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OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Review of Open Obligations in VBA's General Operating Expenses Account

Review	25-02887-107	July 23, 2026

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Executive Summary

The VA Office of Inspector General (OIG) assessed Veterans Benefits Administration (VBA) oversight of open obligations from March 1 through May 15, 2025, which included undelivered orders of goods and services and delivered orders that were not yet paid for (accruals). VA obligates funds (using legally binding agreements to spend appropriated funds) until services or products are both received and paid for. The OIG team examined whether VBA staff effectively managed funds no longer needed in the general operating expenses account, which had $4 billion approved for fiscal year (FY) 2025. This account is used to administer and deliver veterans' benefits. According to VA's financial policy on managing obligations, finance and program offices must review and reconcile open obligations monthly to ensure balances are accurate, agree with source documents, and are still needed. If an obligation is open beyond the period of performance end date or is inactive for more than 90 days (regardless of the period of performance end date), it is considered stale, and VBA must deobligate the excess funds or provide documentation showing the obligation is still valid.[1]

Overall, the OIG team found that VBA did not consistently follow VA's financial policy for managing obligations, including the timely identification and deobligation of stale funds. This prevented VBA from redirecting that money in a timely manner for other allowable uses to support veterans.

Several VBA leaders told the OIG team that decreased staffing levels posed a challenge to adequately reconciling the status of funds. In addition, leaders said efforts were hampered by persistent problems with VA's legacy Financial Management System that still needed to be used following VBA's implementation of the Integrated Financial and Acquisition Management System (iFAMS).

The OIG team discussed its concerns, preliminary findings, and recommendations with VBA senior leaders throughout this project. VBA acknowledged the findings and provided feedback as recently as June 2026. This report includes three recommendations to help drive improvements to VBA's oversight, policies, and processes. Of note, VA announced in October 2025 that the supervision of finance and budget functions was being realigned from each administration to VA's Office of Management to strengthen fiscal oversight and accountability.[2] The effects of this realignment on the issues identified in this report are not yet known, but the OIG's findings can help guide VBA during these reorganization efforts to highlight key roles and responsibilities that must be clearly assigned.

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[1] VA Financial Policy, "Obligations," in vol. 3, *Obligations* (December 2025), chap. 2.

[2] VA chief of staff, "Realignment of Finance and Budget Functions to the Office of Management," memorandum to under secretaries, assistant secretaries, and other key officials, October 14, 2025.

What the Review Found

Because VBA did not consistently perform the required monthly reviews of its open obligations, substantial funding was tied to orders that were no longer needed. From March through May 15, 2025, about 2,200 undelivered orders, totaling $1.9 billion, were stale obligations and therefore should have been reviewed. From a statistical sample, the OIG team projected that nearly 2,100 of these orders (about $1.7 billion) had not been properly reviewed and about 1,600 of them (almost $895.3 million) were not deobligated as required.

Accruals were also not reviewed in accordance with the financial policy. The OIG team estimated that, from March to May 1, 2025, VBA had 1,000 outstanding accruals, but VBA staff could not show evidence that they had checked these accruals monthly. Although the OIG team noted that the estimated accrual amounts reflected accurate expenses, VBA leaders confirmed that staff had mistakenly relied on iFAMS automation rather than pulling reports for review and documenting the accuracy of the expenses. A contributing factor included outdated guidance that did not reflect iFAMS, which VBA began using in FY 2021. VA policy lacked iFAMS-related instructions for the required monthly review and reconciliation process that ensures open obligations are being properly managed. In the OIG's sample, the Medical Disability Examination Office had the most open obligations without reviews (about 66 percent), totaling $787.8 million.

In addition, the OIG team found that finance office and requesting office staff could not provide required documentation that open obligations had been reviewed each month—nor could they provide results from reviews that were conducted, making it difficult to verify whether obligations were valid. Finally, communication among finance, requesting, and contracting offices was inconsistent or absent, delaying changes and closeouts. These gaps in oversight increase the risk that VBA will not use taxpayer dollars efficiently to support veterans.

Next Steps

The assistant secretary for management, who also serves as chief financial officer, concurred with the OIG's recommendations in June 2026 and provided responsive action plans. The OIG will monitor VBA's implementation and close the recommendations when VBA provides sufficient evidence that it has strengthened its management practices, improved oversight processes for open obligations, and addressed the risks identified in this report.

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Abbreviations

FY	fiscal year
iFAMS	Integrated Financial and Acquisition Management System
OIG	Office of Inspector General
VBA	Veterans Benefits Administration

Introduction

The Veterans Benefits Administration (VBA) provides a range of services and benefits to veterans and their families. Its budget is divided into mandatory accounts (which cover direct benefits payments) and discretionary accounts (including general operating expenses used to administer and deliver payments and services to veterans). In fiscal year (FY) 2025, VBA requested $8.5 billion for its discretionary budget—with $4 billion for general operating expenses.[3]

The VA Office of Inspector General (OIG) assessed VBA's management of open obligations—legally binding agreements to spend appropriated funds for goods or services—in its general operating expenses account. This included examining compliance with VA's financial policy on managing obligations for the monthly validation, reconciliation, and review of open obligations, as well as VBA's internal oversight.[4]

This report focuses on open obligations that are not considered closed or complete and have a balance associated with them. They fall into two general categories:

- **Undelivered orders** represent items or services VBA has ordered but not yet received. Sometimes the final cost for ordered items or services may be less than the amount of the original obligation estimate—for example, if the price of the goods or services ordered is reduced before delivery or if an order is canceled. When this happens, VA's financial policy for managing obligations requires VA to deobligate the excess funds.
- **Accruals** represent estimated expenses for items or services VBA already received but for which payment has not been made. VBA records an estimated amount so that the expense is reflected in the correct accounting period and later adjusts it when actual costs are known.

The OIG team examined whether VBA performed required reviews from March 1 through May 15, 2025, and whether unused funds were promptly deobligated in compliance with policy. The team also assessed financial oversight practices meant to ensure proper and efficient use of funds.

[3] VA, *FY 2025 Budget Submission*, vol. 3, *Burial and Benefit Programs and Department Administration* (March 2024), p. 52.

[4] VA Financial Policy, "Obligations," in vol. 3, *Obligations* (December 2025), chap. 2; VA Financial Policy, "Liabilities," in vol. 6, *Accounts and Interest Payable* (April 2025), chap. 3.

Purpose and Authority

VA's financial policy for managing obligations requires VBA to review them every month to confirm whether the balances are accurate and to promptly reduce the obligations if they are no longer needed. Under this policy, an obligation is determined to be "stale" if it is aged or without activity. An obligation is considered aged if it is still open more than 90 days from its period of performance end date. In other words, the stop date for the obligation and delivery deadline for all goods and services passed more than 90 days prior, but the obligation and any excess funds have not been closed out. The obligation is considered inactive if VA's accounting system shows no financial activity for 90 days or more regardless of the period of performance end date. VBA must provide supporting documentation to the VBA Office of Financial Management (the finance office) that the obligation is valid and should remain open or otherwise adjust the stale obligation as warranted and deobligate any excess funding balance. According to the obligations financial policy, these routine reviews help fiscal officers remain aware of the financial validity of VBA's obligations, stay accountable for their budgets, and take appropriate action to ensure the prudent use of funds.[5]

Managing VBA's open obligations requires coordination among the Office of Financial Management, the contracting offices, and the requesting offices (those that need the items or services). Each plays a role in reviewing balances, validating obligations, and acting to deobligate funds that are no longer needed (figure 1).

[5] VA Financial Policy, "Obligations," app. F.

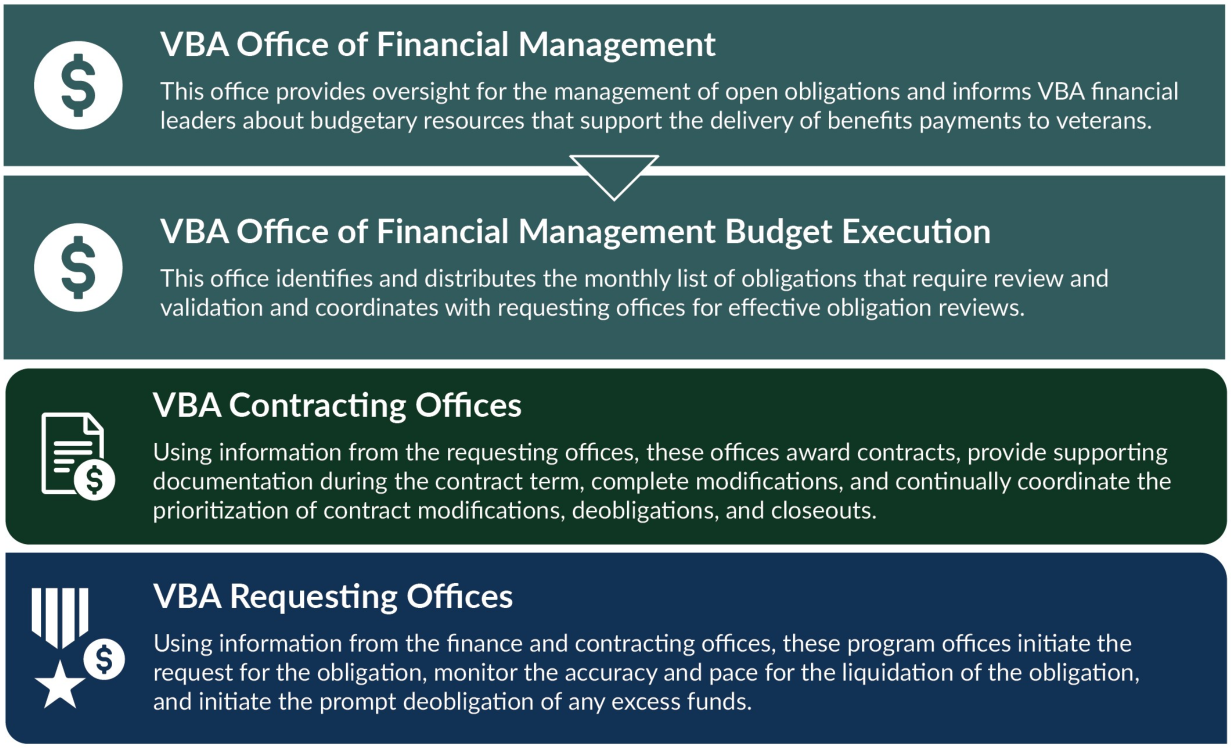

Figure 1. *Office roles and responsibilities related to managing open obligations.*

Source: VA OIG analysis of VA financial policy on managing obligations.

Because responsibilities are shared, weaknesses in coordination or documentation can affect VBA’s ability to complete required monthly reviews and promptly identify excess funds.

Impact of Review Lapses and Deobligation Delays

Failure to properly manage undelivered orders and accrued expenses increases VBA’s financial risk for underestimating its budget resources. Inadequate management and oversight can also result in erroneous payments for goods or services not received, inaccurate reporting, and misinformed financial decisions affecting stakeholders. Obligations mismanagement could result in missed opportunities to use excess funds (particularly at the end of a fiscal year) for other VBA programs, including reducing claims processing backlogs and improvements that could increase the quality and timeliness of benefits and services to veterans.

Changes at VBA

According to the acting manpower director, HR Smart data showed the Office of Financial Management—along with another office responsible for finance-related tasks in VBA—lost about 100 staff (about 30 percent) from October 2024 through September 2025. The director said the data in the report does not capture the “reasoning” behind a retirement or resignation. Furthermore, the director suggested the increased losses of personnel in September 2025 are likely attributed to the deferred resignation program. The acting deputy chief financial officer for budget and policy told the OIG team that remaining team members had to cover multiple roles, significantly hindering VBA’s ability to complete monthly reviews that identify and reconcile open obligations.

In June 2025, during the OIG’s review, the Office of Financial Management Budget Execution team shared that they began using a SharePoint tool they developed to streamline the required monthly review process. This tool automatically notifies the requesting offices when the obligations report is available and lists the stale obligations that require follow-up, because they have aged 90 days past the period of performance end date or the obligation has been without activity for more than 90 days regardless of the end date. According to the Office of Financial Management Budget Execution team, requesting offices are required to provide responses each month that support the validity of the obligations; these responses are then aggregated to identify trends and troubleshoot any nonresponses. While the tool was implemented after the OIG’s review period, VBA reported that these initiatives have helped provide more complete obligation listings to requesting offices and that efforts were ongoing to support greater consistency among the monthly reviews and timelier deobligations.

In October 2025, VA’s chief of staff issued a memorandum stating the supervision of finance and budget functions was being realigned from each administration to VA’s Office of Management to enhance fiscal responsibility and accountability, including preventing budget issues encountered in the past.[6] The effects of this realignment on the issues identified in this report are not yet known, but the OIG’s findings can help guide VBA during these reorganization efforts to highlight key roles and responsibilities that must be clearly assigned.

[6] VA chief of staff, “Realignment of Finance and Budget Functions to the Office of Management,” memorandum to under secretaries, assistant secretaries, and other key officials, October 14, 2025.

Results and Recommendations

Finding: VBA Did Not Consistently Review and Deobligate Funds from Unneeded Open Obligations, as Required

The OIG determined that from March 1 through May 15, 2025, VBA did not comply with policy and processes to identify and deobligate almost $895.3 million in appropriated funds that were no longer needed for their original purpose. Specifically, VBA staff did not conduct monthly reviews that are intended to monitor stale open obligations to determine whether the funds should be deobligated or whether the remaining amounts were valid, as required by VA's financial policy on managing obligations. Within VBA's general operating expenses account, many obligations remained open after activity stopped for more than 90 days.

Based on a statistical sample (described in appendix B), the OIG team made the following projections as of March 1 through May 15:

- Of about 2,200 undelivered orders (totaling $1.9 billion), about 2,100 (totaling close to $1.7 billion) did not show evidence that a review was conducted.
- Nearly 1,600 of these orders contained almost $895.3 million in funding that was no longer needed but was not deobligated.

The OIG team found no evidence that the outstanding accruals from March 1 through May 1 (about 1,000 accruals) were being monitored each month to determine whether the balances were still valid. Because VBA staff relied on Integrated Financial and Acquisition Management System (iFAMS) automation to track these accruals and did not have a process for validating the accuracy of iFAMS transactions, the OIG team reported the issue as affecting all VBA accruals.

When reviews do not occur as required, the risk increases that funds could sit idle or expire due to fiscal year appropriations constraints, instead of supporting veterans or meeting other operational needs. The OIG determined an updated financial policy that reflects procedures for iFAMS and business process changes would help ensure timely review of orders, accruals and deobligation of funds for other uses.

What the OIG Did

The OIG assessed VBA's oversight of open obligations by interviewing leaders and staff from the finance, budget execution, accounting policy, contracting, and requesting offices to understand how monthly reviews were conducted and monitored. Using iFAMS Power BI reports, the team identified the full universe of open obligations and selected and examined a statistical sample of 80 undelivered orders and 30 accruals to determine whether required reviews had occurred. To verify the status of these obligations, the team compared information across key financial and contracting systems, including iFAMS, the Electronic Contracting

Management System, and the Invoice Payment Processing System, and analyzed supporting documents such as requisitions, purchase orders, contracts, invoices, and vendor emails. The team also assessed whether offices followed policy requirements for documentation and monthly review. See appendix A for more details on the review's scope and methodology, including interim communications with VBA leaders in December 2025 and January 2026. VBA acknowledged the OIG's findings and provided feedback the team considered for this report.

Monitoring and Timeliness Determinations

VBA did not consistently monitor or validate its undelivered orders and accruals each month, which contributed to delays in modifying or closing obligations and deobligating unneeded funds. Some offices received monthly review lists that were incomplete or inaccurate, so they did not check many of their open obligations that had been initiated for a range of goods and services. As a result, funding remained tied to obligations that no longer reflected current needs. As noted, based on the OIG's projections, about 2,100 undelivered orders totaling roughly $1.7 billion had no evidence that a review was conducted. VBA staff did not meet the requirement to reconcile and validate orders to ensure the funds continued to be sufficient and necessary to cover the remaining period of the obligation.

The OIG team examined the review processes for accruals dating from March 1 through May 1, 2025, and, using a statistical sample, selected from a report of accruals as of May 1, 2025.[7] The team determined that the Office of Financial Management and requesting offices had no process to review them, which does not comply with VA's financial policy for managing open obligations. According to VBA leaders interviewed, staff had relied on iFAMS automation rather than reviewing and documenting the accuracy of the expenses or checking whether expenses were within the period of performance for these obligations, as required. These reviews are meant to ensure the balances accurately reflect the expected value of goods or services received to date, less cumulative expenditures. Although the OIG estimated that 1,000 did not have reviews conducted, the team found the amounts of the accruals accurately reflected the expenses recorded for the goods and services received to date.

As to timeliness, many undelivered orders remained open well past their periods of performance because requesting offices did not promptly initiate reviews or communicate when goods were received or services performed. Office of Financial Management staff attributed some delayed deobligations to errors associated with the conversion from the legacy Financial Management System to iFAMS in FY 2021. For some undelivered orders, the complete obligation did not convert from the Financial Management System to iFAMS, resulting in users having to draw from both iFAMS and the legacy system to get an accurate status of funds for any obligations that were still open during the time that iFAMS went live. System users reported it was

[7] For more details on the statistical sample, see appendix B.

challenging to retrieve the data and reconcile what stayed in the old system versus what was converted to the new system to understand the status of funds. The transition to iFAMS changed the reports, documentation methods, and workflows used to review and reconcile open obligations. However, VBA had not fully updated or consistently implemented VBA-specific procedures to reflect those changes. While the OIG acknowledges the difficulty in integrating these two systems, this factor does not explain the delay in monitoring open obligations that originated in iFAMS since FY 2021.

In addition, requesting office staff reported that when they ask to modify or close out obligations late in the fiscal year, backlogs and delays occur for deobligating excess funds. Together, these issues limited VBA's financial flexibility and increased the risk that substantial funding remained unnecessarily tied up that could be used for services to veterans.

Guidance for Open Obligations Oversight

Outdated guidance and process gaps hindered VBA's oversight of open obligations. VA policy was not updated to reflect the move to iFAMS in FY 2021. The policy still refers to the legacy Financial Management System, rather than iFAMS, in the instructions for the monthly review and reconciliation process. This should have been updated—along with reports specific to iFAMS that VBA staff should use when determining whether an obligation is valid. While the most recent policy update occurred in December 2025, there is no timeline for full implementation of guidance as it relates to iFAMS-specific processes. As a result of an unclear VA policy without iFAMS-related instructions specific to VBA, some requesting offices such as the Medical Disability Examination Office developed their own internal guidance.

Most of the undelivered services in the OIG team's sample (about 66 percent totaling $787.8 million) were related to orders for medical disability exams to be conducted to help inform benefits decisions. These obligations are primarily managed through agreements between the Medical Disability Examination Office (the requesting office) and the relevant finance office, which assigns responsibility to the offices to properly account for funds. For example, the agreements indicate reimbursements must occur quarterly and funding should be deobligated promptly following the period of performance end date. However, in addition to these instructions, VBA finance and requesting offices are required to conduct a monthly review of these open obligations and reconcile them, pursuant to VA's financial policy for managing obligations.

The OIG team determined that without VBA- or iFAMS-specific guidance or standard operating procedures—such as those related to documenting, reconciling, and validating; reviewing; and reporting—process gaps emerged in this large group of open obligations. According to interviews with Budget Execution staff, staff erroneously provided only a fraction of the list of obligations requiring review to the requesting offices. The Medical Disability Examination Office's internal guidance had not been formalized until the OIG team began related discussions with leaders and staff in June 2025. The OIG team found that the standard process outlined in the internal guidance did not align with VA's obligations financial policy for applicable federal requirements that detail key steps for identifying all obligations with an existing balance, which require monthly review. Because the Medical Disability Examination Office did not have a complete list of open obligations, some reviews were not initiated. Budget Execution and Medical Disability Examination Office staff said they were working to correct these processes and improve accountability over identifying all open obligations requiring review.

Documentation Controls and Communication

VBA could not consistently show adequate documentation of the obligations that staff did review from March 1 through May 15, 2025. VA's financial policy for managing obligations requires that they be supported by sufficient detail to provide a clear audit trail and to substantiate the validity of each obligation. The team found VBA could not provide documentation to show that active monitoring was conducted for the obligations or there was a lack of documentation for those monthly obligation reviews. This made it difficult for finance and contracting offices to verify whether funds were still required or to decide whether they needed to take other actions, such as a modification to deobligate.

The OIG team also noted that inadequate communication within VBA contributed to difficulties in validating the status of undelivered orders and deobligating excess funds. Contracting staff sometimes were not notified by requesting offices when modifications or deobligations were needed. According to the obligations financial policy, the requesting office should let the contracting officer know when modifications are needed—such as when the obligation end date is updated to match a revised delivery date, when the obligation should be canceled, or when orders for goods or services are determined to be no longer needed. These communication gaps were factors that contributed to stale obligations, incorrect balances, and delays in closing out open obligations to free up funds for other allowable uses.

Conclusion

The OIG team found that from March 1 through mid-May 2025, VBA could not consistently show adequate documentation of the monthly review and reconciliation for its general operating expenses open obligations. Furthermore, the OIG team estimated that VBA had open obligations amounting to almost $895.3 million that could have been deobligated during these reviews and more promptly redirected to support veterans (see appendix C for a breakdown of monetary benefits identified by the OIG team). VBA acknowledged this ongoing area of financial risk and said it continues to take steps to improve processes. While this report focuses on a snapshot in time, it highlights ongoing noncompliance issues for the review and reconciliation of VBA's financial obligations. To help advance those efforts, the OIG offers three recommendations meant to strengthen oversight, clarify roles, improve communication, and update policy.

Implementation of these recommendations will help VBA ensure its appropriated funds are being properly spent and tracked for effective financial management and planning.

Recommendations 1–3

The OIG recommended the assistant secretary for management, who also serves as chief financial officer, direct the VBA Office of Financial Management, including its Budget Execution leaders, to take the following actions:[8]

1. Standardize and enforce a documented monthly process for reviewing and validating open obligations—including undelivered orders and accruals—with defined staff roles, responsibilities, and communication protocols, in alignment with VA financial policy.
2. In conjunction with the Office of Acquisition, Logistics, and Construction, establish and document procedures that define roles and communication requirements with requesting and contracting offices to ensure timely end-date modifications and deobligation of funds that are no longer needed.
3. In coordination with the VA Office of Financial Policy, develop VBA-specific procedures aligned with appendix F of VA Financial Policy, "Obligations," and confirm those procedures are consistently implemented to support reconciliation, documentation, and closure of open obligations in the Integrated Financial and Acquisition Management System.

VA Management Comments

In June 2026, the assistant secretary for management, who also serves as chief financial officer, concurred with the recommendations and provided action plans. For recommendation 1, the assistant secretary reported that the Office of Management plans to work with VBA business lines to review and document the current end-to-end process for reviewing and validating open obligations. This effort will include identifying gaps, inconsistencies, and areas requiring standardization to ensure alignment with VA financial policy. For recommendation 2, the Office of Acquisition, Logistics, and Construction will work with the Office of Financial Policy (within the Office of Management) to develop an appendix for the "Obligations" chapter in volume 3 of VA Financial Policy that is specific to VBA finance systems regarding the review and reconciliation of open obligations, similar to the appendix for the Veterans Health Administration. Also, the Office of Financial Policy will coordinate with the contracting offices to establish a recurring forum with designated VBA points of contact to review contracting actions requiring end-date modifications or deobligations and will develop standard operating

[8] The recommendations addressed to the assistant secretary for management, who also serves as chief financial officer, are directed to anyone in an acting status or performing the delegable duties of the position.

procedures to document the processes. For recommendation 3, the Office of Financial Policy will develop VBA-specific procedures that outline the required processes for reviewing undelivered orders and payables. The Office of Financial Policy will also ensure the newly developed VBA procedures are formally incorporated into VA's overarching financial policy framework. The full management response is included in appendix D.

OIG Response

The assistant secretary for management, who also serves as chief financial officer, provided responsive action plans. The OIG will monitor VBA's implementation of these actions and will close the recommendations when VBA provides sufficient evidence that it has strengthened its management practices, improved oversight processes for open obligations, and addressed the risks identified in this report.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted this project from June 2025 through June 2026 to assess whether Veterans Benefits Administration (VBA) staff effectively reviewed, reconciled, and promptly deobligated funds no longer needed in accordance with VA financial policy. The team focused on obligations open March 1 through May 15, 2025 (the review period). From October 1 through November 12, 2025, the team’s work was paused due to the government shutdown.

Methodology

The team identified and analyzed applicable laws, regulations, VA financial policies, and standard operating procedures related to obligations to determine whether VBA staff complied with requirements to review open obligations. The team also analyzed Integrated Financial and Acquisition Management System (iFAMS) Power BI reports, the E-PE02 Open Commitments and Open Obligations Report (F850), and the E-PE02 Open Payables Report (F851) for May 2025 to verify obligation, expenditure, and modification activity. The team pulled the E-PE02 Open Commitments Open Obligations and Open Payables Reports for the 0151 general operating expenses account and excluded travel and purchase card transactions. The VBA general operating expenses account includes Medical Disability Examination Office operation costs because those costs are reimbursed to the general operating expenses account from the mandatory account (compensation and pension funds).

The team used the iFAMS Power BI reports to determine its population for a statistical sample. See appendix B for more detail about the sample design and estimates.

Finally, the team interviewed VBA leaders and staff to learn about the monitoring and oversight process of open obligations.

Interim Communications with VBA

The team shared its project findings and results with the Office of Financial Management and requesting offices, beginning on December 16, 2025, when the team met with VBA leaders for an interim briefing. The OIG team shared that VBA did not consistently complete monthly reviews of open obligations in accordance with VA policy and had not quantified obligations with funding no longer needed that had not been deobligated. The team met with VBA leaders on January 7, 2026, and further discussed financial policy requirements related to accrual management and related evidence for summary statements. VBA acknowledged the OIG’s findings and provided feedback in support of the team’s continued efforts to ensure accuracy in the report.

Internal Controls

The team assessed internal controls to determine whether they were significant to the project's objective. This included consideration of the five internal control components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.[9] In addition, the team analyzed the principles of internal controls as associated with the objective.[10] The team identified two components and five principles as significant internal control deficiencies during this review, as detailed in table A.1, and proposed recommendations to address them.

Table A.1. VA OIG Analysis of Internal Control Components and Principles Identified as Significant

Component	Principle	Deficiency identified by this review
Control activities	10. Design control activities.	VBA did not assess stale obligations that may affect the status of available funds in the general operating expenses account.
	11. Design activities for the information system.	VBA officials did not consistently review iFAMS Power BI reports to ensure all incorporated information is valid, complete, and accurate.
	12. Implement control activities through policies.	VBA officials did not have formalized internal policies or standard operating procedures that align with VA financial policies to identify and review open obligations.
Information and communication	13. Use quality information.	VBA's monthly data review of open obligations did not include both direct and reimbursable obligations.
	14. Communicate internally.	VBA's internal communication did not ensure quality financial information is shared across the administration to enable managers and staff to address stale obligations.

Source: VA OIG analysis of internal control components and principles consistent with the Government Accountability Office's Standards for Internal Control in the Federal Government.

Data Reliability

The review team used computer-processed data obtained from iFAMS Power BI reports, the E-PE02 Open Commitments and Open Obligations Report (F850), and the E-PE02 Open

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

[10] Because the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that could have existed at the time of this review.

Payables Report (F851) to determine the population of general operating expenses open obligation amounts for VBA. To test for reliability, the team examined whether any data from iFAMS, its current financial system, were missing from key fields (including any calculation errors) or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared and validated iFAMS payment amounts, vendor name, and vendor types, as provided in the sample data received. The OIG's testing found the open obligations data, sourced from iFAMS, to be sufficiently reliable to meet the project objectives for the reporting of VBA's open obligations.

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*.[11]

[11] Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*, December 2020.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the VA Office of Inspector General (OIG) team examined a statistical sample of open obligation records from March 1 through May 15, 2025. The team used statistical sampling to allow projection over the full universe of open obligations reported.

Population

The review population comprised 3,260 open obligations totaling about $2.1 billion as of May 2025. The team excluded travel-related obligations because they are reviewed and reconciled by a different process described in another VA financial policy. Of the identified open obligations in the review population,

- 2,221 were undelivered orders valued at just over $1.9 billion—with 1,607 (totaling $1.5 billion) aged 90 days beyond the period of performance end date and 614 obligations (totaling $450.3 million) representing obligations that were without activity for more than 90 days (regardless of the period of performance end date), and
- 1,039 were accruals valued at just over $183.2 million.

Sampling Design

The team selected a statistical sample of 80 undelivered orders and 30 accruals from the Veterans Benefits Administration's (VBA) population of general operating expenses open obligations that met the policy requirement for a monthly review. As shown in table B.1, the population of undelivered orders was stratified by type—older than 90 days since the period of performance end date (aged) or inactive in the past 90 days regardless of the period of performance end date (inactive)—while the accruals population was not stratified. The sampling design resulted in 80 undelivered orders, with an equal distribution of 40 orders per stratum, and 30 accruals.

Table B.1. Strata of Undelivered Orders for Analysis

Strata	Population size	Sample size
Aged	1,607	40
Inactive	614	40

Source: VA OIG statistician's stratified population based on data from the Integrated Financial and Acquisition Management System (iFAMS).

Weights

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team calculated the error rate estimates by first summing the sampling weights for all records in the sample that contained the given error, then dividing that value by the sum of the weights for all sample records.

Projections and Margins of Error

The projection is an estimate of the population value based on the sample. The associated margin of error and confidence interval show the precision of the estimate. If the OIG repeated this audit with multiple sets of samples, the confidence intervals would differ for each sample but would include the true population value about 90 percent of the time.

The OIG statistician used statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design.

The sample size was determined after assessing the expected precision of the projections based on the sample size, potential error rate, and logistic concerns of the sample review. While precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review.

Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

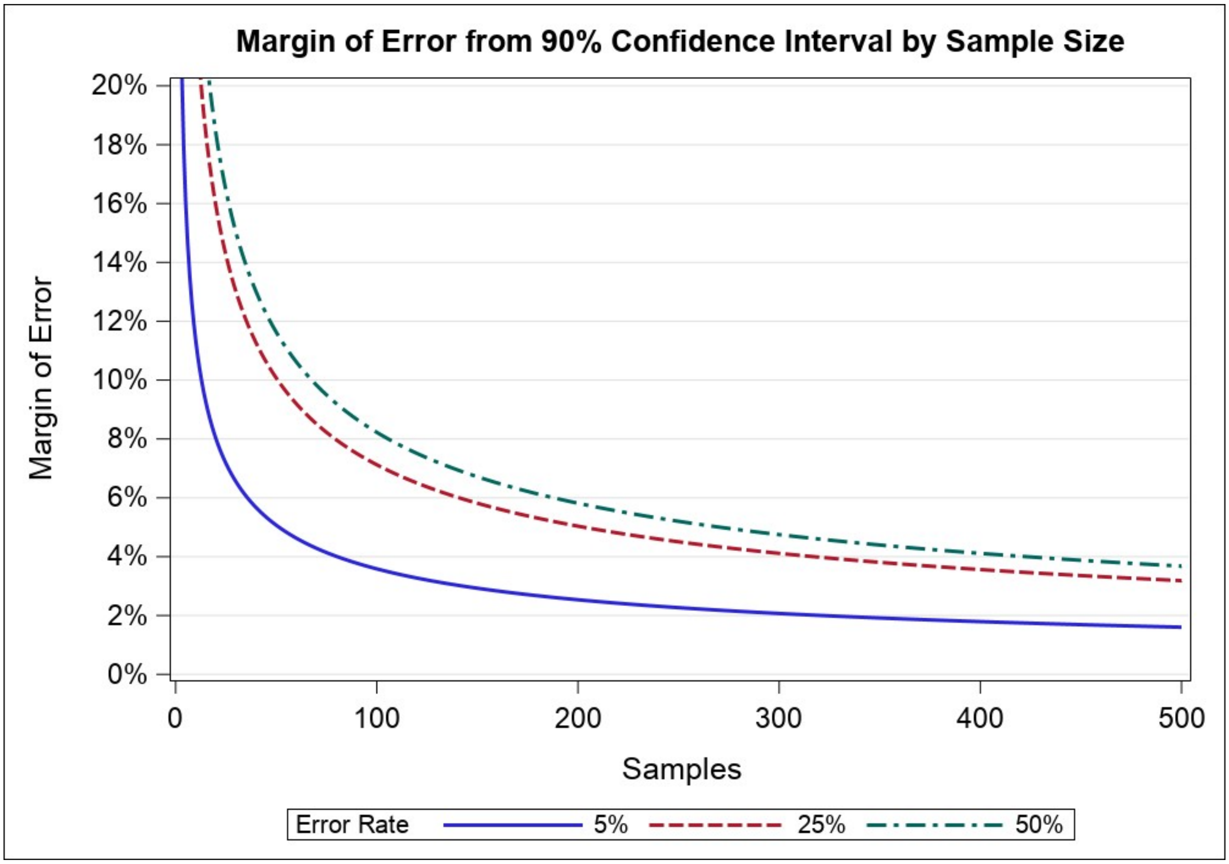

Figure B.1. *Effect of sample size on margin of error.*

Source: VA OIG statistician's analysis.

Projections

Tables B.2 and B.3 show statistical projection results of undelivered order noncompliant errors along with the associated dollar amounts. Undelivered order noncompliant errors reflect procedural errors in which VBA did not conduct a monthly review of the undelivered orders as required. Invalid undelivered orders refer to reviewed obligations that could be deobligated because funding was no longer needed.

Table B.2. Statistical Projections Summary for Number of Errors in Undelivered Orders, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
All noncompliant errors	2,076*	133	1,943	2,210	74
Invalid undelivered orders (better use of funds)	1,584*	30	1,554	1,615	37

Source: VA OIG statistician's analysis and team's assessment of obligations with undelivered balances.

Note: Amounts may not sum due to rounding.

** Shading emphasizes results discussed in the report.*

Table B.3. Statistical Projections Summary for Dollar Amounts of Errors in Undelivered Orders, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
All noncompliant errors	$1,723,042,109*	$387,438,045	$1,335,604,064	$2,110,480,154	74
Invalid undelivered orders (better use of funds)	$895,257,953*	$228,657,343	$666,600,610	$1,123,915,297	37

Source: VA OIG statistician's analysis and team's assessment of obligations with undelivered balances.

Note: Amounts may not sum due to rounding.

** Shading emphasizes results discussed in the report.*

Tables B.4 and B.5 show the statistical projection results of accrual (delivered but not yet paid) noncompliant errors and the associated dollar amounts. Accrual noncompliant errors are procedural errors in which VBA did not conduct a monthly review of the open accrual to ensure expense amounts are reflected accurately as aligned with the period of performance.

Table B.4. Statistical Projections Summary for Number of Errors in Accruals, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
All noncompliant errors	1,039*	N/A	940	N/A	30

Source: VA OIG statistician's analysis and team's assessment of obligations with accrual balances.

** Shading emphasizes results discussed in the report.*

Table B.5. Statistical Projections Summary for Dollar Amounts of Errors in Accruals, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
All noncompliant errors	$183,219,073	N/A	$165,807,032	N/A	30

Source: VA OIG statistician's analysis and team's assessment of obligations with accrual balances.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs[12]
2	Ensure any open obligations with funds identified as no longer needed are properly prioritized for prompt deobligation.	$895,257,953	$0
	Total	**$895,257,953**	**$0**

[12] The OIG questions costs when VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; when costs are not supported by adequate documentation; or when they are expended for purposes that are unnecessary or unreasonable under governing authorities. Within questioned costs, the OIG must, as required by section 405 of the IG Act, report unsupported costs. Unsupported costs are those determined by the OIG to lack adequate documentation at the time of the audit.

Appendix D: VA Management Comments

Department of Veterans Affairs Memorandum

Date: June 4, 2026

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

Subj: Office of Inspector General's Review of Open Obligations in the Veterans Benefits Administration's General Operating Expenses Account (VIEWS 14646550)

To: Office of Inspector General (50)

1. Thank you for the opportunity to review and respond to the Office of Inspector General's draft report, Review of Open Obligations in VBA's General Operating Expenses Account. The Office of Management concurs with the recommendations and submits the attached action plan.

The OIG removed point of contact information prior to publication.

(Original signed by)

Richard F. Topping

Attachment

Attachment

DEPARTMENT OF VETERANS AFFAIRS (VA)

Action Plan

OIG Draft Report: Review of Open Obligations in VBA's General Operating Expenses Account

(Draft Report: 2025-02887-AE-0115)

Recommendation 1. Standardize and enforce a documented monthly process for reviewing and validating open obligations—including undelivered orders and accruals—with defined staff roles, responsibilities, and communication protocols, in alignment with VA financial policy.

VA Response: Concur. The Office of Management (OM), through the Chief Financial Officer, Office of Benefits, and in collaboration with the Veterans Benefits Administration (VBA) business lines will review and document the current end-to-end process for reviewing and validating open obligations. This effort will include identifying gaps, inconsistencies, and areas requiring standardization to ensure alignment with VA financial policy.

Status: Ongoing Target Completion Date: September 30, 2026

Recommendation 2. In conjunction with the Office of Acquisition, Logistics, and Construction, establish and document procedures that define roles and communication requirements with requesting and contracting offices to ensure timely end-date modifications and deobligation of funds that are no longer needed.

VA Response: Concur. VA Financial Policy Chapter 02 - Obligations/Volume III -Obligations and the VA Acquisition Manual M804.804-5(b) contains guidance related to the roles and communication requirements regarding the timely end-date for modifications and deobligation of funds. The Office of Acquisitions, Logistics, and Construction will work with OM's Office of Financial Policy (OFP) to develop an appendix to VA Financial Policy Chapter 02 - Obligations/Volume III - Obligations that are specific to VBA finance systems regarding the review and reconciliation of open obligations. This appendix will be similar to the appendix that exists for the Veterans Health Administration at Appendix F and G (VA Financial Policy Chapter 02-Obligations/Volume III-Obligation).[1] Also, OFP will coordinate with the contracting offices to establish a recurring forum with designated VBA points of contact to review contracting actions requiring end-date modifications or deobligations. OFP will update standard operating procedures to document the processes.

Status: Ongoing Target Completion Date: October 31, 2026

Recommendation 3. In coordination with the VA Office of Financial Policy, develop VBA-specific procedures aligned with appendix F of VA Financial Policy, "Obligations," and confirm those procedures are consistently implemented to support reconciliation, documentation, and closure of open obligations in iFAMS.

[1] https://department.va.gov/financial-policy-documents/financial-document/chapter-02-obligations/#appendix-f-vha-review-and-reconciliation-of-open-obligations-fms

<u>VA Response:</u> Concur. The OFP will develop VBA specific procedures that outline the required processes for reviewing undelivered orders and payables. Also, OFP will ensure the newly developed VBA procedures are formally incorporated into the Department's overarching financial policy framework.

Status: Not Started Target Completion Date: December 30, 2026

The text of VA's management comments is reprinted verbatim as received from the department. For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

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