



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: March 2023

REVIEW

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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.¹ In November 2021, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act) to provide oversight of VA's spending of the emergency relief funding.² In accordance with the act, VA must provide a detailed plan to Congress outlining its intent for obligating and expending funds covered by the act, including a justification for each type of obligation, not later than 30 days after the act's enactment on November 22, 2021.³ When the Transparency Act was enacted, VA had obligated and spent all (or nearly all) of FFCRA and CARES Act funds; therefore, the detailed plans VA submitted to Congress on December 22, 2021, were retroactive. That is, the detailed plans indicated what VA had already spent.⁴ Additionally, the act requires VA to submit reports to Congress every 14 calendar days (biweekly) detailing its obligations, expenditures, and planned uses, as well as justification for any deviation from the plan.

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

What the Review Found

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

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

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

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

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

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

to consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violates the Purpose Statute and, if a violation occurred, take the steps necessary to remedy the violation. Second, VA should determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. The target completion date for both recommendations was June 2022, but as of the date of report publication, both recommendations remained open. In the September 2022 semiannual report, the OIG focused on VA's ARP Act spend plan and biweekly reporting requirements.⁶ The OIG plans to address VA's CARES Act in its next report to Congress.

This semiannual report provides the results of the OIG's review of VA's compliance with the Transparency Act requirements for a detailed FFCRA plan and biweekly reports. The OIG found VA generally complied with the Transparency Act because VA provided justification for its programs and activities and largely aligned VA-provided obligations and expenditures to the detailed plan.⁷ The review team relied on VA's final FFCRA biweekly report to Congress (dated September 13, 2022) of obligations and expenditures (referred to hereafter as the VA September 2022 biweekly report). The team reviewed VA-provided obligations and expenditures of \$60 million from April 1, 2020, through August 23, 2022.⁸

The OIG found that VA's detailed plan assertions concerning medical services had some inaccuracies but determined the overall plan was not affected. Although VA asserted in the plan the number of veteran COVID-19 cases that occurred during fiscal year (FY) 2021 (from October 1, 2020, through September 30, 2021), the OIG found the number of cases was instead cumulative and included five additional prior months. Because the total number of cases reported in the plan generally aligns with VA's other stated aggregate totals from FFCRA enactment through September 30, 2021, the OIG did not make a recommendation.

Additionally, the OIG determined VA's FFCRA biweekly reports to Congress were adequate for the purposes of the Transparency Act. Although the team found VA did not meet reporting milestones and some monthly and biweekly reports, VA generally provided routine reports for congressional awareness. Further, due to an Office of General Counsel opinion clarifying that

⁶ VA OIG, [*VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022*](#), Report No. 22-00879-236, September 22, 2022.

⁷ See appendix A for a description of the Financial Management System. Due to the scope limitations described in appendix B, although the team completed testing to determine that the Financial Management System aggregate obligation and expenditure data (referred to hereafter as VA-provided obligations and expenditures) are sufficiently reliable, the team was unable to complete its comparison analysis of transactional-level supporting documentation. Specifically, VA did not provide sufficient documentation for the transactional line-level details to validate the purpose of VA's actual obligations and expenditures under the FFCRA.

⁸ FFCRA was enacted on March 18, 2020, but VA did not start obligating or expending FFCRA-covered funds until April 1, 2020.

FFCRA funding should be used specifically for COVID-19 testing costs, VA adjusted the supplemental fund based on that guidance. As such, although VA's obligations before September 2020 were not consistently aligned with the FFCRA, VA did not significantly deviate from its spending requirements as it took action to correct its obligations after September 2020.

The review team relied on VA-provided obligations and expenditures to identify VA's general spending of FFCRA-covered funds. However, the OIG was unable to conclude whether actual FFCRA obligations and expenditures matched how the funds were planned to be obligated and expended in the FFCRA detailed plan as required by the Transparency Act because VA did not provide sufficient supporting documentation requested by the team. Consequently, when that documentation is received the OIG will review these FFCRA topics and any updates to VA's plans or the biweekly reporting mechanisms for other Transparency Act-covered funds in subsequent OIG reports.

What the OIG Recommended

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

VA Comments and OIG Response

The assistant secretary for management and chief financial officer stated in his March 8, 2023, response that the Office of Management appreciated the OIG's concerns on VA's spend plan and associated reporting on FFCRA funding and will work with VA's administrations to ensure data requested by the OIG are submitted in a timely manner to enable a full review. The VA Office of Management also recognized that "manual processes for expenditure transfers can lead to potential reporting errors and data reliability issues" but noted that as VA replaces its financial management system, "the need for manual adjustments will decrease, therefore, reducing potential errors and reliability issues." Moreover, the Office of Management recognized that the two recommendations from the OIG's inaugural report remain open and VA's personnel are actively working to adequately address the recommendations. Appendix C provides the full text of the assistant secretary's comments.

The OIG will assess additional VA data and supporting documentation when available to complete its full review of FFCRA funding. The OIG will also examine VA's spend plan updates

and will monitor VA's progress toward closing the open recommendations from the inaugural report.

A handwritten signature in black ink, reading "Larry M. Reinkemeyer". The signature is written in a cursive style with a large initial "L".

LARRY M. REINKEMEYER
Assistant Inspector General
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Abbreviations

ARP	American Rescue Plan
CARES	Coronavirus Aid, Relief, and Economic Security
FFCRA	Families First Coronavirus Response Act
FMS	Financial Management System
FY	fiscal year
OIG	Office of Inspector General
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.⁹ Congress passed the Families First Coronavirus Response Act (FFCRA) on March 18, 2020, and allocated \$60 million to VA for COVID-19-related items and services. In the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed on March 27, 2020, Congress provided VA with about \$19.6 billion to prevent, prepare for, and respond to COVID-19 domestically and internationally, which included impacts on healthcare delivery. Congress passed the American Rescue Plan (ARP) Act of 2021 on March 11, 2021, which provided about \$17.1 billion to VA for veteran and VA medical and healthcare programs. In later legislation, Congress rescinded about \$76.1 million of ARP Act funds.¹⁰

To provide oversight of VA's spending of pandemic-related emergency relief funding, Congress passed the VA Transparency & Trust Act of 2021 (Transparency Act).¹¹ The act requires VA to provide a detailed plan to Congress outlining its intent for covered fund obligations and expenditures, including a justification for each type of obligation, not later than 30 days after the act's enactment on November 22, 2021.¹² When the Transparency Act was enacted in November 2021, VA had obligated and spent all (or nearly all) of FFCRA and CARES Act funds; therefore, the detailed plans VA submitted to Congress on December 22, 2021, were retroactive. That is, the detailed plans indicated what VA had already spent.¹³ 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

⁹ Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4 (2021).

¹⁰ Consolidated Appropriations Act of 2022, Pub. L. No. 117-103, 136 Stat. 49 (2022). VA initially received \$17,080,000,000 in ARP Act funds; however, Congress passed the Consolidated Appropriations Act of 2022, which rescinded \$76,105,000 made available by section 8003 for supply chain modernization. A rescission cancels the availability of budget authority previously enacted before the authority would otherwise expire.

¹¹ VA Transparency & Trust Act of 2021, Pub. L. No. 117-63, 135 Stat. 1484 (2021).

¹² 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.

¹³ In contrast, the ARP Act funds were only about 4 percent obligated, so VA submitted its detailed plans to Congress for how it would spend the remaining covered funds (its spend plan) on December 22, 2021.

years or until the VA Secretary has expended all covered funds, whichever occurs first. The act further states that the OIG reports shall include

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

Table 1 shows the Transparency Act–related funds that VA received and how those funds were obligated and expended from enactment through January 31, 2023, which is the most recent reporting date provided by VA.

Table 1. Overview of All Transparency Act–Covered Funds

Covered fund	Allocated (\$ thousands)	Rescission* (\$ thousands)	Allocated (with rescissions) (\$ thousands)	Total obligations (\$ thousands)	Paid expenditures (\$ thousands)
FFCRA	60,000	0	60,000	60,000	60,000
CARES Act	19,569,500	0	19,569,500	19,302,893	18,886,152
ARP Act	17,080,000	-76,105	17,003,895	12,240,094	9,424,088
Total	36,709,500	-76,105	36,633,395	31,602,987	28,370,240

Source: VA's monthly reports of allocations, obligations, and expenditures for FFCRA (through September 30, 2022, which was VA's final monthly report), CARES Act (through December 31, 2022, which is VA's most recent monthly report), and ARP Act (through January 31, 2023, which is VA's most recent monthly report).

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 OIG published its inaugural report on March 22, 2022—120 days after the Transparency Act was enacted on November 22, 2021—and focused on whether VA's plans provided to Congress satisfied the requirements of the act.¹⁴ The next semiannual report was issued on September 22, 2022, and focused on whether VA's ARP Act spend plan and biweekly reports satisfied the requirements of the Transparency Act.¹⁵ The OIG plans to address the CARES Act in its next report to Congress.

This semiannual report generally assesses VA's FFCRA detailed plan, comparing the plan and biweekly reports to include determining whether VA used the FFCRA-covered funds as stated in the plan, and evaluating VA's compliance with the biweekly reporting requirements through

¹⁴ VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021](#), Report No. 22-00879-118, March 22, 2022.

¹⁵ VA OIG, [VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022](#), Report No. 22-00879-236, September 22, 2022.

August 30, 2022.¹⁶ However, the review team relied on VA's final FFCRA biweekly report through September 13, 2022, to capture actual obligations and expenditures (referred to hereafter as the VA September 2022 biweekly report).¹⁷

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

Table 2. Overview of the FFCRA Detailed Plan Sections

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

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

Note: Amounts are rounded. The medical services total obligations and paid expenditures do not total the \$30 million in table 1 due to timing; specifically, table 1 reports on all Transparency Act-covered funds through December 31, 2022, while table 2 reports specifically on the FFCRA detailed plan through September 30, 2021.

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

As stated in VA's FFCRA detailed plan, these two Veterans Health Administration (VHA) accounts covered medical services and medical community care. For medical services, VHA obligated about \$29.8 million for supplies and materials (with no funds obligated for personal protective equipment) and spent about \$29 million on COVID-19 testing supplies and materials that helped to provide care to 307,575 veterans as of September 29, 2021. For medical community care, VHA obligated and spent \$30 million for COVID-19 tests administered to veterans in community care settings.

¹⁶ According to the Transparency Act, VA was required to submit biweekly reports until seven days after its final expenditure. As all FFCRA-covered funds were expended by August 23, 2022, VA only needed to report through August 30, 2022.

¹⁷ Though its reporting requirement ended as of August 30, 2022, VA continued to submit reports through September 13, 2022. The team did not identify any FFCRA variation between the reports; therefore, the team relied on the final FFCRA biweekly report.

Results

Finding: VA Generally Complied with the Transparency Act but Did Not Submit Sufficient Data for the OIG's Full Review

The Transparency Act requires VA to produce a detailed plan for obligating and spending covered funds (including a detailed justification) and to report on any spending deviations from that plan in its biweekly reports. The OIG found that VA generally met the act's reporting requirements to produce an FFCRA detailed plan and submit to Congress its FFCRA biweekly reports. However, the review team found VA's FFCRA detailed plan assertion for medical services did not accurately capture the number of veteran COVID-19 cases during fiscal year (FY) 2021.

The detailed plan asserted that VA provided care for 307,575 veterans with COVID-19 during FY 2021; however, the team found only 253,672 veteran COVID-19 cases for that same period. The additional 53,903 COVID-19 cases were reported for five additional months (May 8, 2020, through September 30, 2020) and were not covered by the FY 2021 plan assertion. The OIG did not consider this a significant issue at the time of this review because the use of the cumulative total of 307,575 veteran cases from May 8, 2020, through September 29, 2021, generally aligns with VA's other assertions where it reports aggregate totals from FFCRA enactment through September 30, 2021. Therefore, the OIG did not make a recommendation to address this inaccuracy in the FFCRA detailed plan.

Additionally, although the team found VA did not consistently meet reporting milestones and some monthly and biweekly reports, VA generally provided routine reports for congressional awareness.¹⁸ Further, an Office of General Counsel opinion clarified that Families First funding should be used specifically for COVID-19 testing costs. During September 2020, VA adjusted all FFCRA supplemental funds and restated the anticipated use for both medical services and medical community care based on that guidance. Although VA's obligations before September 2020 were not aligned with the FFCRA, and therefore were noncompliant with the act, the OIG determined that VA took action to correct its obligations after September 2020 and considers these actions appropriate.

Although the OIG identified concerns within VA's FFCRA detailed plan and biweekly reports and initial noncompliance with VA's spending of FFCRA-covered funds, VA generally complied with the Transparency Act. The following determinations support the OIG's finding:

- VA's FFCRA detailed plan reporting of the number of COVID-19 veteran cases contained some inaccuracies that overall were not significant.

¹⁸ The CARES Act, FFCRA, and Transparency Act mandated different monthly or biweekly reporting requirements.

- VA-provided obligations and expenditures generally aligned with FFCRA reporting requirements and VA's detailed plan, but VA did not submit sufficient information for the OIG's full analysis.¹⁹
- Expenditure transfers may pose a risk to the accuracy of VA's biweekly reporting.
- Recommendations from the OIG's Transparency Act inaugural report 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 and FFCRA and to understand the reliability of VA's detailed plan assertions. To compare VA's FFCRA plan to its actual obligations and expenditures, the review team

- asked VA's Office of Management if it had submitted any revisions to the detailed plan;
- assessed each stated program and activity in the detailed plan to establish a basis of comparison;
- evaluated the VA September 2022 biweekly report to determine if VA reported any deviations from its detailed plan;
- obtained obligation and expenditure data from VA up to August 23, 2022, to compare with the VA September 2022 biweekly report; and
- analyzed VA's obligation and expenditure data for biweekly reporting purposes.

The Transparency Act requires the OIG to compare VA's FFCRA actual obligations and expenditures to its FFCRA detailed plan. Although the team planned to perform this comparison, VA did not provide sufficient supporting documentation to address the team's requests for FFCRA-covered funds. Therefore, the OIG was unable to conclude whether actual FFCRA obligations and expenditures matched how the funds were planned to be obligated and expended in the plan. As such, when VA provides the OIG with sufficient documentation, the OIG will review these FFCRA topics and any updates to VA's plans or the biweekly reporting mechanisms for other Transparency Act-covered funds in subsequent reports.

¹⁹ VA-provided obligations and expenditures represent VA's aggregate Financial Management System (FMS) obligations and expenditures that the team determined were sufficiently reliable. Actual obligations and expenditures represent transactions the team reviewed, based on the transactional line level details, for FFCRA purposes.

VA's FFCRA Detailed Plan Reporting of the Number of COVID-19 Veteran Cases Contained Inaccuracies That Overall Were Not Significant

VA generally outlined how it intended to spend FFCRA supplemental funds. The review team relied on the December 2021 FFCRA detailed plan, the most current plan, for comparison purposes. The team found VA's plan assertion for medical services did not capture the correct number of veteran COVID-19 cases.

According to VA's FFCRA detailed plan, VA spent \$29,027,000 as of September 30, 2021, which "helped VA provide care to 307,575 veterans who were identified as COVID-19 veteran cases in fiscal year 2021 (data as of September 29, 2021)." To verify VA's plan explanation, the team asked VA to provide support for the number of veterans served. VA explained that the plan's number of veteran cases was reported based on its National Surveillance Tool's daily total of COVID-19 veteran cases.²⁰

Using the National Surveillance Tool, the team identified the 307,575 veteran cases disclosed in the FFCRA detailed plan. However, the team found that the number of COVID-19 cases reported during FY 2021 totaled 253,672. The difference of 53,903 consisted of COVID-19 cases reported in FY 2020 (or for five months from May 8, 2020, through September 30, 2020). This time frame was not covered by the FY 2021 plan assertion for medical services. As such, VA overstated the veteran COVID-19 cases reported in the plan by 53,903.

However, as VA's other detailed plan assertions are since FFCRA enactment (for example, total funds spent were reported from March 18, 2020, through September 30, 2021), VA's use of the cumulative total of 307,575 veteran COVID-19 cases from May 8, 2020, through September 29, 2021, generally aligns with VA's other assertions. Therefore, the OIG did not make a recommendation.

VA-Provided Obligations and Expenditures Generally Aligned with FFCRA Reporting Requirements and VA's Detailed Plan, but VA Did Not Submit Sufficient Information for the OIG's Full Analysis

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

²⁰ See appendix A for a description of the National Surveillance Tool and its use in monitoring veteran cases of COVID-19.

reported deviations from the FFCRA detailed plan.²¹ VA's plan included a brief narrative with justifications for its use of FFCRA funds in accordance with the Transparency Act. To determine whether VA's obligations and expenditures aligned with its detailed plan justifications, the team compared the plan's descriptions of activities to VA-provided obligations and expenditures.²² The team determined the VA-provided data were in line with the stated program and activity shown in the plan based on the line of accounting.²³ Table 3 presents the VA-provided amounts obligated and expended for FFCRA activities as of the expiration of those funds (September 30, 2022).

Table 3. FFCRA VA-Provided Obligations and Expenditures by Activity

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

Source: These results were based on VA OIG's analysis of VA-provided obligated and expended amounts, but due to the scope limitations regarding transactional line-level detail in appendix B and previously noted, the team was unable to form a conclusion for the sampled transactions.

Note: Amounts are rounded.

** Total obligations and paid expenditures are equal.*

The team planned to identify any unreported spending deviations from VA's actual use of FFCRA-covered funds; however, the documentation VA provided did not have sufficient transactional line-level detail to form a conclusion for the sampled transactions. That is, the team received submissions that generally supported the aggregate expenditure transfer information in the Financial Management System (FMS), but the item or service purchased was not supported

²¹ VA's final FFCRA biweekly report to the Office of Management and Budget and Congress (through September 13, 2022) of actual obligations and expenditures.

²² Due to scope limitations described in appendix B, although the team completed testing to determine that the FMS aggregate obligation and expenditure data were sufficiently reliable, the team was unable to complete its comparison analysis due to the lack of supporting transactional line-level documentation. As such, VA's data are referred to in this report as VA-provided obligations and expenditures.

²³ 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 A.2 in appendix A lists the two budget object class codes relevant to the FFCRA detailed plan.

by transactional line-level details.²⁴ The OIG will review supporting documentation when VA makes it available and will discuss the findings in subsequent reports.

VA's Schedule Deviations for FFCRA Reporting Did Not Affect Its Compliance with the Transparency Act

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

- The FFCRA (enacted March 18, 2020) required that VA, not later than 30 days after enactment, provide a report detailing the anticipated uses of funding as well as the funding apportioned, allotted, obligated, and expended with updates every 60 days until all funds are expended or expire.
- The CARES Act (enacted March 27, 2020) required that VA submit monthly reports detailing obligations, expenditures, and planned activities until September 30, 2021.
- The Transparency Act (enacted November 22, 2021) required that VA provide a report detailing obligations and expenditures and a written justification for any deviations every 14 days beginning on the date the detailed plan is submitted (December 22, 2021) and ending seven days after all funds have been expended.²⁵

The team found that VA generally met its milestone, biweekly, and monthly reporting requirements, with a few exceptions. For example, VA published its anticipated uses of FFCRA-covered funds on June 24, 2020, even though this milestone report was required by April 17, 2020. VA also failed to consistently provide all monthly or biweekly reports required by the three acts. Although VA did not meet all reporting milestones and missed some monthly or biweekly reports, it generally provided routine reports for congressional awareness. Therefore, the OIG did not make a recommendation for improvement in this area.

As part of its reporting requirements, VA explained “the VA [Office of General Counsel] clarified that Families First funding should be used specifically for [COVID-19] testing costs.”²⁶ During September 2020, VA adjusted all FFCRA supplemental funds and restated the anticipated use for both medical services and community care based on that guidance. Although VA's FFCRA supplemental funds before September 2020 were not aligned with the FFCRA and therefore were noncompliant with the act, the OIG determined that VA took action to correct its obligations after September 2020 and considers these actions appropriate.

²⁴ See appendix A for a brief description of aggregate FMS considerations.

²⁵ As of the Transparency Act, VA had obligated and spent all (or nearly all) of FFCRA supplemental funds.

²⁶ See table A.1 in appendix A for a description of the VA Office of General Counsel.

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

The review team identified risks related to VA's use of expenditure transfers that may affect VA's ability to report accurate and complete data in its biweekly reports to 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 affecting data reliability in financial reporting.

VA's Financial Tracking, Biweekly Reporting Methodologies, and High Proportion of Expenditure Transfers Carry Inherent Risks

As discussed in the OIG's September 2022 semiannual report, 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.²⁷ 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. These transfers are allowed under financial policy but require a manual assessment and assignment to complete them. Relevant factors of an expenditure transfer may include the fund code, transaction ID, vendor code, date, and amount.²⁸

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

In this semiannual review, the OIG team assessed VA's use of expenditure transfers and found 537 of the 1,316 unique obligations or expenditures examined were expenditure transfers (40.8 percent), as shown in table 4.²⁹

²⁷ VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022*. A description of FMS can be found in appendix A.

²⁸ 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.

²⁹ "Miscellaneous Transactions Data Entry," Procedure Guide (web page), VA FMS Intranet, https://vaww.va.gov/FMSHOME/FMS_Users_Guide.asp. (This web page is 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 (medical facility) or process expenditure transfers between stations—do not apply.

Table 4. FFCRA VA-Provided Expenditure Transfers by Fund Code

Fund code	Process expenditure transfer	Process expenditure transfer within a station	Process expenditure transfer between stations	Total
0140C3	1	3	30	34
0160C3	26	4	473	503
Total	27	7	503	537

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

Further, the team found at least 81 potential reporting errors in the 537 expenditure transfers. These errors represent the risks associated with VA's reliance on manual expenditure transfers that could affect VA's financial reporting accuracy. Although the team planned to assess whether VA's biweekly reporting may be negatively affected due to these expenditure transfers, VA provided partial submissions and insufficient detail, so the OIG could not form a conclusion for the potential reporting errors. Specifically, the team could not determine whether VA's efforts to correct or adjust its fund code balances ultimately resulted in a \$0 net impact on its biweekly reporting under FFCRA (see appendix B for scope limitations). As such, these topics will be covered in subsequent reports when VA provides the OIG with sufficient documentation.

VA's Compliance with Financial Policies for Expenditure Transfers May Carry Inherent Risks

Since enactment of the FFCRA on March 18, 2020, through the VA September 2022 biweekly report, there were two VA financial policies governing VA's use and approval of expenditure transfers. VA's expenditure transfer policy states that VA staff will document expenditure transfers through either a manual or system-generated journal voucher entry.³⁰ Further, expenditure transfers involving entry by another finance activity require the use of Optional Form 1017-G and require VA staff to maintain supporting documentation and appropriate approvals to include (1) an entry that accurately captures the transaction and provides a detailed audit trail and (2) the proper segregation of duties by noting the preparer and approver. This policy is still effective since its enactment in June 2012 but only describes the expenditure transfer documentation process. However, VA established a separate journal voucher financial policy in June 2020, which includes concurrent guidance on expenditure transfer documentation and approval.³¹

³⁰ VA Financial Policy, "Expenditure Transfers," in vol. 1, *General Accounting* (June 2012), chap. 9. A system-generated journal voucher entry is created within FMS or interfaced to FMS.

³¹ VA Financial Policy, "Appropriations, Funds, and Related Information," in vol. 2, *VA Journal Vouchers* (June 2020), chap. 1A.

The latter policy states that journal voucher entries would be used to record expenditure transfers and, similar to the expenditure transfer financial policy, the entry should include sufficient details to support the transaction and the segregation of duties between preparer and approver. However, unlike the expenditure transfer policy, the journal voucher policy makes the use of Optional Form 1017-G mandatory (contrary to its name) to document a journal voucher entry. Further, the journal voucher policy provides guidance related to approvals of journal vouchers (in other words, expenditure transfers). Specifically, once the approving official receives the form and reviews the journal voucher and supporting documentation for adequacy, the approving official must sign and date the journal voucher for posting.

Though VA's financial policies were concurrent through September 2022 (the expiration of VA's spending of FFCRA-covered funds), only the journal voucher policy designates requirements for VA staff approval for expenditure transfer processing. As such, the OIG has determined that the journal voucher policy takes precedence over the expenditure transfer policy when both were active in June 2020. As confirmed by VA, the journal voucher financial policy "contains the current expenditure transfer documentation and approval requirements to be followed by VA." Further, information contained within the expenditure transfer policy "that is not duplicative of information covered in the [journal voucher] policy will be incorporated into the appropriations law policy in the upcoming update." As such, the team planned to review VA's compliance with its financial policies in effect from March 2020 through September 2022 to determine whether its FFCRA expenditure transfers were adequately supported and approved. However, VA did not provide sufficient journal voucher entry and approval documentation to form a conclusion for the sampled transactions. Specifically, the team received insufficient detail to determine whether VA's FFCRA expenditure transfers were adequately supported and approved under the applicable financial policy; therefore, these topics will be covered in subsequent reports.

Recommendations from the OIG's Transparency Act Inaugural Report Remain Open

The inaugural OIG report for the Transparency Act (issued on March 22, 2022) focused on whether VA's plans provided to Congress on December 22, 2021, satisfied the requirements of the act. Although VA's plans generally outlined how it spent or intended to spend covered funds, the OIG found that the CARES Act detailed plan for the National Cemetery Administration's use of \$3.6 million 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. The ARP Act spend plan also 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: The first was to consult with appropriate VA financial and legal officials to determine whether the use of CARES Act funds for the Beaufort National Shrine project violates the Purpose Statute and, if a violation occurred, take the steps necessary

to remedy the violation. The second recommendation was to determine the obligations to sustain essential information technology investments, update the obligation schedule as necessary, provide an updated spend plan to Congress, and include this information in future biweekly updates. According to the Office of Management/chief financial officer's action plan, the target completion date for both recommendations was June 2022.³² VA has not provided sufficient information to demonstrate both recommendations were implemented. Therefore, both recommendations remained open at the time of this review.

Conclusion

VA generally complied with the Transparency Act regarding its FFCRA detailed plan and biweekly reporting. Additionally, VA-provided obligations and expenditures largely fell under VA's stated programs and activities. The OIG determined that VA had not significantly deviated from the plan because, while the total number of veteran COVID-19 cases was for the FY 2021 reporting period, VA's overall plan assertions are since enactment (March 18, 2020, through September 29, 2021), which supported VA using the total number of veteran COVID-19 cases reported for the period May 8, 2020, through September 29, 2021. Additionally, the OIG determined that VA generally complied with its reporting and initial spending requirements as VA (1) generally provided routine updates to Congress and (2) took action to correct its obligations after September 2020.

However, the OIG was not able to compare actual FFCRA obligations and expenditures to how the funds were planned to be obligated and expended in the FFCRA detailed plan because VA did not provide sufficient supporting documentation. As such, the OIG will review these FFCRA topics and any updates to VA's plans or the biweekly reporting mechanisms for other Transparency Act-covered funds in subsequent reports.

VA Management Comments and OIG Response

The assistant secretary for management and chief financial officer stated in his March 8, 2023, response that the Office of Management appreciated the OIG's concerns on VA's spend plan and associated reporting on FFCRA funding and will work with VA's administrations to ensure OIG-requested data are submitted in a timely manner to enable a full review. VA's Office of Management also recognized that "manual processes for expenditure transfers can lead to potential reporting errors and data reliability issues." The response further noted that as VA replaces its financial management system, "the need for manual adjustments will decrease, therefore, reducing potential errors and reliability issues." Moreover, the Office of Management recognized that the two recommendations from the OIG's inaugural report remain open and VA

³² VA OIG, *VA's Compliance with the VA Transparency & Trust Act of 2021*.

personnel are actively working to adequately address the recommendations.³³ Appendix C provides the full text of the assistant secretary's comments.

The OIG will examine additional VA data and supporting documentation when available to complete its full review of FFCRA funding. The OIG also will consider VA's spend plan updates and will monitor VA's progress toward closing the open recommendations from the inaugural report.

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

Appendix A: VA Entities and Systems and FFCRA Budget Object Class Codes

VA Entities

Table A.1 lists the entities covered by the FFCRA detailed plan and those that are discussed in this report.

Table A.1. Overview of VA Entities

Entity	Description
Office of General Counsel	Provides legal advice and services to VA
Office of Management 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
VHA	Serves more than nine million enrolled veterans and provides contingency support during national emergencies as the nation's largest integrated healthcare system

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

VA's Financial Management System

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

VA National Surveillance Tool

The National Surveillance Tool uses data to enable near real-time analysis of patient-level and systems-level information relating to caseload, healthcare system staffing, bed capacity, and supply availability.³⁴ The tool allows VA users to gauge the progression of the pandemic. For example, it provides VHA leaders with the ability to monitor its national COVID-19 caseload and develop appropriate responses.

³⁴ National Surveillance Tool data include information on patients, employees, inventory, and bed capacity. Patient data can be sourced from either VHA data or external electronic health records.

The report on “Daily Veteran COVID-19 Numbers” displays totals for the following categories with associated definitions:

- “Active COVID-19 Veteran Cases” captures current patients tested or treated at a VA facility for known or probable COVID-19 who neither died nor reached convalescent status. This category reflects the active cases for the day of reporting and is not cumulative.
- “COVID-19 Veteran Known Deaths” is a cumulative category that denotes all deaths among VA patients known to have tested positive for COVID-19. This total includes VA inpatient deaths and VA patient deaths that were reported to VA but occurred elsewhere.
- “Convalescent COVID-19 Veteran Cases” is a cumulative category that shows patients tested or treated at a VA facility for known or probable COVID-19 who are either “post-hospital discharge” or who have not tested positive in the last 14 days, whichever comes later.

The “Total COVID-19 Veteran Cases” is calculated daily from these categories and reported to VA users.

FFCRA Budget Object Class Codes

The two FMS budget object class codes relevant to the FFCRA are shown in table A.2.

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

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

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

Appendix B: Scope and Methodology

Scope

The review team conducted its work from October 2022 through February 2023. Although the review focused on all covered funds under the Transparency Act—Families First Coronavirus Response Act (FFCRA); Coronavirus Aid, Relief, and Economic Security (CARES) Act; and American Rescue Plan (ARP) Act of 2021—for consideration of fraud, waste, abuse, or other matters, the team limited its comparative analysis to VA's FFCRA detailed plan and biweekly and monthly reports to determine whether VA used all \$60 million of FFCRA-covered funds as stated in the plan.

Methodology

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

- reviewed federal laws, regulations, VA policy, and supplemental guidance to policies to gain an understanding of what is required of VA regarding compliance with the act, the act's covered funds, and overall reporting requirements;
- inventoried the list of projects, contracts, or other evidence that supports VA's reported planned uses of FFCRA funds as a basis of the comparison review;
- reviewed VA's FFCRA monthly obligation and expenditure reports up to September 30, 2022;
- examined VA's biweekly reports to Congress related to its use of FFCRA funds to determine whether VA presented any deviations from its detailed plan and, if so, determine if justification was provided;
- assessed VA's FFCRA biweekly reports to Congress to ensure VA reasonably met all the basic requirements of section 2(a)(2) of the Transparency Act;
- considered the methodologies VA used to develop its biweekly reporting of obligations and expenditures of FFCRA funds to determine if there are any risks associated with the reliability of that information;
- looked at VA's use of expenditure transfers in its FFCRA obligations and expenditures;
- made inquiries to VA and its administrations for any interpretations they have made regarding Transparency Act requirements, as well as for evidence supporting their assertions;

- conducted interviews with VA and its administrations' staff at multiple levels to gain an understanding of the reliability of VA's assertions;
- leveraged ongoing and previous OIG work related to the FFCRA-covered funds and VA's compliance with the Transparency Act to provide a contextual reference for any other matters the review team determined were relevant; and
- collaborated and coordinated with other OIG Office of Audits and Evaluations teams and the Office of Investigations.

The team planned to assess VA's compliance with the Transparency Act by

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

However, the lack of documentation discussed in the scope limitations section below precluded the team from forming conclusions for the sampled transactions; therefore, these topics will be covered in subsequent reports.

Scope Limitations

VA did not provide sufficient supporting documentation to address the team's requests for FFCRA-covered funds. As of January 2023, VA provided insufficient responses to the team's requests for supporting documentation. As such, the team was unable to complete its review of the following:

- **Unreported deviations from the detailed plan and VA's actual spending of FFCRA-covered funds.** VA-provided documentation did not have sufficient transactional line-level detail to form a conclusion for the sampled transactions. The team received submissions that generally supported the aggregate expenditure transfer information in FMS but did not include sufficient detail to support the item or service purchased.
- **VA's compliance with its financial policies governing expenditure transfers.** VA did not provide sufficient documentation on journal voucher entries and approvals to form a conclusion for the sampled transactions. The team received insufficient detail to determine whether VA's FFCRA expenditure transfers were properly supported and approved under the applicable financial policy.

- **VA's potential reporting errors.** VA-provided documentation did not have sufficient detail needed to form a conclusion for the sampled transactions. The team received partial submissions and insufficient detail to determine whether VA's efforts to correct or adjust its fund code balances ultimately resulted in a \$0 net impact on its biweekly reporting under FFCRA.

As a result of these documentation challenges, the OIG was unable to conclude whether actual FFCRA obligations and expenditures matched how the funds were planned to be obligated and expended in the FFCRA detailed plan as required by the Transparency Act. As such, these topics will be covered in subsequent reports.

Internal Controls

The team determined that internal controls were not significant to the review objective.³⁵ VA did not provide sufficient documentation to address the team's requests in full; therefore, the team will continue its assessment of internal controls related to the FFCRA detailed plan and biweekly reports in subsequent reviews.

Fraud Assessment

In compliance with the Transparency Act, the team assessed the risk that fraud and noncompliance with provisions of law, regulations, contracts, and grant agreements, significant 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,³⁶ and
- reviewing VA data submissions for actual obligations and expenditures under FFCRA as of August 23, 2022.

The OIG did not identify any instances of potential fraud during this semiannual review; however, as additional analysis is required to compare VA's actual FFCRA obligations and

³⁵ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

³⁶ As of January 2023, there were 15 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. "Reporting on Oversight" (web page), Pandemic Response Accountability Committee, accessed January 12, 2023, <https://www.pandemicoversight.gov>. The team exercised due diligence in staying alert to fraud indicators. Although the team identified six cases potentially related to Transparency Act-covered funds, the team concluded the high level of review was unlikely to identify fraud, waste, and abuse.

expenditures to its planned uses in the FFCRA detailed plan, the team will stay alert to fraud indicators for subsequent reports.

Data Reliability

The OIG obtained data from VA for actual FFCRA obligations and expenditures for the period April 1, 2020, through August 23, 2022.³⁷ The review team performed electronic testing of the data to identify obvious errors in accuracy and completeness. Additionally, the team determined the data provided were consistent with FMS. Further, the OIG statistically tested the accuracy of transactions related to FFCRA obligations and expenditures for data reliability purposes. Taking all the evidence together, the team determined that the data were sufficient and reliable for the purposes of the team's analysis to support the results and conclusions.

Government Standards

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

³⁷ FFCRA was enacted on March 18, 2020, but VA did not start obligating or expending FFCRA-covered funds until April 1, 2020.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: March 8, 2023

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

Subj: Draft Report, Review of VA's Compliance with the Transparency and Trust Act of 2021 Semiannual Report: March 2023 (project number 2022-00879-AE-0170)

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

1. Thank you for the opportunity to review the Office of Inspector General (OIG) draft March 2023 semiannual report on the Department of Veterans Affairs' (VA) compliance with the Transparency and Trust Act of 2021.
2. The Office of Management (OM) appreciates OIG's review and concerns on the VA's spend plan and associated reporting on the Families First Coronavirus Response Act funding. OM understands and will work with our partners within VA's Administrations to ensure the data requested by the OIG is submitted in a timely manner to enable a full review.
3. OM recognizes that manual processes for expenditure transfers can lead to potential reporting errors and data reliability issues. As we replace our antiquated legacy financial management system by implementing a modern solution, we anticipate that the need for manual adjustments will decrease, therefore, reducing potential errors and reliability issues.
4. OM also recognizes that the two recommendations from the March 2022 report remain open. OM has been actively working to adequately address the recommendations for closure.

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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