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VETERANS HEALTH ADMINISTRATION

Improvements Needed in Design of Controls over Miscellaneous Obligations

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Financial Management and Assurance

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GAO-08-1056T

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Highlights

Highlights of GAO-08-1056T, a testimony before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

VETERANS HEALTH ADMINISTRATION

Improvements Needed in Design of Controls over Miscellaneous Obligations

Why GAO Did This Study

The Veterans Health Administration (VHA) has been using miscellaneous obligations for over 60 years to record estimates of obligations to be incurred at a later time. The large percentage of procurements recorded as miscellaneous obligations in fiscal year 2007 raised questions about whether proper controls were in place over the authorization and use of billions of dollars.

GAO's testimony provides preliminary findings related to (1) how VHA used miscellaneous obligations during fiscal year 2007, and (2) whether the Department of Veterans Affairs (VA) policies and procedures were designed to provide adequate controls over their authorization and use. GAO recently provided its related draft report to the Secretary of Veterans Affairs for review and comment and plans to issue its final report as a follow-up to this testimony. GAO obtained and analyzed available VHA data on miscellaneous obligations, reviewed VA policies and procedures, and reviewed a nongeneralizable sample of 42 miscellaneous obligations at three case study locations.

GAO's related draft report includes four recommendations to strengthen internal controls governing the authorization and use of miscellaneous obligations, in compliance with applicable federal appropriations law and internal control standards.

To view the full product, including the scope and methodology, click on GAO-08-1056T. For more information, contact Kay L. Daly at (202) 512-9095 or dalykl@gao.gov

What GAO Found

VHA recorded over $6.9 billion of miscellaneous obligations for the procurement of mission-related goods and services in fiscal year 2007. According to VHA officials, miscellaneous obligations were used to facilitate the payment for goods and services when the quantities and delivery dates are not known. According to VHA data, almost $3.8 billion (55.1 percent) of VHA's miscellaneous obligations was for fee-based medical services for veterans and another $1.4 billion (20.4 percent) was for drugs and medicines. The remainder funded, among other things, state homes for the care of disabled veterans, transportation of veterans to and from medical centers for treatment, and logistical support and facility maintenance for VHA medical centers nationwide.

GAO's *Standards for Internal Control in the Federal Government* states that agency management is responsible for developing detailed policies and procedures for internal control suitable for their agency's operations. However, based on GAO's preliminary results, VA policies and procedures were not designed to provide adequate controls over the authorization and use of miscellaneous obligations with respect to oversight by contracting officials, segregation of duties, and supporting documentation for the obligation of funds. Collectively, these control design flaws increase the risk of fraud, waste, and abuse (including employees converting government assets to their own use without detection). These control design flaws were confirmed in the case studies at Pittsburgh, Cheyenne, and Kansas City.

Summary of Control Design Deficiencies at Three Case Study Locations

				Inadequate supporting documentation		
Station	Number of obligations reviewed	No documented approval by contracting official	Inadequate segregation of duties	Incomplete purpose description	Blank vendor field	Blank contract field
Pittsburgh	14	14	9	3	6	3
Cheyenne	11	11	11	1	6	4
Kansas City	17	17	10	4	8	9
Totals	**42**	**42**	**30**	**8**	**20**	**16**

Source: GAO analysis of VHA data.

In May 2008, VA issued revised guidance concerning required procedures for authorizing and using miscellaneous obligations. GAO reviewed the revised guidance and found that while it offered some improvement, it did not fully address the specific control design flaws GAO identified. Furthermore, according to VA officials, VA's policies governing miscellaneous obligations have not been subject to legal review by VA's Office of General Counsel. Such a review is essential in ensuring that the policies and procedures comply with applicable federal appropriations law and internal control standards.

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the Veterans Health Administration's (VHA) use of miscellaneous obligations. VHA officials said that they have been using miscellaneous obligations for over 60 years to record estimates of obligations[1] to be incurred at a later time.[2] According to the Department of Veterans Affairs (VA) policy,[3] miscellaneous obligations can be used to record estimated obligations to facilitate the procurement of a variety of goods and services, including fee-based medical and nursing services; beneficiary travel; and for other purposes.

VHA officials briefed your subcommittee staff in September 2007 about various financial reporting weaknesses in the agency and initiatives under way to address them. In the briefing, VHA officials disclosed that $4.8 billion (56 percent) of the reported $8.6 billion in procurements through the third quarter of fiscal year 2007 had been done using funds categorized as miscellaneous obligations. In addition, VA's Office of Inspector General (OIG) issued a report in May 2007 on the alleged mismanagement of funds at the VA Boston Healthcare System. According to OIG officials, they obtained documents showing that a miscellaneous obligation for $200,000 was requested, approved, and obligated by the same fiscal official, calling into question the adequacy of the segregation of duty controls over

[1]An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future.

[2]A miscellaneous obligation can be used as a funds control document to commit (reserve) funds that will be obligated under a contract or other legal obligation at a later date. VA Office of Finance Director, VA Controller Policy MP-4, Part V, Chapter 3, Section 3 A.01 states in pertinent part that "it will be noted that in many instances an estimated miscellaneous obligation (VA Form 4-1358) is authorized for use to record estimated monthly obligations to be incurred for activities which are to be specifically authorized during the month by the issuance of individual orders, authorization requests, etc. These documents will be identified by the issuing officer with the pertinent estimated obligation and will be posted by the accounting section to such estimated obligation."

[3]VA Office of Finance Directives, VA Controller Policy, *MP-4, Part V, Chapter 3, Section A, Paragraph 3A.02 – Estimated Miscellaneous Obligation or Change in Obligation (VA Form 4-1358).*

miscellaneous obligations.[4] In light of these concerns, you requested that we review whether the design of VHA's internal controls over the use of miscellaneous obligations was adequate for fiscal year 2007.

Today, my testimony will focus on our preliminary observations related to (1) how VHA used miscellaneous obligations during fiscal year 2007, and (2) whether VA's policies and procedures are designed to provide adequate controls over the authorization and use of miscellaneous obligations. We recently provided our draft report, including recommendations, on the results of our audit to the Secretary of Veterans Affairs for review and comment. We plan to incorporate VA's comments as appropriate and issue our final report as a follow-up to this testimony. We conducted this audit from November 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Details on our scope and methodology are included in appendix I. Further background information on VHA's operations is included in appendix II.

Summary

According to our preliminary analysis, in fiscal year 2007, available information from the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) database show that VHA used miscellaneous obligations to record over $6.9 billion against its appropriations for the procurement of mission-related goods and services. According to the IFCAP data, almost $3.8 billion of this total (55.1 percent) was for fee-based medical and dental services for veterans and another $1.4 billion (20.4 percent) for drugs, medicines, and hospital supplies. The remainder covered, among other things, state homes for the care of disabled veterans, transportation of veterans to and from medical centers for treatment, and logistical support and facility maintenance for VHA medical centers nationwide. VHA officials said they used miscellaneous obligations to administratively reserve estimated funds required to facilitate the payments for goods and services for which specific quantities

[4]Department of Veterans Affairs, Office of Inspector General, *Audit of Alleged Mismanagement of Government Funds at the VA Boston Healthcare System*, Report No. 06-00931-139 (Washington, D.C.: May 31, 2007).

and time frames were uncertain. Another cited benefit was that miscellaneous obligations simplify the procurement process when no underlying contract or purchase order exists. For example, VHA centers used miscellaneous obligations to record estimated obligations for an umbrella agreement for fee-based medical services that can then be used to fund the work performed by a number of different physicians. Nonetheless, without effectively designed mitigating controls, using miscellaneous obligations may also expose VHA to increased risk of fraud, waste, and abuse.

Our preliminary findings indicate that VA policies and procedures were not designed to provide adequate controls over the use of miscellaneous obligations with respect to oversight by contracting officials, segregation of duties, and supporting documentation for recording the obligation of funds. Specifically, although VA's September 29, 2006, policy required contracting officials to review miscellaneous obligations to help ensure their proper use, the supporting procedures did not describe how such reviews should be carried out. Further, the design of the current control process did not include detailed procedures for conducting either an automated or manual review of miscellaneous obligations by contracting officials. With regard to segregation of duties, the miscellaneous obligation automated system and associated policies and procedures were not designed to prevent one person from performing multiple roles in the process of authorizing and executing miscellaneous obligations. Finally, with regard to documentation, we found that current guidance did not include detailed procedures on what was to be included in the purpose field of the miscellaneous obligation authorization document and did not require that the vendor name and contract number be included. These control design flaws were confirmed in our case studies at Pittsburgh, Cheyenne, and Kansas City. Such VHA-wide policy and procedure design flaws increase the risk of fraud, waste, and abuse at the 129 VHA stations using miscellaneous obligations in fiscal year 2007. New guidance for the use of miscellaneous obligations was issued in May 2008. This guidance, while it offered some improvement, did not fully address the three problem areas. Also, we understand that VA attorneys have not reviewed these policies to help ensure compliance with applicable appropriations law and other requirements.

Our draft report, recently provided to the Secretary for review and comment, included four recommendations for actions that, if effectively implemented, should reduce the risks associated with using miscellaneous obligations.

Miscellaneous Obligations Used Extensively for Mission-Related Activities in Fiscal Year 2007

According to the IFCAP database, in fiscal year 2007 nearly 132,000 miscellaneous obligations, with a total value of nearly $9.8 billion, were created (see table 1). While VA's Central Office had $2.9 billion in miscellaneous obligations during fiscal year 2007, our review focused on the $6.9 billion in miscellaneous obligations used by VHA's 129 stations,[5] located in every Veterans Integrated Services Network (VISN) throughout the country, for a variety of mission-related activities. (See app. III for a listing of the use of miscellaneous obligations by VISN, and app. IV for a listing of the use of miscellaneous obligations by station.)

Table 1: Miscellaneous Obligations at VHA and VA for Fiscal Year 2007

(Dollars in billions)			
VISN name	**Number of miscellaneous obligations**	**Dollar amount of miscellaneous obligations**	**Percentage of total dollar value**
VHA[a]	127,070	$ 6.9	70%
VA's Central Office[b]	4,839	2.9	30%
Total	**131,909**	**$ 9.8**	**100%**

Source: GAO analysis of IFCAP data.

[a]Includes miscellaneous obligations for VISNs 1-12 and 15-23 (VISNs 13 and 14 were consolidated and designated VISN 23).

[b]VA's Central Office (VISN 0) is responsible for the administration of the Consolidated Mail Outpatient Pharmacy (CMOP) initiative that provides mail order prescriptions to veterans using automated distribution centers located throughout the country. In fiscal year 2007, VISN 0 obligated about $2.08 billion in miscellaneous obligations for drugs, medicines, and other supplies, and almost $800 million for various fee-based medical, dental, and other services.

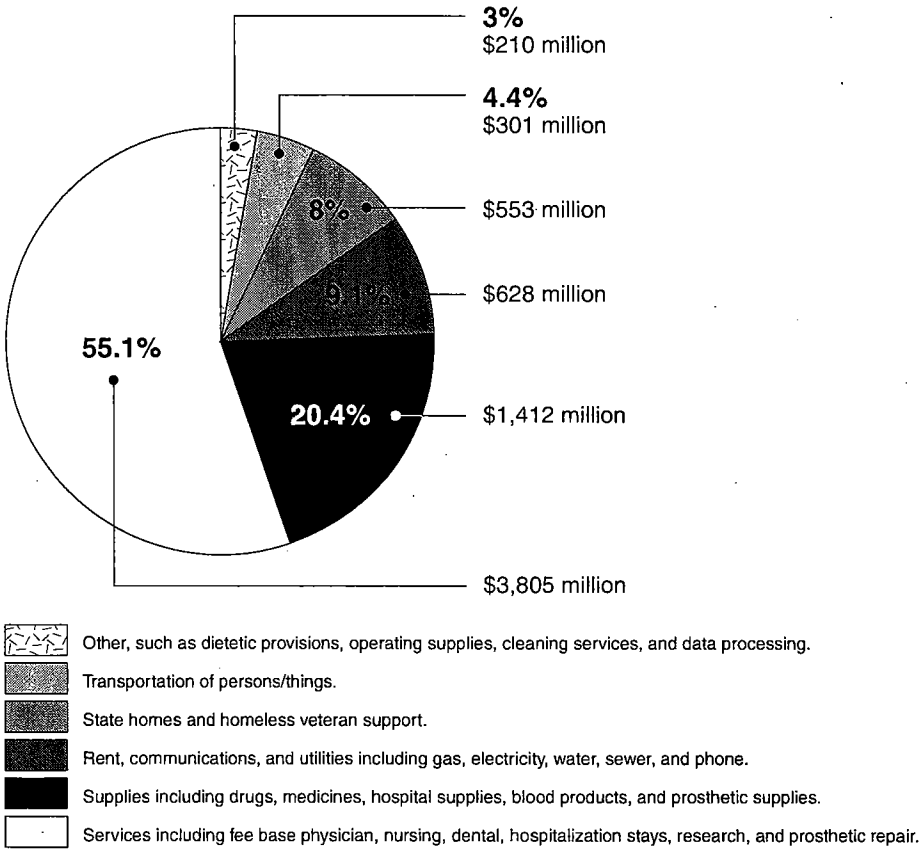
According to available VHA data, VHA used miscellaneous obligations to record estimated obligations of over $6.9 billion for mission-related goods and services. As shown in figure 1, about $3.8 billion (55.1 percent) was for fee-based medical and dental services for veterans, and another $1.4 billion (20.4 percent) was for drugs, medicines, and hospital supplies. The remainder was for, among other things, state veterans homes,[6]

[5]The IFCAP database included 129 VHA stations. A VHA station may include more than one medical center.

[6]State veterans homes are established by individual states and approved by VA for the care of disabled veterans. The homes include facilities for domiciliary nursing home care and adult day health care.

transportation of veterans to and from medical centers for treatment, and logistical support and facility maintenance for VHA medical centers nationwide.

Figure 1: VHA Miscellaneous Obligations for Fiscal Year 2007



Source: GAO analysis of VHA data.

According to VHA contracting and fiscal service officials, using miscellaneous obligations tends to reduce administrative workload and facilitates the payment for contracted goods and services, such as drugs, medicines, and transportation, and for goods and services for which no pre-existing contracts exist, such as fee-basis medical and dental services and utilities.

VHA officials stated that miscellaneous obligations facilitate the payment for contracted goods and services when the quantities and delivery dates

are not known. A miscellaneous obligation can be created for an estimated amount and then modified as specific quantities are needed or specific delivery dates are set. When a purchase order is created, however, the obligated amount cannot be changed without a modification of the purchase order. According to VHA officials, the need to prepare numerous modifications to purchase orders could place an undue burden on the limited contracting personnel available at individual centers and could also require additional work on the part of fiscal services personnel.

VHA officials stated that the use of miscellaneous obligations can simplify the procurement process when no pre-existing contract or purchase order exists. For example, providing medical care on a fee-basis to veterans outside of VHA medical centers may involve the services of thousands of private physicians nationwide. Attempting to negotiate a separate agreement or contract with each of these individuals would be a difficult task for VHA's contracting staff. Under the policies and procedures in place during fiscal year 2007, VHA centers could use miscellaneous obligations as umbrella authorizations for fee-based medical services for work performed by a number of different physicians. In effect, in cases for which there is no pre-existing contract, the miscellaneous obligation form becomes the record of an obligation. However, use of miscellaneous obligations may also increase the risk of fraud, waste, and abuse. Consequently, mitigating controls must be designed to help compensate for the lack of a negotiated contract. Absent contractual terms, one risk area is the authorized fee schedule for the medical services being provided. In this case, federal regulations call for payments to non-VA physician services associated with outpatient and inpatient care provided at non-VA facilities to be the lesser of the amount billed or the amount calculated using the formula developed by the Department of Health and Human Services under Medicare's participating physician fee schedule for the period in which the service is provided.[7] However, we did not verify that VHA officials were properly following the fee schedule.

[7]38 CFR 17.56.

Deficiencies in Design of Controls over Miscellaneous Obligations Increase the Risk of Fraud, Waste, and Abuse

Our preliminary observations on VA policies and procedures indicate they were not designed to provide adequate controls over the use of miscellaneous obligations. According to GAO's *Standards for Internal Control in the Federal Government*, agency management is responsible for developing detailed policies and procedures for internal control suitable for their agency's operations and ensuring that they provide for adequate monitoring by management, segregation of duties, and supporting documentation for the need to acquire specific goods in the quantities purchased. We identified control design flaws in each of these oversight areas, and we confirmed that these weaknesses existed at the three locations where we conducted case studies. Collectively, these control design flaws increase the risk of fraud, waste, and abuse (including employees converting government assets to their own use without detection). New guidance for the use of miscellaneous obligations was released in January 2008 and finalized in May 2008. We reviewed the new guidance and found that while it offered some improvement, it did not fully address the specific control design flaws we identified. Furthermore, VA officials told us that this guidance was not subject to any legal review. Such an analysis is essential to help ensure that the design of policies and procedures comply with all applicable federal appropriations law and internal control standards.

We reviewed 42 miscellaneous obligations at the three case study locations and developed illustrative, more detailed information on the extent and nature of these control design flaws. Table 2 summarizes the locations visited, the miscellaneous obligations reviewed at each location, and the extent and nature of control design deficiencies found.

Table 2: Summary of Case Study Results

Station	Number of obligations reviewed	Dollar value of obligations reviewed	No documented approval by contracting official	Inadequate segregation of duties[a]	Inadequate supporting documentation		
					Incomplete purpose description[b]	Blank vendor field	Blank contract field[c]
Pittsburgh	14	$6,694,853	14	9	3	6	3
Cheyenne	11	$2,076,648	11	11	1	6	4
Kansas City[d]	17	$27,274,395	17	10	4	8	9
Totals	42	$36,045,896	42	30	8	20	16

Source: GAO analysis of VHA data.

[a] In 30 of the 42 obligations we reviewed, one official performed two or more of the following functions: requesting, creating, approving or obligating funds for the original miscellaneous obligations, or certifying delivery of goods and services and approving payment.

[b] In 8 of 42 instances, we could not determine the nature, timing, or the extent of the goods and/or services being procured from the description in the purpose field without reference to supporting invoices.

[c] In these instances, we confirmed that contracts existed, but no contract number was listed on the miscellaneous obligation document.

[d] Includes facilities located in Kansas City, KS; Wichita, KS; Columbia, MO; and eastern Kansas.

Inadequate Contracting Oversight of Miscellaneous Obligations

To help minimize the use of miscellaneous obligations, VA policy stated that miscellaneous obligations would not be used as obligation control documents unless the contracting authority for a station had determined that purchase orders or contracts would not be required. Furthermore, VA policy required review of miscellaneous obligations by contracting officials to help ensure proper use in accordance with federal acquisition regulations, but did not address the intended extent and nature of these reviews or how the reviews should be documented. Contracting officials were unable to electronically document their review of miscellaneous obligations and no manual documentation procedures had been developed. Our review of 42 miscellaneous obligations prepared at three VHA stations showed that contracting officers were at times familiar with specific miscellaneous obligations at their facilities, but that they had no documented approvals available for review. Furthermore, none of the three sites we visited had procedures in place to document review of the miscellaneous obligations by the appropriate contracting authorities.

Effective oversight and review by trained, qualified officials is a key factor in identifying a potential risk for fraud, waste, or abuse. Without control procedures to help ensure that contracting personnel review and approve miscellaneous obligations prior to their creation, VHA is at risk that procurements will not have safeguards established through a contract approach. For example, in our case study at the VA Pittsburgh Medical Center, we found 12 miscellaneous obligations, totaling about $673,000, used to pay for laboratory services provided by the University of Pittsburgh Medical Center (UPMC). The Chief of Acquisition and Materiel Management for the VA Pittsburgh Medical Center stated that she was not aware of the UPMC's laboratory testing service procurements and would review these testing services to determine whether a contract should be established for these procurements. Subsequently, she stated that VISN 4, which includes the VA Pittsburgh Medical Center, was going to revise procedures to procure laboratory testing services through purchase orders backed by reviewed and competitively awarded contracts, instead of funding them through miscellaneous obligations.

Another Pittsburgh miscellaneous obligation for about $141,000 was used to fund the procurement of livers for transplant patients. Local officials said that there was a national contract for the services, and that livers were provided at a standardized price of $21,800. However, officials could not provide us with a copy of the contract, nor documentation of the standardized pricing schedule. Therefore, we could not confirm that VHA was properly billed for these services or that the procurement was properly authorized.

Furthermore, in the absence of review by contracting officials, controls were not designed to prevent miscellaneous obligations from being used for unauthorized purposes, or for assets that could be readily converted to personal use. Our analysis of the IFCAP database for fiscal year 2007 identified 145 miscellaneous obligations for over $30.2 million that appeared to be used in the procurement of such items as passenger vehicles; furniture and fixtures; office equipment; and medical, dental, and scientific equipment. Although the VA's miscellaneous obligation policy did not address this issue, VA officials stated that acquisition of such assets should be done by contracting officials and not through miscellaneous obligations. Without adequate controls to review and prevent miscellaneous obligations from being used for the acquisition of such assets, it is possible that the VHA may be exposing the agency to unnecessary risks by using miscellaneous obligations to fund the acquisitions of goods or services that should have been obtained under contract with conventional controls built in.

Inadequate Segregation of Duties

One tenet of an effectively designed control system is that key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.[8] These controls should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and accepting any acquired assets. The basic principle is that no one individual should be permitted to control all key aspects of a transaction or event, such as acquiring a good or service.

However, IFCAP control design allows a single official to perform multiple key roles in the process of creating and executing miscellaneous obligations, and VA policies and procedures do not specifically prohibit this practice. Control point officials are authorized to create, edit, and approve requests for miscellaneous obligations. In addition, these same individuals can certify the delivery of goods and services and approve payment. Such weak control design could enable a VHA employee to convert VHA assets to his or her own use, without detection (such as the personal property acquired through the use of miscellaneous obligations described in the previous section).

Our review of the previously mentioned 42 miscellaneous obligations at three case study locations indicated that controls in place at these locations were not designed to ensure sufficient segregation of duties for procurements. Specifically, as noted in table 3, we found inadequate segregation of key duties in 30 of the 42 obligations we reviewed. In these instances, controls were not designed to prevent one official from performing two or more of the following key functions: (1) requesting the miscellaneous obligation, (2) approving the miscellaneous obligation, (3) recording the obligation of funds, or (4) certifying delivery of goods and services and approving payment.

[8]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

Table 3: Case Study Analysis of Segregation of Duties

Number of functions performed by agency officials[a]	Obligations
One official performed two out of the four functions	15
One official performed three out of the four functions	13
One official performed all four functions	2
Subtotal – Inadequate Segregation of Duties	30
Adequate segregation of duties -- different officials performed each of the four functions	12
Total	**42**

Source: GAO analysis.

[a] Agency officials performed various combinations of the following four functions: (1) requesting the miscellaneous obligation, (2) approving the miscellaneous obligation, (3) obligating funds, and (4) certifying receipt of goods and services and approving payment.

As noted in table 3, in 13 of the 42 obligations we examined, the same official performed three of the four functions. In 11 of these cases, the same official requested and approved the miscellaneous obligations, and then certified receipt of goods and services. For example, in one case in Pittsburgh, one official requested and approved a miscellaneous obligation of over $140,000 for medical services and then certified receipt and approved payment for at least $43,000 of those services. In another case in Cheyenne, we found one miscellaneous obligation for utilities where one official requested, approved, and certified receipt and approved payment of over $103,000 in services.

In two instances in Cheyenne involving employee grievance settlements for about $22,000, one official performed all four functions. While our review found that these obligations were for legitimate purposes, the fact that one official was able to perform multiple functions is indicative of an inherent control system flaw. One individual, controlling all of the key stages of the transaction, leaves VHA vulnerable to potential fraud, waste, or abuse because of the opportunity for the creation of inappropriate, perhaps fraudulent, transactions.

The VA OIG noted a similar problem in its review of the alleged mismanagement of funds at the VA Boston Healthcare System.[9] According

[9]Department of Veterans Affairs, Office of Inspector General, *Audit of Alleged Mismanagement of Government Funds at the VA Boston Healthcare System*, Report No. 06-00931-139 (Washington, D.C.: May 31, 2007).

to OIG officials, they obtained documents showing that a miscellaneous obligation was used to obligate $200,000, and was requested, approved, and obligated by the same fiscal official. The OIG officials said that this transaction called into question the adequacy of segregation of duty controls over funds obligated through miscellaneous obligations.

Similarly, a July 2007 report by an independent public accountant (IPA) also found, among other things, the segregation of duties for VA's miscellaneous obligation process was inadequate.[10] The report noted that control point officials at a VISN, VA's Central Office, and two medical centers had the ability to act as the requester and approving official for the same transaction. This condition was observed at four of the six locations the IPA reviewed. The IPA recommended that the medical centers update their local policies to prevent control point officials from acting as a requester and approving official on the same transaction. Similarly, in 23 of the 42 miscellaneous obligations we reviewed in our case studies, the same individual served as the requester and approver for a miscellaneous obligation.[11]

Lack of Adequate Supporting Documentation

Another tenet of an effectively designed control system is that all transactions need to be clearly documented and all documentation and records should be properly managed and maintained.[12] Adequate documentation is essential to support an effective funds control system, is crucial in helping to ensure that a procurement represents a bona fide need, and reduces the risk of fraud, waste, and abuse. When a legal obligation is recorded, it must be supported by adequate documentary evidence of the liability.[13] An agency should use its best estimate to reserve an amount for future obligation when the amount of the government's final liability is undefined. Further, the basis for the estimate and the computation must be documented. Although VA's form entitled "Estimated Miscellaneous Obligation or Change in Obligation" (VA Form 4-1358)

[10]Grant Thornton, *Department of Veterans Affairs, OMB Circular A-123, Appendix A – Findings and Recommendations Report (Procurement Management)*, (July 18, 2007).

[11]In 8 of the 23 cases, one official requested and approved a miscellaneous obligation. For the remaining 15 cases, one official performed those two tasks plus one or more other key tasks, such as recording the obligation of funds and certifying receipt of goods and services and approving payment.

[12]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

[13]31 U.S.C. §1501(a).

includes three key fields—the purpose, vendor, and contract number fields—that provide crucial supporting documentation for the obligation, VA policies and procedures were not sufficiently detailed to specifically require this type of information needed to adequately document miscellaneous obligations. During the period covered by our review, VA did not have specific guidance as to what information should be included in the purpose field, including such essential data as the nature and extent of the transaction. Further, during our case studies, we found many instances where these fields on the miscellaneous obligation form were left blank or did not provide adequate information as a result of this control design flaw.

Specifically, in our case studies, we found that these control design flaws resulted in the purpose field on 8 of the 42 miscellaneous obligations having insufficient data to determine whether the miscellaneous obligation represented a bona fide need. In many instances, while the stated purposes may have been adequate for the requesters and approving officials in the using services, this level of documentation was not sufficient for an independent reviewer to determine from the purpose field what items were procured and whether the appropriate budget object code was charged. As a result of these deficiencies in the design of controls, in several cases we had to rely on invoices to determine the probable purpose of the miscellaneous obligation and whether it represented a bona fide need. For example, in Kansas City, we found one miscellaneous obligation for over $1.3 million whose purpose was listed as "To obligate funds for the Oct 06 payment," while the associated invoices showed that the miscellaneous obligation was used to cover the services of medical resident staff. In another instance, we found a miscellaneous obligation for over $53,000 whose purpose was listed as "October billing," while the associated invoices showed that the miscellaneous obligation was used for the automated prescription services provided at the Kansas Soldiers Home in October 2007. In another case in Pittsburgh, we found a miscellaneous obligation for over $45,000 whose purpose was listed as "LABCORP 5/1-5/31/07," while the associated invoices showed that the obligation was for laboratory testing services. Without procedures calling for more definitive descriptions of the purpose, we could not confirm that these miscellaneous obligations were for bona fide needs or that the invoices reflected a legitimate use of federal funds.

Although appropriation law provides that the basis for the amount obligated should be documented, we found deficient VA control design resulted in several miscellaneous obligations at one location with inadequate support for the recorded obligations.[14] For example, according to our analysis of the IFCAP database, 12 miscellaneous obligations, for a total of almost $1.3 million, were created using no-year funds[15] by the VA Pittsburgh Medical Center on September 28, 2007, to support the St. Clairsville community-based outpatient clinic. One miscellaneous obligation for $106,400 covered March 2008 services, and another miscellaneous obligation for $108,400 covered April 2008 services by the clinic. The purpose fields for the two miscellaneous obligations did not provide an explanation of how the estimates were calculated. When asked, medical center officials stated that the estimates were based on historical trends or calculations, but they did not provide any documentation to support the estimates. Furthermore, established control procedures did not require them to do so. In another instance, the VA Kansas City Medical Center obligated $200,000 for "patient care services at the Kirksville community-based outpatient clinic from 10/01/06 to 12/31/06." The purpose field did not provide an explanation of how the estimate was calculated.

Further, in the absence of explicit documentation requirements, data fields were left blank on a number of the miscellaneous obligations we examined. For example, the vendor field was left blank in 20 of the 42 miscellaneous obligations we reviewed. Current VA guidance states that the vendor field is to be left blank when multiple vendors exist since the IFCAP system allows only one vendor to be listed; however, we observed several cases where the field was left blank even when there was only one vendor. For example, in Kansas City we found obligations for electricity and natural gas where only one vendor historically had been used, but the vendor field was left blank. Similarly, in Kansas City another miscellaneous obligation was used in the procurement of $8.6 million in services at the Warrensburg Veteran's Home in Warrensburg, Missouri, but the vendor field was left blank. While payment was made to the vendor that invoiced VA in these instances, leaving the vendor field blank poses several problems for agency management, including establishing that the

[14]GAO, *Principles of Federal Appropriations Law: Third Edition, Volume II*, GAO-06-382SP (Washington, D.C.: Feb. 1, 2006).

[15]No-year funds are appropriations for which budget authority remains available for obligation for an indefinite period of time. A no-year appropriation is usually identified by language such as "to remain available until expended."

vendor is appropriate for the purpose of the miscellaneous obligation and verifying that the correct, authorized vendor is paid.

We also found the contract number field left blank in 16 of the 42 miscellaneous obligations reviewed, even though supporting contracts did exist for these miscellaneous obligations. VA guidance did not require that the contract number be included in order to process the miscellaneous obligation. However, missing contract numbers make it difficult to determine whether VA is receiving the appropriate type and quantity of goods and services at the correct price.

Inadequate control requirements for supporting documentation and completing data fields concerning the purpose, vendor information, and contract numbers can hinder oversight by senior VA management officials. The Deputy Assistant Secretary for Logistics and Acquisition[16] said that he and other VHA officials use the IFCAP database to monitor the extent and nature of miscellaneous obligations nationwide, including analyzing the number and dollar amounts of miscellaneous obligations and identifying the types of goods and services procured using miscellaneous obligations. He told us that he was concerned with the extent and nature of the use of miscellaneous obligations at VA that he lacked adequate oversight or control over procurements made through miscellaneous obligations and that he often did not know what was being bought or who it was being bought from. Our analysis of the IFCAP database found that over 88,000 (69 percent) of 127,070 miscellaneous obligations did not include vendor information, accounting for over $5 billion of the $6.9 billion in recorded miscellaneous obligations in fiscal year 2007. Similarly, the IFCAP database did not have information on the quantities purchased or a description of what was purchased. As a result, important management information was not available to senior VA procurement officials.

New Guidance Does Not Address All Control Weaknesses

In January 2008, VA issued interim guidance effective for all miscellaneous obligations created after January 30, 2008, concerning required procedures for using miscellaneous obligations.[17] The guidance provides that prior to

[16]This official acts as VA's Senior Procurement Executive and oversees the development and implementation of policies and procedures for departmentwide acquisition and logistics programs supporting all VA facilities.

[17]Department of Veterans Affairs Memorandum, *Interim Guidance on Miscellaneous Obligations, VA Form 4-1358*, dated January 30, 2008.

creating a miscellaneous obligation, fiscal service staff are required to check with the contracting activity to ensure that a valid contract is associated with the miscellaneous obligation, except in specific, itemized cases. Under this guidance, the using service is to have the contracting activity determine (1) if a valid procurement authority exists, (2) if a procurement needs to be initiated, and (3) the appropriate method of obligation. Also, this guidance requires that a copy of the head contracting official's approval be kept with a copy of the miscellaneous obligation for future audit purposes. In addition, the guidance provides that the fiscal service may not create a miscellaneous obligation without appropriate information recorded in the purpose, vendor, and contract number fields on the document. The guidance specifically cites a number of invalid uses for miscellaneous obligations, including contract ambulance, lab tests, blood products, and construction, but did not always specify a procurement process to be used for these items.

In May 2008, VHA management finalized the interim guidance.[18] This guidance represents a step in the right direction. It includes a manual process for documenting contracting approval of miscellaneous obligations and specifically states that a miscellaneous obligation cannot be created if the vendor, contract number, and purpose fields are incomplete. However, the new guidance does not address the segregation of duties issues we and others have identified and does not establish an oversight mechanism to ensure that control procedures outlined are properly implemented.

In our view, VHA has missed an opportunity to obtain an important legal perspective on this matter. According to VA officials, these policies have not been subject to any legal review. Such a review is essential in ensuring that the policies and procedures comply with federal funds control laws and regulations and any other relevant VA policies or procedures dealing with budgetary or procurement matters. For example, such a review would help ensure that the guidance adequately addresses Federal Acquisition Regulations, requiring that no contract shall be entered into unless the contracting officer ensures that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met.[19] In addition, a review

[18]Department of Veterans Affairs Memorandum, *Revised Guidance for Processing of Miscellaneous Obligations, VA Form 4-1358,* dated May 18, 2008.

[19]48 C.F.R. 1.602-1 (b).

could help to ensure that this guidance (1) provides that all legal obligations of VA are supported by adequate documentation to meet the requirements of the recording statute 31 U.S.C. §1501(a) and (2) prevents any individual from committing the government for purchases of supplies, equipment, or services without being delegated contracting authority as a contracting officer, purchase card holder, or as a designated representative of a contracting officer.[20] The absence of a legal review to determine the propriety of VA's miscellaneous obligations policies and procedures places VA at risk of not complying with important laws and regulations.

In conclusion, Mr. Chairman, without basic controls in place over billions of dollars in miscellaneous obligations, VA is at significant risk of fraud, waste, and abuse. Effectively designed internal controls serve as the first line of defense for preventing and detecting fraud, and they help ensure that an agency effectively and efficiently meets its missions, goals, and objectives; complies with laws and regulations; and is able to provide reliable financial and other information concerning its programs, operations, and activities. Although miscellaneous obligations can facilitate and streamline the procurement process, they require effectively designed mitigating controls to avoid impairing full accountability and transparency. In the absence of effectively designed key funds and acquisition controls, VA has limited assurance that its use of miscellaneous obligations is kept to a minimum, for bona fide needs, in the correct amount, and to the correct vendor. Improved controls in the form of detailed policies and procedures, along with a management oversight mechanism, will be critical to reducing the government's risks from VA's use of miscellaneous obligations.

To that end, our draft report includes specific recommendations, including a number of preventive actions that, if effectively implemented, should reduce the risks associated with the use of miscellaneous obligations. We are making recommendations to VA to modify its policies and procedures, in conjunction with VA's Office of General Counsel, to better ensure adequate oversight of miscellaneous obligations by contracting officials, segregation of duties throughout the process, and sufficient supporting documentation for miscellaneous obligations.

[20] 48 C.F.R. 801.601 (b).

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

GAO Contact

For more information regarding this testimony, please contact Kay Daly, Acting Director, Financial Management and Assurance, at (202) 512-9095 or dalykl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

Appendix I: Scope and Methodology

In order to determine how VHA used miscellaneous obligations during fiscal year 2007, we obtained and analyzed a copy of VHA's Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) database of miscellaneous obligations for that year. IFCAP is used to create miscellaneous obligations (VA Form 4-1358) at VA, and serves as a feeder system for VA's Financial Management System (FMS)—the department's financial reporting system of record. According to VA officials, FMS cannot be used to identify the universe of miscellaneous obligations at VHA in fiscal year 2007 because FMS does not identify the procurement method used for transactions (i.e., miscellaneous obligations, purchase card, purchase order). Furthermore, FMS does not capture the contract number, requester, approving official, and obligating official for obligations. However, according to senior agency officials, the IFCAP database is the most complete record of miscellaneous obligations available at VHA and can be used to provide an assessment of how miscellaneous obligations were used during fiscal year 2007.

IFCAP's data included information on the appropriation codes, vendors, budget object codes (BOC), date and amount of obligations, obligation numbers, approving officials, and VISN and VHA station for VHA miscellaneous obligations. We converted the database to a spreadsheet format and sorted the data by VISN, station, and BOC to determine where and how miscellaneous obligations were used in fiscal year 2007 (see app. III and IV).

To determine whether VHA's polices and procedures are designed to provide adequate controls over the use of miscellaneous obligations, we first reviewed VHA's policies and procedures governing the use of miscellaneous obligations at VA. Specifically, we reviewed the *VA Controller Policy, MP-4, Part V, Chapter 3, Section A, Paragraph 3A.02 – Estimated Miscellaneous Obligation or Change in Obligation (VA Form 4-1358)*; the VA Office of Finance Bulletin 06GA1.05, *Revision to MP-4, Part V, Chapter 3, Section A, Paragraph 3A.02 – Estimated Miscellaneous Obligation or Change in Obligation (VA Form 4-1358)*, dated September 29, 2006; VA *Interim Guidance on Miscellaneous Obligations, VA Form 1358*, dated January 30, 2008; VHA *Revised Guidance for Processing of Miscellaneous Obligations, VA Form 1358*, dated May 18, 2008; and other VA and VHA directives, policies, and procedures. We also used relevant sections of the *Federal Acquisition Regulations* (FAR); VA's Acquisition Regulations; appropriation law; and GAO's *Standards for Internal Control in the Federal Government* in assessing the design of VA's policies and procedures, and we met with VA and VHA officials in Washington, D.C., and coordinated with VHA's Office

of Inspector General staff to identify any previous audit findings relevant to our audit work. We also interviewed representatives of VA's independent public accounting firm and reviewed copies of their reports.

In order to better understand the extent and nature of VA policy and procedure design deficiencies related to miscellaneous obligations, we conducted case studies at three VHA stations in Cheyenne, Wyoming; Kansas City, Missouri; and Pittsburgh, Pennsylvania.[1] The stations in Kansas City and Pittsburgh were selected because they had a high volume of miscellaneous obligation activity, and they were located in different regions of the country. We conducted field work at the Cheyenne, Wyoming, station during the design phase of our review to better understand the extent and nature of miscellaneous obligation control design deficiencies at a small medical center. Inclusion of the Cheyenne facility in our review increased the geographic diversity of our analysis and allowed us to compare the extent and nature of miscellaneous obligation design deficiencies at medical centers in the eastern, midwestern, and western portions of the United States.

During the case studies, we met with senior medical center administrative, procurement, and financial management officials to discuss how VA policies and procedures were designed with regard to specific obligations, and assess the control environment design for using miscellaneous obligations at the local level. We discussed how miscellaneous obligations were used as part of the procurement process and the effect of new VHA guidance on medical center operations. We also reviewed the design of local policies and procedures for executing miscellaneous obligations and conducted walk-throughs of the processes.

To provide more detailed information on the extent and nature of the control design deficiencies we found at our case study locations, we identified a nongeneralizable sample of obligations for further review at each site. Through data mining techniques, we identified a total of 42 miscellaneous obligations for more detailed examination at our case studies: 11 from Cheyenne, 17 from Kansas City, and 14 from Pittsburgh. We based our selection on the nature, dollar amount, date, and other identifying characteristics of the obligations. For each miscellaneous

[1]We visited the Cheyenne VA Medical Center in Cheyenne, Wyoming; the Kansas City VA Medical Center in Kansas City, Missouri; and the VA Pittsburgh Healthcare System, H. John Heinz III Progressive Care Center in Pittsburgh, Pennsylvania.

obligation selected, we accumulated information on the extent and nature of control design weaknesses concerning miscellaneous obligations:

- review and documentation by contracting officials;
- segregation of duties during the procurement process; and
- the purpose, timing, and documentation for obligations.

Concerning the adequacy of control design with respect to contracting review, we reviewed miscellaneous obligations for evidence of review by contracting officials and, for selected miscellaneous obligations, followed up with contracting officials to discuss contracts in place for miscellaneous obligations, whether review by contracting officials was needed, and when and how this review could occur and be documented.

Concerning the control design deficiencies with respect to segregation of duties, we reviewed miscellaneous obligation documents to determine which officials requested, approved, and obligated funds for the original miscellaneous obligations and then which officials certified delivery of goods and services and approved payment. We noted those instances where control design deficiencies permitted one official to perform multiple functions.

With respect to control design deficiencies relating to the supporting documentation for the miscellaneous obligations, we reviewed the purpose, vendor, and contract number fields for each obligation. For the purpose field, we assessed whether the required description was adequate to determine the nature, timing, and extent of the goods and/or services being procured and whether controls provided for an adequate explanation for any estimated miscellaneous obligation amounts. For the vendor and contract number fields, we assessed whether controls were designed to ensure entered information was correct, and we identified those instances where control deficiencies permitted fields to be left blank.

Because of time limitations, we did not review VHA's procurement or service authorization processes. In addition, in our case study approach, we were unable to analyze a sufficient number of obligations to allow us to generalize our conclusions to the sites visited, nor to the universe of VHA medical centers. The 42 obligations represented a total of approximately $36.0 million; however, the results cannot be projected to the overall population of miscellaneous obligations in fiscal year 2007. While we

found no examples of fraudulent or otherwise improper purchases made by VHA, our work was not specifically designed to identify such cases or estimate its full extent.

Data Reliability Assessment

We assessed the reliability of the IFCAP data provided by (1) performing various testing of required data elements, (2) reviewing related policies and procedures, (3) performing walkthroughs of the system, (4) interviewing VA officials knowledgeable about the data, and (5) tracing selected transactions from source documents to the database. In addition, we verified that totals from the fiscal year 2007 IFCAP database agreed with a method of procurement compliance report provided to Subcommittee staff during a September 7, 2007 briefing. We did not reconcile the IFCAP miscellaneous obligations reported to us to FMS—the VA system of record—and published VA financial statements because FMS does not identify the procurement method used for transactions (i.e., miscellaneous obligations, purchase card, purchase order). We determined that the data were sufficiently reliable for the purposes of our report and that they can be used to provide an assessment of how miscellaneous obligations were used during fiscal year 2007.

We briefed VA and VHA headquarter officials, including the Deputy Assistant Secretary for Logistics and Acquisition, as well as VHA officials at the three case study locations, on the details of our audit, including our findings and their implications. During the briefings officials generally agreed with our findings and said that they provided useful insights into problems with the miscellaneous obligation process and corrective actions that could be taken to address them. We conducted this audit from November 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We recently provided our draft report to the Secretary of Veterans Affairs for review and comment. Following this testimony, we plan to issue a report, which will incorporate VA's comments as appropriate and include recommendations for improving internal controls over miscellaneous obligations.

Appendix II: Background

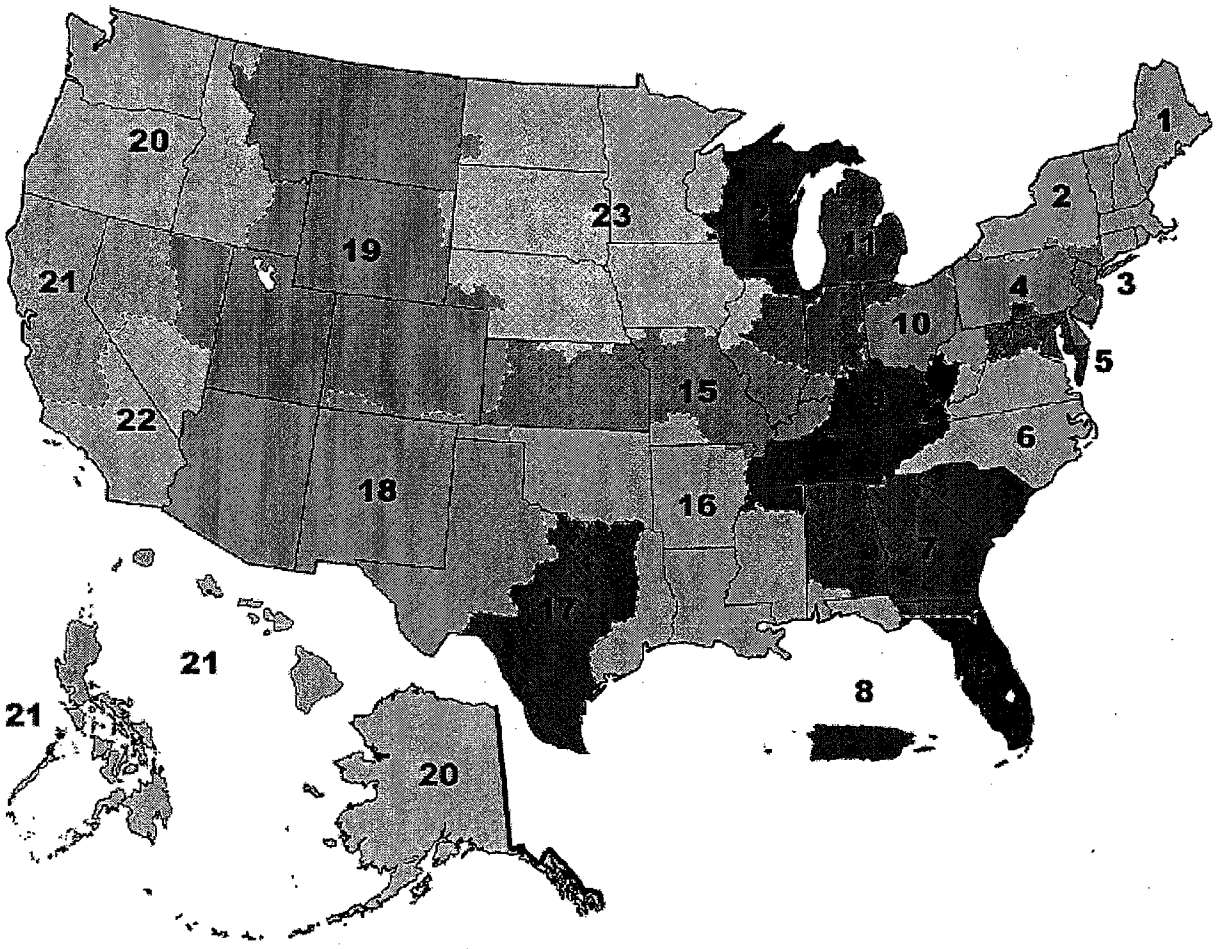
The Department of Veterans Affairs (VA) is responsible for providing federal benefits to veterans. Headed by the Secretary of Veterans Affairs, VA operates nationwide programs for health care, financial assistance, and burial benefits. In fiscal year 2007, VA received appropriations of over $77 billion, including over $35 billion for health care and approximately $41.4 billion for other benefits. The Congress appropriated more than $87 billion for VA in fiscal year 2008.

The Veterans Health Administration (VHA) is responsible for implementing the VA medical assistance programs. In fiscal year 2007, VHA operated more than 1,200 sites of care, including 155 medical centers, 135 nursing homes, 717 ambulatory care and community-based outpatient clinics, and 209 Readjustment Counseling Centers. VHA health care centers provide a broad range of primary care, specialized care, and related medical and social support services. The number of patients treated increased by 47.4 percent from 3.8 million in 2000 to nearly 5.6 million in 2007 due to an increased number of veterans eligible to receive care.

As shown in figure 2, VHA has organized its health care centers under 21 Veterans Integrated Services Networks (VISN),[1] which oversee the operations of the various medical centers and treatment facilities within their assigned geographic areas. During fiscal year 2007, these networks provided more medical services to a greater number of veterans than at any time during VA's long history.

[1]VISNs 13 and 14 were consolidated and designated VISN 23.

Figure 2: Veterans Integrated Services Networks (VISN)



1. New England Health Care System
2. VA Healthcare Network Upstate NY
3. VA NY/NJ Veterans Health Care Network
4. Stars & Stripes Healthcare Network
5. Capitol Health Care Network
6. The Mid-Atlantic Network
7. The Atlanta Network
8. VA Sunshine Healthcare Network
9. Mid South Veterans Healthcare Network
10. VA Healthcare System of Ohio
11. Veterans Integrated Service Network
12. The Great Lakes Health Care System
15. VA Heartland Network
16. South Central Healthcare Network
17. VA Heart of Texas Health Care Network
18. VA Southwest Health Care Network
19. Rocky Mountain Network
20. Northwest Network
21. Sierra Pacific Network
22. Desert Pacific Healthcare Network
23. Minneapolis and Lincoln Offices

Source: U.S. Department of Veterans Affairs.

VA Policies and Procedures Concerning the Use of Miscellaneous Obligations

VA has used "Estimated Miscellaneous Obligation or Change in Obligation" (VA Form 4-1358) to record estimated obligations for goods and services for over 60 years. According to VA policy,[2] miscellaneous obligations can be used to record obligations against appropriations for the procurement of a variety of goods and services, including fee-based medical, dental, and nursing services; non-VA hospitalization; nursing home care; beneficiary travel; rent; utilities; and other purposes. The policy states that miscellaneous obligations should be used as obligation control documents when a formal purchase order or authorization is not required, and when necessary to record estimated obligations to be incurred by the subsequent issue of purchase orders. The policy also states that the use of miscellaneous obligations should be kept to an absolute minimum, consistent with sound financial management policies regarding the control of funds, and should only be used in cases where there was a bona fide need for the goods and services being procured.

In September 2006, VA policy for miscellaneous obligations was revised in an attempt to minimize the use of miscellaneous obligations as an obligation control document.[3] The revision states that miscellaneous obligations should not be used as an obligation control document unless the head contracting official for the station has determined that a purchase order[4] or contract will not be required. However, the policy provides that fiscal staff can use miscellaneous obligations as a tracking mechanism for obligations of variable quantity contracts,[5] as well as for public utilities. In January 2008, VA issued interim guidance regarding the use of

[2]VA Office of Finance Directives, *VA Controller Policy, MP-4, Part V, Chapter 3, Section A, Paragraph 3A.02 – Estimated Miscellaneous Obligation or Change in Obligation (VA Form 4-1358)*, accessed from www.va.gov on 12/12/2007.

[3]VA Office of Finance Bulletin 06GA1.05, *Revision to MP-4, Part V, Chapter 3, Section A, Paragraph 3A.02 – Estimated Miscellaneous Obligation or Change in Obligation (VA Form 4-1358)*, dated September 29, 2006.

[4]A purchase order is written authorization for a supplier to ship products to an agency at a specified price. Purchase orders may be supported by an underlying contract or function as the sole legally binding document.

[5]In variable quantity contracts, the quantity of goods to be furnished or services to be performed may vary. Variations may be at the option of VA or the contractor. Under variable quantity contracts, normally no amount is obligated at the time the contract is signed. The order, which comes after the contract, obligates VA for goods or services and the obligation must be recorded for the exact amount, or a reasonable estimate of the order.

miscellaneous obligations;[6] however, the guidance did not apply to the fiscal year 2007 miscellaneous obligations we reviewed.

In recent years VHA has attempted to improve its oversight of miscellaneous obligations. For example, VHA's Clinical Logistics Group created the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) system database in April 2006 to analyze the use of miscellaneous obligations agencywide. The database is updated on a monthly basis and contains information on the miscellaneous obligations created monthly by the 21 VISN offices and their associated stations. VHA officials are using the IFCAP database to (1) analyze the number and dollar amounts of procurements being done using contracts and purchase cards, and recorded using miscellaneous obligations, and (2) identify the types of goods and services recorded as miscellaneous obligations. Prior to the creation of the IFCAP database, such information on the use of the miscellaneous obligations nationwide was not readily available to VHA upper level management.

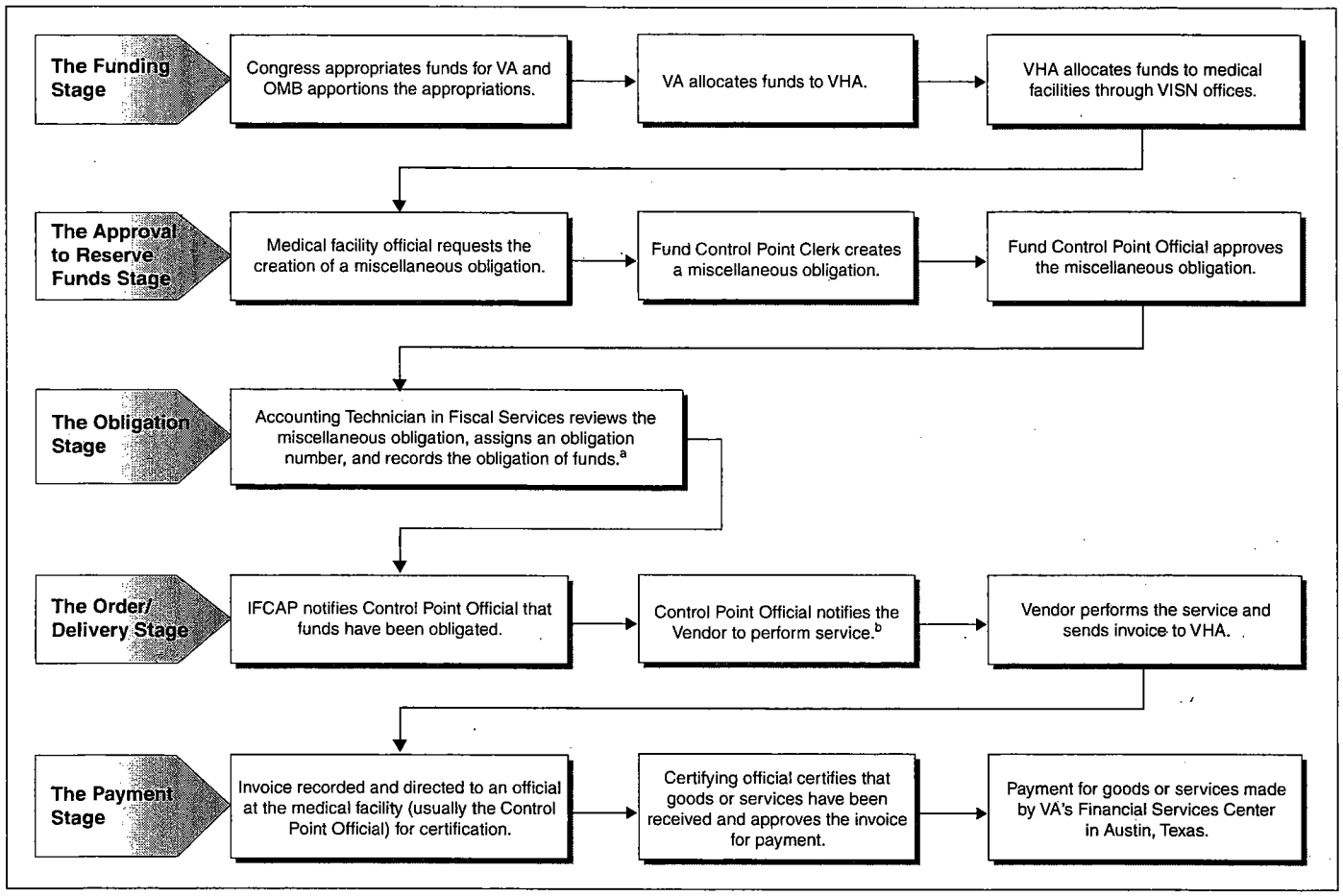
VHA's Current Miscellaneous Obligation Process

The creation and processing of miscellaneous obligations (VA Form 4-1358) is documented in IFCAP—a component of VA's Veterans Health Information System and Technology Architecture (VISTA). The miscellaneous obligation request passes through several stages illustrated in figure 3.[7]

[6]Department of Veterans Affairs Memorandum, *Interim Guidance on Miscellaneous Obligations, VA Form 1358*, dated January 30, 2008.

[7]Further details on processes in place are described in the *Integrated Funds Distribution Control Point Activity, Account and Procurement (IFCAP) PPM Accountable Officer User's Guide, Version 5.1*, Revised May 2007.

Figure 3: VA's Miscellaneous Obligation Process



Source: GAO analysis of VA policy and procedures.

[a]In many transactions, the amount recorded reflects an administrative reservations of funds for which no obligations have yet been incurred.

[b]Our review did not include the processes VHA officials may use to incur legal obligations such as the issuance of purchase orders, delivery orders, or by other means.

Appendix III: Miscellaneous Obligations by VISN in Fiscal Year 2007

VISN[a]	VISN name	Number	Dollar amount	Percent of total
1	New England Healthcare System	6,638	$ 360,762,340	5.2%
2	VA Healthcare Network Upstate New York	2,910	160,799,144	2.3%
3	VA New York/New Jersey Veterans Healthcare Network	7,248	256,453,022	3.7%
4	Stars and Stripes Healthcare Network	12,321	328,355,399	4.8%
5	Capitol Health Care Network	2,024	185,679,821	2.7%
6	The Mid-Atlantic Network	2,808	304,500,111	4.4%
7	The Atlanta Network	4,548	440,137,101	6.4%
8	VA Sunshine Healthcare Network	9,985	496,497,019	7.2%
9	Mid South Veterans Healthcare Network	4,461	356,353,797	5.2%
10	VA Healthcare System of Ohio	5,093	247,515,982	3.6%
11	Veterans Integrated Service Network	3,947	261,290,926	3.8%
12	The Great Lakes Health Care System	4,284	293,466,391	4.2%
15	VA Heartland Network	5,941	300,314,177	4.3%
16	South Central Healthcare Network	9,859	551,236,444	8.0%
17	VA Heart of Texas Health Care Network	2,388	292,273,251	4.2%
18	VA Southwest Healthcare Network	6,308	346,135,243	5.0%
19	Rocky Mountain Network	3,332	220,514,581	3.2%
20	Northwest Network	9,370	360,007,803	5.2%
21	Sierra Pacific Network	11,262	403,378,623	5.8%
22	Desert Pacific Healthcare Network	1,906	388,244,689	5.6%
23	Minneapolis & Lincoln Offices	10,437	354,911,219	5.1%
	Total	**127,070**	**6,908,827,084**	**100%**

Source: GAO analysis of IFCAP database

[a]VISNs 13 and 14 were consolidated and designated as VISN 23

Appendix IV: VHA Stations Ranked by Use of Miscellaneous Obligations

Rank	Station	Facility Number	VISN	Number	Amount
1	Omaha	636	23	6,832	$ 158,912,717
2	North Florida/South Georgia VHA	573	8	4,131	145,875,702
3	Kansas City	589	15	3,603	171,613,075
4	Pittsburgh HCS-University Dr	646	4	3,567	69,880,889
5	VA New York Harbor HCS – NY CA	630	3	3,280	85,275,329
6	San Francisco	662	21	3,200	89,361,982
7	N. California HCS-Martinez	612	21	3,166	88,567,989
8	Upstate New York HCS	528	2	2,910	160,799,144
9	Philadelphia	642	4	2,536	77,015,657
10	VA Boston HCS- Boston Div.	523	1	2,351	102,803,146
11	St. Louis-John Cochran	657	15	2,338	128,701,102
12	Seattle	663	20	2,030	110,264,551
13	G. V. (Sonny) Montgomery VAMC	586	16	1,964	84,782,426
14	VAMC Bronx	526	3	1,743	37,336,434
15	Northern Arizona HCS	649	18	1,706	30,897,276
16	Miami	546	8	1,686	64,028,264
17	Middle Tennessee HCS	626	9	1,644	102,901,107
18	Cleveland-Wade Park	541	10	1,642	119,323,832
19	Portland	648	20	1,602	88,110,706
20	VA Palo Alto HCS-Palo Alto	640	21	1,498	100,993,614
21	Clarksburg	540	4	1,470	25,244,100
22	Amarillo HCS	504	18	1,453	32,694,257
23	Central California HCS (Fresno)	570	21	1,403	30,528,159
24	Fayetteville AR	564	16	1,386	42,468,351
25	Boise	531	20	1,385	35,371,800
26	New Orleans	629	16	1,369	57,125,143
27	VA New Jersey HCS	561	3	1,366	65,538,526
28	W Palm Beach	548	8	1,318	56,059,142
29	Dayton	552	10	1,306	43,574,791
30	Fort Meade	568	23	1,284	28,139,258
31	Bay Pines	516	8	1,128	76,081,613
32	Lebanon	595	4	1,105	29,330,151
33	Alaska HCS	463	20	1,090	55,377,371
34	Togus	402	1	1,085	52,777,782
35	Baltimore	512	5	1,060	92,856,732
36	Chillicothe	538	10	1,037	16,704,890

Rank	Station	Facility Number	VISN	Number	Amount
37	Oklahoma City	635	16	1,020	80,419,697
38	Roseburg HCS	653	20	996	21,172,773
39	Lexington-Leestown	596	9	987	48,090,092
40	Milwaukee WI	695	12	974	59,113,209
41	Walla Walla	687	20	964	13,199,190
42	Dallas VAMC	549	17	942	100,556,097
43	Fargo	437	23	937	26,988,919
44	Wilmington	460	4	923	24,534,375
45	Providence	650	1	900	31,961,444
46	Pacific Islands HCS (Honolulu)	459	21	894	57,759,481
47	Southern Oregon Rehabilitation	692	20	883	11,294,874
48	Phoenix	644	18	879	84,069,252
49	Columbia SC	544	7	870	70,594,890
50	Wilkes Barre	693	4	861	26,987,646
51	Houston	580	16	855	67,739,913
52	Augusta	509	7	846	53,390,674
53	Tampa	673	8	838	116,270,986
54	Alexandria	502	16	830	25,417,175
55	Gulf Coast HCS	520	16	823	46,044,544
56	Hines	578	12	813	72,402,760
57	Eastern Colorado HCS	554	19	803	82,599,599
58	Salt Lake City HCS	660	19	803	68,390,644
59	San Antonio VAMC	671	17	801	113,175,496
60	Butler	529	4	792	15,272,087
61	West Haven	689	1	731	80,337,724
62	Ann Arbor HCS	506	11	715	50,017,830
63	N. Indiana HCS-Marion	610	11	706	33,501,439
64	Coatesville	542	4	702	17,933,344
65	Chicago HCS	537	12	700	53,085,848
66	El Paso HCS	756	18	699	24,242,716
67	Madison WI	607	12	696	46,845,867
68	VA Sierra Nevada HCS	654	21	691	31,948,186
69	Huntington	581	9	690	32,256,564
70	Greater Los Angeles HCS	691	22	670	113,284,821
71	Detroit (John D. Dingell)	553	11	667	41,810,942
72	New Mexico HCS	501	18	666	84,082,667
73	Tuscaloosa	679	7	650	20,128,372

Rank	Station	Facility Number	VISN	Number	Amount
74	Temple VAMC	674	17	645	78,541,658
75	Indianapolis	583	11	645	54,906,324
76	Muskogee	623	16	645	39,781,639
77	Montana HCS	436	19	645	32,278,047
78	Durham	558	6	639	61,960,744
79	Sheridan	666	19	629	12,501,607
80	Manchester	608	1	606	27,003,396
81	White River Jct	405	1	580	28,279,283
82	S. Arizona HCS	678	18	578	69,574,532
83	Columbus	757	10	570	25,461,020
84	Central AR. Veterans HCS LR	598	16	564	70,779,560
85	Washington	688	5	563	65,013,443
86	Illiana HCS (Danville)	550	11	543	19,659,628
87	Cincinnati	539	10	538	42,451,450
88	Minneapolis	618	23	534	93,816,762
89	Mountain Home	621	9	517	57,849,934
90	Orlando	675	8	505	9,342,539
91	San Diego HCS	664	22	503	76,890,097
92	Decatur	508	7	494	103,798,914
93	Richmond	652	6	490	50,242,036
94	Montgomery	619	7	488	33,582,736
95	Birmingham	521	7	481	75,609,201
96	Iron Mountain MI	585	12	459	16,882,679
97	St. Cloud	656	23	456	17,539,831
98	Louisville	603	9	438	51,080,527
99	W.G. (Bill) Hefner Salisbury V	659	6	438	50,753,235
100	VAMC Northport	632	3	433	45,155,858
101	VA Hudson Valley HCS-Montrose	620	3	426	23,146,875
102	Spokane	668	20	420	25,216,539
103	Manila	358	21	410	4,219,213
104	Charleston	534	7	407	44,239,266
105	Overton Brooks VAMC	667	16	403	36,677,997
106	Martinsburg	613	5	401	27,809,646
107	Sioux Falls	438	23	394	29,513,732
108	San Juan	672	8	379	28,838,772
109	North Chicago IL	556	12	353	31,553,133
110	Battle Creek	515	11	337	43,990,975

Rank	Station	Facility Number	VISN	Number	Amount
111	Saginaw	655	11	334	17,403,788
112	West Texas HCS	519	18	327	20,574,543
113	Salem	658	6	326	30,946,603
114	Dublin	557	7	312	38,793,048
115	Loma Linda VAMC	605	22	298	64,213,454
116	Tomah	676	12	289	13,582,895
117	Beckley	517	6	274	11,949,194
118	Cheyenne	442	19	250	13,484,935
119	Fayetteville NC	565	6	243	42,688,173
120	Southern Nevada HCS	593	22	236	95,628,301
121	Bedford	518	1	229	13,576,881
122	Asheville-Oteen	637	6	203	28,266,374
123	Grand Junction	575	19	202	11,259,749
124	Long Beach HCS	600	22	199	38,228,015
125	Hampton	590	6	195	27,693,752
126	Erie	562	4	191	15,333,253
127	Memphis	614	9	185	64,175,573
128	James E. Van Zandt VA(Altoona)	503	4	174	26,823,897
129	Northampton	631	1	156	24,022,684
	Total			127,070	$6,908,827,084

Source: GAO analysis of IFCAP database.

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