

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Health Administration

*Review of  
Alleged Improper  
Advances of Appropriated  
Funds to the U.S.  
Government Printing Office*

June 17, 2015  
14-00730-206

# ACRONYMS

CBO	Chief Business Office
FMS	Financial Management System
FY	Fiscal Year
GPO	Government Printing Office
OIG	Office of Inspector General
OALC	Office of Acquisition, Logistics, and Construction
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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## EXECUTIVE SUMMARY

The Office of Inspector General (OIG) received a hotline allegation that the Department of Veterans Affairs (VA) had “parked” approximately \$43 million in annual appropriations at the U.S. Government Printing Office (GPO) and that the funds remained unexpended with little activity since the transfer of funds in 2011. “Parking” refers to the transfer of funds to a revolving fund through an intra-agency agreement in an attempt to keep the funds available for new work after the period of availability for the funds expires. We initiated this review to determine if VA officials appropriately managed these funds.

We substantiated that VA parked \$43 million dollars at GPO for an excessively long period. VA had no contract or agreement with GPO on the specific need for these funds. We found that approximately \$35.2 million of approximately \$43.1 million remained at the GPO unused as of July 2014, in a deposit account for enrollment communications. We identified approximately \$5.6 million had been paid to the VA Supply Fund as service fees, despite there being no services rendered. In addition, VA only expended approximately \$2.3 million over the 34-month period from October 2011 through July 2014, which was not used consistently with the intended need.

We determined Veterans Health Administration (VHA) Chief Business Office (CBO) officials, in conjunction with VA Supply Fund officials, accepted almost \$43.1 million of fiscal year (FY) 2011 funds from within VHA without a bona fide need. CBO transferred approximately \$43.1 million in FY 2011 appropriations to the Supply Fund to print and distribute tailored handbooks, but the funds were deposited in an unrelated account designated for enrollment communications at GPO. As such, CBO officials were able to use the funds in the GPO account at their discretion with no designated purpose.

Supply Fund management acknowledged that they should not have accepted the funds without a bona fide need or charged fees on funds transferred through these accounts. We found that Supply Fund staff did not provide adequate fiscal oversight of the transferred funds. Supply Fund staff did not regularly review open obligations as required by VA policy or reconcile VA’s financial accounting records with source documents related to the transferred funds. Thus, this funding went essentially unmanaged for 3 fiscal years. Then in April 2014, Supply Fund management inappropriately changed the funds’ obligation end dates without ensuring that the obligations were still valid. Further, we found a lack of transparency in VA’s financial accounting records with respect to the change of obligation end dates.

We concluded a breakdown of VA fiscal controls and a lack of oversight led to the parking of funds for an excessively long period and the failure to detect and properly use and manage these funds. VA financial and Supply Fund policies contain provisions on the management, use, and oversight of appropriated funds. However, the policies were not followed and there was a lack of supervisory review to ensure the policies were implemented properly.

We recommended VA consult with the VA Office of General Counsel to remedy the inappropriate expenditure of approximately \$2.3 million of expired funds, take action to deobligate any outstanding balances as deemed appropriate, and evaluate the need for Supply Fund to refund the service fees valued at \$5.6 million. We also recommended VA implement corrective actions to ensure fiscal controls are enforced to avoid future misuse of appropriated funds. We recommended VA review fiscal controls in the Financial Management System to ensure data integrity and an audit trail that reflects the occurrence and source of any accounting record changes. Finally, we recommended VA confer with the Office of Human Resources and the VA Office of General Counsel to determine the appropriate administrative action to take, if any, against management for directing the misuse of approximately \$43.1 million of FY 2011 appropriated funds.

The Principal Executive Director for the Office of Acquisition, Logistics, and Construction agreed with our findings and recommendations and provided plans to implement acceptable corrective actions. The Deputy Assistant Secretary for Finance also concurred and will put processes in place to track the history of new obligations. The Deputy Under Secretary for Health for Operations and Management concurred and will confer with the Office of General Counsel to determine the appropriate administrative action to take.



LINDA A. HALLIDAY  
Assistant Inspector General  
for Audits and Evaluations

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## RESULTS AND RECOMMENDATIONS

### **Allegation**      **Did VA Improperly Park Millions of Dollars of Annual Appropriations at the Government Printing Office?**

The Office of Inspector General (OIG) received a hotline allegation that the Department of Veterans Affairs (VA) had “parked” approximately \$43 million in annual appropriations at the Government Printing Office (GPO) and that the funds remained unexpended with little activity since the transfer of funds in 2011. “Parking” refers to the transfer of funds to a revolving fund through an intra-agency agreement in an attempt to keep the funds available for new work after the period of availability for the funds expires.

#### ***What We Did***

To address this allegation, we interviewed VA officials in the Veterans Health Administration (VHA) Chief Business Office (CBO); the Office of Finance; and the Office of Acquisition, Logistics, and Construction. We contacted GPO OIG officials to confirm VA deposits and to request documentation on expenditures of those funds. We reviewed criteria relevant to the management and use of appropriated funds, including Federal appropriations law, VA financial policy, Office of General Counsel opinions, and other relevant sources. We obtained and reviewed CBO fund transfer authorizations, VA fiscal control process narratives, intra-governmental payment and collection records, and the Supply Fund fee schedule. We also analyzed financial data and reports from VA’s Financial Management System (FMS).

#### ***What We Found***

We substantiated that VA parked millions of dollars in annual appropriations designated for the production of tailored handbooks at GPO for an excessively long period. We found that as of July 2014 approximately \$35.2 million of the original approximately \$43.1 million remained in an unrelated GPO deposit account designated for enrollment communications. We identified approximately \$5.6 million paid to the VA Supply Fund as service fees, and approximately \$2.3 million expended over the 34-month period from October 2011 through July 2014.

The Supply Fund was created to support VA’s mission through the operation and maintenance of a supply system, including procurement of supplies, equipment, personal services; and the repair and reclamation of used, spent, or excess personal property across fiscal years. The fees that the Supply Fund charges are intended to cover their costs for contracting and administering the procurement. The Supply Fund was not intended to be a pass through for funds to be delivered to other agencies, such as GPO in this case.

In September 2011, approximately \$43.1 million of fiscal year (FY) 2011 appropriations became available to the CBO from the Medical Support and Compliance Fund. On September 22, 23, and 27, 2011, via three separate authorizations, the CBO Chief of Publications obligated and transferred these funds to the Supply Fund. The three authorizations to the Supply Fund designated the funds for the production of “tailored handbooks” to provide enrolled veterans with a personalized listing of their VA health benefits. This was in line with an initiative of the former VA Secretary to provide a biannual handbook to veterans outlining current health care benefits information. The authorizations did not specify the quantity of handbooks to be produced or the dates for delivery.

Transfer of the funds to the Supply Fund was part of a plan developed by the Acting Deputy Chief Business Officer, Member Services, to ensure the expiring FY 2011 funds would remain available for future use. In an email dated October 20, 2011, to other CBO officials, the Acting Deputy explained the transfer of the money to the Supply Fund as follows:

*At the end of FY11, lots of money came available to those offices who could use it. We had discovered a way to deposit or “hold” monies with GPO with the ability to use them until the monies are exhausted.*

After obligations were placed in the Supply Fund, the FY 2011 annual appropriations became available for future spending without fiscal year limitation.<sup>1</sup> The Supply Fund levied a 15 percent service fee (approximately \$5.6 million) against approximately \$43.1 million of CBO funds at the time of the transfer. While the Supply Fund was responsible for accounting and fiscal controls over the obligated funds, CBO maintained the spending authority. On September 22, 23, and 27, 2011, the CBO Chief of Publications directed three transfers totaling approximately \$37.5 million from the Supply Fund to GPO while continuing to manage the use of the funds.

A financial manager in CBO became concerned, researched the propriety of this entire activity, and correctly concluded there was no legal way CBO could have the GPO “hold” the funds for VA’s future use. On October 24, 2011, this determination was provided to the Deputy Chief Business Officer for Purchased Care via email. Despite the dissenting opinion, the Acting Deputy Chief Business Officer allowed the obligated funds to remain with GPO.

**Why This Happened**

We found that a breakdown of VA fiscal controls and a lack of oversight led to the parking of funds and the failure to detect them. VA financial and

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<sup>1</sup> Department of Veterans Affairs, *VA Financial Policies and Procedures, Volume II—Chapter 2A, Supply Fund*, August 2009.

Supply Fund policies contain provisions on the management, use, and oversight of appropriated funds. However, the policies were not followed and there was a lack of supervisory review to ensure they were implemented properly.

*No Bona Fide  
Need for the  
Funds*

CBO and the Supply Fund accepted approximately \$43.1 million without a bona fide need. The “bona fide needs” rule states that fixed-year appropriations are available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period.<sup>2</sup> Further, VA financial policy states that an agency may not obligate an annual appropriation for the needs of prior or subsequent years.

CBO transferred approximately \$43.1 million in FY 2011 appropriations to the Supply Fund to print and distribute tailored handbooks, but the funds were not deposited in the tailored handbook account at GPO specifically designated for that purpose. Instead, we found the funds remained largely intact, parked in another account used for enrollment communications to veterans.

CBO provided us a 4-year spending plan covering FY 2014 through FY 2017 to justify its actions to retain use of the expired funds. CBO had no contract or agreement with GPO on the specific need for these funds. As such, CBO was able to use the funds in the GPO account at their discretion with no designated purpose. Over a 34-month period from October 2011 through July 2014, CBO only expended approximately \$2.3 million of these funds in the enrollment communications account to purchase various materials such as pamphlets, business cards, and Affordable Care Act mailings. These expenditures, along with the approximately \$5.6 million Supply Fund fee, left a balance remaining of approximately \$35.2 million in the enrollment communications account as of July 2014.

In contrast, the tailored handbook account VA maintained at GPO appeared to be fully funded. There was a surplus of funds to cover the costs of the handbooks on veterans’ health care benefits. The handbook account in October 2011 had a balance of over \$20.1 million. During the period from November 2011 through July 2014, the account had a net increase of approximately \$6.7 million resulting in a balance of approximately \$26.8 million.

*Improper Use  
of the Supply  
Fund*

Supply Fund management that we interviewed acknowledged that Supply Fund staff should not have accepted or charged fees for CBO’s transfer of the approximately \$43.1 million in FY 2011 funds without a bona fide need. By design, the Supply Fund charges a fee as reimbursement for the direct and indirect costs of services, supplies, and equipment it furnishes to other VA

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<sup>2</sup> Section 1502(a), title 31, United States Code, *Balances Available*.

program offices.<sup>3</sup> In this case, however, the Supply Fund provided nominal services and no procurement activities to justify charging CBO a fee of approximately \$5.6 million.

*Fiscal Controls  
Over the  
Transferred  
Funds*

Supply Fund staff did not provide fiscal oversight of the funds transferred to GPO on behalf of CBO. VA financial policy requires that fiscal staff perform monthly reviews of “open obligations” having no activity for 90 days. Open obligations are those considered incomplete and having a balance associated to them. Supply Fund staff should ensure that the dollar amounts and the time frame for the obligations are consistent with a contract or agreement. Additionally, the staff is required to reconcile FMS records with source documents, such as obligations documents, receiving reports, invoices, and payments. If any of these obligations are required to remain open, Supply Fund staff must obtain a written justification from the requesting office.

Supply Fund staff did not comply with these requirements. Specifically, Supply Fund fiscal staff did not regularly perform a monthly review of open obligations having no activity for 90 days. After we began our work in April 2014, Supply Fund staff initiated a review of GPO undelivered orders from February 2014. We found their review to be incomplete, as staff did not request the documents required by VA financial policy or attempt to validate the bona fide CBO need for the FY 2011 appropriations. Emails between CBO and Supply Fund staff also showed confusion over the amounts and purpose of undelivered orders related to the transferred funds.

Further, Supply Fund staff did not take steps to reconcile FMS—VA’s financial accounting system of record—with source documents related to the transferred funds as required. Source documents should include the valid period of performance for an obligation with a commitment to expend funds, including activity start and end dates. These dates should also have accompanying justification. However, Supply Fund staff emailed suggestions to CBO to change end dates for obligations, if the obligations were still valid, to allow additional time to spend the money. CBO Chief of Publications then emailed the Supply Fund that it still needed the funds.

In response, on April 16, 2014, the Acting VA Supply Fund Chief Financial Officer changed the obligation end dates for the transferred funds from September 30, 2014, to September 30, 2016, without ensuring the obligations were still valid. Our review of FMS data as of July 2014 showed open obligations of approximately \$35.2 million for the transferred funds, with end dates of 2016. When we questioned this action, the Acting VA Supply Fund Chief Financial Officer was reluctant to deobligate the funds since they were CBO controlled-funds.

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<sup>3</sup> Section 8121, title 38, United States Code, *Revolving Supply Fund*.

*Accounting  
Changes  
Without a Clear  
Audit Trail*

Further, we found a lack of transparency in FMS to indicate that the obligation end dates for these funds had been changed. The changes to the obligation end dates were not clearly documented in FMS and were not readily available for examination or reporting purposes. Extracting documents from FMS required the intervention of VA Finance officials. According to *Standards for Internal Control in the Federal Government*, all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.<sup>4</sup>

**What Resulted**

Failure by CBO and Supply Fund staff to follow VA policy and ensure proper fiscal controls resulted in mismanagement and misuse of approximately \$43.1 million of FY 2011 appropriated funds. CBO used the Supply Fund as a pass-through to transfer funds to GPO. It had no current need for the funds and thereby changed them to “no year” funds that it could use at its discretion at a future date. In turn, the Supply Fund profited from approximately \$5.6 million in unnecessary fees levied against CBO without corresponding expenses. The CBO Chief of Publications inappropriately expended approximately \$2.3 million of approximately \$43.1 million in expired funds for purposes other than those for which the funds were originally intended. The Supply Fund’s unsupported change of the obligation end dates from 2014 to 2016 would have allowed funds to continue to be inappropriately expended or wasted.

Further, limitations of FMS reporting obscured the history of obligation end date changes and made it difficult to enforce fiscal controls. This lack of transparency increased the risk that parked funds would not be detected and could delay any action to resolve delinquent orders. As of July 2014, the remaining unexpended balance of approximately \$35.2 million remained at risk for fraud, waste, and abuse. In general, the total of approximately \$43.1 million in FY 2011 funds could have been put to better use.

## **Recommendations**

1. We recommended the Deputy Assistant Secretary for Acquisition, Logistics, and Construction take steps to consult with the Office of General Counsel to remedy the inappropriate expenditure of approximately \$2.3 million of expired funds, determine whether VA should deobligate any outstanding balances, and evaluate the need to return Supply Fund service fees of approximately \$5.6 million.
2. We recommended the Deputy Assistant Secretary for Acquisition, Logistics, and Construction implement a corrective action plan to ensure that fiscal controls are enforced to avoid future misuse of appropriated

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<sup>4</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, November 1999.

funds, including inappropriate use of the VA Supply Fund, and the parking of funds.

3. We recommended the Deputy Assistant Secretary for Finance review the fiscal controls in the Financial Management System to ensure data integrity and an audit trail that reflects the occurrence and source of any accounting record changes.
4. We recommended the Deputy Under Secretary for Health for Operations and Management confer with the Office of Human Resources and the Office of General Counsel to determine the appropriate administrative action to take, if any, against Chief Business Office officials for directing the misuse of approximately \$43.1 million of fiscal year 2011 appropriated funds.
5. We recommended the Deputy Assistant Secretary for Acquisition, Logistics, and Construction confer with the Office of Human Resources and the VA Office of General Counsel to determine the appropriate administrative action to take, if any, against Supply Fund management for circumventing controls over the management of funds.

**Management  
Comments**

The Principal Executive Director for the Office of Acquisition, Logistics, and Construction (OALC) concurred with Recommendation 1. OALC will work with VHA to determine the year of bona fide needs for \$2.3 million in expenditures, and process transactions so that those expenditures are funded with the correct year's appropriated funds. OALC stated that it has returned the service fees and approximately \$35.2 million "of unexpended funds from GPO to VHA." The target completion date for these activities was February 27, 2015.

The OALC Principal Executive Director concurred with Recommendation 2. OALC has implemented corrective actions to enforce fiscal controls, including the discontinuation of advance payments to GPO, and the enforcement of existing and new policy on the use of the Supply Fund. Those policies require that the Supply Fund Chief Financial Officer validate requisitions and funding commitments, that only Supply Fund contracting officers perform procurements for agreements in the 1 VA+ Program, and that all 1VA+ Program applications must be approved by the sponsoring organization's Deputy Undersecretary, Principal Deputy Assistant Secretary, or equivalent. OALC requested closure of Recommendation 2 based on those actions.

The Deputy Assistant Secretary for Finance concurred with Recommendation 3 and provided a responsive action plan to address our recommendation. The Office of Finance will put a daily, automated process in place to capture detailed information relating to obligations when they are processed. This will provide the ability to track the history of all new

obligations from the implementation date forward. The Office of Finance expected to implement the new process in January 2015.

The Deputy Under Secretary for Health for Operations and Management concurred with Recommendation 4 and provided a responsive action plan to confer with the Office of Workforce Management and Consulting and the Office of General Counsel, “to determine the appropriate administrative action to take, if any, against Chief Business Office management.” Management has established a target completion date of 90 days from the publication of this report.

**Note:** In Appendix D, the Deputy Under Secretary for Health for Operations and Management response cites Recommendation 1 when it applies to Recommendation 4.

The OALC Principal Executive Director concurred with Recommendation 5. OALC met with staff from the Office of General Counsel and it was determined that no administrative actions should be taken with the current management, since the responsible management no longer works for OALC. OALC also commented that the Supply Fund management must rely upon the sponsoring organization’s management to review the specific nature of what is obligated and evaluate its conformity to the bona fide needs requirement.

**OIG Response**

The VA concurred with our recommendations and provided comments with corrective action plans, which are responsive to the intent of the recommendations. We will monitor implementation of the planned actions and close the recommendations when we receive sufficient evidence demonstrating progress in addressing the issues identified.

**Government Standards**

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

## **Appendix A Prior Audit Report Identified Weaknesses in VA's Internal Controls To Identify Invalid Undelivered Orders**

In a prior audit report, *Audit of Veterans Health Administration's Undelivered Orders* (Report No. 09-00088-38, December 2, 2009), we found that internal controls for follow-up and reconciliation to identify and deobligate funds for invalid undelivered orders needed improvement.

We reported and made recommendations in the 2009 report that VA was not performing timely reconciliations of FMS records to source documents to ensure the validity of obligations.

Extracts of these findings from the prior audit report are as follows:

### **Page 3: VHA Needs to Conduct Follow-up Every 90 days of Inactivity**

VHA's current practice is to assess the validity of outstanding orders by contacting requesting services or the Supply activity 90 days after the order's end date instead of following up on orders inactive for 90 days or more, as required by VA policy.

### **Page 4: Reconciliation of FMS Undelivered Orders Report with Source Documentation Is Needed.**

None of the eight facilities visited had documented evidence to support reconciliations of the FMS Undelivered Order balances with source documents. . . . In addition, FQAM [Financial Quality Assurance Manager] reviews do not include a review step to ensure reconciliations are conducted in accordance with the new policy. Reconciliations between FMS and source documents would have assisted in the identification of invalid orders.

### **Audit recommendations and management's actions are as follows:**

1. We recommend the Acting Under Secretary for Health establish procedures to follow up on all undelivered orders, including centrally funded construction orders, every 90 days of inactivity to identify outstanding funds that can be deobligated and used for other purposes.

**Management's Actions:** VHA Fiscal Quality Assurance System Handbook 1730.02 was updated on March 16, 2011, and incorporated current VA policy requirements including reviews of supporting documents for undelivered orders. In the interim however, an Alert was issued on March 29, 2010, to address this recommendation.

2. We recommend the Acting Under Secretary for Health establish procedures to ensure monthly reconciliations are conducted in accordance with VA's Financial Policies and Procedures for

Reconciliations, and include monthly reconciliations as a review step in FQAM reviews to identify invalid undelivered orders.

**Management's Actions:** VHA Fiscal Quality Assurance System Handbook 1730.02 was updated on March 16, 2011 and incorporated current VA policy requirements including reviews of supporting documents for undelivered orders. The VHA CFO, via an Alert published on March 29, 2010, established a policy requesting "that reconciliation and review requirements accurately reflect required policies and procedures."

3. We recommend the Acting Under Secretary for Health establish a procedure to ensure that all undelivered orders have end dates recorded in the financial management system so outstanding orders can be aged correctly in the FMS reports.

**Management's Actions:** The VHA CFO issued an accounting policy Alert on March 26, 2010, requiring that all undelivered orders have end dates recorded in FMS. Additionally, Standard Operating Procedures were established on March 29, 2010, requiring "review of all outstanding undelivered orders on a monthly basis to identify non-compliance and assist facilities with timely corrections."

## Appendix B Principal Executive Director, Office of Acquisition, Logistics, and Construction, Comments

### Department of Veterans Affairs

### Memorandum

**Date:** January 21, 2015

**From:** Principal Executive Director, Office of Acquisition, Logistics, and Construction (003)

**Subj:** Draft Report, "Alleged Improper Advances of Appropriated Funds to the Government Printing Office," Project No. 2014-00730-BA-0118 (VAIQ No.7558096)

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

1. The Office of Acquisitions, Logistics, and Construction (OALC) appreciates the opportunity to review the subject draft report and generally concurs with its findings. OALC provides the following comments and corrective actions to the report recommendations.

a. **Recommendation 1:** We recommended Deputy Assistant Secretary for Acquisition and Logistics take steps to consult with the Office of General Counsel to remedy the inappropriate expenditure of approximately \$2.3 million of expired funds, determine whether VA should de-obligate any outstanding balances, and evaluate the need to return Supply Fund service fees of approximately \$5.6 million.

**OALC Response:** Concur. OALC consulted the Office of General Counsel (OGC) who indicated that if the \$2.3 million expended is not part of the obligation that was submitted as a 2011 bona fide need, then the \$2.3 million expenditure at the Government Printing Office (GPO) needs to be funded with appropriations from 2013 and 2014 (corresponding to the year of the outlay). OALC reached out to the Veterans Health Administration (VHA) for clarification as to: (1) the nature of what was procured from GPO with the \$2.3 million, (2) a description of what the funds were obligated for in 2011 and (3) whether VHA viewed the expenditure as being in compliance with appropriations law. Upon receipt of VHA's responses, OALC will work with VHA to process the necessary transactions to fund these expenditures with the correct year's appropriated funds. OALC has returned \$35,194,164.74 of unexpended funds from GPO to VHA emphasizing that these funds are now expired and should either be de-obligated and reprogrammed to meet other outstanding 2011 requirements or returned to the Treasury Department. OALC also returned all Publications Service fees associated with this recommendation.

OALC anticipates completion of all corrective actions to warrant closure of this recommendation by February 27, 2015.

b. **Recommendation 2:** We recommended Deputy Assistant Secretary for Acquisition and Logistics implement a corrective action plan to ensure that fiscal controls are enforced to avoid future misuse of appropriated funds, including inappropriate use of the VA Supply Fund, and the parking of funds.

Page 2.

Subject: Draft Report, "Alleged Improper Advances of Appropriated Funds to the Government Printing Office," Project No. 2014-00730-BA-0118 (VAIQ No. 7558096)

**OALC Response:** Concur. OALC has implemented a number of corrective actions to increase fiscal controls including the following.

OALC discontinued the collection of funds from the customer in advance of orders being fulfilled by the GPO and now collects from customers when the final bill is received. The Office of Acquisition and Logistics also issued new internal policy for acquiring printing and copying services requiring all requisitions and funding commitments be validated by the VA Supply Fund Chief Financial Officer or his/her designated representative in addition to the approval of others whose authority level escalates with the estimated cost (Attachment 1).

OALC is further insuring the VA Supply Fund is not used for "parking of funds" by requiring all 1VA+ obligations of expiring funds comply with the policy issued by the Principal Executive Director of the Office of Acquisition, Logistics, and Construction (OALC) beginning in fiscal year 2013, which requires approval by the sponsoring organization's Principal Deputy Assistant Secretary, Deputy Under Secretary, or equivalent as well as approval by OALC Head of Contracting Authority (HCA) and targets a contract award for the funds by the second quarter of the following fiscal year (Attachments 2 and 3).

Further, at the September 5, 2013, Supply Fund Board Meeting, the Board was informed that effective fiscal year 2013, only those contracting officers employed by the Supply Fund can perform contracting actions under the 1VA+Program (Attachment 4).

OALC requests closure of this recommendation based on the attached evidence.

c. **Recommendation 5:** We recommended the Deputy Assistant Secretary for Acquisition and Logistics confer with the Office of Human Resources and the VA Office of General Counsel to determine the appropriate administrative action to take, if any, against Supply Fund management for circumventing controls over the management of funds.

**OALC Response:** Concur. In 2011, the internal controls were insufficient to prevent publications personnel from establishing contracts and recording revenue without VA Supply Fund fiscal management oversight. The situation has since been rectified with the implementation of new internal controls and monthly processes to review open obligations. On December 4, 2014, OAL met with staff from the Office of General Counsel and it was determined that no administrative actions should be taken with the current management since the responsible management no longer works for OAL. As a point of clarification, while VA Supply Fund management reviews obligations and requests for inclusion in 1VA+ to determine if the narrative descriptions meet the bona fide need rules. But ultimately, the Supply Fund management must rely upon the sponsoring organization's management reviews and analysis as only the requesting organization can evaluate the specific nature of what is delivered versus its conformity to the bona fide need required when obligated.

OALC requests closure of this recommendation based on the information provided.

Page 3.

Subject: Draft Report, "Alleged Improper Advances of Appropriated Funds to the Government Printing Office," Project No. 2014-00730-BA-0118 (VAIQ No. 7558096)

2. Should you have questions regarding this submission, please contact Ms. Melanie Griffin, at (202) 461-6626, or at melanie.griffin@va.gov.



Glenn D. Haggstrom

Attachments: 4

- Internal Policy: Publications Service Order & Accounting Process (Sep 13, 2013)
- Memo: One VA Plus (1VA+) Program use Policy Changes for FY13 (VAIQ 7363790)
- Memo: One VA Plus (1VA+) FY14 Guidance (VAIQ 7453448)
- Minutes to Supply Fund Board Mtng (Sep 5, 2013)

**Publications Service Order & Accounting Process - New**

Below is the recommended step by step generalized description of Publications Service Ordering and Accounting Process for handling and accounting for SF 7700 (Request for Reproduction Services) from their customers. *(Note – At the start of the fiscal year each Customer/PCO will setup a “standardized obligation” to be used to pay for Publications Services charges. Publications Services will setup a single standardized obligation to pay GPO charges.)*

1. The customer (mostly VHA) completes a form 7700 Request for Reproduction Services and submits to their Publications Control Official (PCO) for approval.
2. The PCO approves the 7700 and forwards to Publications Service for an estimate of cost for the reproduction or printing request.
3. Publications Service reviews the 7700 and determines a cost for the request and assigns a “Control Number” to the 7700 request. Publications Service then returns the 7700 back to the PCO.
4. The PCO works with the Budget Official to verify funding availability and provide a “standardized obligation” on the 7700. The 7700 is then sent back to Publications Service.
5. Once Publications Service receives back the 7700 they begin working the request. This may include “In-house” work before the order is forwarded to a Government Printing Office (GPO) designated vendor.
6. Once the order is fulfilled by the GPO vendor it shipped to the customer.
7. GPO initiates a collection using the Treasury IPAC system. GPO generally processes several IPAC collections during the month. Each IPAC transaction may consist of several individual orders.
8. The FSC on a daily basis downloads IPAC activity from Treasury and stores the data in two systems they maintain called “FASPAC” and “FASFED”. The FASPAC contains IPAC transaction data VA has initiated. The FASFED system contains IPAC transaction data Other Government Agencies (OGA's) have initiated. For each GPO billing IPAC downloaded the FSC will record a (DD) transaction in FMS referencing the Publications Service single standardized obligation.
9. Fiscal on a daily will download GPO IPAC transactions from FASPAC/FASFED. Fiscal reviews the IPAC transaction data and identifies the “Control #” for each order GPO has billed for. Many times Fiscal is not able to identify the Control # from information on the IPAC bill and has to request assistance from Publications Service.
10. Fiscal then forwards the IPAC transaction data to Publications Service. Publications Service updates their records for orders that have been fulfilled and billed by GPO. *(Note) On a regular basis the GPO bill is a different amount from what was anticipated when the original estimated cost was collected from the customer. When this happens an adjustment is processed and either more funds are collected from the customer or funds are returned to the customer.*
11. Publications Service researches any orders Fiscal is unable to identify and then provides the Control # for the orders and forwards the information back to Fiscal. When Fiscal has the Control #(s) to an IPAC bill they then process a BD transaction to establish a receivable referencing the customer's standardized obligation. The AR-11 offset program which runs twice a month at Hines then automatically processes a TR transaction clearing the BD and recording revenue. AR-11 also processes a DD transaction referencing the standardized obligation which records an expense to the customer.



Office of Logistics and  
Supply Chain Management

## FACT SHEET

### I. PROGRAM/INITIATIVE NAME

NEW ORDER & ACCOUNTING PROCESS - PUBLICATION SERVICES DIVISION

### II. PROGRAM/INITIATIVE OBJECTIVE(S)

- Discontinue collection of funds from the customer in advance of the order being fulfilled by Government Printing Office.
- Establish a "Standardized Obligations" account used to pay for customer's order in advance.
- Collect from customers when final bill is received.

### III. BACKGROUND

Publication Services Division provides VA printing, binding, and reproduction services to VA administrations and staff offices. The accounting process has in the past few years been the subject of concern by both OAL fiscal managers as well as auditors contracted by the Supply Fund.

During the last two fiscal year audit engagements, the auditors identified two reportable conditions on the management letters. The first reportable condition concerned invalid or expired undelivered orders. Several of the sampled undelivered orders with issues were Publication Services Division related to obligations established to pay for GPO charges per VA Form 7700, Request for Reproduction Services, request. The second reportable condition concerned invalid or un-reconcilable "deferred revenue" balances maintained by Publication Services Division. These line items related to advances received from customers using VAF 7700.

In an effort to remediate the reportable conditions a review of the accounting process and procedures was performed. During this review several steps in the accounting process were determined to be inefficient and duplicative in effect making the reconciliation process challenging. During the review several possible courses of action were identified.

Recommended course of action:

1. The first is to discontinue collecting funds from the customer in advance of the orders being fulfilled by GPO/Vendors. In the past, funds were collected from the customer based on estimated cost of the order and more time than not the billed amount from GPO was different. The differences caused the need for Fiscal to modify the original "IV" and "SO" transactions by increasing or decreasing the amount of the difference. Orders will now only be collected based on actual bills from GPO after the IPAC bill is processed by GPO. This change will eliminate the need to modify transactions due to differences.
2. The second recommendation is for the customers of Publication Services Division to establish "Standardized Obligations" at the start of the fiscal year and use the standardized obligations throughout the fiscal year to pay for their orders. Currently, the customers are only providing Publication Services Division an accounting string (Cost Center, FCP/ACC & Fund) to use to collect. This change will assist in the speed and accuracy of the collection of funds from the customers.
3. The final recommendation is for Publication Services Division to establish a single "Standardized Obligation" at the start of the fiscal year to pay for the IPAC bills originating from GPO. Once the standardized obligation has been created, the FSC will be notified to use it to offset GPO IPACs related to Publications Service throughout the fiscal year.

With each of the recommendations implemented, the number of accounting transactions for Publication Services Division orders will decrease significantly. The possibility of any type of accounting difference also is greatly diminished. The reconciliation process will become less challenging and ultimately the issues that have been identified by the Supply Fund Auditors will have been remediated.

**IV. EXPECTED OUTCOMES**

A significant decrease in the number of accounting transactions is expected.

Reconciliation process will become less challenging.

The issues identified by the Supply Fund Auditors will have been remediated.

**V. STRATEGIES BEING PURSUED TO ACHIEVE OBJECTIVE**

Coordinating with Steve Swanson and Kip Wilson who will assist in facilitating this transition.

**VI. PERFORMANCE RESULTS (METRICS/MEASURES)**

Auditor line item identification inquiry report will reveal performance results.

**VII. RISK(S) AND MITIGATION**

No known risk to VA

*Prepared by: David Wachter, Chief Publication Services Division (003A3B2)*

*Phone: 202-461-5799*

*EMAIL: David.Wachter@va.gov*

*Current as of September 13, 2013*

**Department of Veterans  
Affairs**

**Memorandum**

**Date:** September 4, 2014  
**From:** Associate Deputy Assistant Secretary for Logistics and Supply Chain Management (003A3)  
**Subj:** Authorities and Limitations on Applying Requests for reproduction Services (VAIQ 7510819)  
**To:** Director, Logistics Support Services (003A3B)  
 Chief, Publication Services Division (003A3B2)

1. This memorandum establishes new internal policy for acquiring printing and copying services within the Office of Publication Services Division. Effective immediately, additional internal controls are established when requisitioning print services from the Government Printing Office. Based upon estimated cost thresholds the applicable approval authorities are identified in the table below. All requisitions/ funding commitments must be validated by the CFO, Supply Fund or his/her designated representative.

<b>Approval Authority</b>	<b>Estimated Cost</b>
Production Manager	\$10,000 - \$150,000
Chief, Logistics Service Division	\$150,000 - \$1,000,000
Director, Logistics Support Services	\$1,000,000 - \$5,000,000
ADAS, Logistics and Supply Chain Management	\$5,000,000+

2. Under no circumstances will advancements (parking) of customer's funds relating to future projects be approved. Your compliance with this new internal policy is essential and assures that adequate controls are in place to properly oversee the commitment of Supply Fund resources.

3. Additionally, as prescribed in VA Financial Policies and Procedures-Obligations Policy (Volume II, Chapter 5, Obligations Policy), VA Financial Policies and Procedures-1358 Obligations (Volume II, Chapter 6, 1358 Obligations, Appendix A), and Federal Acquisition Regulation (FAR) 1.601 and FAR 1.602-1, I remind you that your offices may not obligate any funds on behalf of the Government, as only warranted Contracting Officers may obligate funds.



Thomas A. Burgess

cc:  
 ADAS, Acquisition Program Support (003A1)  
 CFA, VA Supply Fund (003A1B)

**Department of Veterans  
Affairs****Memorandum**

**Date:** June 17, 2013  
**From:** Principal Executive Director, Office of Acquisition, Logistics, and Construction (003)  
**Subj:** One VA Plus (1VA+) Program Use Policy changes for FY 2013 (VAIQ No. 7363790)  
**To:** Under Secretaries, Assistant Secretaries, and Other Key Officials

1. This memorandum is to inform you of the revised policies and procedures on the use of the One VA Plus (1VA+) Program effective immediately. Implementing instructions will be provided through the Fiscal Year (FY) 2013 1VA+ Program Handbook at <http://vaww.va.gov/loa/finance/oneVAplus.asp>.
2. Pursuant to Section 8121 of Title 38, the Department of Veterans Affairs (VA) 1VA+ Program allows VA program managers limited fiscal flexibility to extend the availability of expiring funds targeted for specific program needs that cannot be executed as planned without introducing undue risk in the acquisition process. In order to ensure proper program management discipline, preserve the Department's funds with full transparency, and leverage fund flexibility fully consistent with taxpayer/Congressional intent, the following requirements are instituted:
  - a. Only Supply Fund contracting officers may perform the procurements for agreements in the 1VA+ Program.
  - b. Only requirements valued at \$1 million or more resulting in a single contract will be considered for inclusion in the program.
  - c. Program offices must provide additional documentation constituting an actionable contracting package at time of submission as described in the handbook.
  - d. Only funds expiring at the end fiscal year 2013 will be accepted.
  - e. All 1VA+ Program applications must be approved by the sponsoring organizations Deputy Undersecretary, Principal Deputy Assistant Secretary, or equivalent (Attachment).
3. As the number of applications accepted is subject to the availability of Supply Fund procurement resources, the appropriate Office Acquisition, Logistics, and Construction, Head of Contracting Activity (HCA), will review each application to ensure the requested procurement is actionable prior to accepting the agreement into the program. The HCA will then ensure that, to the extent possible, solicitations to support the accepted agreements will be advertised in FedBizOpps.gov by September 30, 2013, and agreements processed through the 1VA+ Program are awarded by January 31, 2014.
4. These new requirements also come with new time constraints. All applications for FY 2013 must be received by the Supply Fund Finance Office (SFFO) by July 15, 2013. The SFFO will coordinate the review and notice of acceptance/rejection for each application by August 7, 2013.

Page 2.

Subject: One VA Plus (1VA+) Program Use Policy Changes for FY 2013 (VAIQ No. 7363790)

5. Although these new timelines and requirements are stringent, their application will ensure the 1VA+ Program continues to meet the needs of the Veterans we serve. I would ask that you please disseminate this memorandum accordingly. If you have any questions, please have your staff contact the SFFO at [vaal-m1accounting@va.gov](mailto:vaal-m1accounting@va.gov) or Mr. Steve Swanson, Chief Financial Officer, VA Supply Fund at (202) 461-6925, or via e-mail at: [steve.swanson@va.gov](mailto:steve.swanson@va.gov).



Glenn Haggstrom

Attachment

**Department of Veterans  
Affairs**

**Memorandum**

**Date:**

**From:** Deputy Under Secretary, Principal Deputy Assistant Secretary or Equivalent

**Subj:** FY 2013 Submission for the 1VA+ Program

**To:** Principal Executive Director, Office of Acquisition, Logistics and Construction  
(003)

**Thru:** Chief Financial Officer, VA Supply Fund

1. This memorandum contains applications for inclusion in the fiscal year (FY) 2013 1VA+ Program. Each proposal contains the documentation required by the memorandum issued under VAIQ number 7363790.
2. I have reviewed and verified the prioritized submission(s). I affirm the bona fide for these projects and attest that each proposal meets the requirements set forth in the FY 2013 1VA+ Program Handbook.
3. Attached is a spreadsheet summarizing and prioritizing each application as well as the individual applications.

//signed//

Deputy Under Secretary, Principal Deputy Assistant Secretary , or Equivalent

Attachment(s)

Template Form to Accompany FY13 Submission for the 1VA+ Program

(Table must contain these headings at a minimum; however, additional information may be included as necessary for your respective organization.)

	<b>Title</b>	<b>Funding</b>	<b>Priority</b>
	Title of proposed 1VA+ Application	Total estimated cost, including appropriate Supply fund fee for contract award	Please rate each proposed agreement using the following ranking Priority 1–3: <ul style="list-style-type: none"> <li>• Priority 1 – SECVA Initiatives (Application directly supports Access, Backlog, and/or Homelessness)</li> <li>• Priority 2 – Administrative/Staff office Initiatives (affects the entire Administration or Staff Office)</li> <li>• Priority 3 – VISN/Facility/Office Initiatives (affects a single entity within the Administration or Staff Office)</li> </ul>
1			
2			

**Department of Veterans  
Affairs****Memorandum**

**Date:** April 30, 2014

**From:** Principal Executive Director, Office of Acquisition, Logistics, and Construction (003)

**Subj:** Department of Veterans Affairs (VA) One VA Plus (1VA+) Fiscal Year (FY) 2014 Guidance (VAIQ 7453448)

**To:** Under Secretaries, Assistant Secretaries, and Other Key Officials

1. This memorandum is to inform you of the revised policies and procedures on the use of the VA 1VA+ Program effective immediately. Implementing instructions will be provided through the FY 2014 1VA+ Program Handbook at <http://vawww.va.gov/oal/finance/oneVAplus.asp>. These policies and procedures were briefed to the Supply Fund Board of Directors (SFBOD) on April 18, 2014, with no objections raised.

2. Pursuant to Section 8121 of Title 38, the Department's 1VA+ Program allows VA program managers limited fiscal flexibility to extend the availability of expiring funds targeted for specific program needs that cannot be executed as planned without introducing undue risk in the acquisition process. In order to ensure proper program management discipline, preserve the Department's funds with full transparency, and leverage fund flexibility fully consistent with taxpayer/Congressional intent, the following requirements have been instituted:

- a. Only Supply Fund contracting officers may perform the procurements for agreements in the 1VA+ Program.
- b. Only requirements valued at \$1 million or more resulting in a single contract will be considered for inclusion in the program.
- c. Program offices must provide additional documentation constituting an actionable contracting package at time of submission as described in the 1VA+ Program Handbook.
- d. Only funds expiring at the end of FY 2014 will be accepted.
- e. All 1VA+ Program applications must be approved by the sponsoring organization's Principal Deputy Assistant Secretary, Deputy Under Secretary, or equivalent (see the template at Attachment 1).

3. All applications for FY 2014 must be submitted to the Supply Fund Finance Office (SFFO) by Monday, July 14, 2014. The SFFO will coordinate the review by the appropriate HCA who will provide notice of acceptance/rejection for each application by Friday, August 8, 2014, to allow the sponsoring organization time to pursue alternative procurement methods.

Page 2.

Department of Veterans Affairs (VA) One VA Plus (1VA+) Fiscal Year (FY) 2014  
Guidance (VAIQ 7453448)

4. As the number of applications accepted is subject to the availability of Supply Fund procurement resources, the appropriate Office of Acquisition, Logistics, and Construction (OALC) Head of Contracting Activity (HCA) will review each application to ensure the requested procurement is actionable prior to accepting the agreement into the program. The OALC HCA will then ensure that solicitations to support the accepted agreements will be advertised in Federal Business Opportunities by Tuesday, September 30, 2014, and awarded by Friday, January 30, 2015. This is necessary to establish a bona fide need in the year of funding and to meet the Secretary's direction of obligating prior years funds in an expeditious manner.

5. With regard to 1VA+ agreements put in place during FY 2010 and FY 2011, there are significant amounts of money that have not been obligated via contract award (see Attachment 2). The sponsoring program office for these 1VA+ agreements must certify that a bona fide need still exists and provide an explanation for the delay in obligating these funds during the agreement period. The actionable procurement packages, as outlined in the FY 2014 1VA+ Program Handbook at <http://vawww.va.gov/oal/finance/oneVAplus.asp>, must be provided to the Office of Acquisition Operations (OAO) via entry into the Virtual Office of Acquisitions Portal located at <https://www.voa.va.gov/>. If the deadlines for submissions provided in the table below are not met, the SFFO will remove the money from the Supply Fund and return the unobligated balances to the program office. Please note that requirements entailing an open market strategy cannot be accepted as the deadline to receive acquisition requirements packages using this type of strategy has passed. In addition, the deadline has also passed for contracts with an estimated award value greater than \$5 million. Please contact Mr. Robert Overbey, at (202) 461-6809 or [robert.overbey@va.gov](mailto:robert.overbey@va.gov) for information regarding your FY 2010 and FY 2011 agreements .

<b>Value/Type of Procurement</b>	<b>Cut-Off Date</b>
FSS (<\$5M)	June 13, 2014
Orders Against Established Contracts/IDIQs (<\$5M)	June 13, 2014
Interagency Agreements <\$150,000	June 30, 2014
Options (Memo & funding)	July 25, 2014
Any acquisition >\$5M	3 months prior to expiration
Open Market Acquisitions	No bnger accepted
	No bnger accepted

Page 3.

Department of Veterans Affairs (VA) One VA Plus (1VA+) Fiscal Year (FY) 2014  
Guidance (VAIQ 7453448)

6. if you have any questions on the 1VA+ program or procedures, please have your staff contact Mr. Steve Swanson, Chief Financial Officer, VA Supply Fund, at (202) 461-6925, or [steve.swanson@va.gov](mailto:steve.swanson@va.gov). Inquires may also be sent to the SFFO mailbox at: [VAOAL-M1AAccounting@va.gov](mailto:VAOAL-M1AAccounting@va.gov).



Glenn Haggstrom

Attachment

**Department of Veterans  
Affairs**

**Memorandum**

**Date:**

**From:**

**Subj:** Fiscal Year (FY) 2014 Submission for the One Veterans Affairs Plus (1VA+) Program

**To:** Principal Executive Director, Office of Acquisition, Logistics and Construction (003)

**Thru:** Chief Financial Officer, VA Supply Fund

As requested, the attachment contains our organization's proposed submissions for inclusion within the FY 2014 1VA+ Program. Each proposal contains the documentation required by the FY 2014 1VA+ Program Handbook guidance, including summary information for each proposal and prioritization for execution.

I certify that there is a currently existing bona fide need for these projects and am requesting your immediate attention and action.

Should you or your staff have any concerns regarding this submission, please contact Mr/Ms. XXXX. at (XXX) XXX-XXXX or xxx.xxx@va.gov.

SIGNED BY

Deputy Under Secretary, Principal Deputy Assistant Secretary , or Equivalent

Attachment

Template Form to Accompany FY14 Submission for the 1VA+ Program

<b>Attachment</b>			
	<b>Title</b>	<b>Funding</b>	<b>Priority</b>
	<i>Title of proposed 1VA+ Application</i>	<i>Total estimated cost, including appropriate Supply Fund fee for contract award</i>	Please rate each proposed agreement using the following ranking: the application directly supports: <ul style="list-style-type: none"> <li>• Priority 1 – SECVA Goal (e.g., Homelessness, Access, Backlog).</li> <li>• Priority 2 – Admin/Staff Office Goal.</li> <li>• Priority 3 – Organizational Goal/Other.</li> </ul>
1			
2			

Minutes for Supply Fund Board Meeting of September 5, 2013

<b>Agenda for Meeting of September 5, 2013</b>	
1.	<i>Opening Remarks / Approval of Minutes - VOTE</i>
2.	<i>FY 2014 and Proposed FY 2015 Supply Fund Budgets - VOTE</i>
3.	<i>Proposed FY 2014 Rate Structure - VOTE</i>
4.	<i>1VA+Program:</i> <i>A: FY 2013 Activity</i> <i>B: Prior Year Balances</i> <i>C: Legal Opinion on Source of Contracting Services</i>
5.	<i>Billing Holiday:</i> <i>A: Status of FY 2013 Billing Holiday</i> <i>B: Proposed FY 2014 Billing Holiday – VOTE</i> <i>C: Reserve Impact</i>
6.	<i>Open Discussion:</i> <i>A: Status of Legal Opinions</i> <i>B: Center for Veterans' Enterprise (CVE) Legislation</i>

Agenda Item 1. Opening Remarks / Approval of Minutes -- VOTE: Jan Frye opened the meeting by calling for a motion to approve minutes of the March 1, 2013 meeting. The motion was approved unanimously by the Board.

Agenda Item 2. FY 2014 and Proposed FY 2015 Supply Fund Budgets -- VOTE: Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table. The Board voted unanimously to approve the budgets as presented in the table.

	<b>Supply Fund Budget</b>	
	FY 2014	FY 2015 Proposed
Projected Income	\$280,000,000	\$290,000,000
Billing Holiday	(\$65,000,000)	\$0
Income Less Billing Holiday	\$215,000,000	\$290,000,000
Projected Expenses:		
Salaries and Benefits	\$125,000,000	\$138,000,000
Other	\$155,000,000	\$152,000,000
Total Expenses	\$280,000,000	\$290,000,000
Net Income	(\$65,000,000)	\$0

Minutes for Supply Fund Board Meeting of September 5, 2013

Agenda Item 3. Proposed FY2014 Rate Structure -- VOTE: Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table. The Board voted unanimously to approve the rate structure as presented in the table. Mr. Haggstrom then directed Jan Frye and Steve Swanson of his staff to prepare a memo in the coming days informing appropriate VA senior executives of the approved rate reduction for Assisted Contracting Services from 3% to 2% for FY 2014.

Proposed FY 2014 Rate Structure				
Organization	Rate Description	FY 2013	FY 2014 Proposed	Change
NAC	Direct Delivery	1.40%	1.40%	0
	Purchasing (Emergency)	1.00%	1.00%	0
	IFF (FSS Commodities)	0.50%	0.50%	0
	IFF (FSS Services)	1.00%	1.00%	0
	National Contracts	0.50%	0.50%	0
	Prime Vendor	0.25%	0.25%	0
	Generic Drug Repackaging	1.00%	1.00%	0
DALC	Hearing Aids	3.50%	3.50%	0
	Batteries	15.00%	15.00%	0
	Audio Reading Devices	3.50%	3.50%	0
	Other Commodities	7.50%	7.50%	0
	Tele-health Devices	7.50%	7.50%	0
	Commercial Hearing Aid Repairs	\$13.75 + Comm. Charges	\$13.75 + Comm. Charges	0
	In-house Hearing Aid Repairs	\$13.75	\$13.75	0
	Assisted Contracting Services	2.00%	2.00%	0
	FSS Contracts	1.00%	1.00%	0
Office of Acquisition Operations	FSS Contracts	0.50%	0.50%	0
	Interagency Agreements	1.00%	1.00%	0
	Assisted Contracting Services	3.00%	2.00%	(1.00%)
SDC	Flags - VA	\$4.21	\$4.21	0
	Flags - OGA	\$5.50	\$5.50	0
	Quality Assurance - HTME	\$95/Hour	\$95/Hour	0
VAAA	Training	Various - Based on course	Various - Based on course	0
Publications	Printing	15.00%	15.00%	0
Finance	Capital Lease - VA	5.00%	5.00%	0
	Capital Lease - OGA	6.00%	6.00%	0

Minutes for Supply Fund Board Meeting of September 5, 2013

Agenda Item 4. 1VA+Program:

4A: FY 2013 Activity: Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table.

FY 2013 1VA+Agreements		
	Number	Dollars
Submitted:	14	\$41.1m
Accepted	3	\$8.5m
Rejected	3	\$13.2m
Pending	8	\$19.4m

4B: Prior Year Balances: Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table:

1VA+Program - Available Balances as of August 15, 2013					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Obligation Required by <u>9/30/2011</u>	Obligation Required by <u>9/30/2012</u>	Obligation Required by <u>9/30/2013</u>	Obligation Required by <u>9/30/2014</u>	Obligation Required by <u>9/30/20 14</u>
VHA	\$17,885	\$1,239,540	\$4,224,342	\$16,239,539	\$114 ,245,261
Staff Offices	\$1,177	\$2,820,288	\$418,108	\$3,915,344	\$12,220,512
VBA	\$0	\$0	\$916,932	\$20,406,049	\$1,221,823
NCA	\$0	\$0	\$1,159,516	\$1,479,330	\$65,133
OIG	\$19,622	\$17,903	\$1,510,490	\$1	\$818,100
<b>Total</b>	<b>\$38,684</b>	<b>\$4,077,732</b>	<b>\$8,229,388</b>	<b>\$42,040,263</b>	<b>\$128,570,828</b>

4C: Legal Opinion on Source of Contracting Services Glenn Haggstrom informed the Board that a legal opinion by the Office of General Counsel mandates that, effective FY 2013, only those contracting officers employed by the Supply Fund can perform contracting actions under the 1VA+Program.

Agenda Item 5. Billing Holiday:

5A: Status of FY 2013 Billing Holiday: Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table:

Status of FY 2013 Billing Holiday		
VBA	\$650,000	Processing in August and September
OIT	\$21,000,000	Processed in August and September
VHA	Declined	Plan for FY 2014 Billing Holiday

Minutes for Supply Fund Board Meeting of September 5, 2013

58: Proposed FY 2014 Billing Holiday - VOTE: Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table. The Board voted unanimously to approve it as presented.

<b>Proposed FY 2014 Billing Holiday</b>	
<b>Proposed Amount = \$65M</b>	
<b>Note: this amount will reduce Supply fund reserves to 6 month expense level.</b>	

5C: Reserve Impact - Glenn Haggstrom, Jan Frye, and Steve Swanson presented the below table. They also note that the Supply Fund reserve target is \$145,000,000:

<b>Reserve Impact of Billing Holiday</b>	
<b>Reserves Beginning-of-FY 2013</b>	<b>\$233,283,000</b>
<b>Billing Holiday - FY 2013</b>	<b>(\$22,000,000)</b>
<b>Reserves End-of-FY 2013</b>	<b>\$211,283,000</b>
<b>Billing Holiday - FY 2014</b>	<b>(\$65,000,000)</b>
<b>Reserves End-of-FY 2014</b>	<b>\$146,283,000</b>
<b>Note: The 1% rate reduction for Assisted Contracting Services is estimated to reduce revenue by \$10m to \$15m.</b>	

6: Open Discussion:

6A: Status of Legal Opinions - Mr. Frye announced the Office of General Counsel issued two legal opinions on the use of the Supply Fund. The first legal opinion stated it was not legal for the Supply Fund to be used to pay for the recovery of unused pharmaceuticals from Veterans. The second legal opinion gave guidance on whether the Supply Fund could pay the salaries of new employees in the VHA Procurement and Logistics Office.

6B: Center for Veterans' Enterprise (CVE) Legislation - Mr. Haggstrom alerted the Board to pending legislation that will move the Center for Veteran Enterprise (CVE) from VA to the Small Business Administration. However, the SBA will not receive an increased appropriation for CVE. Instead, the CVE will continue to be funded by the Supply Fund. Mr. Haggstrom will keep the Board apprised of this legislation's status.

Minutes for Supply Fund Board Meeting of September 5, 2013

Supply fund Board Members in Attendance (Note: Names of Board Members are <u>underlined</u> )				
#	Office	Board Status	Attendee	Title
1.	OALC	Chairperson & Voting Member	<u>Glenn Haggstrom</u>	Executive Director of Acquisition, Logistics, and Construction (003)
2.	OM	Voting Member	Helen Tierney	Attending for Principal Deputy Assistant Secretary for Management (004)
3.	OAL	Voting Member	<u>Jan Frye</u>	Deputy Assistant Secretary for Acquisition and Logistics (003A)
4.	VHA	Voting Member	<u>Kathleen Turco</u>	VHA Chief Financial Officer (17)
5.	VHA PLO	Voting Member	<u>Norbert Doyle</u>	VHA Chief Procurement and Logistics Officer (10F)
6.	VBA	Voting Member	<u>Jamie Manker</u>	VBA Chief Financial Officer (24)
7.	NCA	Voting Member	<u>Ron Walters</u>	NCA Chief Financial Officer (41B)
8.	OIT	Voting Member	Rom Mascetti Proxy	Attending for Office of Information and Technology (005A)
9.	OGC	Voting Member	<u>Jack Thompson</u>	Deputy General Counsel (02A)

## Appendix C Deputy Assistant Secretary for Finance Comments

### Department of Veterans Affairs

### Memorandum

**Date:** January 8, 2015  
**From:** Deputy Assistant Secretary for Finance (047)  
**Subj:** Draft Report, "Alleged Improper Advances of Appropriated Funds to the Government Printing Office," Project No. 2014-00730-BA-0118  
**To:** Assistant Inspector General for Audits and Evaluations (52)

1. The Office of Finance has reviewed your draft report (recommendation No. 3) and has the following comment.
2. The Office of Finance concurs with the recommendation. Due to a very large volume of financial transactions, the Financial Management System (FMS) only holds certain audit trail information online for a limited period of time. The audit trail remains in existence, but it is archived and requires restoration to review. It is neither cost effective nor viable to perform continued system restorations to access this type data. Therefore, an automated job will be put in place to capture the detailed information relating to obligations when they are processed. The detailed information will be stored daily. The new process is expected to be implemented in January 2015. This will provide the ability to track the history of all new obligations from the implementation date forward.
3. If you have questions, please contact Jonathan Lambert at 202 461-6173.

*(original signed by:)*

Laurie Park

**Appendix D Deputy Under Secretary for Health for Operations and Management Comments**

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** December 22, 2014

**From:** Deputy Under Secretary for Health for Operations and Management (10N)

**Subj:** Administrative Investigation, Review of Alleged Improper Advances of Appropriated Funds to the Government Printing Office

**To:** Assistant Inspector General for Investigations

1. I have reviewed the findings and recommendations contained in the above captioned Administrative Investigation report.
2. We will confer with the appropriate parties to determine appropriate action as detailed in the attached report.

*(original signed by:)*

Philip Matkovsky

Attachment

Page 2.

Subject: Administrative Investigation, Review of Alleged Improper Advances of Appropriated Funds to the Government Printing Office

**DUSHOM Comments  
to Office of Inspector General's Report**

The following DUSHOM's comments are submitted in response to the recommendations in the Office of Inspector General's Report:

OIG Recommendation(s)

**Recommendation 1.** We recommend the Deputy Under Secretary for Health Operations & Management confer with the Office of Human Resources and the Office of General Counsel to determine the appropriate administrative action to take, if any, against Chief Business Office management for directing the misuse of approximately \$43.1 million of fiscal year 2011 appropriated funds.

**Comments:** Following receipt and review of the evidence, the Deputy Under Secretary for Health for Operations and Management (DUSHOM) will confer with the Office of Workforce Management and Consulting (WMC) and the Office of General Counsel (OGC), to determine the appropriate administrative action to take, if any, against Chief Business Office management.

**Target Completion Date:** 90 days from the publication of the OIG Report. Following receipt and review of the evidence, an appropriate administrative action will be initiated.

## Appendix E      **OIG Contact and Staff Acknowledgments**

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OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Murray Leigh, Director Derek Chatham Kristina Dunn Nathan Fong D. Stephen Nose Sunday Okurume Sue Schwendiman Tom Seluzicki Nelvy Viguera Butler
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## **Appendix F      Report Distribution**

### **VA Distribution**

Office of the Secretary  
Veterans Health Administration  
Veterans Benefits Administration  
National Cemetery Administration  
Assistant Secretaries  
Office of General Counsel

### **Non-VA Distribution**

House Committee on Veterans' Affairs  
House Appropriations Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
House Committee on Oversight and Government Reform  
Senate Committee on Veterans' Affairs  
Senate Appropriations Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Senate Committee on Homeland Security and Governmental Affairs  
National Veterans Service Organizations  
Government Accountability Office  
Office of Management and Budget

**This report is available on our Web site at [www.va.gov/oig](http://www.va.gov/oig).**