

VHA FINANCIAL QUALITY ASSURANCE REVIEWS

SUMMARY OF MAJOR CHANGES: This Veterans Health Administration (VHA) directive encompasses all current Department of Veterans Affairs (VA) financial policies and procedures issued by the Office of Financial Policy, provides detailed guidance on conducting separate financial quality assurance reviews and associated workpapers for reporting results. This directive includes the following major changes:

a. An amendment, dated March 8, 2023, removing the requirement in paragraphs 2.j. and 2.k. that VA medical facility staff conducting Financial Quality Assurance Reviews must be outside of the VA medical facility Chief Fiscal Officer chain of command.

b. Revises responsibilities for Under Secretary for Health, VHA Chief Financial Officer, VA medical facility Director and VA medical facility staff conducting reviews to paragraph 2.

c. Adds responsibilities for the Deputy Under Secretary for Health, Assistant Under Secretary for Health for Operations, Financial Quality Assurance Review Program Coordinator, Veterans Integrated Services Network (VISN) Director, VISN Financial Quality Assurance Manager, VISN Chief Financial Officer and VA medical facility Chief Fiscal Officer to paragraph 2.

d. Adds definitions for Financial Quality Assurance Reviews and internal control to paragraph 7.

2. RELATED ISSUES: VA Handbook 4020, Personal Funds of Patients Procedures, dated October 17, 1994; VA Handbook 5007, Pay Administration THRU CHANGE 61, dated April 23, 2021; VA Handbook 5011, Hours Of Leave THRU 33, dated December 14, 2008; VA Handbook 7002, Logistics Management Policy, dated January 8, 2020; VA Handbook 7545, Cultural Resource Management Procedures, dated December 5, 2011; VA Directive 0730, Security and Law Enforcement, dated December 12, 2012; VA Directive 6500, VA Cybersecurity Program, dated February 24, 2021.

3. POLICY OWNER: The Office of Finance Policy & Training (104C) is responsible for the content of this directive. Questions may be addressed to VHA 104C at: VHACFO104CFQAR@va.gov.

4. RESCISSIONS: VHA Directive 1733, VHA Finance Quality Assurance Reviews, dated September 15, 2017, is rescinded.

5. RECERTIFICATION: This VHA directive is scheduled for recertification on or before the last working day of February 2028. This VHA directive will continue to serve as national VHA policy until it is recertified or rescinded.

February 21, 2023

VHA DIRECTIVE 1733(1)

6. IMPLEMENTATION SCHEDULE: This directive is effective upon publication.

**BY DIRECTION OF THE OFFICE OF THE
UNDER SECRETARY FOR HEALTH:**

Steven L. Lieberman, M.D.
Deputy Under Secretary for Health

NOTE: *All references herein to VA and VHA documents incorporate by reference subsequent VA and VHA documents on the same or similar subject matter.*

DISTRIBUTION: Emailed to the VHA Publications Distribution List on February 21, 2023.

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VHA FINANCIAL QUALITY ASSURANCE REVIEWS

1. POLICY

It is Veterans Health Administration (VHA) policy that Department of Veterans Affairs (VA) medical facilities perform mandatory independent reviews of internal financial controls and enterprise risk management coordinated through VHA Office of Finance, consistent with Office of Management and Budget (OMB) and VA guidance to ensure continued delivery of quality health care to Veterans. **AUTHORITY:** 31 U.S.C. § 3512(c); 38 U.S.C. § 7301(b).

2. RESPONSIBILITIES

a. **Under Secretary for Health.** The Under Secretary for Health is responsible for ensuring overall compliance with this directive.

b. **Deputy Under Secretary for Health.** The Deputy Under Secretary for Health is responsible for supporting the Office of Financial Quality Assurance & Oversight with implementation and oversight of this directive.

c. **Assistant Under Secretary for Health for Operations.** The Assistant Under Secretary for Health for Operations is responsible for:

(1) Communicating the contents of this directive to each of the Veterans Integrated Services Networks (VISNs).

(2) Assisting VISN Directors to resolve implementation and compliance challenges in all VA medical facilities within that VISN.

(3) Providing oversight of VISNs to ensure compliance with this directive and its effectiveness.

d. **VHA Chief Financial Officer.** The VHA Chief Financial Officer, who directs the Office of Financial Quality Assurance & Oversight, is responsible for:

(1) Providing oversight for VISNs and VA medical facilities regarding compliance with this directive and ensuring corrective action is taken when non-compliance is identified.

(2) Confirming that a process is in place for VHA that will evaluate the quality of the work performed within financial operations and related activities.

(3) Developing procedural guidelines for conducting Financial Quality Assurance Reviews (FQAR) (see paragraph 3 for more information).

(4) Establishing the schedule for FQAR (see paragraph 3 for the dates of the FQAR schedule).

(5) Evaluating, analyzing and reporting any significant findings from FQAR to VHA leadership at least annually to mitigate risk and ensure reasonable assurance that program financial goals and objectives are being met.

e. **Financial Quality Assurance Review Program Coordinator, Office of Financial Quality Assurance & Oversight.** The FQAR Program Coordinator is responsible for:

(1) Managing, coordinating and overseeing all aspects of FQAR, including holding quarterly conference calls for FQAR, maintaining the VHA FQAR SharePoint website and FQAR video streaming website, responding to and tracking all inquiries to the VHA 104Q FQAR inbox at VHACFO104CFQAR@va.gov.

(2) Monitoring implementation of VHA FQAR policies and procedures (see paragraph 3) and ensuring these are updated as needed.

(3) Providing training and guidance to VA medical facility staff conducting FQAR. **NOTE:** All recommended training sessions, conference calls and non-formal working session calls, are available on video at the FQAR Conference Call Team SharePoint website at: <https://web.microsoftstream.com/group/1c09ee8e-a1cf-49fd-b08a-3cffbdbee320>. This is an internal VA website that is not available to the public.

(4) Coordinating and serving as the chairperson for subject matter expert groups to update FQAR documents on an ad-hoc basis.

(5) Providing consolidated quarterly aggregate reports for all VISNs to the VHA Chief Financial Officer with a national analysis of the internal review results.

f. **Veterans Integrated Services Network Director.** The VISN Director is responsible for:

(1) Ensuring that all VA medical facilities within the VISN comply with this directive and informing leadership when barriers to compliance are identified.

(2) Ensuring that the VISN Financial Quality Assurance Manager (FQAM) serve as liaison between the Office of Financial Quality Assurance & Oversight and the VISN Director for FQAR.

(3) Reviewing the final VISN Quality Assurance Summary Report completed by the VA medical facility staff conducting the FQAR. **NOTE:** The Quality Assurance Summary Report is no longer referred to as Appendix A. The final VISN Quality Assurance Summary Report and a process map illustrating the steps of FQAR are located on the VHA FQAR SharePoint website at <https://dvagov.sharepoint.com/sites/VHAFinancialQualityAssuranceReviewsFQAR>. This is an internal VA website that is not available to the public.

g. **Veterans Integrated Services Network Financial Quality Assurance Manager.** **NOTE:** In the event that the VISN does not have a VISN FQAM, the report is sent to the

VISN point of contact (POC) designated by the VISN Director. This includes any follow-up reports. The VISN FQAM is responsible for:

(1) Ensuring that VA and VHA financial policies related to this directive are consistently implemented within the VISN and confirming that any updated changes are adhered to by providing consultative services to VA medical facilities.

(2) Serving as the liaison between the Office of Financial Quality Assurance & Oversight and the VISN Director for FQAR.

(3) Providing collaborative oversight, guidance and recommendations regarding FQAR performance improvement at VA medical facilities.

(4) Working together with FQAR Program Coordinator, concerning the quarterly FQAR, to develop and implement internal nationally standardized VISN procedures that mitigate risk.

(5) Reviewing and concurring on all FQAR documents (e.g., VA medical facility Quality Assurance Summary Reports and workpapers) before they are submitted to the VHA FQAR SharePoint website for the appropriate signatures, format and concurrence. **NOTE:** *Workpapers are a Microsoft Excel template used as a resource to enter all findings in a review and must not include any personal identifiable information or public key infrastructure. See the VHA FQAR SharePoint website at <https://dvagov.sharepoint.com/sites/VHAFinancialQualityAssuranceReviewsFQAR> for more information. This is an internal VA website that is not available to the public.*

(6) Combining VA medical facility workpapers into a consolidated VISN spreadsheet that is submitted to VHA FQAR SharePoint website for final review by the FQAR Program Coordinator.

(7) Responding promptly to VA medical facility Chief Fiscal Officer requests for extensions to FQAR due dates (see paragraph 3 for more information).

(8) Providing collaborative oversight, guidance and recommendations to the VA medical facility Chief Fiscal Officer in resolving issues identified in corrective action plans (CAPs) resulting from FQAR.

(9) Reporting all findings of FQAR from VA medical facility Quality Assurance Summary Reports to the VISN Director.

h. **Veterans Integrated Services Network Chief Financial Officer.** The VISN Chief Financial Officer is responsible for ensuring the resolution of issues identified in the corrective action plans (CAPs) as requested by the VA medical facility Director and VISN FQAM.

i. **VA Medical Facility Director.** The VA medical facility Director is responsible for:

(1) Ensuring overall VA medical facility compliance with this directive and appropriate corrective action is taken if non-compliance is identified.

(2) Ensuring the schedule of FQAR from the VHA Chief Financial Officer is adhered to and the deadlines met.

(3) Ensuring that FQAR are established and operational and documentation of FQAR is sufficient to support FQAR findings and recommendations at the VA medical facility based on the requirements of this directive.

(4) Establishing adequate and feasible procedures for CAPs that have been identified in FQAR and ensuring that measurable progress is made toward correcting deficiencies.

(5) Signing the VA medical facility Quality Assurance Summary Report and forwarding it to the VISN FQAM. **NOTE:** *In the event that the VISN does not have a VISN FQAM, the report is sent to the VISN point of contact (POC) designated by the VISN Director. This includes any follow-up reports.*

j. **VA Medical Facility Chief Fiscal Officer.** The VA medical facility Chief Fiscal Officer is responsible for:

(1) Overseeing the VA medical facility staff conducting FQAR. **NOTE:** *VA medical facility staff are assigned by the VA medical facility Chief Fiscal Officer in collaboration with a VA medical facility staff member's supervisor. The VA medical facility Chief Fiscal Officer must ensure that VA medical facility staff responsible for completing FQAR are qualified financial staff, and that segregation of duties exist.*

(2) Requesting FQAR due-date extensions to the VISN FQAM (see paragraph 3 for additional information).

(3) Reviewing and certifying the thoroughness, accuracy, signatures, format and concurrence of all FQAR documents (e.g., VA medical facility Quality Assurance Summary Report and workpapers) before they are submitted to the VISN FQAM.

(4) Signing the VA medical facility Quality Assurance Summary Report and routing it to the VA medical facility Director for their signature.

(5) Ensuring that all supporting documentation is available and that all deficiencies are corrected as annotated on the VA medical facility Quality Assurance Summary Report with CAPs.

(6) Following up and reviewing CAPs within 3 months after the FQAR findings to ensure that CAPs were completed and deficiencies resolved.

k. **VA Medical Facility Staff.** The VA medical facility staff assigned by the VA medical facility Chief Fiscal Officer to conduct FQAR are qualified financial staff. with

segregation of duties. The VA medical facility staff who conduct FQAR are responsible for:

(1) Following the procedures set forth in paragraph 3 of this directive, which provides details on conducting each FQAR.

(2) Completing FQAR based on the schedule set forth in paragraph 3.b. **NOTE:** *If an extension is required, the VA medical facility staff must request this through the VA medical facility Chief Fiscal Officer. See paragraph 3 for more information.*

(3) Drafting the VA medical facility Quality Assurance Summary Report, properly routing it according to the VA medical facility Chief Fiscal Officer and VA medical facility Director and confirming it is signed appropriately. **NOTE:** *The Quality Assurance Summary Report must include all findings and any CAPs.*

(4) Retaining appropriate documentation to support FQAR findings for 6 years and 3 months (see paragraph 3).

3. REQUIREMENTS OF THE FINANCIAL QUALITY ASSURANCE REVIEWS PROGRAM

a. FQAR is a method to evaluate program performance towards measurable targets and report on significant VHA financial management activities. Through a systems approach, the focus is placed on the process of performing the work and providing the product (services), as well as establishing confidence that financial management activities are functioning properly, and the results obtained are correct and useful. FQAR must be performed each year and reported as follows:

Fiscal Year Quarter	Area Reviewed	Due Date for Quality Assurance Summary Report, Workpapers & VISN Matrix	CAP Follow Up
Q1 October 1 – December 31	Voucher Audit Review and General Post Fund Review	January 31	March 31 – April 30
Q2 January 1 – March 31	Payroll Administrative Review and Employee Travel Review	April 30	June 30 – July 31
Q3 April 1 – June 30	Accounting Operations Review and Property, Plant	July 31	September 30 – October 31

Fiscal Year Quarter	Area Reviewed	Due Date for Quality Assurance Summary Report, Workpapers & VISN Matrix	CAP Follow Up
	& Equipment Review		
Q4 July 1 – September 30	Personal Funds of Patients Review and Agent Cashier Review	October 31	December 31 – January 31

b. A Quality Assurance Summary Report must be prepared by the VA medical facility staff conducting the reviews and addressed to the VISN Director. It must include FQAR findings and any CAPs. Once complete, the Quality Assurance Summary Report must be routed through the VA medical facility Chief Fiscal Officer and VA medical facility Director for signature. Once signed by both parties, the Quality Assurance Summary Report is submitted to the VISN FQAM or VISN POC in accordance with the published review schedule for review and concurrence. Additionally, the signed Quality Assurance Summary Report and accompanying workpapers must be uploaded to the VHA FQAR SharePoint website located at

<https://dvagov.sharepoint.com/sites/VHAFinancialQualityAssuranceReviewsFQAR>.

NOTE: VA medical facilities and VISNs are responsible for local distribution of their Quality Assurance Summary Reports. A process map illustrating each step of the FQAR is located on the VHA FQAR SharePoint website. This is an internal VA website that is not available to the public.

c. The results of each FQAR must be formally summarized with particular emphasis placed on describing areas in need of improvement, plans for CAPs and follow-up review if needed. Follow-up reviews will be conducted until there is reasonable assurance that deficiencies have been resolved and the VA medical facility follows the requirements of this directive and other VA and VHA financial policies. When necessary, the VISN FQAM will oversee this procedure. VA medical facilities are required to maintain sufficient documentation to fully support any findings and recommendations. The completed reports, including actions necessary to improve operations, must be submitted to the VA medical facility Director for concurrence or non-concurrence, including a copy to the VISN FQAM.

d. Deadline extensions for FQAR due dates are an exception, not the rule. If an extension is required, the VA medical facility staff conducting FQAR must request this through the VA medical facility Chief Fiscal Officer. In turn, the VA medical facility Chief Fiscal Officer requests an extension from the VISN FQAM or VISN POC. If the extension is approved, VA medical facility Chief Fiscal Officer will be notified by email at VHACFO104CFQAR@va.gov. Extensions are typically granted in 2-week increments.

e. VA medical facility staff who are responsible for FQAR must comply with the procedures set forth by the VHA Chief Financial Officer. Those procedures may be found on the VHA Financial Quality Assurance Office SharePoint at

<https://dvagov.sharepoint.com/sites/VHAFinancialQualityAssuranceReviewsFQAR>.

NOTE: *This is an internal VA website that is not available to the public. This website includes applicable worksheets and procedural guides for FQAR.*

4. TRAINING

There are no formal training requirements associated with this directive. All recommended training sessions, conference calls and non-formal working session calls are available on video at the FQAR Conference Call Team SharePoint website at

<https://web.microsoftstream.com/group/1c09ee8e-a1cf-49fd-b08a-3cffbbee320>.

NOTE: *This is an internal VA website that is not available to the public.*

5. RECORDS MANAGEMENT

All records regardless of format (e.g., paper, electronic, electronic systems) created by this directive shall be managed as required by the National Archives and Records Administration (NARA) approved records schedules found in VHA Records Control Schedule 10-1. Questions regarding any aspect of records management should be addressed to the appropriate Records Officer.

6. BACKGROUND

a. VHA management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, dated July 15, 2016, establishes specific requirements for management controls. To maintain effective internal controls, VHA management must maintain adequate policies and procedures; communicate these policies and procedures; as well as establish controls to reasonably ensure that:

(1) Obligations and costs comply with applicable laws.

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

(3) Revenues and expenditures applicable to VHA operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

b. OMB promulgates guidance to agencies ensuring the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by Federal agencies. OMB Circular No. A-123 defines management's responsibility for internal control in Federal agencies. Therefore, VA is required to establish an effective internal control program for each of its administrations. VA is committed to the core principles of

transparency, participation and collaboration as directed in the President's Memorandum on Transparency and Open Government, dated January 21, 2009. Adhering to such principles is fundamental to VA achieving its mission and vision.

NOTE: *The President's Memorandum on Transparency and Open Government can be found at <https://www.archives.gov/files/cui/documents/2009-WH-memo-on-transparency-and-open-government.pdf>.*

c. FQAR is a procedural reference and guideline to be used for the internal controls review and evaluation of financial management operating activities occurring within VHA.

d. Each quarterly FQAR is designed to assist management in reviewing, analyzing, evaluating, and reporting on its financial procedures, accounting records and internal controls. Although the internal controls review and evaluation may not conform to strict auditing standards, it serves as a management tool to identify strengths and weaknesses in VHA financial management operations and is a tool used to design CAPs for findings.

e. FQAR comprise VA medical facility's functional areas including Voucher Audit, General Post Fund, Payroll Administration, Employee Travel, Accounting Operations, Property, Plant & Equipment, Personal Funds of Patients and Agent Cashier. In each quarter of the fiscal year at least one functional area will be reviewed (see paragraph 3. for the FQAR schedule). **NOTE:** *These areas may be adjusted based on the identification of emerging financial areas identified as potential areas of risk to VHA's annual external financial statement review.*

7. DEFINITIONS

a. **Financial Quality Assurance Review.** FQAR is a method to evaluate program performance towards measurable goals and report on significant VHA financial management activities. These reviews and other analyses are designed to address financial management concerns and provide relevant information to management in a timely manner. The reviews are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organization.

b. **Internal Control.** Internal control is defined by GAO as a process effected by an entity's oversight body, management and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. **NOTE:** *For more information, please see <https://www.gao.gov/products/gao-14-704g>.*

c. **Reasonable Assurance.** Reasonable assurance is sufficient confidence that an organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

8. REFERENCES

- a. 31 U.S.C. § 3512(c).

b. 38 U.S.C. § 7301(b).

c. President's Memorandum on Transparency and Open Government dated January 21, 2009. <https://www.archives.gov/files/cui/documents/2009-WH-memo-on-transparency-and-open-government.pdf>.

d. VA Policy, Volume 1, Chapter 1, VA Financial and Accounting Policy Overview.

e. Federal Government Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, dated July 15, 2016.

f. FQAR Conference Call Team SharePoint Website.
<https://web.microsoftstream.com/group/1c09ee8e-a1cf-49fd-b08a-3cffbdbbee320?view=videos&referrer=https:%2F%2Fvaww.portal2.va.gov%2F>. **NOTE:**
This is an internal VA website that is not available to the public.

g. VHA Financial Quality Assurance Office SharePoint.
[https://dvagov.sharepoint.com/sites/VHAFinancialQualityAssuranceReviewsFQAR/SitePages/104Q%20Financial%20Quality%20Assurance%20Reviews%20\(FQAR\).aspx](https://dvagov.sharepoint.com/sites/VHAFinancialQualityAssuranceReviewsFQAR/SitePages/104Q%20Financial%20Quality%20Assurance%20Reviews%20(FQAR).aspx).
NOTE: *This is an internal VA website that is not available to the public.*

h. GAO Standards for Internal Control in the Federal Government.
<https://www.gao.gov/products/gao-14-704g>.