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VETERANS HEALTH ADMINISTRATION

Financial Controls and
Payments Related to
VA-Affiliated Nonprofit
Corporations: Boston VA
Research Institute

AUDIT

REPORT #18-00711-211

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Executive Summary

The VA Office of Inspector General (OIG) conducted this audit in response to hotline complaints received in April and July 2017 and a congressional request received in August 2017, alleging violations of law and VA policy at the Boston VA Research Institute (BVARI), a VA-affiliated nonprofit corporation (NPC). VA is responsible for oversight of VA-affiliated nonprofit corporations.

The VA-affiliated NPC program was established in 1988 to facilitate VA-approved research projects at VA medical facilities nationwide. BVARI was established in 1990 as an NPC to conduct medical research and education activities approved by the VA Boston Healthcare System (VABHS). In fiscal year 2017, BVARI reported revenues of approximately \$9.8 million in government funding, which included \$4.6 million from VA. BVARI also received approximately \$2.2 million from nongovernment sources for a total of approximately \$12.1 million.¹

Most of the allegations centered on the inappropriate use of Intergovernmental Personnel Act (IPA) agreements, including payment of prohibited administrative fees. These IPA agreements allow VA and affiliated NPCs to collaborate on mutually beneficial research, education, or training activities, and for VA to fund part or all of the salary and fringe benefits of employees working on the VA-approved projects.² VA Handbook 5005, *Staffing*, prohibits the billing of “indirect administrative fees associated with preparing and maintaining payroll records, developing reports, negotiating the IPA agreement, office space, furnishings, supplies, staff support, and computer time.”

The OIG determined whether VABHS paid BVARI prohibited administrative fees associated with IPA agreements from December 2012 through October 2017. The audit also determined whether the Veterans Health Administration (VHA) took steps in a timely manner to recover any prohibited administrative fees paid to BVARI, and whether VABHS authorized other prohibited or inappropriate payments to the NPC.

Two allegations focused on whether senior VABHS officials attempted to cover up the prohibited fee payments or interfered with on-site audits. Accordingly, the OIG determined whether senior VABHS officials attempted to cover up any prohibited administrative fees and whether they interfered with on-site audits of VA-affiliated NPCs nationwide and efforts to recoup overpayments to BVARI for prohibited administrative fees.

¹ Fiscal year 2017 data represents the latest available data. According to the Nonprofit Program Office, the NPC 2018 consolidated annual report will be submitted to Congress December 2019. Numbers were rounded and may not sum exactly.

² Fringe benefits are composed of social security, workers' compensation, and retirement plan costs, among other things.

What the Audit Found

The OIG identified serious lapses in oversight as well as ineffective internal controls. This resulted in VABHS authorizing prohibited and inappropriate payments totaling approximately \$1.6 million to BVARI. Payments included \$685,000 in administrative fees related to IPA agreements, as well as \$576,000 in salaries and benefits for personnel providing administrative support. The OIG concluded that BVARI intentionally included an administrative fee prohibited by VA policy on invoices to VABHS from January 2014 through April 2017. These payments occurred because VABHS officials did not follow VA policy when approving the payments. According to the VABHS associate chief of staff for research and development (R&D) who was also a member of BVARI's board of directors, he did not review VA policy or request guidance from the Nonprofit Program Office (NPPO) or the Office of General Counsel (OGC) before the fee was implemented.³ The VABHS director told the OIG he deferred to the R&D associate chief of staff on all matters related to BVARI activities and did not conduct a review of applicable VA or VHA policy.

In addition, BVARI billed and VABHS paid approximately \$576,000 for salaries and benefits for employees who were not supposed to be working under the IPAs. VABHS also made \$341,000 in duplicate payments for retirement contributions for some positions covered under the IPAs. The duplicate retirement contributions were paid because VABHS R&D Budget Office staff failed to follow VA financial policy requiring verification that an invoice was not a duplicate or had not been previously paid.⁴ The OIG found that VABHS took steps initially to recoup the prohibited IPA administrative fees paid to BVARI; however, actions to complete the recoupment were not timely. Despite the VABHS director being notified in November of 2017 for BVARI to repay the funds, officials at VABHS did not act to recover these funds in a timely manner, resulting in a loss to taxpayers of money not timely recouped that could have been used for other VABHS activities. This occurred because the VABHS director expressed concerns for BVARI's viability since it supports critical research projects, and another VABHS official said immediately discontinuing the fee would negatively affect research.

Finally, apart from the \$1.6 million discussed above, the OIG also estimated VABHS made approximately \$22.8 million in improper payments to BVARI because VABHS R&D Budget Office staff did not verify services were performed prior to payment, as required by VA policy. The OIG found none of the 60 statistically selected invoices sampled included supporting documentation, such as payroll distribution reports or timecards. This occurred because VABHS R&D Budget Office staff did not comply with VA policy to ensure services were performed prior to payment. The problem was compounded by the absence of required periodic supervisory

³ NPCs have a group of VA attorneys available to answer research questions and advise the board of directors, officers, employees, and attend NPC meetings.

⁴ VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, "Invoice Review," B.

reviews of approved invoices. If VABHS continues to make inappropriate payments associated with IPA agreements at the rate identified and with a similar value of payments, improper payments made over the next five years could total approximately \$23 million.

The OIG did not substantiate the allegations that VABHS officials attempted to cover up prohibited administrative fees paid by VABHS to BVARI, interfered with NPPO auditing activities, or suppressed attempts to recoup the fees.

The OIG concluded that weak controls at VABHS allowed a pattern of inappropriate payments to BVARI. Continued lack of compliance with VA internal controls increases the risk of additional inappropriate or unsupported payments made by VABHS to BVARI. Inappropriate use of VA funds reduces available funds for VA-approved research or education activities, places funds at risk of loss, and is not in the best interest of veterans as required by Title 38 U.S.C.

What the OIG Recommended

The OIG recommended that the under secretary for health confer with the VA OGC and the VA Boston Healthcare System Human Resources Office about whether administrative actions should be taken against VABHS officials responsible for the \$1.6 million in inappropriate payments to BVARI.⁵ The OIG also recommended that the under secretary for health determine appropriate actions regarding inappropriate overpayments of salaries and fringe benefits for ineligible BVARI administrative staff, as well as duplicate employer retirement contribution payments.

In addition, the OIG recommended the VABHS director determine appropriate actions to ensure procedures are developed to require review of the VA-affiliated nonprofit corporation's IPA agreements; ensure procedures are developed for adequate review of VA-affiliated nonprofit corporation invoices to prevent duplicate payments; and ensure procedures are developed to require the supervisor to conduct periodic reviews of VA-affiliated nonprofit corporation invoices authorized for payment.

Finally, the OIG recommended that the VABHS director establish procedures to ensure the R&D Budget Office staff review VA-affiliated nonprofit corporation invoices to ensure services were performed or the goods have been received in accordance with the agreement, and that the supervisor conducts periodic reviews of VA-affiliated nonprofit corporation invoices authorized for payment by staff to prevent improper payments, as required by VA Financial Policies and Procedures, volume VIII, chapter 1A.

⁵ Recommendations directed to the under secretary for health were submitted to the executive in charge who has the authority to perform the functions and duties of the under secretary.

Management Comments

The executive in charge, Office of the Under Secretary for Health's comments were responsive to Recommendations 1 and 2. Regarding Recommendation 1, the executive in charge reported VHA will determine whether administrative action should be taken related to the inappropriate payments made to BVARI. VHA will confer with the VA OGC or other offices as needed. The executive in charge concurred with Recommendation 2 and reported that the VABHS will create a payment plan for the BVARI to repay the inappropriate payments. The VABHS director concurred with Recommendations 3 through 7 and provided acceptable action plans for all recommendations. While the VABHS director reported all actions in response to Recommendations 3 through 7 were completed, the evidence provided was not sufficient to close the recommendations at this time. The OIG will monitor implementation of the planned actions and will close the recommendations when documentation of completed training has been provided.



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Abbreviations

BVARI	Boston VA Research Institute
IPA	Intergovernmental Personnel Act
IT	information technology
NPC	nonprofit corporation
NPPO	Nonprofit Program Office
OGC	Office of General Counsel
OIG	Office of Inspector General
R&D	research and development
VABHS	VA Boston Healthcare System
VAMC	Veterans Affairs Medical Center
VHA	Veterans Health Administration



Introduction

The VA Office of Inspector General (OIG) conducted this audit to evaluate the merits of allegations that Boston VA Research Institute (BVARI) and VA Boston Healthcare System (VABHS) employees violated law and VA policy. The OIG received hotline complaints in April and July 2017, as well as a congressional request in August 2017, to examine concerns about possible wrongdoing by the research institute. BVARI is a VA-affiliated nonprofit corporation (NPC).

Most of the allegations concerned BVARI's inappropriate use of Intergovernmental Personnel Act (IPA) agreements, including the payment of prohibited administrative fees. An IPA agreement between VABHS and BVARI allows BVARI to temporarily assign skilled personnel to collaborate on mutually beneficial research, education, and training activities, and allows VABHS to fund a portion, or all, of the salary and fringe benefits of employees working on VA-approved research projects.⁶

Some costs, however, are not allowed. VA Handbook 5005, *Staffing*, prohibits an indirect administrative fee "associated with preparing and maintaining payroll records, developing reports, negotiating the IPA agreement, office space, furnishings, supplies, staff support, and computer time."

While VA took some actions to address the allegation of payments for a prohibited administrative fee prior to the OIG audit, the complainant also expressed concerns that the actions were not completed in a timely manner.

Specifically, the OIG examined whether

- BVARI billed and the VABHS paid a prohibited administrative fee included on IPA agreements from December 2012 through October 2017,
- Veterans Health Administration (VHA) personnel took steps in a timely manner to recover any identified prohibited administrative fees associated with IPA agreements paid to BVARI in accordance with VA financial policy,⁷

⁶ Fringe benefits include social security, workers' compensation, and retirement plan costs among other things.

⁷ VA Financial Policies and Procedures, Vol. XII, chap. 1, sec. 010502, A.3.C, specifies debts greater than 120 days should be referred to the Department of the Treasury for enforced collection. VA Financial Policies and Procedures, vol. XII, chap. 7, sec. 070403.C, specifies debts of \$100,000 or greater will be subsequently submitted to the Department of Justice (DOJ) for enforced collection.

- Senior VABHS officials attempted to cover up any identified payments for prohibited IPA agreement administrative fees paid by VABHS to BVARI,
- Senior VABHS officials interfered with the VA Nonprofit Program Office's (NPPO) on-site audits of VA-affiliated NPCs nationwide and with NPPO's efforts to recoup overpayments to BVARI for prohibited IPA agreement administrative fees,⁸ and if
- VABHS authorized other prohibited or improper payments to BVARI from October 2011 through October 2017.

Boston VA Research Institute

BVARI was established as an NPC in 1990 to conduct, promote, and support the medical research and education activities of VABHS. At the end of fiscal year 2017, 189 professionals supported BVARI's research activities.⁹ Areas of research include posttraumatic stress disorder, behavioral neurosciences, women's health, and mental illnesses including traumatic brain injury and schizophrenia research. During the OIG audit scope period, the former BVARI chief executive officer worked with the VABHS associate chief of staff for research and development (R&D) who was a member of BVARI's board of directors. In fiscal year 2017, BVARI reported revenues of approximately \$9.8 million in government funding, which included \$4.6 million from VA. An additional approximately \$2.2 million of BVARI revenue came from nongovernmental sources for a total of approximately \$12.1 million for fiscal year 2017, excluding interest income.

VA-Affiliated Nonprofit Corporations

The VA-affiliated NPC program was established under the Veterans' Benefits and Services Act of 1988 solely to facilitate VA-approved research projects at VA medical facilities nationwide.¹⁰ The NPC program was revised in 1999 to allow NPCs to facilitate funding to support VA-approved research and/or education activities.¹¹ NPCs may administer funds from a variety of sources other than VA, including other federal agencies, private organizations, and universities. In fiscal year 2017, the VA-affiliated NPCs collectively employed a total of 2,520 personnel and an additional 2,163 active principal investigators. As of fiscal year 2017, there were 83 VA-affiliated NPCs in 44 states, Puerto Rico, and the District of Columbia, with

⁸ See VHA Oversight of Nonprofit Corporations section of this report for additional information regarding NPPO.

⁹ Fiscal year 2017 data were the most recently available for the audit. According to the NPPO, the NPC 2018 consolidated annual report will be submitted to Congress in December 2019.

¹⁰ Veterans' Benefits and Services Act of 1988, Pub. L. No. 100-32 (1988).

¹¹ Veterans Millennium Health Care and Benefits Act, Pub. L. No. 106-117 § 204, 113 Stat. 1562 (1999).

combined assets valued at approximately \$283 million including investments, accounts receivable, and equipment.

Governance of Nonprofit Corporations

Delegated by the Secretary of Veterans Affairs, the under secretary for health may authorize the establishment of NPCs. VA-affiliated NPCs are governed by a board of directors and overseen by VA in accordance with applicable federal and state laws and regulations, as well as VHA policies.¹²

The NPC statutory members of the board of directors include the VAMC director and other top VAMC officials: the chief of staff, associate chief of research, and associate chief of education. The board of directors must also include at least two members who are not federal government employees and have expertise that will benefit the corporation. According to VHA policy, statutory board members “need to ensure the NPC furthers the best interest of VA.”¹³ The board of directors, which includes local VAMC officials, is responsible for overseeing research funds.

The board of directors appoints an NPC executive director with the concurrence of the VAMC director, as delegated by the under secretary for health.¹⁴ The executive director is responsible for NPC operations and has specific duties and responsibilities as prescribed by the board of directors. VHA Handbook 1200.17 provides procedures and instructions governing NPCs. The handbook indicates VA is responsible for ongoing oversight of NPCs.

VA Oversight of Nonprofit Corporations

VA oversight of NPCs is performed by the following VA entities:

- The NPPO serves as the liaison between VHA and NPCs. The NPPO provides oversight, guidance, and education to NPCs to ensure compliance with applicable regulations and VA policies affecting NPC operations and financial management.
 - The NPPO staff report to the chief R&D officer from VHA’s Office of R&D.
 - The NPPO conducts on-site audits every three years. These limited evaluations include reviews of annual audited financial statements, NPC-completed internal control questionnaires, and follow-up on previous NPPO recommendations.

¹² Title 38, U.S.C. § 7363; VHA Handbook 1200.17, *Department of Veterans Affairs Nonprofit Research and Education Corporations Authorized by Title 38 United States Code (U.S.C.)*, §§ 7361–7366.

¹³ VHA Handbook 1200.17.

¹⁴ A nonprofit executive director is often called a chief executive officer.

Additional areas of review can include an examination of cash disbursements, bank reconciliations, IPA agreements, and payroll records.

- The NPPO is also responsible for performing off-site NPC reviews, conducting reviews of annual reports submitted by each NPC, and compiling report data for VA's annual report to Congress.¹⁵
- The Nonprofit Program Oversight Board serves as VA's senior management oversight for the activities and programs of VA-affiliated NPCs. The board's responsibilities focus on financial and ethical issues, as well as consistency with VA policy and interests related to VA-affiliated NPCs. The board makes recommendations through the under secretary for health and other senior VA leaders regarding changes to, and implementation of, VA policies relating to NPCs.
- The VHA chief financial officer exercises financial oversight of NPCs by reviewing NPPO activities and independent audits of NPCs.

¹⁵ Off-site reviews are evaluations performed away from the NPC location. For example, the NPPO may evaluate NPC documents from its home (NPPO) office.

Results and Recommendations

Finding 1: VA Boston Healthcare System Authorized Approximately \$1.6 Million in Prohibited and Inappropriate Payments to Boston VA Research Institute

The OIG identified significant lapses in VABHS oversight of BVARI and ineffective internal controls that resulted in prohibited and inappropriate payments to BVARI totaling approximately \$1.6 million. The OIG substantiated that BVARI billed, and VABHS paid, a prohibited administrative fee. In addition, the OIG concluded VABHS paid BVARI for administrative salaries and fringe benefits for staff inappropriately assigned to IPA agreements. The OIG found VABHS also paid duplicate employer retirement contributions. Table 1 shows details of prohibited and inappropriate payments VABHS made to BVARI.

Table 1. Prohibited and Inappropriate Payments to BVARI

Payment type	Amount
Administrative fees (prohibited)	\$685,000
Administrative salaries and fringe benefits (inappropriate)	\$576,000
Duplicate retirement contributions (inappropriate)	\$341,000
Total	\$1.6 million

Source: OIG staff analysis

Note: Numbers were rounded and may not sum exactly.

VABHS officials did not follow VA policy, which prohibits administrative fees and the use of IPA agreements to reimburse salaries and benefits for administrative positions and requires verification that an invoice was not a duplicate.¹⁶ The VABHS R&D Budget Office, Human Resources Office staff, and the VABHS director approved IPA agreements for administrative positions not allowed by VA policy. Furthermore, the VABHS associate chief of staff for R&D approved a plan created by the former BVARI chief executive officer to pay a portion of the administrative salaries and fringe benefits. VABHS paid BVARI duplicate retirement contributions because responsible officials did not verify if these payments were previously paid. The VABHS officials did not follow VA policy and did not perform adequate oversight of the NPC. The approximately \$1.6 million identified by the OIG represents a loss to taxpayers of funds that could have been used for other VABHS activities.

¹⁶ VA Handbook 5005, *Staffing*, part I, chap. 3, sec. C.2.1, “Temporary Assignment of Employees Under Intergovernmental Personnel Act;” VA Financial Policies and Procedures, vol. VIII, *Cash Management*, chap. 1A, “Invoice Review and Certification,” sec. 010201.01, B.

The VA did take some actions to recoup the prohibited administrative fees. The acting principal deputy under secretary for health issued a letter to the VABHS director in November 2017 that stated, “BVARI must make prompt, full restitution to VA for all IPA administrative fees.” Between January and April 2018, VABHS began recoupment efforts, including an accounting of fees, issuing of a bill of collection, and a request for BVARI financial records for the Department of Justice to consider a partial payment to satisfy the debt. However, VA did not determine whether to enforce collection or refer the debt to the Department of the Treasury until January 2019, well past the 120 days required by VA policy.¹⁷ To date, BVARI has made two payments totaling \$60,000 and has requested a compromise settlement with VABHS.

What the OIG Did

To evaluate the allegations related to BVARI, the OIG reviewed applicable laws and regulations, as well as VA policies and procedures. The OIG reviewed correspondence between BVARI and VABHS, as well as meeting minutes of both the Nonprofit Oversight Board and the BVARI board of directors. The OIG obtained VABHS and NPC billing and disbursement records, IPA agreements, and payroll records. The OIG also interviewed staff at BVARI, VABHS, and the NPPO.

This section of the report discusses

- VABHS paid prohibited administrative fees,
- VABHS did not complete actions to recoup prohibited administrative fees in a timely manner,
- BVARI inappropriately used IPA agreements to cover overhead expenses,¹⁸
- A plan for payment of VABHS funds to BVARI,
- VABHS paid duplicate retirement contributions, and
- Some allegations were not substantiated (discussed on pages 16–17).

VA Boston Healthcare System Paid Prohibited Administrative Fees

The OIG substantiated the allegation that BVARI billed and VABHS paid approximately \$685,000 in prohibited administrative fees. The OIG concluded BVARI intentionally included an

¹⁷ VA Financial Policies and Procedures, vol. XII, *Debt Management*, chap. 1, “VA Debt Collection Standards,” sec. 010502, 3.C, specified when debt collection follow-up efforts have not been productive, the chief of finance activity will refer the debt for remedy.

¹⁸ Overhead is the regular and necessary costs, such as rent and heating, that are involved in operating a business.

administrative fee prohibited by VA policy on invoices associated with IPA agreements from January 2014 through April 2017.¹⁹ According to the VABHS R&D associate chief of staff, the former BVARI chief executive officer proposed the administrative fee to offset BVARI's overhead expenses associated with IPA agreements. Following the former BVARI chief executive officer's proposal to the NPC board of directors, BVARI started to bill VABHS the administrative fee in January 2014. This occurred because, according to the VABHS R&D associate chief of staff, he did not review VA policy or request guidance from the NPPO or the Office of General Counsel (OGC) before the fee was implemented.²⁰ The VABHS director told the OIG he deferred to the VABHS R&D associate chief of staff on all matters related to BVARI activities and did not conduct a review of applicable VA or VHA policy. The VABHS director and the VABHS R&D associate chief of staff, both of whom are on the NPC board of directors, told the OIG they relied on the information presented by the former BVARI chief executive officer and information available from the U.S. Office of Personnel Management when the administrative fee on IPA agreements was briefed to the board of directors.

Approximately three years after BVARI started billing VABHS the administrative fee, the VABHS R&D associate chief of staff sought OGC guidance because he wanted another entity to also collect the administrative fee from VABHS. Despite OGC guidance to comply with VA policy that prohibits the fee, the VABHS R&D associate chief of staff took no action to discontinue BVARI's billing for the prohibited administrative fees. The VABHS R&D associate chief of staff told the OIG that he planned to discontinue the prohibited fee once BVARI received funding from an anticipated grant.

BVARI was the only NPC of all the VA-affiliated NPCs to bill VHA for an administrative fee on IPA agreements, according to the NPPO. The NPPO was not aware until April 2017 that BVARI had billed and received the prohibited fee, at which time BVARI discontinued the fee. The timeline related to the administrative fee is as follows:

- **December 2013**—BVARI's board of directors meeting minutes documented an administrative fee to be added to IPA agreements.
- **January 2014**—BVARI included the administrative fee on IPA agreement invoices.
- **December 2016**—An email from OGC to the VABHS R&D associate chief of staff directly quoted VA Handbook 5005, which stated, "Indirect administrative costs associated with preparing and maintaining payroll records, developing reports,

¹⁹ VA Handbook 5005, *Staffing*, part I, chap. 3, sec. C.2.1, "Temporary Assignment of Employees Under Intergovernmental Personnel Act," specifies indirect administrative costs associated with IPA agreements are prohibited.

²⁰ NPCs have a group of VA attorneys available to answer research questions and advise the board of directors, officers, employees, and attend NPC meetings.

negotiating the IPA agreement, office space, furnishings, supplies, staff support, and computer time are prohibited.”

- **April 2017**—NPPO auditors conducted an on-site audit of BVARI, discovered the inclusion of the administrative fees, and instructed BVARI to discontinue billing for the prohibited fees. At the end of that same month, BVARI stopped billing VABHS for the fee.
- **May 2017**—NPPO issued the BVARI review report and recommended BVARI make restitution to VABHS for the administrative fees collected. The BVARI report was provided to the deputy under secretary for health for operations management, the Office of R&D director of operations, the VABHS director, and other VABHS personnel.
- **September 2017**—The chair of the BVARI board of directors proposed termination action for the former chief executive officer, in part because the former chief executive officer implemented “an IPA rate with knowledge that indirect costs cannot be applied to an IPA.”

VABHS Did Not Complete Actions to Recoup Prohibited Administrative Fees in a Timely Manner

Although VABHS took steps initially to recoup the approximately \$685,000 in prohibited IPA administrative fees paid to BVARI, it did not take actions to complete the recoupment in a timely manner. The VABHS director was notified of the requirement for BVARI to repay VABHS in November 2017. However, VABHS did not determine whether to enforce the collection or refer the debt to the Treasury Department until January 2019. As of May 2019, BVARI had made one payment of \$40,000 and requested a compromise settlement with VABHS. In July 2019, BVARI made an additional payment of \$20,000.

VA financial policy required VABHS to aggressively pursue collection at the time VA determined a debt was owed. In addition, debts greater than 120 days should be referred to the Department of the Treasury. VA policy also includes referral of a delinquent debt to the Department of Justice for enforced collection.²¹ In September 2017, the NPPO director, OGC deputy chief counsel, VABHS Office of R&D chief, VABHS R&D director of operations, and acting principal deputy under secretary for health met and agreed that BVARI must return the administrative fees charged to VA on IPA agreements. The acting principal deputy under secretary for health issued a letter to the VABHS director in November 2017 that stated, “BVARI must make prompt, full restitution to VA for all IPA administrative fees.”

²¹ VA Financial Policies and Procedures, vol. XII, chap. 1, sec. 010502, 3.C, and 010611.

VABHS officials provided several reasons for the delays in debt collection:

- **January 2018**—VABHS issued a bill of collection to BVARI at the direction of the VABHS director.
 - BVARI’s acting chief executive officer disputed the repayment of the administrative fees because BVARI had not received an accounting of fees from VABHS.
 - BVARI also notified VABHS that it was not in a financial position to make restitution and requested a waiver from repayment.
- **February 2018**—VABHS fiscal services suspended the collection process until its office could complete an accounting of fees.
- **April 2018**—VHA’s chief R&D officer informed the VABHS director that there was no statutory authority to waive the debt. To support a request for compromise from the Department of Justice, the R&D officer requested BVARI provide relevant financial records.²²
- **October 2018**—The Nonprofit Program Oversight Board reiterated to BVARI that the requested waiver was denied.
 - The Nonprofit Program Oversight Board noted that BVARI may need to draw on its \$3 million bank line of credit or make a claim to its insurers for the amount still due.
 - At a meeting with BVARI and VA OGC, the VABHS director requested a repayment plan that included a \$100,000 down payment as well as subsequent payments.
- **November 2018**—According to OGC, the BVARI board of directors notified OGC that it did not approve the repayment plan, at the direction of its attorney. According to BVARI’s insurance policy, BVARI could not take this action without approval by the insurance company.²³
- **January 2019**—The Nonprofit Program Oversight Board met to determine whether BVARI must repay the debt or if it would be reported to the Department of Justice for

²² VA Financial Policies and Procedures, vol. XII, chap. 1C, “Compromise of Debt,” sec. 010601, defined compromise as an offer and acceptance of a partial payment in settlement and full satisfaction of a debt at the time the offer is made. Also, sec. 010403(E) states VA will forward compromise offers for debts greater than \$100,000 to the Department of Justice.

²³ According to BVARI’s commercial insurance policy, “The Insureds agree not to settle or offer to settle any Claim, incur any Defense Costs or otherwise assume any contractual obligation or admit any liability with respect to any Claim without the Company’s prior written consent.”

compromise or collection. The OIG concluded that this meeting took place approximately nine months after VABHS requested financial records in April 2018, well past the 120-day referral requirement.

- **February 2019**—The chair of the Nonprofit Oversight Board notified BVARI of its final determination that BVARI must repay \$684,652 over a three-year period.
- **April 2019**—The chair of the Nonprofit Oversight Board issued a promissory note to BVARI for execution and return.
- **May 2019**—BVARI made a payment of \$40,000 and submitted a request for settlement to the chair of the Nonprofit Program Oversight Board.
- **July 2019**—BVARI made a payment of \$20,000 on July 24, 2019. On July 31, 2019, VABHS sent a memorandum to BVARI that stated the original promissory note was not executed and BVARI's requests for a compromise settlement do not stop its obligation from making payments as outlined in the repayment schedule. The memorandum reminded BVARI that subsequent payments are due on the first day of the month.

The VABHS director expressed concerns for BVARI's viability because it supports critical research projects and, according to the VABHS R&D associate chief of staff, immediately discontinuing the fee would negatively affect research. Regardless, VABHS did not complete actions to collect BVARI's debt in a timely manner in accordance with VA policy that required referral to the Department of the Treasury within 120 days.

Inappropriate Use of IPA Agreements

VABHS paid BVARI approximately \$576,000 for BVARI administrative staff that should not have been paid for under IPA agreements. The IPA agreements were not adequately reviewed prior to approval by VABHS officials. In addition, despite an acknowledgment by the VABHS R&D associate chief of staff that these IPA agreements should be terminated, a plan was created and implemented for VABHS to pay BVARI a portion of these funds.

Inappropriate Use of IPA Agreements to Cover Overhead Expenses

From October 2011 through September 2015, VABHS paid approximately \$576,000 to BVARI for three BVARI administrative staff inappropriately assigned to IPA agreements.

VA Handbook 5005 specified that it is not appropriate to use IPA agreements for administrative

positions.²⁴ The VABHS director provided a standard operating procedure that also specified it is “inappropriate and prohibited to use IPA agreements for administrative and support positions.”²⁵ The VABHS R&D Budget Office supervisor, VABHS Human Resources Office staff, and VABHS director did not follow VA policy when the IPA agreements were reviewed and approved. The OIG found BVARI created inappropriate IPA agreements for the BVARI staff, identified in Table 2.

Table 2. Inappropriate Payments to BVARI for Administrative Staff

Position title	Total duration of IPA agreement(s) ²⁶	Total paid to BVARI
1. Director of finance	12 months	\$126,000
2. General counsel	32 months	\$273,000
3. Information technology specialist	34 months	\$177,000
Total		\$576,000

Source: OIG staff analysis of IPA agreements between VABHS and BVARI

VA policy required authorizing officials from both BVARI and VABHS R&D to provide approval before referring an IPA agreement to the local VA Human Resources Office for final review. The facility Human Resources Office staff is required to check IPA agreements for administrative accuracy, including that agreements meet legal requirements such as purpose and time frame. The VA approving official is authorized to designate a management representative to review and concur that the IPA agreement was for a “bona fide research assignment.”²⁷

The OIG found that the IPA position descriptions and the reasons for assignment appeared, in part, to be for research purposes. For example, the IPA agreement for the BVARI director of finance stated, “Both VA and BVARI have a special interest in this study academically as a scientific pursuit and medically for its potential impact on patients.” Similarly, IPA agreements for BVARI’s general counsel and information technology (IT) specialist stated, “Both VA and BVARI have special interest in this project for its potential impact on patients and the dissemination of information technology in VA research.” These descriptions could have led a reviewer, such as VABHS Human Resources Office or R&D Budget Office staff, to believe the IPA agreements were for research-related purposes.

²⁴ VA Handbook 5005, *Staffing*, part I, chap. 3, sec. C.2.c, “Temporary Assignment of Employees Under Intergovernmental Personnel Act.”

²⁵ Standard Operating Procedures, *Intergovernmental Personnel Act (IPA) Mobility Program*.

²⁶ Except for BVARI’s director of finance, the remaining employees had three or more consecutive IPA agreements.

²⁷ VA Handbook 5005, *Staffing*, part 1, chap. 3, sec. C.4.a(2), “Temporary Assignment of Employees Under Intergovernmental Personnel Act.”

However, the IPA agreements included the same BVARI position titles, duties, and reasons for the assignment, which appeared to be administrative and support tasks. These descriptions and job titles should have warranted consideration by a reviewer. For example, the director of finance's IPA agreement included directing "day-to-day operations" and "preparation of annual budget, [and] annual reports." The general counsel's IPA agreement stated the "primary objective is to ensure the limited risk exposure to the personnel, and the organization's public image." An IPA agreement for the IT specialist stated, "Will assist in enabling the operation systems, business process analyses, needs assessment and cost/benefit analyses in an effort to align information technology solutions with business initiatives."

According to a VABHS Human Resources Office staff member, their review consisted mostly of verifying that required documents were included with the IPA agreement, such as credentials or fingerprinting. The review did not include determining if the position was administrative in nature. The VABHS Human Resources Office staff member confirmed they did not question any of the IPA agreements for these three BVARI positions. As noted, VA policy required authorizing officials from both organizations provide approval before referring an IPA agreement to the local VA Human Resources Office for final review. The VABHS director and the VABHS R&D associate chief of staff told OIG that before the human resources review, the VABHS R&D associate chief of staff initialed the IPA agreement to designate R&D's part of the review process was complete. OIG concluded that, in effect, the VABHS R&D associate chief of staff served as R&D's approving official. After the VABHS R&D associate chief of staff initialed the IPA agreement, the Human Resources Office staff performs a review and the IPA agreements are then reviewed by the VABHS director. According to the director, if the VABHS R&D associate chief of staff initialed the IPA agreement and the facility Human Resources Office performed a review of the IPA agreement, he approved it without further review.

The director of finance and the IT specialist told the OIG they considered their positions to be administrative and support functions. In addition, the three BVARI staff on IPA agreements continued to perform the same position responsibilities, and their duties were not assumed by others while on IPA agreements. For example, according to the director of finance, she performed routine day-to-day activities such as preparing reports, reporting to the board of directors at regular meetings, and managing BVARI's administrative expenses. IPA agreements for the IT specialist were for full-time support on research projects, but the IT specialist stated that "these were not full-time commitment projects and work dried up relatively quickly."

The OIG also noted that for the general counsel and IT positions, either the VABHS R&D associate chief of staff or the VABHS R&D Budget Office supervisor were identified on the IPA agreements as "immediate supervisor" but did not actually perform supervisory activities for the positions. For example, the VABHS R&D associate chief of staff and the R&D Budget Office supervisor were identified as immediate supervisors on separate IPA agreements for BVARI's general counsel. However, both admitted they never supervised that individual. According to the

IT specialist, he was not supervised by and did not report to the individuals identified in the IPA agreements.

The director of finance regularly provided updates regarding BVARI's financial status while working under an IPA agreement. Similarly, the IT specialist was referred to in December 2013 board of directors meeting minutes as the director of process management and information services while working under an IPA agreement as an IT specialist. In the same meeting minutes document, "[The director of finance] noted the overhead rate was declining since three BVARI technical staff are currently on IPAs and being funded by the VA." According to the director of finance, the three BVARI technical staff referred to were the IT specialist, the general counsel, and herself. Similarly, the February 2014 BVARI executive committee meeting minutes included notes from a discussion on the BVARI administrative budget.²⁸ During that discussion, the VABHS R&D associate chief of staff specified the director of finance, the IT specialist, and the general counsel by name and stated, "These [positions] were created to help offset the cost of administering the IPAs as a whole." Nevertheless, administrative support positions are not appropriate for IPA agreements according to VA policy.

The OIG presented the VABHS director with copies of IPA agreements he signed and, according to the director, those IPA agreements were inappropriate. The R&D Budget Office supervisor also agreed the BVARI general counsel position was "not appropriate for an IPA agreement." This occurred because the VABHS R&D Budget Office supervisor, VABHS Human Resources Office staff, VABHS director, and the VABHS R&D associate chief of staff—who served as VABHS' R&D authorizing official—did not follow VA policy during the review and approval process for the IPA agreements for the three BVARI staff.

Plan for Payment of VABHS Funds to BVARI

The OIG determined that of the approximately \$576,000 VABHS paid BVARI for salaries and benefits for the three positions, more than \$420,000 was paid before BVARI stopped invoicing for the positions. Ten months later BVARI resumed billing VABHS approximately \$156,000 for funds that would have been returned to the Department of the Treasury if not used within a set time frame. This occurred because the former BVARI chief executive officer created a plan, which was approved by the VABHS R&D associate chief of staff, for payment of VABHS funds to BVARI.

In BVARI's February 2014 executive committee meeting minutes, the VABHS R&D associate chief of staff acknowledged IPA agreements for the three positions were "essentially double dipping since [they] were created to help offset the cost of administering IPAs." The VABHS

²⁸ The BVARI executive committee is separate from the board of directors; typical attendees include BVARI board members such as chair, vice chair, and treasurer. Other attendees may include BVARI's chief executive officer, director of finance, general counsel, VABHS associate chief of staff R&D, and associate chief of staff education.

R&D associate chief of staff requested BVARI provide a date to end the IPA agreements. Subsequently, BVARI stopped invoicing VABHS for the three employees and the last payment by VABHS for 2014 was in May. However, in March 2015, BVARI invoiced VABHS approximately \$156,000 for the three positions assigned to IPA agreements. The VABHS R&D Budget Office analyst was copied in an email sent by the VABHS R&D associate chief of staff in March 2015 about processing the invoices.²⁹ The text of these emails, with the subject line “IPA FY 13 and 14 Plan,” follows:

[The VABHS R&D associate chief of staff email to the former BVARI chief executive officer that included the VABHS R&D budget analyst] *I think this looks good. We now need to get these invoices processed. I agree with the plan going forward.*

[The former BVARI chief executive officer’s email to the VABHS R&D associate chief of staff] *Hi: Invoices for [director of finance], [IT specialist], and [general counsel] are done and submitted to your budget office.*

[After being notified by the VABHS R&D budget analyst that the invoices were certified, the former BVARI chief executive officer responded to the VABHS budget analyst and copied the VABHS R&D associate chief of staff] *Hi [VABHS budget analyst]: Thanks .. this is great as this is a large piece of the plan. I’m not sure how we will handle the retirement benefits (figures are still pending from our vendor) that cover multiple IPAs over the course of the time period; but, [the VABHS R&D associate chief of staff] assured me that if I came up with an invoice, there would be a way to get this reimbursed.*

²⁹ The VABHS R&D Budget Office analyst served as the facility’s certifying official. VA Financial Policies and Procedures, vol. VIII, chap. 1, “Administrative Fiscal Policies and Procedures,” sec. 010204, C, specifies a certifying official is responsible for certifying invoices for payments and ensuring these payments are proper and accurate.

See Figure 1 for an excerpt from the former BVARI chief executive officer’s plan.

PLAN DOCUMENTATION FOR IPA FY14 YEAR END ISSUES		
March 4, 2015		
PROBLEM STATEMENT: Currently there is a spreadsheet developed by VA Budget Office that shows a \$1,006,819 balance of unobligated dollars that will be swept given that these are prior year funds and may be returned to the Treasury.		
BVARI PLAN OF ACTION		
ADJUSTMENTS: BVARI will make the following adjustments to help to reduce the IPA de-obligation problem as follows:		
Invoice for the remaining balance of	Director of Finance	\$63,469.93
Invoice for the remaining balance of	Information Technology Specialist	\$36,340.09
Invoice for the remaining balance of	General Counsel	\$55,729.96
Invoice processed; not yet paid for		\$19,013.00
FY 13 (25 %) of Board Designated Funds for IPAs listed		\$22,442.40
FY 14 (75%) of Board Designated Funds for IPAs listed		\$waiting
FY 13 (25%) of Board Designated Funds for IPAs		\$20,440.16
FY 14 (75%) of Board Designated Funds for IPAs		\$waiting
<u>Estimate</u> FY14 Board Designated Funds for IPAs		\$170,000
		TOTAL: \$155,540

Figure 1. Excerpt from an attachment to a March 2015 email from the former BVARI chief executive officer to the VABHS R&D associate chief of staff

Source: BVARI acting chief executive officer, March 7, 2018

VABHS Paid Duplicate Retirement Contributions

The OIG determined VABHS paid BVARI approximately \$341,000 for employer retirement contributions that had been previously paid—in effect, duplicate payments. This occurred because VABHS R&D Budget Office staff did not comply with VA policy requiring verification that an invoice was not a duplicate or had not been previously paid.³⁰

During fiscal years 2013 and 2014, BVARI invoiced and VABHS paid for IPA-related employee salaries and fringe benefits that included employer retirement contributions. In fiscal year 2015,

³⁰ VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, “Invoice Review,” B.

BVARI submitted 53 individual invoices totaling approximately \$341,000 for fiscal years 2013 and 2014 retirement contribution reimbursements. According to the acting BVARI chief executive officer, BVARI requested the reimbursements because the retirement contributions were excluded from negotiated fringe benefit rates for fiscal years 2013 and 2014. However, the OIG determined the fringe benefit rates applied in BVARI's invoices submitted for fiscal years 2013 and 2014 included retirement contributions. As a result, VABHS made duplicate payments and created a monetary loss to taxpayers of approximately \$341,000 if not recouped.

VABHS R&D Budget Office officials had an opportunity to prevent the duplicate payments by verifying that an invoice was not a duplicate or had not been previously paid. Interviews with R&D Budget Office staff specified invoice approval did not include procedures to prevent duplicate payments. Also, a BVARI staff member told the OIG that the R&D Budget Office did not require supporting documentation. Compliance with VA policy, which required review of supporting documentation, could have prevented the overpayments to BVARI.³¹

Furthermore, VABHS missed an opportunity to potentially detect the duplicate payments. The OIG found the R&D Budget Office supervisor's procedures did not include periodic reviews of invoices approved by subordinates, as required by VA policy.³² According to the R&D Budget Office supervisor, reviews of approved invoices did not occur because the budget analyst had "the highest level of review and certification [for authorizing payments]." Failure to comply with VA policy resulted in missed opportunities to prevent and detect duplicate payments.

Allegations of a Cover-up or Interference with Audits and Recoupment Efforts Not Substantiated

The OIG evaluated other related allegations and determined they were not substantiated.

Attempted Cover-up of Prohibited IPA Administrative Fees

The OIG did not substantiate the allegation that senior VABHS officials attempted to cover up prohibited IPA agreement administrative fees paid to BVARI. The OIG conducted interviews with both VABHS officials and NPPO staff and found the NPPO provided its report, which included the finding of prohibited IPA agreement administrative fees, to the VABHS director within a month of completing field work in April 2017. The report was distributed in full by copy to the deputy under secretary for health for operations management, the BVARI chief executive officer, and other VABHS personnel. The OIG reviewed subsequent communications and board meeting minutes and found staff from BVARI, VABHS, and OGC, as well as

³¹ VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, B, reviews provide assurance that the goods have been received or the services have been performed and are in accordance with the agreement.

³² VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010203, "Internal Controls," C, required supervisors periodically review invoices approved by subordinates to ensure compliance with policy.

Nonprofit Program Oversight Board members, continued discussions about the legality of the fees and potential recoupment efforts. VABHS also issued a bill of collection to BVARI for the IPA administrative fees in January 2018.

Interference with NPPO On-site Audits and Its Efforts to Recoup Overpayments from BVARI

The OIG did not substantiate the allegation that the Office of R&D managers improperly suspended NPPO on-site auditing activities or suppressed auditors' communications attempting collection of prohibited IPA agreement administrative fees. The OIG interviewed VABHS officials and NPPO staff and also reviewed criteria related to oversight, roles, and responsibilities of the NPPO, the Nonprofit Program Oversight Board, and the Office of R&D.

According to the chief R&D officer, NPPO on-site activities were suspended from about May through August 2017 due to complaints received from several NPCs and concerns from the House Committee on Veterans' Affairs staff. According to the chief R&D officer, the acting principal deputy under secretary for health also expressed concerns with the approach taken by NPPO to recoup monies from BVARI.

Complaints alleged the NPPO worked beyond its scope while conducting on-site audits. The OIG found Office of R&D managers had ordered an internal review that concluded NPPO did not act outside its authority. As a result, in August 2017, NPPO resumed on-site audit activities without significant changes.

Conclusion

The OIG concluded that weak controls at VABHS allowed a pattern of inappropriate payments to BVARI. The OIG also concluded that there was inadequate oversight of NPC operations by senior VABHS officials, including those serving on BVARI's board of directors. Continued lack of compliance with VA internal controls increases the risk of additional inappropriate or unsupported payments made by VABHS to BVARI. Inappropriate use of VA funds reduces available funds for VA-approved research or education activities, places funds at risk of loss, and is not in the best interest of veterans as required by Title 38 U.S.C. The inappropriate use of funds the OIG identified at BVARI indicates inadequate involvement in BVARI activities by the BVARI board of directors and senior VABHS officials.

Recommendations 1–5

1. The under secretary for health confer with VA Office of General Counsel and the VA Boston Healthcare System Human Resources Office to determine if administrative actions should be taken concerning VA Boston Healthcare System officials

responsible for the \$1.6 million in inappropriate payments to the Boston VA Research Institute.³³

2. The under secretary for health determine appropriate actions for the inappropriate overpayments, made by VA Boston Healthcare System officials, associated with salaries and fringe benefits for ineligible Boston VA Research Institute administrative staff, as well as duplicate employer retirement contribution payments.
3. The VA Boston Healthcare System director determine appropriate actions to ensure the VA Boston Healthcare System Human Resources Office develops procedures to require reviews of VA-affiliated nonprofit corporation Intergovernmental Personnel Act agreements for compliance with VA Handbook 5005, *Staffing*, prior to approval.
4. The VA Boston Healthcare System director determine appropriate actions to ensure the VA Boston Healthcare System Research and Development Budget Office develops procedures for adequate review of VA-affiliated nonprofit corporation invoices to prevent duplicate payments in accordance with VA financial policy prior to approval.
5. The VA Boston Healthcare System director determine appropriate actions to ensure procedures are developed that require the VA Boston Healthcare System Research and Development Budget Office supervisor to conduct periodic reviews of VA-affiliated nonprofit corporation invoices authorized for payment by staff, as required by VA Financial Policies and Procedures, volume VIII, chapter 1A.

Management Comments

The executive in charge, Office of the Under Secretary for Health provided an action plan for Recommendation 1 regarding administrative action. Specifically, the VHA Office of Workforce Management and Consulting, along with the Discovery, Education, and Affiliate Networks, will collaborate to determine if administrative action should be taken concerning the VA Boston Healthcare System officials responsible for the \$1.6 million in inappropriate payments to the Boston VA Research Institute. The VA OGC or other appropriate offices will be consulted as needed.

The executive in charge, Office of the Under Secretary for Health concurred with Recommendation 2 and reported that the VA Boston Health Care System will create a payment plan for the Boston VA Research Institute to repay the inappropriate payments. The Veterans Integrated Service Network director will oversee collection of the debt.

³³ Recommendations directed to the under secretary for health were submitted to the executive in charge who has the authority to perform the functions and duties of the under secretary.

The VA Boston Healthcare System director concurred with Recommendations 3 through 5 and reported that a number of standard operating procedures were developed. In response to Recommendation 3, the director reported procedures were developed to guide all parties involved through the review and approval process related to IPA agreements. In response to Recommendation 4, procedures were developed for reviewing invoices to prevent duplicate payments. In response to Recommendation 5, procedures were developed addressing the requirement for the Research Budget Office to conduct a quarterly audit and for the Fiscal Office to conduct an annual and unannounced audit on the IPA invoice payment process. The director also reported staff were trained on the new standard operating procedures. Appendix D provides the full text of the department's comments.

OIG Response

The action plans of the executive in charge, Office of the Under Secretary for Health, for Recommendations 1 and 2 are responsive and the OIG will monitor the department's progress and follow up on implementation of the recommendations until all proposed actions are completed.

The VA Boston Healthcare System director's action plans for Recommendations 3 through 5 are responsive. While the VA Boston Healthcare System director reported all actions were completed, the evidence provided was not sufficient to close the recommendations at this time. The OIG will follow up on implementation of the planned actions and will close the recommendations when documentation of completed training has been provided.

Finding 2: VA Boston Healthcare System Made Improper Payments to Boston VA Research Institute

The OIG estimated VABHS also paid approximately \$22.8 million in improper payments to BVARI from December 2012 through October 2017, based on the results of testing a statistical sample of invoices. The OIG found none of the 60 statistically selected invoices tested included supporting documentation such as payroll distribution reports or timecards. The improper payments occurred because VABHS R&D Budget Office staff did not comply with VA policy regarding verifying receipt of services before making payment. Lack of staff compliance with policy was compounded by the absence of periodic supervisory reviews of approved invoices. Table 3 shows information regarding improper payment test results.

Table 3. Improper Payment Test Results

NPC	Scope period	Number of statistically selected invoices reviewed	Number of invoices with supporting documentation	Improper payments authorized by VABHS R&D Budget Office staff
Boston VA Research Institute	December 2012–October 2017	60	0	\$22.8 million

Source: OIG staff analysis. Numbers were rounded based on the overall weighted average results of the statistical analysis

Note: Estimates may not sum exactly due to rounding.

What the OIG Did

The OIG reviewed applicable laws, regulations, VA policies, and local procedures to evaluate whether VABHS controls were in place for VA payments to BVARI and if VABHS officials provided adequate oversight. The OIG also interviewed staff at BVARI, VABHS, and NPPO. The OIG obtained VABHS and NPC billing and disbursement records, IPA agreements, and payroll records.

As part of the audit, the OIG obtained data from VA’s Financial Management System on payments made by VABHS to BVARI from December 2012 through October 2017. OIG selected five high-dollar payments for testing from a universe of 3,778 payments totaling approximately \$39.2 million. From the remaining 3,773 payments totaling approximately \$23.7 million, 60 payments were statistically selected for testing.

VABHS Payments to BVARI Lacked Supporting Documentation

VABHS made payments of approximately \$22.8 million to BVARI that were improper because they lacked supporting documentation, such as payroll distribution reports or timecards. The OIG

found VABHS R&D Budget Office staff did not verify services were performed before paying BVARI invoices.

An improper payment is “any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.” Furthermore, “when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment should also be considered an improper payment.”³⁴

VA oversight of payments to BVARI is governed by VA financial policy that requires a review of invoices to determine whether services were performed and invoices were for lawful and proper amounts before payment.³⁵ However, the OIG found no supporting documentation for any of the invoices tested. For example, there were no payroll distribution reports or timecards. Documentation may include records noting the actual number of hours or days worked, or whether the work time invoiced included annual or sick leave. In addition, during the testing of BVARI invoices, the OIG found four paid invoices that appeared to include charges for unearned future salaries and benefits for BVARI employees assigned to IPA agreements.

The improper payments occurred because VABHS R&D Budget Office staff invoice review procedures did not comply with VA internal controls to ensure services were performed in accordance with agreements prior to payment. An official at BVARI said VABHS R&D Budget Office staff neither requested nor required BVARI to provide any supporting documentation with invoices. VABHS R&D Budget Office staff informed the OIG that procedures for invoice review included a determination that funding was available and that the billing period matched the effective period on the IPA agreements. As a result, VABHS had no assurance that NPC invoiced amounts were valid and accurate before processing for payment.

The lack of compliance by VABHS R&D Budget Office staff with VA policy was compounded by the absence of periodic supervisory reviews of approved invoices, as required.³⁶ The OIG found R&D Budget Office supervisor procedures did not include reviews of approved invoices. According to the R&D Budget Office supervisor, periodic supervisory reviews were not necessary because certifying officials were trusted to approve invoices accurately.

Conclusion

VABHS’s compliance with internal controls and oversight of payments to BVARI fell short of requirements. Because of noncompliance, the VABHS had no assurance that BVARI invoice

³⁴ Office of Management and Budget Memo M 18 20, “Transmittal of Appendix C to OMB Circular A 123, Requirements for Payment Integrity Improvement,” June 26, 2018.

³⁵ VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, B.

³⁶ VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010203, C, requires supervisors to periodically review invoices approved by subordinates to ensure compliance with policy.

amounts were valid or accurate. Adequate review of invoice-supporting documentation and routine supervisory review of approved payments would provide better assurance that services have been received. Continued lack of compliance with VA internal controls puts taxpayer funds at increased risk of loss. The OIG determined from the approximately five-year sample that if VABHS continues to make inappropriate payments associated with IPA agreements at the rate identified and with a similar value of payments, improper payments made over the next five years could total approximately \$23 million.

Recommendations 6–7

6. The VA Boston Healthcare System director establish procedures to ensure research and development budget office staff review VA-affiliated nonprofit corporation invoices to make certain services were performed or the goods have been received in accordance with the agreement prior to payment.
7. The VA Boston Healthcare System director establish procedures to ensure the Research and Development Budget Office supervisor conducts periodic reviews of VA-affiliated nonprofit corporation invoices authorized for payment by staff to prevent improper payments, as required by VA Financial Policies and Procedures, volume VIII, chapter 1A.

Management Comments

The VABHS director concurred with Recommendations 6 and 7. The director reported standard operating procedures related to responsibilities for the Research and Development Budget Office staff were developed and training was provided to all involved staff. Appendix D provides the full text of the department's comments.

OIG Response

The VABHS director's action plans for Recommendations 6 and 7 are responsive. While the VABHS director reported all actions were completed, the evidence provided was not sufficient to close the recommendations at this time. The OIG will follow up on implementation of the planned actions and will close the recommendations when documentation of completed training has been provided.

Appendix A: Scope and Methodology

Scope

The OIG conducted its work from December 2017 through July 2019. The scope of the audit focused on determining the merits of hotline complaints alleging violations of law and VA policy at the Boston VA Research Institute (BVARI), a VA-affiliated nonprofit corporation (NPC) located at the VA Boston Healthcare System (VABHS). The OIG visited the Boston VA Medical Center (VAMC), BVARI, and VA's Office of Research and Development. The OIG also met with Nonprofit Program Office (NPPO) staff in Washington, DC.

The OIG utilized relevant information, including applicable laws and regulations and VA policies and procedures. The team conducted interviews and obtained relevant documentation from VHA and NPC officials. In addition, the OIG reviewed prior audits, governing board of director and executive committee meeting minutes, NPC billing and disbursement records, Intergovernmental Personnel Act (IPA) agreements, and payroll records.

As part of its audit, the OIG team obtained data from VA's Financial Management System on payments made by VABHS to BVARI from October 2011 through October 2017. From a universe of 3,778 payments totaling approximately \$39.2 million for the scope period December 2012 through October 2017, 60 payments were statistically selected and five high-dollar payments were selected for testing. Payment data for IPA agreements the OIG identified as administrative positions were also obtained to calculate the amount of improper payments.

Methodology

To evaluate the allegations and assess internal controls, the OIG reviewed applicable laws, regulations, VA policies, and local procedures. The OIG observed invoice processing; interviewed VABHS, senior VHA, NPPO, and NPC officials; obtained laws and VA policies; consulted with OIG legal staff; and examined relevant records. To address the allegations, the OIG selected a statistical sample of 60 payments and five high-dollar payments from a universe of 3,778 payments, totaling approximately \$39.2 million for the scope period December 2012 through October 2017, from VA's Financial Management System. Specifically, OIG tested five high-dollar payments totaling approximately \$15.5 million for validity and accuracy and tested a statistical sample of 60 payment from the remaining universe of 3,773 payments totaling approximately \$23.7 million.

Fraud Assessment

The OIG assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The OIG exercised due diligence and remained alert for fraud indicators. The OIG reviewed the results of prior audits, evaluations, reviews, and investigations

conducted by the OIG, VA, and the Government Accountability Office to assess the risk that fraud could occur and not be detected. The OIG also identified and reviewed NPC disbursement documentation for potential fraud indicators. During the audit, the OIG referred matters to the OIG's Office of Investigations.

Data Reliability

The OIG relied on computer-processed data from VA's Financial Management System. To assess the reliability of these data, the OIG interviewed VHA and NPC officials to validate source documentation. To test for reliability, the team determined whether any data were missing from key fields or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. The OIG also compared the data extracted from VA's Financial Management System to documentation and financial records obtained from BVARI and VABHS. The OIG concluded that the computer-processed data obtained from VA's Financial Management System were sufficiently reliable to support the audit objectives, conclusions, and recommendations.

Government Standards

The OIG's assessment of internal controls focused on those controls relating to the audit objectives. The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that it plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

Appendix B: Statistical Sampling Methodology

Approach

The OIG reviewed a statistical sample of VABHS payment records to determine whether VABHS processed BVARI invoices in accordance with law and VA policies. A statistical sampling was used to quantify the extent of payments that were made improperly by VABHS to BVARI.

Population

The review population included 3,778 payments made by VABHS to BVARI from December 2012 through October 2017 (audit period) totaling approximately \$39.2 million. The OIG used information extracted from VA's Financial Management System to identify the population.

Sampling Design

The OIG used a stratified sampling approach to select statistical samples for testing. The population of VABHS payments to BVARI was divided into three strata based on risk. The audit time frame was divided into three strata to include before, during, and after the time specified in the hotline complaint. The first stratum consisted of five high-dollar payments totaling approximately \$15.5 million from October 2013 through September 2016, which were reviewed for validity and accuracy. The second statistically selected stratum consisted of 30 payments VABHS made to BVARI from December 2012 through September 2013 and from October 2016 through October 2017. A third statistically selected stratum consisted of 30 payments VABHS paid to BVARI from October 2013 through September 2016. Strata two and three totaled approximately \$23.7 million, for a total combined sample of \$39.2 million. In summary, the VABHS payments to BVARI were divided for testing as follows:

- Stratum 1—Payments of \$200,000 or more (five payments).
- Stratum 2—Payments from December 2012 through September 2013, and from October 2016 through October 2017 (30 payments).
- Stratum 3—Payments from October 2013 through September 2016 (30 payments).

Numbers were rounded based on the overall weighted average results of the statistical analysis. Estimates may not sum exactly due to rounding.

IDEA data analysis software was used to facilitate the selection of payments, with payments having an equal chance of being selected within each stratum. In addition, a stratified random sampling approach was used based on a design precision of 7 percent of the number of payments

in the population, a 90 percent confidence level, and an expected error rate of no more than 10 percent of the total.

Weights

The OIG calculated estimates in this report using weighted sample data. Samples were weighted to represent the population from which they were drawn. The OIG used the weights to compute estimates. For example, the OIG calculated the error rate point estimates by summing the sampling weights for all sample records that contained the error, then dividing that value by the sum of the weights for all sample records.

Projections and Margins of Error

The point estimate (e.g., estimated error) is an estimate of the population parameter obtained by sampling. The margin of error and confidence interval associated with each point estimate is a measure of the precision of the point estimates that accounts for the sampling methodology used. If the OIG repeated this audit with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate the weighted population estimated and associated sampling errors. This software uses replication or Taylor-Series Approximation methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of sample review. While precision improves with larger samples, the rate of improvement does not significantly change as more records are added to the sample review.

Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

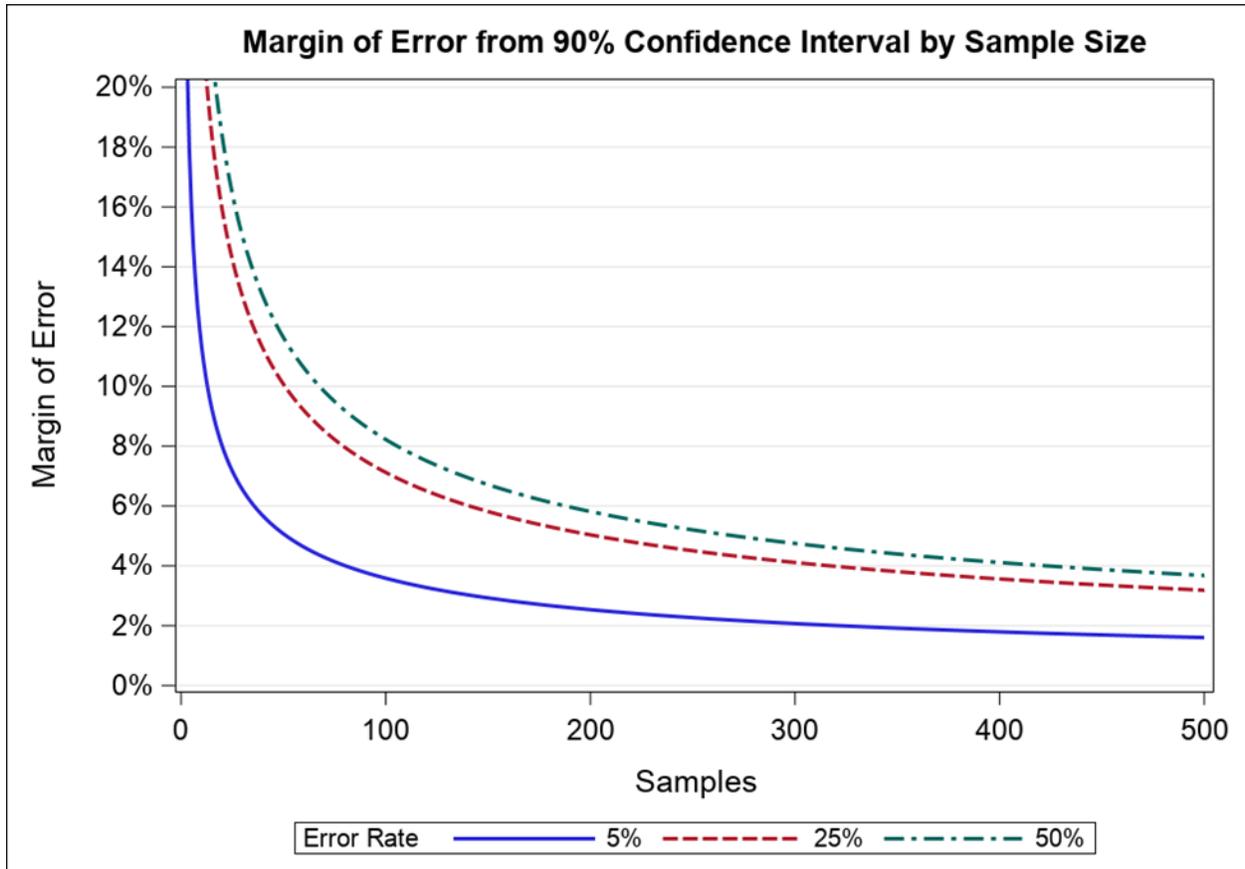


Figure B.1. Effect of sample size on the margin of error
 Source: OIG statistical analysis

Table B.1 below shows the error rate and estimates based on analysis of sample items. Based on the sample results, the OIG estimated VABHS improperly paid approximately \$22.8 million to BVARI without documentation of evidence that BVARI performed the services for VABHS it claimed during the scope period. The OIG also estimated that VABHS could potentially make an additional \$23 million in improper payments over the next five years if VABHS continues to make inappropriate payments associated with IPA agreements at the rate identified and with a similar value of payments. Because the audit time frame covered more than one year, projections were annualized based on the number of months covered by the audit period (\$22.8 million identified over approximately a 59-month period projects to an annual average of about \$4.6 million per year. This annual amount over five years totals about \$23 million.)

Table B.1 Statistical Estimations Summary for NPC Payments by VABHS to BVARI

NPC location	Projection (in millions)	Margin of error based on 90% confidence interval (in millions)	90% confidence interval		Total sample size	Count from sample
			Lower limit (in millions)	Upper limit (in millions)		
BVARI	\$22.8	\$0.88	\$22.0	\$23.7	60	60

Source: OIG statistical analysis of VHA invoice payment records. Numbers were rounded based on the overall weighted average results of the statistical analysis. Estimates may not sum exactly due to rounding.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1-5	Potential monetary loss, unless recouped, associated with VABHS authorizing payment for salary and fringe benefits of ineligible BVARI administrative staff paid under inappropriate IPA agreements from October 2011 through November 2012. ³⁷		\$103,000
6-7	Improper payments due to VABHS staff inappropriately authorizing invoices for payment without adequate documentation from December 2012 through October 2017. ³⁸		\$22.8 million
6-7	Estimated five-year future costs associated with VABHS staff inappropriately authorizing invoices for payment to BVARI without adequate documentation. ³⁹		\$23 million
	Total		\$45.9 million

Source: *OIG staff analysis*

Note: Numbers were rounded based on the overall weighted average results of the statistical analysis. Estimates may not sum exactly due to rounding.

³⁷ Included in the \$1.6 million identified in Finding 1, table 1 of this report, \$103,000 is a portion of the \$576,000 for administrative positions. The remaining approximately \$1.5 million is included in the \$22.8 million improper payments discussed in Finding 2 of this report.

³⁸ None of the statistically selected 60 payments evaluated included documentation to support the payments, which means the payments reviewed represented improper payments. The total improper payments (\$22.8 million) includes the \$1.5 million potential monetary loss associated with prohibited IPA agreement administrative fees, salary and fringe benefits of ineligible BVARI administrative staff paid under inappropriate IPA agreements, and duplicate employer retirement contribution payments that is discussed in Finding 1 of this report.

³⁹ Because the audit time frame covered more than one year, projections were annualized based on the number of months covered by the audit period (\$22.8 million identified over approximately a 59-month period projects to an annual average of about \$4.6 million per year. This annual amount over 5 years totals about \$23 million.). The OIG determined from the approximately five-year sample that if VABHS continues to make inappropriate payments associated with IPA agreements at the rate identified and with a similar value of payments, improper payments made over the next five years could total approximately \$23 million.

Appendix D: Management Comments

Date: Oct 2, 2019
From: Executive in Charge, Office of the Under Secretary for Health (10)
Subj: OIG Draft Report, Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations:
Boston VA Research Institute (VIEWS 01420757)
To: Assistant Inspector General for Audits and Evaluation (52)

Thank you for the opportunity to review the Office of Inspector General (OIG) draft report Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute. Attached are the action plans which address recommendations 1 and 2.

Comments in response to recommendations 3-7 are attached and have been provided by the Director, VA Boston Health Care System through the Director, VA New England Health Care System.

If you have any questions, please email Karen Rasmussen, M.D., Director for GAO-OIG Accountability Liaison at VHA10EGGOALAction@va.gov.

Original signed by

Richard A. Stone, M.D.

Attachments

Veterans Health Administration (VHA)

Action Plan

OIG Draft Report: Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute

Date of Draft Report: August 14, 2019

Recommendations/ Status Completion Date

Actions

Recommendation 1: The Under Secretary for Health confer with VA Office of General Counsel and the VA Boston Healthcare System human resources office to determine if administrative actions should be taken concerning VA Boston Healthcare System officials responsible for the \$1.6 million in inappropriate payments to the Boston VA Research Institute.

VHA Comments:

The Veterans Health Administration (VHA) Office of Workforce Management and Consulting (WMC) and Discovery, Education, and Affiliate Networks (DEAN) will collaborate to determine if administrative action should be taken concerning the Department of Veterans Affairs (VA) Boston Health Care System officials responsible for the \$1.6 million in inappropriate payments to the Boston VA Research Institute. WMC and DEAN will confer with the VA Office of General Counsel or other appropriate offices as needed.

Status:

In process

Target Completion Date:

90 days following receipt of evidence

Recommendation 2: The Under Secretary for Health determine appropriate actions for the inappropriate overpayments, made by VA Boston Healthcare System officials, associated with salaries and fringe benefits for ineligible Boston VA Research Institute administrative staff, as well as duplicate employer retirement contribution payments.

VHA Comments: Concur

The Veterans Health Administration (VHA) agrees that the Department of Veterans Affairs (VA) Boston Health Care System will create a payment plan for Boston VA Research Institute (BVARI) to repay the inappropriate payments. The Veterans Integrated Service Network (VISN) Director, with support of the VISN Financial Quality Assurance Manager, oversees execution of the collection of the debt.

The VISN Director is responsible for reporting the payment plan and progress on debt collection to the Chair, Non-Profit Oversight Board and Deputy Under Secretary for Health for Operations and Management (DUSHOM) every 90 days. The DUSHOM, with support from VHA Office of Finance, reviews the plan and progress on debt collection.

Status:

In process

Target Completion Date:

October 2019

Date: August 26, 2019
From: Director, VA New England Healthcare System (10N1)
Subj: OIG Audit: Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations:
Boston VA Research Institute
To: The Assistant Inspector General for Audits and Evaluations (52) OIG

Thank you for the opportunity to review the draft report of your audit of financial controls and payments related to VA-Affiliated nonprofit corporations: Boston VA Research Institute. I appreciate the Office of Inspector General's oversight and the extensive work done as part of this review. We acknowledge there are improvements to be made and we are committed to ensuring correction to identified opportunities for improvement.

I have reviewed the Healthcare System Director's action plan and project completion dates. I concur with the plan and have complete confidence that the plan will be effective. VISN 1 will assist the Healthcare System's leadership in reaching full compliance in a timely manner.

Original signed by

Ryan Lilly, MPA

Director, VA New England Healthcare System

Date: August 23, 2019

From: Director, VA Boston Healthcare System (00/523)

Subj: OIG Draft Report: "Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute"

To: Assistant Inspector General for Audits and Evaluations

Director, GAO/OIG Accountability Liaison Office (VHA 10EG GOAL Action)

Network Director, VA New England Health Care System (10N01)

Thank you for the opportunity to respond and comment on the Draft Report: "Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute". During the nearly two-year investigation, we have taken the opportunity to improve our processes to ensure compliance with VHA policies governing nonprofit corporations.

We regret that we did not more thoroughly vet the use of Administrative Fees through VA channels in 2013 as we sought means to address the growing administrative requirements of managing IPAs associated with many flagship VA Research Programs. To provide context for the decision-making processes and events at the time, our Associate Chief of the Staff for Research and Development, [REDACTED], PhD, provides the following background on the origins of the Administrative Fee:

The use of an Administrative Fee was initially raised in 2013 by the Chief Executive Officer of BVARI as a mechanism to offset the considerable expense of managing Interagency Personnel Agreements with VABHS. During the prior several years, the number of IPA's from VABHS to BVARI increased dramatically and in some years reached more than 100 separate agreements. The actual processing of the IPA's was one component of the expense assumed by BVARI for VABHS, while the actual day to day, week to week management of the employees was an even greater expense for BVARI. All these IPA's were secondary to the needs of the Research Program at VA Boston. BVARI exists exclusively to support Research and Education at VABHS; they have no other mission.

MAVERIC's Million Veteran Program (MVP) is headed by VA Boston investigators and is responsible for the national management of that program. Included in MVP are senior biostatisticians, geneticists, informaticists, and other hard to recruit and high-priced researchers. MVP was largely responsible for the unprecedented growth in IPA's from 2010 – 2013 and was the primary driver which led to the CEO proposing a fee on the processing of IPA's. The fee was exclusively a processing fee as it was designed and thus reimbursed BVARI for the actual work in responding to the request of VABHS to hire BVARI's employees. Management of their employees would be a cost that would, under the proposed plan, be assumed by BVARI.

BVARI's CEO informed the Board of Directors that she would pursue the Administrative Fee for IPA's suggesting that other non-profits were concurrently considering the same strategy and that Office of Personnel Management (OPM) documents permitted such fees. She alerted Board members to the fact that other agencies (e.g., Department of Defense) provided administrative fees. With support from the Board, who read the OPM circular on IPA's, the CEO pursued the fee from the Office of Naval Research (ONR). This is the same federal group that audits BVARI's expenses to provide them with an annual Indirect Cost rate for all federal grants.

The application for an administrative fee for IPA's was submitted and an audit of the proposed fee was completed by ONR. After months of deliberation, the fee was established by ONR. This fee was then presented to the Board of BVARI for concurrence. With a presentation to the Board that focused on the permissibility of fees by the OPM and the establishment of the fee by ONR, the Board agreed that the fee was both necessary and reasonable in view of the vital necessity for VA programs to recruit and retain needed and scarce talent. There was never any discussion by Board members in meetings or outside of meetings that the fee was in violation of any Federal policy. It was only when the ACOS for Research (in December of 2016) corresponded with the VA STAR attorney about the legitimacy of paying a fee to one vendor (BVARI) while simultaneously withholding this same fee from other vendors (the Universities), that it became clear that VABHS and BVARI were in violation of VA policy. The next several months were spent by the Board in trying to devise alternative plans to maintain the use of IPA's while not causing the financial collapse of BVARI.

A routine audit in May 2017 of BVARI by the VA's Non-Profit Oversight Board highlighted the violation of VA policy and led to the Inspector General review in January 2018. BVARI and VABHS immediately ceased the use of the Administrative Fee. It is unclear the reason for VA handbook restrictions on the use of such fees. There has concomitantly been a dramatic reduction in the use of IPA's in VABHS since that time.

With reference to the claim that payments were delayed, it is helpful to reflect on the many efforts undertaken during the investigative period:

In November of 2017 VA Boston Healthcare System (VABHS) was notified of the requirement for BVARI to repay VABHS and the VABHS Director instructed the Chief Financial Officer (CFO) to issue a bill of collection in January 2018.

There were numerous conversations from April through October 2018 and beyond between the OGC Healthcare Law Group, OGC STARS team, Director of NPPO, VABHS Director, VAHBS CFO, and BVARI re. the repayment. Additionally, throughout the span of the OIG investigation from December 2017 until January of 2019, several offices and organizations were involved in the accounting of fees, the waiver request and compromise request for repayment, discussion and preparation of BVARI insurance claim, waiting for the decision of the insurance settlement, waiting for BVARI to submit financial records requested by Office for Health for Discovery, Education & Affiliate

Networks /OGC Healthcare Law Group, financial reviews conducted by the Financial work group, BVARI presentation of the financial records to NPOB, discussion of repayment plans, development of a promissory note, and other efforts toward repayment. The parties were not idle during that time, as BVARI was actively consulting with its attorney and insurance company and ultimately learned they could not reimburse VABHS without the company's prior written consent. The bill was suspended to wait for the BVARI waiver/compromise proposal to be finalized and allow all parties to establish the repayment plan. Ultimately, the waiver request was denied and final efforts to collect payment have been made.

It is crucial to understand that the recoument of these **Research** funds (FY14-FY17) will be returned to prior year **Research** appropriations (FY14-FY17), which are only authorized to be used for additional requirements of existing prior year obligations for the Medical and Prosthetic Research and Development programs. In other words, these funds may not be used for funding

current or future research work. In addition, these **Research** funds are not authorized by appropriation bills to be used for patient care, administrative activities, or facilities improvement (Ch. 73, 38 USC).

We have already taken significant steps to improve our processes relative to IPA administration and oversight and BVARI invoicing of VA Boston Fiscal Service. Human Resources, Fiscal Service, and the Research Office have developed SOPs addressing all pertinent procedures and all relevant staff have been trained. The BVARI Board of Directors will receive training at its October meeting and all existing and future staff will be required to be trained on the SOPs annually through TMS.

VABHS is confident in its ability to integrate the lessons learned from this investigation. We are most appreciative of the opportunity to work with the VISN and VACO Program Offices to resolve the recommendations, so we may continue to produce the highest caliber research for our nation's Veterans.

Original Signed by

Vincent Ng

Director

VA Boston Healthcare System

VA BOSTON HEALTH CARE SYSTEM

Action Plan

OIG Draft Report: Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute

Date of Draft Report: August 14, 2019

Recommendations/ Status Completion Date

Actions

Recommendation 3: The VA Boston Healthcare System Director determine appropriate actions to ensure the VA Boston Healthcare System human resources office develops procedures to require reviews of VA-affiliated nonprofit corporation Intergovernmental Personnel Act agreements for compliance with VA Handbook 5005, *Staffing*, prior to approval.

VHA Comments: Concur

Human Resources Management Service, in conjunction with Fiscal Service and Research & Development, have developed an internal standard operating procedure (SOP) to guide all parties involved through the review and approval process. In addition to providing technical and administrative guidance on the Intergovernmental Personnel Act via VA Handbook 5005, checklists have been established ensuring proper review and approvals are confirmed prior to Facility Director's final concurrence.

Staff have been trained on the SOPs and recertification will be required annually for involved staff. New staff will not be allowed to participate in IPA review until they are appropriately trained.

Status:

Completion Date:

Complete

August 22, 2019

Recommendation 4: The VA Boston Healthcare System Director determine appropriate actions to ensure the VA Boston Healthcare System research and development budget office develops procedures for adequate review of VA-affiliated nonprofit corporation invoices to prevent duplicate payments in accordance with VA financial policy prior to approval.

VHA Comments: Concur

A Standard Operating Procedure (SOP) for reviewing invoices to prevent duplicate payments has been developed and training with all involved staff has concluded.

Fiscal, Research, and BVARI staff have been trained on the SOP and recertification will be required annually for involved staff. BVARI Board of Director members will be trained at its October meeting.

Status:	Completion Date:
Complete	August 22, 2019

Recommendation 5: The VA Boston Healthcare System Director determine appropriate actions to ensure procedures are developed that require the VA Boston Healthcare System research and development budget office supervisor to conduct periodic reviews of VA-affiliated nonprofit corporation invoices authorized for payment by staff as required by VA Financial Policies and Procedures, Volume VIII, Chapter 1A.

VHA Comments: Concur

The Standard Operating Procedure (SOP) addressing the requirements for the Research Budget Office Supervisor to conduct a quarterly audit and for the Fiscal Office to conduct an annual and unannounced audit on the IPA invoice payment process has been written and training with all involved staff has concluded. An audit checklist and template audit report have also been created.

Fiscal, Research, and BVARI staff have been trained on the SOPs and recertification will be required annually for involved staff. BVARI Board of Director members will be trained at its October meeting.

Status:	Completion Date:
Complete	August 22, 2019

Recommendation 6: The VA Boston Healthcare System Director establish procedures to ensure research and development budget office staff review VA-affiliated nonprofit corporation invoices to make certain services were performed or the goods have been received in accordance with the agreement prior to payment.

VHA Comments: Concur

The Fiscal Office developed a Standard Operating Procedure (SOP) for the Research and Development budget office staff to review invoices to ensure goods and/or services have been received and training with all involved staff has concluded.

Fiscal, Research, and BVARI staff have been trained on the SOPs and recertification will be required annually for involved staff. BVARI Board of Director members will be trained at its October meeting.

Status:	Completion Date:
Complete	August 22, 2019

Recommendation 7: The VA Boston Healthcare System Director establish procedures to ensure research and development budget office supervisor conducts periodic reviews of VA-affiliated nonprofit corporation invoices authorized for payment by staff, to prevent improper payments, as required by VA Financial Policies and Procedures, Volume VIII, Chapter 1A.

VHA Comments: Concur

The Standard Operating Procedure (SOP) for the Research and Development Budget Office supervisor's review of invoices authorized for payment by staff has been written and training with all involved staff has concluded. In addition, the Fiscal Office will be conducting annual and unannounced audits.

Fiscal, Research, and BVARI staff have been trained on the SOPs and recertification will be required annually for involved staff. BVARI Board of Director members will be trained at its October meeting.

Status:	Completion Date:
Complete	August 22, 2019

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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