

Department of Veterans Affairs

Memorandum

Date: February 17, 2012
From: Director, Dallas Audits and Evaluations Operations Division (52DA)
Subj: Close-out Memorandum: Review of Allegations of Contract Funding Mismanagement at the Office of Business Oversight (OBO) (Austin, TX)
(Project Number: 2011-02258-R6-0242)
To: Director, Hotline Division (53E)
Thru: Deputy Assistant Inspector General for Audits and Evaluations (52B)

1. In October 2011, the Dallas Audits and Evaluations Office initiated a review of an allegation that the Office of Business Oversight's (OBO) Internal Control Service (ICS) was misusing VA funds to perform unnecessary work within ICS. According to the complainant, Management Quality Assurance Service (MQAS), another division within OBO, transferred about \$1 million in excess funds to ICS at the end of FY 2011 to keep from having to return the funds to VA's Office of Management, as required. ICS then allegedly obligated the funds to contract services that were not needed, wasteful, or did not provide services of value to OBO operations.
2. To address the allegation, we interviewed OBO, ICS, and MQAS directors; key ICS personnel; and the complainant. We also reviewed contract documentation, applicable laws and regulations, organization charts, and emails related to the allegation.
3. We concluded that the OBO Director, based on his position, had the right to authorize the transfer of excess funds from MQAS to ICS. MQAS transferred the funds because it had a surplus due to unfilled staffing positions and travel not taken during a time of budget uncertainties and continuing resolutions. ICS subsequently obligated about \$822,000 of the transferred funds against three task orders and returned about \$178,000 to VA's Office of Management. ICS used the \$822,000 for contractor services to test and provide narrative descriptions of VA internal control processes to comply with Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Controls*, and Circular A-127, *Financial Management Systems*. Further, the services helped ICS perform mission-related work that needed to be completed but would have otherwise gone undone in FY 2011. Consequently, we did not substantiate the allegation and make no recommendations related to the misuse of VA funds within OBO.
4. If you have any questions or would like to discuss the review, please contact Ms. Heather Jones, Audit Manager at (b) (6) or me at (b) (6)

Original signed by:
MARIO CARBONE