 details how VA allocated section 8002 funds (by fund code), and program and activity details are available in table A.3.

### Methodology

To assess VA's compliance with the Transparency Act, the review team

- reviewed relevant federal laws, regulations, VA policy, and supplementals to VA policies to gain an understanding of what is required of VA regarding compliance with the act, the act's covered funds, and overall reporting requirements;
- inventoried the list of projects, contracts, or other evidence that supports VA's reported planned uses of ARP Act funds as a basis of the comparison review;
- reviewed VA's ARP Act monthly obligation and expenditure reports up to June 30, 2022;
- compared VA's ARP Act spend plan submitted to Congress to actual obligations and expenditures up to March 29, 2022, to determine if any unreported deviations from VA's asserted planned use exists;
- examined VA's biweekly reports to Congress related to VA's use of ARP Act funds to determine whether VA presented any deviations from their detailed plan and, if so, determine if justification was provided;
- reviewed VA's ARP Act biweekly reports to Congress to ensure VA reasonably met all the basic requirements of section 2(1) of the Transparency Act;

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<sup>37</sup> VA received ARP Act funds of about \$17 billion (net of the rescission). About \$14.5 billion in ARP Act funding was distributed to section 8002 for veterans' medical care and health needs.



- reviewed the methodologies VA used to develop its biweekly reporting of obligations and expenditures of ARP Act funds to determine if there are any risks associated in the reliability of that information;
- made inquiries to VA and VA administrations of any interpretations they have made in regard to the requirements of the Transparency Act, as well as evidence that supports their assertions;
- conducted interviews with VA and its administrations' staff at multiple levels to gain an understanding of the reliability of VA's assertions; and
- leveraged existing and previous OIG work related to the CARES Act–covered funds and the OIG's inaugural report on the Transparency Act to provide a contextual reference for any other matters the review team determined was relevant.

The review team also collaborated and coordinated with other OIG Office of Audits and Evaluations teams and the Office of Investigations.

## Internal Controls

The review team determined that internal controls were not significant to the review objective. Accordingly, as part of their work, the team did not find any significant internal control deficiencies.<sup>38</sup>

## Fraud Assessment

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

- soliciting the OIG's Office of Investigations for indicators;
- reviewing the indictments and convictions that are published on the Pandemic Response Accountability Committee website;<sup>39</sup>

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<sup>38</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

<sup>39</sup> As of June 2022, although there were seven indictments or convictions listed on the website of the Pandemic Response Accountability Committee—a committee of the Council of the Inspectors General on Integrity and Efficiency—none of those were related to the fraud, waste, or abuse of Transparency Act–covered funds.

- reviewing sections of the CARES Act spend plan for funds transferred from VHA to the Veterans Benefits Administration;<sup>40</sup> and
- reviewing VA data submissions for actual obligations and expenditures under ARP Act section 8002 as of March 29, 2022.

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

## Data Reliability

The OIG obtained data from VA for actual ARP Act section 8002 obligations and expenditures for the period November 22, 2021, through March 29, 2022 (as shown in table 6). The review team performed electronic testing of the data to identify obvious errors in accuracy and completeness. Additionally, the team determined the data provided was consistent with FMS and source documentation (e.g., purchase orders, contracts, and agreements). Where there were differences, the team requested additional evidence from VA to determine why the difference occurred. Further, the OIG statistically tested the accuracy of transactions related to section 8002 obligations and expenditures for data reliability purposes. Taking all the evidence together, the team determined that the data were sufficient and reliable for the purposes of the team's analysis to support the results and conclusions.

## Government Standards

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

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<sup>40</sup> These programs and activities funded by the CARES Act include the Digital GI Bill; Digitization, Mail, and Printing Service; and Financial Management Business Transformation.

## Appendix E: VA Management Comments

### Department of Veterans Affairs Memorandum

Date: September 12, 2022

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

Subj: Draft Report, Review of VA's Compliance with the Transparency and Trust Act of 2021  
Semiannual Report: September 2022 (project number 2022-00879-AE-0086)

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

1. Thank you for the opportunity to review the Office of Inspector General (OIG) draft September 2022 semiannual report on the Department of Veterans Affairs (VA) compliance with the Transparency and Trust Act of 2021.
2. The Office of Management (OM) appreciates OIG's continued review and concerns on the Department of Veterans Affairs (VA) spend plan and associated reporting of COVID-19 supplemental funding. OM is actively working with the Administrations and Staff Offices to improve our bi-weekly reporting, including sections 8002 and 8003, based upon changes to the spend plan. Updates to the plan are expected this month.
3. OM recognizes that manual adjustments to financial transactions can lead to potential reporting errors. As we replace our antiquated legacy financial management system by implementing a modern solution, we anticipate the need for manual adjustments will decrease therefore, reducing potential errors.

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

(Original signed by)

Jon J. Rychalski

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

## OIG Contact and Staff Acknowledgments

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