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OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Review of Minor Construction and Nonrecurring Maintenance Projects at the Fayetteville VA Medical Center in Arkansas

Review | **24-03185-148** | **September 9, 2026**

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Executive Summary

The VA Office of Inspector General (OIG) initiated this review in response to a March 2024 hotline complaint that included five minor construction and nonrecurring maintenance projects at the Fayetteville VA Medical Center in Arkansas. The Veterans Health Administration's (VHA) minor construction and nonrecurring maintenance programs allow VA medical centers to modernize and maintain the safety of their buildings. Minor construction includes projects with costs up to $30 million and typically involves expanding a facility's square footage through new construction at specialty care buildings, clinics, or parking structures. Nonrecurring maintenance focuses on renovation projects that address infrastructure deficiencies.

The hotline complaint alleged that (1) completion of minor construction and nonrecurring maintenance projects has been delayed several years; (2) awarded contracts exceeded independent government cost estimates; (3) delays to an ongoing project led to challenges moving forward in awarding a new project; and (4) the medical center had more construction contract terminations than other facilities in the same regional healthcare network, Veterans Integrated Service Network (VISN) 16.[1] The OIG substantiated all but the last allegation.

The OIG briefed executive staff from the Fayetteville facility and VISN 16 in November 2025; the executive staff agreed with the team's preliminary results and recommendations. In December 2025, the VA chief of staff announced contracting activities in VHA would move under VA's Office of Acquisition, Logistics, and Construction. That office also intends to establish an Office of Acquisition, Program Management, and Performance to consolidate acquisition guidance, including a process to standardize requirements across VA. The OIG's review can help the Fayetteville VA Medical Center address systemic issues related to delays and increasing costs with its minor construction and maintenance projects.

What the Review Found

The OIG found that all five projects in the hotline complaint had significant delays, from one year to more than seven years beyond original completion estimates, that nearly tripled total estimated costs from the originally approved $34.5 million to about $100 million; three of the projects were still under construction in January 2026. The OIG determined that the $64.5 million increase could have been prevented if the medical center more effectively communicated project requirements for these projects. All five had challenges with project scope and omitted VA design requirements, causing additional construction or design work when

[1] In December 2025, VA announced plans to reorganize the management structure of VHA. On May 1, 2026, the under secretary for health announced the consolidation of the VISNs from 18 networks to five. On July 15, 2026, the acting under secretary for health announced that the new VISNs had assumed initial operational responsibilities. VISN references in this report reflect the organizational structure in place at the time of the OIG's review. For more information on this initiative, visit https://digital.va.gov/rise/.

required elements were later included. The medical center incurred added costs for storage, surveillance, and laundry due to these projects being delayed.

The team confirmed that the Fayetteville medical center awarded contracts that did not align with independent government cost estimates, which are based on prior information, market research, anticipated direct costs (labor, products, and equipment), and indirect costs (material, overhead, and administrative costs). Notably, three projects listed in the hotline complaint had contract values substantially higher than the independent government cost estimate. The review team also found that delays with the construction of a new inpatient mental health building prevented the medical center from turning its old mental health building into an inpatient medical surgery unit as initially planned.

Fayetteville medical center officials did not terminate any construction contracts related to minor construction and nonrecurring maintenance projects in fiscal years 2019 through 2024. Therefore, the fourth allegation was not substantiated. The OIG made four recommendations to improve the timely completion of minor construction and nonrecurring maintenance projects at the Fayetteville facility.

Next Steps

The Fayetteville facility's medical director and the South Central Veterans Health Care Network (VISN 16) director concurred with the OIG's recommendations and submitted an action plan. The OIG closed recommendation 1 based on documentation provided by the Fayetteville VA Medical Center and will close recommendations 2 through 4 when VA provides sufficient evidence of progress addressing the issues identified.

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

Contents

Abbreviations

COR	contracting officer's representative
FAR	Federal Acquisition Regulation
FY	fiscal year
OIG	Office of Inspector General
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

Introduction

The Veterans Health Administration (VHA) operates the nation's largest integrated healthcare system, which includes over 170 medical centers. Each year, VHA invests significant resources to modernize and maintain the safety of these centers through minor construction and nonrecurring maintenance programs. Minor construction includes projects with costs up to $30 million and typically involves adding additional square footage through new construction at specialty care buildings, clinics, or parking structures. Nonrecurring maintenance focuses on renovation projects that modernize existing land, buildings, or fixed equipment to address infrastructure deficiencies. In its fiscal year (FY) 2025 budget request, VA asked for almost $687.5 million for minor construction projects and $2 billion for nonrecurring maintenance.[2]

The VA Office of Inspector General (OIG) conducted this review to assess the merits of a March 2024 hotline complaint that alleged delays occurred with minor construction and nonrecurring maintenance projects at the Fayetteville VA Medical Center in Arkansas. The OIG's evaluation of the hotline complaint confirmed significant project delays had occurred, and the OIG pursued this review to assist the medical center in identifying systemic issues that caused the delays and cost overruns.

Specifically, the complainant alleged

1. completion of minor construction and nonrecurring maintenance projects has been delayed several years;
2. awarded contracts exceeded independent government cost estimates;
3. delays to an ongoing project led to challenges with moving forward with awarding a new project; and
4. the medical center had more terminations of awarded construction contracts than other facilities in the same regional healthcare network, Veterans Integrated Service Network (VISN) 16.[3]

The complainant provided examples of one minor construction project and four nonrecurring maintenance projects that were behind schedule at the Fayetteville facility.

To address each allegation, the team interviewed medical center executives as well as VISN 16 and contracting officials, performed walk-through observations of renovation sites, and reviewed

[2] VA, *FY 2025 Budget Submission*, vol. 4, *Construction, Long Range Capital Plan and Appendix* (March 2024).

[3] In December 2025, VA announced plans to reorganize the management structure of VHA. On May 1, 2026, the under secretary for health announced the consolidation of the VISNs from 18 networks to five. On July 15, 2026, the acting under secretary for health announced that the new VISNs had assumed initial operational responsibilities. VISN references in this report reflect the organizational structure in place at the time of the OIG's review. For more information on this initiative, visit https://digital.va.gov/rise/.

contract documents and modifications within VHA's electronic contract management system and project tracking reports from September 2024 to November 2025.

On November 17, 2025, the OIG briefed executive staff from the Fayetteville facility and VISN 16; the executive staff agreed with the team's preliminary results and recommendations. On December 16, 2025, the VA chief of staff announced that contracting activities in VHA would move under VA's Office of Acquisition, Logistics, and Construction. That office also intends to establish an Office of Acquisition, Program Management, and Performance to consolidate acquisition guidance, including a process to standardize requirements across VA.

Projects Listed in the Hotline Complaint

The Fayetteville VA Medical Center serves veterans in northwest Arkansas, southwest Missouri, and east Oklahoma. These five projects were identified in the hotline complaint:

- **A new inpatient mental health building** (minor construction) involves construction of a stand-alone, 21,056-square-foot facility with 15 patient beds, including a secure outdoor courtyard, space for meetings and group therapy, and a nursing station. VISN 16 approved the project's budget of about $9.5 million in FY 2016: $890,000 for design and about $8.6 million for construction. Designs were expected in June 2016, with construction to be finished by October 2018. The OIG found that as of January 2026, construction was ongoing.
- **The renovation of an inpatient medical surgery unit** (nonrecurring maintenance) involves two patient wards with a combined area of about 20,000 square feet to convert all patient rooms into private single rooms that comply with VA patient privacy guidelines. VISN 16 approved the project's budget of $15.5 million in FY 2018: $1 million for design and $14.5 million for construction. Designs were expected to be completed in March 2018, with construction to be finished by September 2025. On assessment, the review team learned the project was ultimately separated into two parts, and as of January 2026, construction was ongoing for the first part while renovations for the second are expected in FY 2027.
- **The renovation of a logistics area and sterile processing service** (nonrecurring maintenance) relocates and updates the logistics area for sterile processing of medical equipment, including the use of a temporary mobile sterilization unit during construction. VISN 16 approved the 6,300-square-foot renovation project's $2.7 million budget in FY 2019. Designs were expected by January 2020, with construction finished by December 2020. The project was ultimately separated into two parts in January 2024. As of January 2026, the review team noted that construction was ongoing for the logistics project, and

the medical center planned to award the construction contract for sterile processing in FY 2027.

- **The renovation of a laundry facility** (nonrecurring maintenance) involved updating deficiencies within the medical centers laundry facility, which included piping, heating, electrical and a loading dock to accommodate new washing equipment. VISN 16 approved a budget of about $1.9 million in FY 2018: $175,000 for design and $1.75 million for construction. Designs were expected by December 2018, with construction to be finished by June 2019. Construction was ultimately completed in September 2024.
- **A new water storage facility** (nonrecurring maintenance) involves expanding water storage capacity from 100,000 gallons to 600,000 gallons with a ground-mounted tank to meet VA's physical security and design manual requirements, which are outlined in the *Physical Security and Resiliency Design Manual*.[4] VISN 16 approved the project's $4.9 million budget in FY 2019: $300,000 for design and $4.6 million for construction. Designs were expected by December 2019, with construction to be finished by March 2020. However, the review team determined that as of July 2025, after three unsuccessful solicitations for construction contracts, the medical center planned to resolicit the project in FY 2027, if funding is received in 2026.

Oversight Roles and Responsibilities

Various entities in VHA are responsible for overseeing minor construction and nonrecurring maintenance projects at the national, regional, and local levels. The minor construction and nonrecurring maintenance process begins when the medical center director and chief engineer identify needs related to facility condition, modernization, safety, or functionality.

Medical Facility Director and Chief Engineer

Each VA medical center's director plays a central role in this process, as they approve all minor construction and nonrecurring maintenance projects before the strategic capital investment planning process begins. After the medical center director approves all projects to be added to the strategic capital investment planning process, the chief engineer is then responsible for entering each project into the process. Together, the medical center director and chief engineer provide oversight and leadership to ensure these projects meet operational needs.

[4] VA Office of Construction and Facilities Management, *Physical Security and Resiliency Design Manual*, revised May 1, 2024.

Contracting Officer

Contracting officers are responsible for ensuring contractors comply with the terms of the contract and meet contractual requirements, making sure sufficient funds are available for obligation, and safeguarding the government's interests in contractual relationships. The contracting officer also issues a delegation appointment memorandum outlining the contracting officer's representative's (COR) responsibilities under the contract and the limits of the COR's authority to the contractor. Federal Acquisition Regulation (FAR) 1.604 (2025) says the contracting officer must provide a copy to the COR.[5]

Contracting Officer's Representative

The COR—an engineer assigned by the facility's chief engineer—serves as the technical expert in developing requirements, including statements of work and independent government cost estimates. The COR ensures the statement of work includes all necessary VA design standards and requirements. For minor construction and nonrecurring maintenance projects, the COR is responsible for reviewing and approving designs submitted by architectural and engineering contractors.

Design and Construction

After the contracting officer and COR have been designated, design procurement for the project begins, with contracts for architectural and engineering services negotiated and awarded. The architectural and engineering contractor then produces a set of design documents that are reviewed by the COR at each stage to ensure compliance with VA requirements.

The COR prepares a statement of work and independent government cost estimate for construction. The contracting officer then manages the procurement, including bid solicitation and contract issuance for the construction of these projects. The contractor handles the actual construction of the project, while the contracting officer and COR are responsible for monitoring tracking progress of the contract. The architect-engineer contractor continues to provide support through site visits.

Capital Asset Management Service

VHA Directives 1002.02 and 1002.1 make VHA's Capital Assessment Management Service responsible for providing facilities with guidance on (1) developing and providing training to medical facility leaders, chief engineers, and project managers; (2) managing and monitoring

[5] The review team used references from the 2025 Revolutionary FAR Overhaul (RFO) for this report, except for FAR 49.101 and Subpart 49.4 AR 49.101 and Subpart 49.4, which were based on the 2019 FAR to match contract termination dates.

projects' progress on a national level; (3) ensuring facilities create project scopes that are concise and reviewed by the VISN director; and (4) ensuring project cost estimates are comprehensive, well-documented, accurate, and credible.[6]

Each VISN has a capital asset manager who is responsible for managing and overseeing minor construction and nonrecurring maintenance projects and for ensuring contracts and modifications are consistent with the approved project scope. The VISN capital asset manager is also responsible for complying with VHA directive timelines, which allows minor construction projects a maximum of three years from time of approval to obligation of the construction contract; projects that exceed this time frame will be removed from VHA's operating plan for funding.

Figure 1 on the next page presents a flowchart that summarizes this process.

[6] VHA Directive 1002.02, *Minor Construction Program*, August 23, 2022; VHA Directive 1002.1, *Non-Recurring Maintenance Program*, May 6, 2020.

Figure 1. *Minor construction and nonrecurring maintenance process.*
Source: OIG analysis of VHA Directive 1002.1; VHA Directive 1002.02; VA Medical Center Projects Program Guide*, PG-18-15 Volume C, November 2008.*

Results and Recommendations

Finding: Five Minor Construction and Nonrecurring Maintenance Projects at the Fayetteville VA Medical Center Encountered Significant Schedule Delays and Cost Increases

The OIG reviewed five projects identified in the hotline complaint and found that CORs at the Fayetteville VA Medical Center in Arkansas did not effectively manage the medical center's minor construction and nonrecurring maintenance projects. Specifically, Fayetteville engineers delegated as CORs

- did not provide architectural and engineering firms with all necessary VA design and physical security requirements,
- did not provide construction contractors with statements of work that contained complete project details,
- were not trained on developing statements of work, and
- did not keep records of design reviews and approvals.

The OIG reviewed five projects identified in the hotline complaint and substantiated three of the four allegations. The review team determined, as set forth in the first allegation, all five projects experienced significant delays. The team also found that, consistent with the second allegation, the Fayetteville facility awarded construction contracts that did not align with independent government cost estimates (with three contracts exceeding the estimates by over 20 percent). With regard to the third allegation, the review team found that construction delays with an ongoing project led to challenges with awarding a contract for a new project. The team did not substantiate the fourth allegation—that the medical center had more construction terminations than other facilities in VISN 16.

Scope modifications in all five projects resulted in schedule delays and increased costs. Project delays ranged from one year to more than seven years beyond original estimates for completion, and total estimated costs of the projects nearly tripled from the original approved $34.5 million budget to about $100 million.

As outlined in the sections that follow, the OIG's determinations are based on key project management challenges that Fayetteville CORs faced as well as evidence related to the specific hotline allegations.

What the OIG Did

The OIG team reviewed VHA directives related to managing and overseeing minor construction and nonrecurring maintenance projects, along with contract documentation in VA's electronic contract management system for the five projects the complaint identified, including construction contract notes, modifications, cost estimates, and solicitations. The team also visited the Fayetteville VA Medical Center to interview facility staff about project delays. In addition, the team analyzed minor construction and nonrecurring maintenance termination data for VISN 16 from FY 2019 through 2024. See appendix A for more details on the OIG's scope and methodology.

CORs' Project Management Challenges

VA engineers who serve as CORs play a crucial role in managing a medical center's minor construction and nonrecurring maintenance projects. As technical experts, CORs are responsible for clearly communicating project requirements, ensuring compliance with VA design standards, and providing project oversight. However, the OIG team found that the Fayetteville CORs did not manage these projects effectively. Specifically, they did not

- provide construction contractors with clear and complete statements of work,
- take training related to the development of the statement of work, or
- maintain records of design reviews and approvals.

The first two of these shortcomings led to schedule delays, cost increases, and additional design or construction work, while the third prevented proper oversight of design reviews.

Design Requirements and the Statement of Work

The statement of work is a critical part of the contract documents during construction planning because it informs a contractor about the work to be performed, the location, the period of performance, the schedule, and the deliverables that should be completed at each phase. These details also inform the independent government cost estimate. Therefore, the statement of work must be clear, precise, and complete. As the technical expert, the COR is responsible for developing a statement of work and an independent government cost estimate for each contract.

CORs are responsible for ensuring minor construction and nonrecurring maintenance project designs comply with VA design and physical security requirements (as outlined in the *Physical Security and Resiliency Design Manual*) and are clearly communicated through the statement of work.[7] These design and physical security requirements apply to the building, renovation, and alteration of all existing facilities owned by VA and must be coordinated with all VA design and

[7] VA, *Physical Security and Resiliency Design Manual*.

construction; requirements include facility security, information security, and specific standards for various facility designations and building components.

The OIG team found that the statements of work reviewed for this report lacked detailed information regarding the requirements for each project to ensure designs were complete. CORs perform reviews of architectural and engineering designs and ensure VA design standards are being met. However, the medical center's assistant chief engineer said these independent reviews do not occur.

The OIG team found that the medical center's CORs did not ensure important project details—such as the size of water tanks, piping, and backup boilers—were included in designs and did not ensure all VA design and physical security requirements were followed during initial planning of minor construction and nonrecurring maintenance projects. As described later in this report, these omissions resulted in changes to each project's design to ensure necessary requirements were included for construction, which added years to project timelines.

The medical center's engineering team often received questions regarding project requirements from contractors during the construction solicitation process due to vague statements of work. For example, the statement of work for the new inpatient mental health building prompted several inquiries from contractors about design specifications, physical security concerns, and performance requirements. The OIG team reviewed the contractors' questions and the engineering team's responses. The responses were often vague, prompting further requests for information. In some instances, questions from construction contractors went unanswered, leading to further confusion during the solicitation.

Some changes made during construction were also closely linked to the questions the medical center received during the solicitation phase. For example, 16 of the 34 modifications for the new inpatient mental health building resulted in changes to the statement of work. All 16 related to design errors and omissions and other noncompliance with the *Physical Security Design Manual for Life Safety Protected Facilities*.[8] The 16 changes to the statement of work included

- changes to exterior lighting because the original design did not meet VA design guidance for minimum illumination levels,
- the addition of a foundation moisture barrier that was omitted from the original design, and
- changes to patient bathrooms that did not comply with the VA design guidance.

Meanwhile, the laundry facility renovation project had 12 modifications—one of which the team found could have been avoided if CORs had included more information in the statement of work.

[8] VA Office of Construction and Facilities Management, *Physical Security Design Manual for Life Safety Protected Facilities*, May 1, 2024.

Changes to the statement of work occurred because the details omitted insulation of a water tank; electrical connections; and heating, ventilation, and air-conditioning controls.

Training on Developing the Statement of Work

Although VHA's *Customer Reference Guide* says developing the statement of work is a primary responsibility of a COR, the OIG determined that the CORs at the Fayetteville medical center had no formal training on this step.[9] The three CORs interviewed said they received basic training related to their COR responsibilities, which included COR I and COR II courses. The review team did not identify specific lessons in those courses related to developing a statement of work.

The OIG reviewed VA's Acquisition Academy training for 2025. The academy provides training to VA's contracting professionals to ensure consistency and standardization with the acquisition process. For CORs, the Acquisition Academy offers classes on how to write and develop a statement of work, but the three CORs interviewed said they had not taken any such courses.

Contracting officials and VISN 16 staff told the review team they noticed the need for training. One contracting official acknowledged that contracting staff had asked the facility's technical team to revise a statement of work. She said the CORs need training on writing the statement of work to reflect the true scope of a project. Additionally, the VISN 16 deputy network director said the questions from construction contractors who were bidding on work for this facility are a good indication the statements of work are unclear.

In addition to the lack of training, the team found that the Fayetteville medical center had no formal process to review statements of work before they are sent to the contracting team. VHA Directive 1002.02 requires a medical center's chief engineer to review statements of work; however, the Fayetteville chief of engineering service said statements of work should be reviewed by the contracting officer.

Records of Design Reviews and Approvals

CORs are responsible for maintaining records of their review and acceptance of architectural and engineering designs to comply with the Federal Acquisition Regulation. Specifically, FAR Companion 4.101 (2025) and FAR 1.604 require CORs to maintain contract files and records for each assigned contract in accordance with the authority they have been delegated by the contracting officer. Each COR's appointment memorandum provides their delegated authorities which includes ensuring compliance with technical requirements of the contract and providing technical guidance. These files are used to document each COR's actions on behalf of the contracting officer.

[9] VHA, "COR Roles and Responsibilities," chap. 7, app. F, in *Customer Reference Guide*, September 1, 2024.

FAR 46.102 (2025) also requires contracts to include documentation of inspection and quality assurance. For each deliverable under an architectural and engineering contract, CORs are required to perform an engineering review. For example, the statement of work for the new water storage facility outlines that design reviews will occur at 30 percent, 65 percent, 95 percent, and 100 percent design completion. At each stage, VA has a chance to review and provide comments or changes to design submissions. It is the COR's responsibility to review, inspect, and accept these designs, as well as help with a contract's technical monitoring and administration.

The *VA Medical Center Projects Program Guide* and chapter 10 of the *Customer Reference Guide* say VA engineering staff must review and accept the design provided by an architectural and engineering firm before formulating the independent government cost estimate for each proposed contract and modification.[10] However, the OIG found CORs sometimes did not keep records of their review and acceptance of architectural and engineering designs. The OIG team asked for documentation of official acceptance of reviews at each design phase for the five projects listed in the hotline complaint. While the assistant chief of engineering services provided some documentation for three of the five projects, this did not include reviews by the CORs at each design phase.

The team also observed reviews without approval signatures or information about the COR who reviewed the design. Fayetteville's chief engineer said the medical center has no formal process to review architectural and engineering designs even though CORs are responsible for reviewing, inspecting, and accepting deliverables to ensure they meet quality requirements. The assistant chief of engineering services explained that reviews of designs are completed via email or spreadsheet and was not able to find these documents; he acknowledged it would be helpful if CORs had a formal record for the review, inspection, and acceptance of designs.

When a COR does not maintain records of their acceptance of design documents, there is less assurance that design deficiencies will be identified, requiring the government to make costly and time-consuming changes during construction.

Hotline Allegation Findings

The OIG team reviewed each hotline allegation: delays in minor and nonrecurring construction projects, contract awards that do not align with independent government cost estimates, delays that affected the awarding of new projects, and construction contract terminations.

Delays and Cost Increases in Each Project

The OIG substantiated the first allegation that construction of minor and nonrecurring maintenance projects has been delayed several years. Specifically, the OIG determined that all

[10] *VA Medical Center Projects Program Guide*, PG-18-15, vol. C, November 2008; VHA, *Customer Reference Guide*, chap. 10 (July 15, 2024).

five projects listed in the hotline complaint faced delays—some stemming from incomplete designs that omitted important details or VA design requirements. As of January 2026, only one of the five projects had been completed (the renovation of the laundry facility).

Furthermore, all five projects experienced scope changes, resulting in project delays ranging from one year to more than seven years—and the total cost estimates nearly tripled from $34.5 million to about $100 million.

Figures 2 and 3 show the original approved budgets, actual costs, and timelines for each project. The causes of the delays are summarized in the sections following these figures.

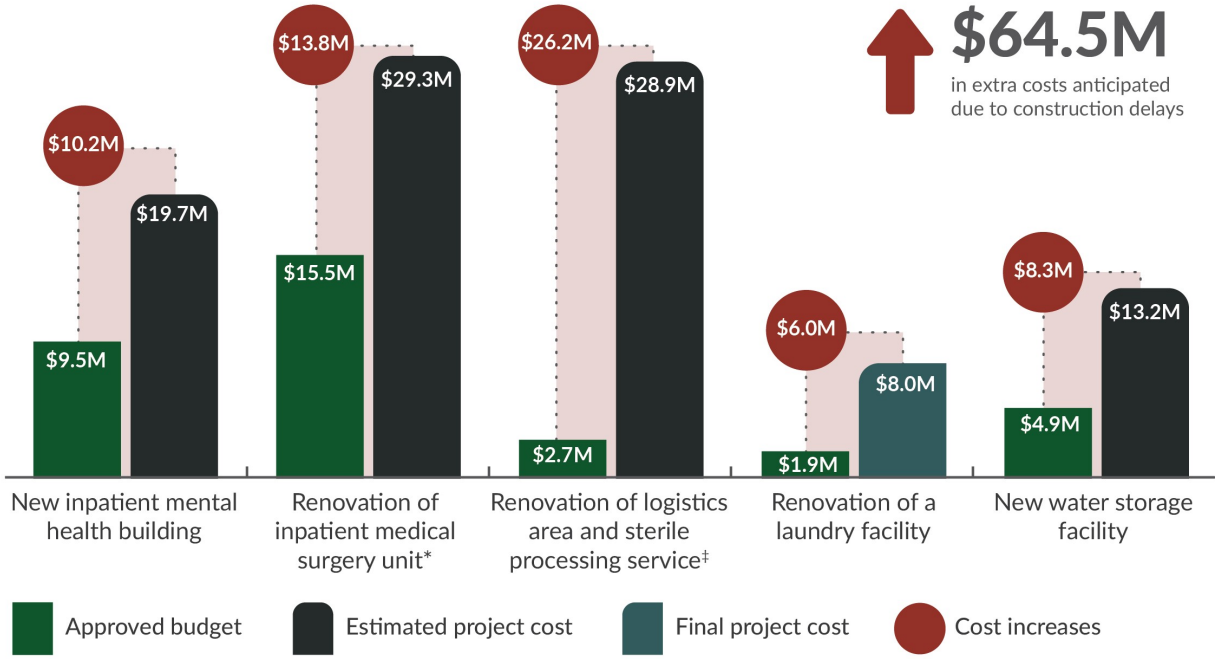

Figure 2. *Original approved budgets compared to actual costs for the five projects.*

Source: OIG analysis of VA information as of January 2026.

Note: Some figures do not sum precisely due to rounding.

** The renovation was separated into two parts: ward 2B and ward 2A. The estimated completion date represents only the first part (ward 2B).*

‡ The renovation was separated into two parts: the logistics area and the sterile processing service. The estimated completion date represents only the first part (the logistics area).

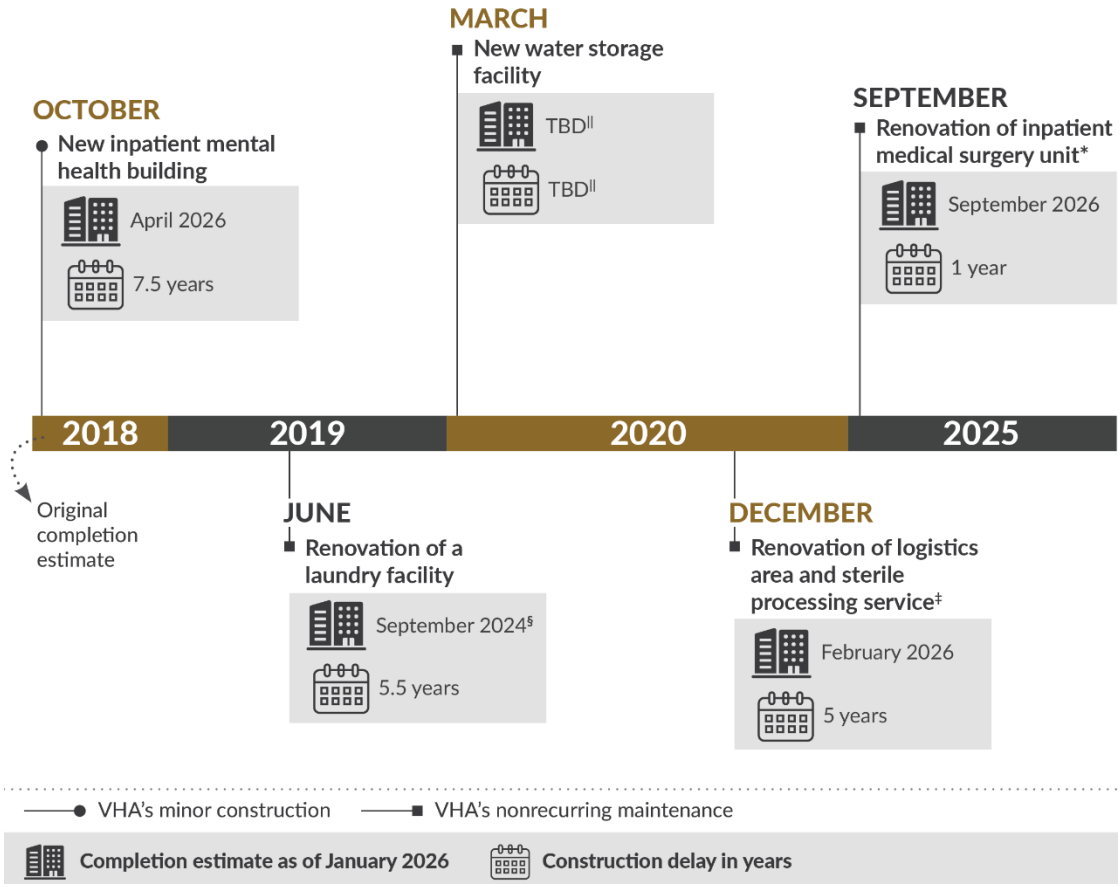

Figure 3. *Timeline of estimated completion dates and delays for the five projects.*

Source: OIG analysis of VA information as of January 2026.

** The renovation was separated into two parts: ward 2B and ward 2A; the estimated completion date represents only the first part (ward 2B).*

‡ The renovation was separated into two parts: the logistics area and the sterile processing service; the estimated completion date represents only the first part (the logistics area).

§ The laundry facility renovation is the only project of the five that is complete.

‖ No construction completion date was provided for the water storage renovation project; therefore, it is marked TBD (to be determined).

New Inpatient Mental Health Building

The review team learned that architectural and engineering designs did not comply with VA design standards because project CORs omitted VA-specific requirements in the design contract's statement of work. In total this project was delayed for over seven years and is estimated to cost the medical center double the project's original estimate.

During the construction contract solicitation, the COR received questions from construction contractors seeking clarity on VA's project requirements. The inquiries resulted in the medical center revising the project requirements because the original design did not meet VA design standards. Lighting did not meet minimum requirements, and the design lacked necessary piping,

stairwells, and elevator shafts. The project's budget needed a $4.7 million increase to incorporate the omitted items into the design.

Subsequently, the medical center awarded a construction contract for about $12.4 million, which was above the project's approved $9.5 million budget. After the contract was awarded, construction contractors noted additional omissions related to compliance with VA design requirements requiring additional contract modifications.

Altogether, there were 34 modifications totaling 2.6 million. Out of these, 16 were related to design omissions and added $560,000 to the project's cost. Design omissions from the awarded contract included automatic door operators required throughout the building for patient accessibility and an over-the-door alarm system for suicide prevention in patient rooms.

Additionally, the VA contract did not include gap requirements between exterior masonry and a wall, resulting in VA paying the contractor an extra $1.8 million for time lost related to a legal dispute over the noncompliant masonry design.

Renovation of an Inpatient Medical Surgery Unit

Changes in project requirements and omitted VA design requirements resulted in construction being delayed for a year and the medical center spending close to 88 percent more on the project than originally planned.

Delays with construction of the new inpatient mental health building prevented the medical center from turning its old mental health building into an inpatient medical surgery unit. This resulted in the medical center having to renovate a different area instead.

The original design of the medical surgery unit did not meet VA design requirements for emergency exit stairwells, resulting in a redesign. The medical center was approved for an additional $3.9 million, which covered funds to resolve the omission and address further construction expenses.

Furthermore, the contracting officer had to solicit bids on this project twice because of unclear project requirements. The lack of initial clarity on the requirements resulted in the medical center receiving a low number of bids for construction. These bids all exceeded the project's approved budget, and the medical center's chief of engineering service requested that the project be separated into two nonrecurring maintenance projects (to renovate wards 2A and 2B). Renovations to ward 2A include converting all rooms into single patient rooms to meet VA's guidelines for patient privacy. The medical center received approval for about $13.6 million for the new nonrecurring maintenance project to renovate ward 2A in FY 2027. Renovations to medical surgery ward 2B involved demolishing patient bedrooms and bathrooms and building a bariatric room. The construction contract for ward 2B was awarded in June 2024 for about $11.7 million.

Renovation of a Logistics Area and Sterile Processing Service

Construction of the logistics area and sterile processing service was delayed because the original location VA selected for the renovation did not have enough space available to meet project requirements for both a logistics area and a sterile processing service. To correct this, VA changed the project's designs multiple times and ultimately divided the project in two. These changes increased the project's estimated cost more than tenfold (from $2.7 million to $28.9 million) and added five years to the estimated completion date.

Issues began in February 2020, when the architectural and engineering firm identified a need for more space to fulfill the project's design requirements. A disagreement between medical center engineers and the architectural and engineering firm regarding the additional space requirements led to a two-month work stoppage. In August 2020, the medical center and the architectural and engineering firm agreed to new project requirements, and design work resumed. However, in December 2020, the medical center realized additional funding was needed to complete the project's expanded design requirements. By December 2021, a modification was approved and the architectural and engineering firm continued to work on the designs. When the medical center engineers visited the site in December 2022, they determined that the renovation project needed about 13,500 square feet of space, more than double the 6,300 square feet originally estimated. The facility engineers also realized the project would need to add an emergency exit to meet VA access requirements.

By January 2024, medical center officials needed to split the original project into two nonrecurring maintenance projects. The VISN 16 capital asset manager said this occurred because of limitations with available funding. The first project would renovate 7,200 square feet of logistics space; the second project would renovate the original 6,300 square feet space for the sterile processing service.

After the decision was made to split the project, a $4.1 million construction contract was awarded for the logistics renovation, with an expected completion date of February 4, 2026. The second project for the sterile processing unit received budget approval in FY 2025 for $24.8 million. The VISN 16 capital asset manager said the construction contract for the second project is expected to be awarded in FY 2027. Furthermore, she told the review team that the logistics project must be completed before the second project can begin in order to relocate existing storage and make room for the sterile processing service expansion.

Laundry Facility Renovation

Project requirement changes and omitted VA design requirements resulted in this project being delayed for more than five years. For instance, the design had to be revised to account for structural building issues and additional site preparation. This added 22 months to the project's timeline. Furthermore, work was needed to ensure the building's floor could support the weight

of the new laundry machines after water damage was identified. Overall, the medical center ended up spending more than four times than originally estimated to complete the project.

During solicitation, contractors sought clarity on the project's requirements, and the medical center received bids above estimated costs. The medical center ultimately awarded a construction contract for about $3.9 million.

After construction began, more modifications were needed to address heating, ventilation, and air-conditioning controls that were insufficient; attend to structural problems in the building; and add missing electrical connections and water tank insulation to the design.

These scope changes added about $4.1 million in costs. Some of these changes could have been avoided. The review team learned that VA did not adequately investigate or accurately describe the project's site conditions in the contract's original statement of work before awarding the contract. After design revisions were made to support the weight of the laundry machines, the medical center staff discovered water damage in the building's concrete floor. Damaged concrete and rebar needed to be removed and replaced before any other construction work could proceed, causing further project delays.

New Water Storage Facility

This project has been delayed for five years due to multiple requirement revisions and a low number of contractor bids, which led to the project's cost increasing from $4.9 million to about $13.2 million.

Medical center engineers had difficulty determining the size of the water tower and updating the center's emergency water supply plan, which held up design for several months. The facility engineers then determined they needed to modify the project requirements to increase the size and change the location of the tank and add piping, a recirculating chlorination system, service pumps to provide pressure for fire suppression, and electrical service for pumps and equipment. The medical center received about a $3.1 million budget increase from VISN 16 to make these changes.

Adding to the delays, the medical center canceled then unsuccessfully resolicited the construction bid for the project three times. The facility received only one bid for the first solicitation, which exceeded the project's budget. The medical center then requested and was approved for an extra $3.9 million to address construction cost increases. A year later, the medical center again received only one bid; it too exceeded the budget. The medical center then requested and was approved for about $6.1 million to cover additional construction cost increases. During the third attempt, the medical center received three bids, but none of the contractors was qualified to handle the project.

The medical center decided to revise the project designs and received $57,670 for additional design work. The revised designs were completed in June 2025.

Other Additional Costs

The OIG found that the medical center had to spend over $1.1 million from its general purpose funds. Fayetteville's chief financial officer said the medical center uses its general purpose funds for indirect expenses such as equipment, storage of furniture, and outsourcing of operations.

For example, in 2020, the Fayetteville facility purchased furniture for the inpatient mental health building. But construction delays on that project meant the facility had to store the new furniture; the medical center awarded a contract for $52,000 in December 2022 to pay for the storage. In 2024, the facility decided to store the furniture on-site to reduce costs.

Project Technical Assistance

VISN 16's deputy network director said the VISN's main role is to provide general oversight as it relates to the program and administrative management of these projects, and he noted that the VISN gets directly involved only when significant issues arise. In Fayetteville's case, the VISN conducted a site visit to help the medical center address design and construction issues for its inpatient mental health project. Additionally, the VISN offered technical assistance through a construction management support contract. This contract assists VISN 16 facilities with developing cost estimates, design reviews, and construction support services for their nonrecurring maintenance projects. The VISN 16 capital asset manager said this contract is in place to assist facilities with identifying architectural and engineering design deficiencies.

The VISN 16 capital asset manager was informed by Fayetteville's chief of engineering service that the medical center did not plan to use this contract, given that the facility could not identify a resource gap that the contract would fill. However, the OIG determined that three of the nonrecurring maintenance projects listed in the hotline complaint—the water storage renovation, the sterile processing area, and the inpatient medical surgery unit—were either in the design phase or the early phases of construction. Therefore, the medical center could have used the services provided by the construction management support contract. Using the technical assistance offered by the VISN 16 contract could have helped the medical center effectively manage nonrecurring maintenance projects.

Independent Government Cost Estimates

The OIG substantiated the second allegation that awarded contracts exceeded independent government cost estimates. As noted, CORs develop these cost estimates—which are based on prior information, market research, anticipated direct costs (labor, products, and equipment), and indirect costs (material, overhead, and administrative costs). The COR then provides the independent government cost estimate to the contracting officer as a guide to help determine fair and reasonable pricing. FAR 15.404-1 (2025) identifies the independent government cost estimate as one of several tools to help determine whether a contractor's costs and pricing are

reasonable. This same regulation also requires contracting officers to include a summary of the source and type of data supporting the determination of a cost estimate for each contract.

The OIG reviewed the independent government cost estimates for four of the projects listed in the hotline complaint (the new water storage renovation project was not included in the review because the solicitation was canceled in October 2023 with no contract awarded). Contracting officials had deemed the cost estimates for the other four projects to be fair and reasonable during construction solicitation. However, the OIG found that the medical center awarded contracts that did not align with each project's independent government cost estimate. In three cases, the awarded contracts exceeded the independent cost estimate by more than 20 percent; in the other case, the awarded contract was below the independent government cost estimate. Figure 4 shows the differences between the independent cost estimates and the contract awards.

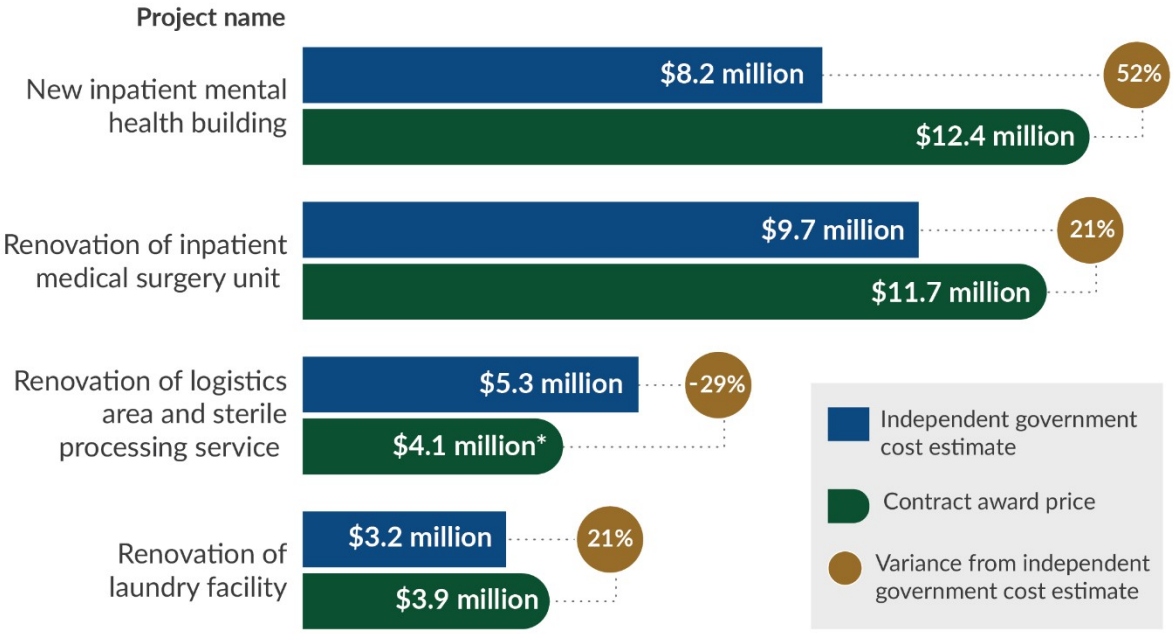

Figure 4. *Difference between independent government cost estimate and contract awards.*

Source: OIG analysis of information from VA's contract management system from November 2024 through March 2025.

** Medical center officials changed the scope of the renovation of the logistics area and sterile processing service, separating it into two projects. The awarded contract price of $4.1 million in this figure reflects only the logistics area. The medical center has not yet awarded the contract to renovate the sterile processing service. For further information on the methodology calculating the variances, see appendix A.*

The OIG determined that these variances occurred because medical center officials needed to make more changes to project requirements during the construction solicitation phase, such as to add emergency exits, lighting, and electrical connections. This caused the contract award values to no longer match independent government cost estimates. To support these necessary changes, the medical center submitted cost-limit increase requests (as required by VHA

Directive 1002.02) to VISN 16 to obtain additional funding beyond the projects' approved estimated costs.

For example, the new inpatient mental health building had an independent government cost estimate of about $8.2 million, but during the construction solicitation phase, medical center officials realized lighting and electrical connections had been omitted from the statement of work and cost estimates. After adding these project requirements to the statement of work, the contract was awarded for about $12.4 million.

To ensure accurate budgeting and to evaluate the reasonableness of a contractor's prices, contract values should not substantially differ from independent government cost estimates. While VA does not have criteria for how much a contract award price may vary from the independent government cost estimate, cost estimates should be accurate because significant variances can result in delays while additional budget approvals are obtained.

Ability to Award New Projects

The OIG substantiated the third allegation, finding that construction delays with an ongoing project led to challenges with moving forward in awarding a new project. Fayetteville's facility planner explained that this occurred for only one of the five projects listed in the complaint: the renovation of the inpatient medical surgery unit.

The team's review revealed that the medical center had difficulty moving forward in awarding a construction contract for the renovation of the inpatient medical surgery unit because construction of the new inpatient mental health building was delayed, and such delays have a domino effect on starting new projects.

She further said that because of the construction delays with the new mental health building, the facility was reassessing what the old building would be used for. She said the old building may remain as is and be used for staff space or for storage until a decision is made and a new design is developed. As a result of the old building being unavailable, an alternate location at the medical facility had to be identified, delaying the start of the inpatient medical surgery renovation project.

Construction Contract Terminations

The OIG did not substantiate the fourth allegation, that the Fayetteville VA Medical Center had more terminations of awarded construction contracts than other facilities in VISN 16. To clarify the details of the allegation concerning terminated awarded construction contracts, the OIG told the complainant that the allegation was assessed under FAR definitions, and the complainant accepted this. FAR states that the government can terminate a contract for convenience or

default.[11] However, Fayetteville medical center officials did not terminate any contracts related to minor construction and nonrecurring maintenance projects from FYs 2019 through 2024 (table 1).

Table 1. Contract Terminations for Minor Construction and Nonrecurring Maintenance Projects at VISN 16 Medical Centers, FYs 2019–2024

Medical center location	Terminations	Type of termination
Houston, Texas	1	Default
Jackson, Mississippi	1	Convenience
Muskogee, Oklahoma	1	Convenience
New Orleans, Louisiana	1	Convenience
Oklahoma City, Oklahoma	1	Convenience
Fayetteville, Arkansas	0	Not applicable
Total	**5**	**—**

Source: OIG analysis of information from VA's electronic contract management system as of October 29, 2024.

Conclusion

The OIG substantiated three of the four allegations in the March 2024 hotline complaint but did not validate the claim that the Fayetteville VA Medical Center had more construction contract terminations than other VISN 16 facilities. Additionally, the review team found that Fayetteville CORs did not effectively manage the medical center's minor construction and nonrecurring maintenance projects. For instance, they did not provide contractors with all necessary VA design and physical security requirements, omitted key project details from statements of work, and lacked sufficient training and proper recordkeeping practices.

Changes to project requirements resulted in delays ranging from one year to more than seven years and increased costs that could have been prevented through more appropriate management. If medical center officials do not address the risks identified in this report, they cannot ensure future projects will not incur similar delays and cost increases.

Recommendations 1–4

The OIG made the following recommendations to the director of the Fayetteville VA Medical Center:

1. In collaboration with the director of Veterans Integrated Service Network 16, verify engineering staff are complying with Veterans Health Administration policies and

[11] FAR 49.101, *Termination of Contract*, May 6, 2019; FAR Subpart 49.4, *Termination for Default*, May 6, 2019.

guidance associated with architectural and engineering design review and inspection procedures.

2. Verify that all engineering staff understand and are trained on VA design and physical security requirements related to minor and nonrecurring maintenance construction projects.
3. Verify that engineering staff who develop independent government cost estimates are sufficiently trained on developing a statement of work and how these documents affect the cost estimates.
4. Ensure engineering staff are documenting their review and acceptance of architectural and engineering designs as required by the Federal Acquisition Regulation before the solicitation of construction contracts.

VA Management Comments and OIG Response

The Fayetteville medical director and the South Central Veterans Health Care Network (VISN 16) director concurred with the OIG's recommendations and submitted corresponding action plans. The complete text of VA's comments is provided in appendix B.

The OIG has reviewed the corrective actions and requests for closure submitted by the Fayetteville VA Medical Center and provides the following determinations:

For recommendation 1, the OIG concurs with the actions taken by the medical facility to comply with VHA policies and guidance regarding the review of architectural and engineering designs. Based on the evidence provided, the OIG closed this recommendation.

For recommendations 2 and 3, the actions submitted do not sufficiently address the need for engineering staff to receive training specific to VA design and physical security requirements. Additionally, the facility has not demonstrated improvements with training engineering staff in the development of independent government cost estimates or project statements of work. Further action is required to meet the intent of these recommendations, and they remain open.

For recommendation 4, the medical facility submitted a design review for the temporary security fencing installation as part of its closure request. However, the OIG requires additional documentation demonstrating the design review process to determine whether the actions taken sufficiently address the recommendation. Accordingly, this recommendation remains open pending receipt and evaluation of this supporting evidence.

The OIG will monitor implementation of the planned actions for recommendations 2 through 4 and will close them when VA provides sufficient evidence of progress addressing the issues identified.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) review team conducted its work from August 2024 through May 2026 in response to a March 2024 hotline complaint that had four allegations regarding delays and increased costs in minor construction and nonrecurring maintenance projects at the Fayetteville VA Medical Center in Arkansas.

Methodology

The OIG determined that the hotline complaint referenced seven minor construction and nonrecurring maintenance projects. Of these, only five projects were reviewed, as two were excluded based on their minimal dollar values. The team reviewed applicable criteria from Veterans Health Administration (VHA) directives and policy manuals related to the management and oversight of minor construction and nonrecurring maintenance projects.

The team visited the Fayetteville medical center in September 2024 and interviewed the facility's medical director, associate director, compliance officer, and chief of engineering as well as healthcare engineers and facility planner and contracting officials. The team conducted walk-throughs at the construction sites for the inpatient mental health building and the laundry facility renovation project. The team also interviewed officials from Veterans Integrated Service Network (VISN) 16, VHA's Capital Asset Management Service, and VA's Office of Construction and Facilities Management. The site visit and other interviews informed the team about the processes, challenges, and general governance structure related to minor construction and nonrecurring maintenance projects.

The team reviewed contract documentation (related to project notes, modifications, and cost estimates) in VA's electronic contract management system for the five construction projects named in the hotline allegation. Specifically, to compare cost variations between estimates and awarded contract amounts, the team extracted the independent government cost estimate amounts, construction contract award price, and construction contract value for all four projects listed in the contract management system from November 2024 through February 2025. To calculate the variance between estimates and construction contract award amounts, the team subtracted the independent government cost estimate from the construction contract award price then divided the result by the cost estimate and multiplied by 100.

Internal Controls

While the review team did not initially assess internal controls as part of this review, the team found that the Fayetteville VA Medical Center does not have a process to approve architectural

and engineering designs, which the Government Accountability Office defines as a control deficiency.[12] The finding in this report addresses the deficiency found during the review.

Data Reliability

The review team relied on computer-processed data to support the findings, conclusions, and recommendations of this review. Electronic data retrieved from VA's electronic contract management system was used to determine whether the medical center had more construction contract terminations than other facilities in VISN 16. The team used a judgmental sample of transactions to validate the completeness and accuracy of the data by checking for missing or duplicate entries and the accuracy of text and number formatting. The review team's assessment determined that the electronic data were complete, accurate, and relevant for supporting the review objective and results.

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*.[13]

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

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

Appendix B: VA Management Comments, Fayetteville VA Medical Center and Veterans Integrated Service Network 16

Department of Veterans Affairs Memorandum

Director, Fayetteville VA Medical Center (564/00)

Date: 6/25/2026

Subj: Office of Inspector General (OIG) Report, Review of Hotline Allegations Related to Minor Construction and Nonrecurring Maintenance Projects at the Fayetteville VA Medical Center in Arkansas (VIEWS #14831591)

To: Director, South Central VA Health Care Network (10N16)

1. We appreciate the opportunity to review and comment on the OIG draft report. The Veterans Healthcare System of the Ozarks concurs with the recommendations and will take corrective action.

2. I have reviewed the documentation and concur with the response as submitted.

The OIG removed point of contact information prior to publication.

(Original signed by)

Martha A. Smith, EdD, RD

Executive Director

Attachment

Department of Veterans Affairs Memorandum

Date: June 25, 2026

From: Director, South Central Veterans Health Care Network (10N16)

Subj: Office of Inspector General (OIG) Report, Review of Hotline Allegations Related to Minor Construction and Nonrecurring Maintenance Projects at the Fayetteville VA Medical Center in Arkansas (VIEWS #14831591)

To: Director, Office of Maintenance & Construction (52D05) Chief Integrity and Compliance Officer (10OIC)

1. I have reviewed and concur with the Office of Inspector General's (OIG's) draft report entitled - Review of Hotline Allegations Related to Minor Construction and Nonrecurring Maintenance Projects at the Fayetteville VA Medical Center in Arkansas.

2. Furthermore, I have reviewed and concur with the Medical Center Director's actions to the recommendations.

The OIG removed point of contact information prior to publication.

(Original signed by)

Fernando O. Rivera, FACHE

Attachment

OIG Draft Report – Review of Hotline Allegations Related to Minor Construction and Nonrecurring Maintenance Projects at the Fayetteville VA Medical Center in Arkansas (OIG Project Number 2024-03185-AE-0113)

Recommendation 1: In collaboration with the director of Veterans Integrated Services Network 16, verify engineering staff are complying with VHA policies and guidance associated with architectural and engineering design review and inspection procedures.

VHA Comments: Concur.

The Fayetteville Veterans Affairs (VA) Medical Center concurs with this recommendation.

The Fayetteville VA Engineering Contracting Officer's Representatives (CORs) are complying with required VHA architectural and engineering design-review and inspection procedures. The Chief of Engineering oversees compliance including a thorough design review at the 30/65/95/100 percent stages and documentation in the Veteran Heath Administration (VHA) Support Service Center Capital Assets (VSSC) Project Tracking Report database. The VSSC is updated monthly by Engineering staff and routinely reviewed with Veterans Integrated Service Network (VISN) Capital Asset Manager (CAM). Design reviews are sheet by sheet reviews of general notes, conflicts with existing conditions, callouts for details, line types, legibility of plans, phasing sequences, all disciplines included, as-built revisions, and other issues or concerns are documented and corrections tracked through the Architect/Engineer for completion. Engineering documents the design review activity in VSSC and comply with PG-18-15 requirements. PG-18-15 Volume C provides checklists for COR reviewers and the A/E designers to understand what is required of the A/E at each stage of the design including the A/E's professional responsibility to produce a correct, complete, and fully coordinated set of construction documents.

The Fayetteville VA has attached supporting documentation, in Attachments A, C, and F, showing formal detailed tracking is occurring monthly in VSSC monitored by the Chief of Engineering in collaboration with the VISN CAM.

Status: Complete **Target Completion Date:** June 2026

Recommendation 2: Ensure all engineering staff understand and are trained on VA design and physical security requirements related to minor and nonrecurring maintenance construction projects.

VHA Comments: Concur.

The Fayetteville VA Medical Center concurs with this recommendation.

The Chief of Engineering ensures the Fayetteville Contracting Officers Representatives (COR) hold current Federal Acquisition Certification for Contracting Officers Representatives (FAC-COR) certification and maintain full Continuous Learning Points (CLP) compliance which is further tracked by VISN 16 Contracting. The COR applies VA design criteria during design reviews and enforces A/E compliance with PSRDM and VA technical standards through Statement of Work (SOW) requirements and staged design reviews. Any request for deviation from PSRDM standards requires HEFP review/approval. CORs specify within the Statement of Work (SOW) that Architect/Engineer (A/E) design firms are to design in full compliance of VA design and physical-security requirements, including the PSRDM, VA Design Guides, VA Design Manuals, and PG-18-15 Volume C as reflected in their contractual scope of work.

The Fayetteville VA has attached supporting documentation, Attachments C, D, and E, showing current COR employees certifications for FAC-COR and Facilities Engineering and Construction training (FEC). Federal Acquisition Regulations (FAR) designate the Contracting Officer (CO) as responsible for ensuring COR certification, training verification, and delegation letters; validating SOW completeness and design

adequacy; maintaining the official contract file (including design reviews); acquisition planning, price reasonableness, and Independent Government Cost Estimate (IGCE} sufficiency; and acting on COR-submitted performance documentation.

Status: Complete **Target Completion Date:** June 2026

Recommendation 3: Ensure engineering staff who develop independent government cost estimates are sufficiently trained on developing a statement of work and how these documents affect the cost estimates.

VHA Comments: Concur.

The Fayetteville VA Medical Center concurs with this recommendation.

Under executed Architect-Engineer (A/E) design contracts, the A/E bears contractual responsibility for developing the official design-phase cost estimate at the 100% design review stage, as required in the A/E Scope of Services. Engineering staff review these estimates during design development and use them alongside VA's National Cost Estimating Tool which is required for all NRM projects when added to the VHA Strategic Capital Investment Program (SCIP) to prepare independent government cost estimates (IGCEs) for construction solicitation. During the COVID-19 pandemic, rapid market escalation outpaced national model updates, causing IGCE-to-bid variances across the federal government.

The Fayetteville VA has attached supporting documentation, in Attachments C, D, and E, showing current COR employee's certifications for FAC-COR and Facilities Engineering and Construction training (FEC). Statement of Work (SOW) development training is completed through Level II FAC-COR training (FCR 201) which includes instruction on developing requirements documentation and encompasses SOW training.

Status: Complete **Target Completion Date:** June 2026

Recommendation 4: Ensure engineering staff are documenting their review and acceptance of architectural and engineering designs as required by the Federal Acquisition Regulation before the solicitation of construction contracts.

VHA Comments: Concur.

The Fayetteville VA Medical Center concurs with this recommendation. Engineering CORs document A/E design submission reviews and acceptances in the VHA Support Service Center VSSC Project Tracking Report (PTR) online database, updated and reported to VISN CAM Office monthly and jointly reviewed with the VISN CAM biweekly. This documentation in Attachments A, C, and F currently serves as the facility's authoritative record of design-review, acquisition, and construction activities. Evidence is provided in the attached Supporting Documentation showing this level of detail for tracking all projects through programming, design, and construction.

Status: Complete **Target Completion Date:** June 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.

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Review Team	Matthew Rutter, Director Jerry Manace Nyquana Manning Prince Pitterman Ami Shah Danita Young
Other Contributors	Charlma Quarles Rachel Stroup

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