



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

VETERANS HEALTH ADMINISTRATION

Financial Controls Related to  
VA-Affiliated Nonprofit  
Corporations: Idaho  
Veterans Research and  
Education Foundation

AUDIT

REPORT #18-00711-251

SEPTEMBER 24, 2020



## MISSION

The mission of the Office of Inspector General is to serve veterans and the public by conducting meaningful independent oversight of the Department of Veterans Affairs.

*In addition to general privacy laws that govern release of medical information, disclosure of certain veteran health or other private information may be prohibited by various federal statutes including, but not limited to, 38 U.S.C. §§ 5701, 5705, and 7332, absent an exemption or other specified circumstances. As mandated by law, the OIG adheres to privacy and confidentiality laws and regulations protecting veteran health or other private information in this report.*

**Report suspected wrongdoing in VA programs and operations  
to the VA OIG Hotline:**

[www.va.gov/oig/hotline](http://www.va.gov/oig/hotline)

**1-800-488-8244**



## Executive Summary

The VA Office of Inspector General (OIG) conducted this audit to evaluate the merits of complaints submitted in May and June 2018 alleging the former executive director of the Idaho Veterans Research and Education Foundation (IVREF), a VA-affiliated nonprofit corporation (NPC), awarded a pay raise for herself without the board of directors' approval and misused the nonprofit's credit card.<sup>1</sup> In addition, the OIG assessed whether IVREF had adequate controls for, and the board of directors provided sufficient oversight of, the nonprofit's expenditures. The audit team also examined whether the Boise VA Medical Center (VAMC) had adequate controls and oversight of VA payments to IVREF.<sup>2</sup>

The VA-affiliated NPC program was established by the Veterans' Benefits and Services Act of 1988 to facilitate VA-approved research projects at VA medical facilities nationwide. The NPC program was revised in 1999 to also allow NPCs to facilitate funding to support VA-approved education activities. NPCs may administer funds from a variety of sources other than VA, including other federal agencies, private organizations, and universities. VA and affiliated NPCs collaborate on mutually beneficial research, education, and training activities through Intergovernmental Personnel Act agreements. Under these agreements, VA funds all or part of the salary and fringe benefits for employees working on VA-approved projects.

IVREF is located on the Boise VAMC campus and was established in 2011. According to its website, IVREF's mission includes improving the health of all veterans through basic science discoveries and clinical research studies. Areas of research include infectious diseases, nervous system disorders, heart disease, and cancer. About 30 professionals support IVREF research activities, including an executive director responsible for the nonprofit's operations and an assistant executive director. The former IVREF executive director held the position until May 2018. The assistant executive director at that time also served as the human resources manager. The assistant executive director then served as acting executive director from June 2018 until May 2019, when she was appointed to the executive director position where she still served as of June 2020.<sup>3</sup> During the same time frame, she continued to serve as the human resources manager. In fiscal year 2018, IVREF reported revenues of about \$2.4 million in

---

<sup>1</sup> The NPC board of directors includes the VA medical center (VAMC) director and other top VAMC officials: the chief of staff, associate chief of research, and associate chief of education. The board must also include at least two members who are not federal government employees and who have expertise of benefit to the corporation.

<sup>2</sup> The OIG issued four other reports on this topic: *Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute*, 18-00711-211, December 2, 2019; *Cincinnati Education and Research for Veterans Foundation*, 18-00711-42, January 16, 2020; *Middle Tennessee Research Institute*, 18-00711-106; and *Northern California Institute for Research and Education*, 18-00711-141, with the last two reports issued June 16, 2020.

<sup>3</sup> IVREF website, accessed June 17, 2020, <https://ivref.org/contact-us/>.

government funding and approximately \$75,000 from nongovernment sources, for a total of about \$2.5 million.

## What the Audit Found

The audit team substantiated the allegation that the former IVREF executive director received a salary increase of approximately \$11,900, or about 15 percent, without the approval of IVREF's board of directors. Although procedures for changing executive director compensation were not spelled out in detail, IVREF's policies included that written authorization was required for employee salary changes.<sup>4</sup>

In addition, the OIG found the former assistant executive director/human resources manager received a salary increase of about \$13,800, or approximately 23 percent, that was questionable based on the documentation provided to the audit team. The unauthorized and questionable salary increases occurred because neither the former executive director nor the assistant executive director followed IVREF policies requiring salary increases to be authorized in writing with a supervisory recommendation that followed a written performance evaluation.

The audit team also substantiated that the former executive director used IVREF's credit card for unallowable personal expenses totaling more than \$44,000. Credit card statements included 34 cash advances in increments of \$500 and nonbusiness transactions such as clothing and beauty purchases. This pattern occurred because weak oversight by the board of directors permitted a single individual full control over the use of funds, including approval of payments to the credit card account and reconciliation of bank statements. In addition, the IVREF's policies had no provisions regarding credit card use.

The credit card matter was investigated by OIG special agents. As a result, the former executive director entered a guilty plea to one count of federal program theft in the U.S. District Court for the District of Idaho in April 2019. The former executive director accepted responsibility and admitted she used the NPC credit card inappropriately and attempted to conceal the actions by altering IVREF bank statements. The former executive director paid about \$44,300 in restitution and was later sentenced to five years' probation for the felony offense.<sup>5</sup>

Control weaknesses at IVREF allowed assets to be misused by the former executive director for personal purchases, reducing funds available for VA-approved research and education. In addition, the inappropriate use of funds identified at IVREF demonstrates the board of directors (which includes senior VAMC officials) has insufficient involvement in IVREF activities and inadequate oversight of expenditures.

---

<sup>4</sup> *IVREF Fiscal & Accounting Policies Manual*, version 1, effective July 12, 2012.

<sup>5</sup> Rule 11 Plea Agreement, *United States v. Rideg*, No. 19-00104-DCN (D. Idaho 2019).

As for the medical center's oversight of VA payments to IVREF, the audit team found that the Boise VAMC made approximately \$50,600 in improper payments to IVREF from January 2014 through April 2018 (the review period) related to an Intergovernmental Personnel Act agreement. VA policy requires that VA review invoices to determine whether the contracted services were performed and the invoices were for lawful and proper amounts before approving invoices for payment.<sup>6</sup> The audit team reviewed the only three payments within the scope and review period associated with an Intergovernmental Personnel Act agreement. None of the three payments and associated invoices included supporting documentation, such as payroll records for staff time, rendering the payments improper.<sup>7</sup> These improper payments occurred because the Boise VAMC Research and Development Budget Office staff did not verify services were received in accordance with the agreement before approving invoices for payment. Noncompliance by staff with VA policy was compounded by the absence of required periodic supervisory reviews of approved invoices.<sup>8</sup> Although the number of invoices the Boise VAMC approved for payment to IVREF without proper documentation was low during the review period (three), controls and oversight related to payments should be strengthened.

## What the OIG Recommended

The OIG recommended that the Boise VAMC director confer with the Office of General Counsel to determine whether administrative action should be taken against the former assistant executive director (now executive director) concerning the processing of the salary increases made without written authorization and performance evaluations, and for failing to report the former executive director's conduct to the board of directors.<sup>9</sup>

Furthermore, the OIG recommended the Boise VAMC director ensure that the IVREF board of directors implements controls to require two or more responsible officials to oversee all salary and pay changes, and for the use of credit cards and the receipt, review, and reconciliation of credit card statements.

Two additional recommendations were made to the Boise VAMC director. The first was to establish procedures requiring that Research and Development Budget Office staff review VA-affiliated nonprofit corporation invoices to confirm services were performed or goods were received in accordance with Intergovernmental Personnel Act agreements before approving invoices for payment. The second was to institute procedures for the Research and Development

---

<sup>6</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, "Invoice Review," B, October 2013.

<sup>7</sup> Office of Management and Budget (OMB), Circular A-123, app. C, "Requirements for Payment Integrity Improvement," June 26, 2018.

<sup>8</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010203, C, October 2013.

<sup>9</sup> The current executive director served as the former assistant executive director and human resources manager at the time of the salary increases. The former executive director was terminated in May 2018 because she gave herself an unauthorized salary increase.

Budget Office supervisor to conduct periodic reviews of the VA-affiliated nonprofit corporation invoices authorized for payment by staff, as required by VA policy.<sup>10</sup>

## Management Comments

The Boise VAMC director concurred in principle with recommendation 1 and reported that he and nonprofit corporation board members conducted an administrative review. He stated he did not believe additional review was justified.

The director concurred with recommendations 2 through 5. Regarding recommendation 2, he reported procedures were developed that require the review and signature of two responsible IVREF individuals for all pay rate changes. For recommendation 3, he reported procedures were adopted that require reviews related to use of the nonprofit's credit cards. For recommendation 4, the director explained that if an Intergovernmental Personnel Act agreement is considered for staffing in the future, proper review of and training on the agreement's standard operating procedure will be completed. Regarding recommendation 5, the director reported that procedures have been implemented and Research and Development staff training has been conducted for the periodic review of the nonprofit corporation invoices authorized for payment. The full text of VA's management comments is included in appendix C.

Although the director reported that actions were completed for the recommendations, the evidence provided was not sufficient to close the recommendations at this time. The OIG will follow up on the planned actions and will close the recommendations when sufficient documentation has been provided illustrating corrective actions have been implemented.



LARRY M. REINKEMEYER  
Assistant Inspector General  
for Audits and Evaluations

---

<sup>10</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, "Invoice Review and Certification," October 2013.

# Contents

Executive Summary .....	i
Abbreviations .....	vi
Introduction.....	1
Results and Recommendations .....	4
Finding 1: Lapses in IVREF’s Controls and Oversight Resulted in Salary Increases without Written Authorization and Credit Card Misuse .....	4
Recommendations 1–3 .....	10
Finding 2: The Boise VAMC’s Inadequate Controls and Oversight Resulted in Improper Payments to IVREF .....	12
Recommendations 4–5 .....	14
Appendix A: Scope and Methodology.....	15
Appendix B: Monetary Benefits in Accordance with Inspector General Act Amendments .....	17
Appendix C: Management Comments.....	18
OIG Contact and Staff Acknowledgments .....	20
Report Distribution .....	21

## Abbreviations

IVREF	Idaho Veterans Research and Education Foundation
NPC	nonprofit corporation
OIG	Office of Inspector General
VAMC	VA medical center
VHA	Veterans Health Administration



## Introduction

The VA Office of Inspector General (OIG) conducted this audit to evaluate the merits of complaints submitted in May and June 2018 alleging the former executive director of the Idaho Veterans Research and Education Foundation (IVREF), a VA-affiliated nonprofit corporation (NPC), awarded a pay raise for herself without the board of directors' approval and misused the nonprofit's credit card.<sup>11</sup> The audit team also assessed whether IVREF had appropriate controls over its expenditures and adequate board oversight. In addition, the audit team evaluated whether the Boise VA Medical Center (VAMC) had adequate controls and provided sufficient oversight of VA's payments to IVREF.<sup>12</sup>

### Idaho Veterans Research and Education Foundation

IVREF was established in 2011 and is located on the VAMC campus in Boise, Idaho. As presented on its website, IVREF's mission includes improving the health of all veterans through basic science discoveries and clinical research studies.<sup>13</sup> Areas of research include infectious diseases, nervous system disorders, heart disease, and cancer. About 30 professionals support IVREF research activities including an executive director responsible for the nonprofit's operations and an assistant executive director.<sup>14</sup> The former IVREF executive director held the position until May 2018. The assistant executive director also served as the human resources manager at that time. The assistant executive director then served as acting executive director from June 2018 until May 2019, when she was appointed to the executive director position. According to the nonprofit's website, as of June 2020, there had been no change of executive director.<sup>15</sup> In fiscal year 2018, IVREF reported revenues of about \$2.4 million in government funding and approximately \$75,000 from nongovernment sources, for a total of about \$2.5 million.<sup>16</sup>

---

<sup>11</sup> The NPC board of directors includes the VA medical center director and other top facility officials: the chief of staff, associate chief of research, and associate chief of education. The board must also include at least two members who are not federal government employees who have expertise of benefit to the corporation.

<sup>12</sup> The OIG issued four other reports on financial controls and payments related to VA-affiliated nonprofit corporations: (1) *Financial Controls and Payments Related to VA-Affiliated Nonprofit Corporations: Boston VA Research Institute*, 18-00711-211, December 2, 2019; (2) *Cincinnati Education and Research for Veterans Foundation*, 18-00711-42, January 16, 2020; (3) *Middle Tennessee Research Institute*, 18-00711-106; and (4) *Northern California Institute for Research and Education*, 18-00711-141, with the last two issued June 16, 2020.

<sup>13</sup> "Our Vision, Mission and Values," IVREF website, accessed April 22, 2019, <https://ivref.org/>.

<sup>14</sup> The assistant executive director performed human resources functions and continued to perform them after she became executive director.

<sup>15</sup> IVREF website, accessed June 17, 2020, <https://ivref.org/contact-us/>.

<sup>16</sup> Fiscal year 2018 data are the latest available. According to the Nonprofit Program Office, the NPC 2019 consolidated annual report will be submitted to Congress in December 2020.

## 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.<sup>17</sup> The program was revised in 1999 to also allow NPCs to facilitate funding to support VA-approved education activities.<sup>18</sup> NPCs may administer funds from a variety of sources other than VA, including other federal agencies, private organizations, and universities. In fiscal year 2018, VA-affiliated NPCs collectively employed about 2,600 personnel and supported more than 2,100 active principal investigators. For that same period, there were 82 VA-affiliated NPCs in 42 states, Puerto Rico, and the District of Columbia with combined assets valued at about \$289 million, including investments, accounts receivable, and equipment.

VA and affiliated NPCs collaborate on mutually beneficial research, education, and training activities through Intergovernmental Personnel Act agreements.<sup>19</sup> Under these agreements, VA funds all or part of the salary and fringe benefits for employees working on VA-approved projects.<sup>20</sup>

## Governance of Nonprofit Corporations

As delegated by the Secretary of Veterans Affairs, the under secretary for health may authorize the establishment of NPCs. VA-affiliated NPCs are each governed by a board of directors and overseen by VA in accordance with applicable federal and state laws and regulations, as well as Veterans Health Administration (VHA) policy.<sup>21</sup>

The NPC statutory members of the board of directors include the VAMC director and other top facility officials: the chief of staff, associate chief of research, and associate chief of education. The board must also include at least two members who are not federal government employees and who have expertise of benefit to the corporation. According to VHA policy, board members “need to ensure that the NPC furthers the best interests of VA.”<sup>22</sup> The NPC board is responsible for oversight of research funds.

The board appoints an NPC executive director with the concurrence of the VAMC director (as delegated by the under secretary for health). The executive director is responsible for the

---

<sup>17</sup> Veterans' Benefits and Services Act of 1988, Pub. L. No. 100-322 (1988).

<sup>18</sup> Veterans Millennium Health Care and Benefits Act, Pub. L. No. 106-117 § 204 (1999).

<sup>19</sup> VA and affiliated NPCs use Intergovernmental Personnel Act agreements as funding methods for VA to reimburse an NPC for all or part of the salary and fringe benefits for employees working on VA-approved research projects and education and training activities.

<sup>20</sup> Fringe benefits include social security, workers' compensation, and retirement plan costs.

<sup>21</sup> 38 U.S.C. § 7363; VHA Handbook 1200.17, *VA Nonprofit Research and Education Corporations Authorized by Title 38 U.S.C. Sections 7361–7366*, April 27, 2016, revised May 9, 2017, according to the VA website.

<sup>22</sup> VHA Handbook 1200.17.

operations of the NPC and has duties and responsibilities prescribed by the board of directors. VHA policy provides procedures and instructions governing NPCs and indicates VA is responsible for ongoing oversight of NPCs.<sup>23</sup>

## VA Oversight of Nonprofit Corporations

VA oversight of NPCs is performed by the Nonprofit Program Office, the Nonprofit Program Oversight Board, and VHA's chief financial officer, all described below.

- **Nonprofit Program Office.** This office serves as the liaison between VHA and NPCs. The Nonprofit Program Office provides oversight, guidance, and education to NPCs to ensure compliance with applicable regulations and VA policies affecting NPC operations and financial management. The Nonprofit Program Office staff report to the VHA Office of Research and Development's chief research and development officer.

The Nonprofit Program Office conducts triennial on-site audits. These evaluations include reviews of annual audited financial statements, NPC-completed internal control questionnaires, and follow-up on the office's previous audit recommendations. Additional areas of review may include the examination of cash disbursements, bank reconciliations, Intergovernmental Personnel Act agreements, and payroll records. The Nonprofit Program Office is also responsible for performing off-site NPC reviews, reviewing annual reports submitted by each NPC, and compiling report data for VA's annual report to Congress.<sup>24</sup>

- **Nonprofit Program Oversight Board.** This board serves as VA's senior management oversight body for the activities and programs of VA-affiliated NPCs. The oversight board's responsibilities focus on financial and ethical issues, and consistency with VA policy and interests related to VA-affiliated NPCs. This oversight 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.
- **VHA Chief Financial Officer.** This officer exercises financial oversight of NPCs by reviewing Nonprofit Program Office activities and independent audits of NPCs.

---

<sup>23</sup> VHA Handbook 1200.17.

<sup>24</sup> Off-site reviews are evaluations performed away from the NPC location. For example, the reviews might involve evaluating NPC documents from the Nonprofit Program Office home location.

## Results and Recommendations

### **Finding 1: Lapses in IVREF's Controls and Oversight Resulted in Salary Increases without Written Authorization and Credit Card Misuse**

The audit team identified significant lapses in controls and board oversight that resulted in salary increases without written authorization and unallowable use of the nonprofit's credit card. The audit team substantiated the allegations that the former IVREF executive director awarded her own pay raise without the board of directors' approval and misused the nonprofit's credit card. In addition, the audit team identified a questionable salary increase for the current executive director, which occurred while she served as the assistant executive director, based on the documentation provided to the audit team.

Pay raises for the former IVREF executive director and the then assistant executive director (now the executive director) were made without either official following the nonprofit's policies requiring written authorization for employee salary changes. Minutes from a board of directors meeting in February 2017 included approval of a prior pay raise for the executive director and in February 2018 a modest increase for staff, which demonstrated previous authorizations for pay raises.

IVREF policies were lacking in important respects. For example, the process for executive director compensation changes was not specified in IVREF's policies. IVREF policies also provided the executive director with sole authority for administrative staff salary increases. However, VHA policy requires sufficient controls to protect the nonprofit's assets. Lack of involvement of another authorized official in overseeing salary increases demonstrated inadequate controls.

Similarly, the former executive director's misuse of IVREF's credit card occurred in part because IVREF's policies provided no guidance regarding credit card use. The policies did not cover processes for credit card issuance, authorization, and reconciliation of credit card statements. During the period of credit card misuse, IVREF did not have sufficient accounting staff to perform their duties as specified in the nonprofit's policies. As a result, the former executive director had full control over IVREF's funds instead of ensuring the segregation of purchasing and oversight duties across additional staff. The weak controls at IVREF allowed assets to be misused and reduced the funds available for VA-approved research and education.

### **What the OIG Did**

To evaluate the allegations that IVREF's former executive director awarded a pay raise for herself without the board of directors' approval and misused the nonprofit's credit card, the audit team reviewed applicable laws, regulations, VA policies, board of directors meeting minutes,

IVREF personnel records, and financial records. The audit team also interviewed IVREF staff and board members.

To evaluate whether controls and board of directors' oversight of the nonprofit's funds were adequate, the audit team reviewed samples of IVREF credit card transactions and bank statements. See appendix A for additional scope and methodology information.

## **Governing Policy Requirements**

VHA policy specifies each NPC must have a written policy that provides sufficient controls to protect its assets and to meet the requirements of an external audit.<sup>25</sup> In addition, the nonprofit must create and maintain financial records in accordance with its accounting procedures.

IVREF's policies further require<sup>26</sup>

- documentation supporting all changes in payroll to be maintained in each employee's personnel file,
- changes in salaries and pay rates to be authorized in writing,
- the executive director to authorize changes in staff salaries and pay rates in writing, and
- recommendations for pay increases to include a performance evaluation signed by the supervisor.

In addition, responsibilities specified in the executive director's position description include oversight of all accounting functions, including payroll.

## **Former Executive Director's Unapproved Salary Increase**

The audit team found the IVREF former executive director received a salary increase of about \$11,900, or approximately 15 percent, effective in January 2018 and retroactive to October 2017 without written approval and a performance evaluation signed by the supervisor, as required by IVREF policies.<sup>26</sup> This occurred because the current executive director, while formerly serving as both the assistant executive director and the human resources manager, did not follow IVREF policies. The audit team found the salary for the former executive director increased from \$81,700 to approximately \$93,600 in January 2018. Minutes from the prior board meeting held in November 2017 and the next meeting held in February 2018, attended by both the former and current executive directors, did not document executive director salary changes. The June 2018

---

<sup>25</sup> VHA Handbook 1200.17, para. 13c (1).

<sup>26</sup> *IVREF Fiscal & Accounting Policies Manual; IVREF Human Resources Policies Manual*, v. 2, revised effective December 4, 2013.

meeting minutes indicated that the former executive director was terminated because of the unauthorized salary increase.<sup>27</sup>

The audit team noted a past raise for the then executive director had been documented in board meeting minutes. Specifically, the February 2017 board meeting minutes included the approval of a 3.5 percent raise. The audit team found that, unlike another VA-affiliated NPC's controls on compensation identified during a prior OIG review, the IVREF policies lacked procedures for executive director annual evaluation and compensation changes. Nevertheless, the audit team determined that as an employee, any changes to the executive director's pay rate were required to be authorized in writing in accordance with IVREF's financial and accounting policies. Also, IVREF human resources policies specify that recommendations for merit increases will include a performance evaluation signed by a supervisor. According to IVREF bylaws, the board has the authority to appoint and remove officers. As part of that responsibility, the board documented approval of the executive director's salary increase in the past. The audit team also noted in minutes from a board meeting a discussion of deferring the executive director's performance evaluation. The November 2017 board meeting minutes did not document discussions of performance nor a change in salary for the executive director. Minutes from the next board meeting held in February 2018 documented deferral of the executive director's annual evaluation. Nevertheless, the next day the executive director gave herself a raise.

The current executive director, while serving as IVREF's assistant executive director and human resources manager, processed the salary change for the former executive director without written authorization, thereby disregarding IVREF's policy requirement. The policy states that management is responsible for the detection and prevention of irregularities, such as "impropriety in the handling or reporting of money or financial transactions." Further, irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the executive director or the board and must be reported immediately to the executive director or the board chair.

The current executive director told the audit team while she was the assistant executive director, the former executive director instructed her to process a retroactive salary increase and provided a spreadsheet that specified the new salary amounts for both of them. When the current executive director asked for supporting written documentation authorizing the former executive director's salary increase, the former executive director made assurances that approval of the salary increase was forthcoming. The current executive director told the audit team she did not report the lack of written documentation authorizing the salary increase to anyone. According to the board member who found salary information on a shared drive, the irregularity was reported to the board chair upon discovery. An IVREF board member and the accountant reported that the former executive director was terminated in May 2018.

---

<sup>27</sup> The former executive director received about \$7,900 of the unauthorized salary increase before termination.

## **Former Assistant (Now Current) Executive Director’s Questionable Salary Increase**

The audit team found the current executive director (while in the position of assistant executive director) received a salary increase without adequate written authorization effective January 2018, the same pay period the former executive director received her unauthorized pay raise. The current executive director received a total salary increase of about \$16,600, or almost 30 percent, in two pay raises over about one month according to IVREF’s payroll records. The first increase for about \$2,800, or 5 percent, effective December 24, 2017, was retroactive to September 17, 2017, and changed the pay rate from \$56,160 to \$58,968. A financial officer’s report incorporated in the November 2017 board minutes and distributed prior to the February 2018 board meeting noted that “modest fiscal year pay raises for existing administrative staff” were included in the annual budget without any specific details. Based on the minutes, the first pay increase appeared to be authorized. The questionable raise for about \$13,800, or approximately 23 percent, effective January 21, 2018, was retroactive to October 1, 2017.<sup>28</sup> The two salary raises changed the rate of pay from \$56,160 to \$72,800. According to the current executive director, as the human resources manager for IVREF at that time, she processed all payroll changes and was aware of the requirement for written authorization for salary changes.

To support both officials’ salary increases, the current executive director gave the IVREF accountant the same spreadsheet to provide to the audit team she said she had received from the former executive director. As noted above, the current executive director requested written authorization to document the former executive director’s salary increase, which indicates she considered the spreadsheet insufficient. The spreadsheet was accompanied by a blank email dated February 2018 with only the former executive director’s signature block. The audit team expected to see some documentation to support the second pay raise of about 23 percent effective January 2018, just one month after the effective date of the first pay raise of 5 percent in December 2017, such as a performance evaluation or a change in duties. In comparison, the documentation authorizing the current executive director’s appointment four months later to the acting executive director position included a written position description detailing annual salary and duties and was signed by the current executive director and IVREF’s board president. The team noted the salary was not increased with the promotion to acting executive director. Based on the documentation provided for the current executive director’s salary increase of about 23 percent while she was the assistant executive director—a spreadsheet and a blank email—the audit team determined the pay raise did not comply with the nonprofit’s policies requiring written authorization of salary changes.

---

<sup>28</sup> The current executive director received about \$9,600 from the questionable salary increase while she was the assistant executive director, prior to her appointment to acting executive director in June 2018.

Furthermore, the team determined internal controls were inadequate in that authority for administrative staff salary increases, such as the one described above, rested with the executive director. An example of appropriate controls is IVREF's policy requirement that checks over a certain amount require two signatures. The audit team observed another VA-affiliated nonprofit's policies during a separate audit that required two officials to determine staff salary changes. Sole authority to approve all salary changes for IVREF's administrative staff increased the opportunity for the questionable salary increase and did not protect the nonprofit's assets.

### **Misuse of IVREF's Credit Card**

The audit team determined the former IVREF executive director used the IVREF credit card for unallowable personal expenses totaling more than \$44,000, which included 34 cash advances in increments of \$500 and purchase transactions. The board of directors did not identify the misuse in a timely manner because of inadequate oversight and deficient policies. For example, board minutes during the time of the misuse noted IVREF did not have sufficient accounting support. Also, IVREF policies did not make provisions for authorization, issuance, use, or payment for credit card transactions, nor did they include the reconciliation of credit card statements.

According to the IVREF accountant, the credit card account was active from August 2016 through May 2018. The audit team determined the credit card misuse occurred shortly after activation. This misuse went undetected in part because, according to the current executive director (who was the assistant executive director at the time), the former executive director received all unopened mail, including the credit card statements. The audit team found examples of IVREF credit card charges that were paid with funds from an IVREF bank account. Credit card statements included nonbusiness transactions with entities such as the following:

- Clothing retailers such as Nordstrom and Victoria's Secret
- Beauty retailers, for instance Ulta and Sephora
- Hotels
- Grocery stores
- Airlines

As noted above, VHA requires NPCs to have sufficient internal controls to protect the NPC's assets.<sup>29</sup> However, IVREF's policies do not include processes and procedures for the nonprofit's credit cards.

---

<sup>29</sup> VHA Handbook 1200.17, para. 13c (1).

IVREF's policies do include controls for the bank accounts. They specify that

- unopened bank statements are to be forwarded to the executive director, who is required to review the bank statements and report unusual activity to the IVREF treasurer; and
- bank statements are to be forwarded to IVREF's accounting department for reconciliation.

The audit team found the former executive director's receipt of unopened bank statements allowed her to alter checking account statements to conceal unauthorized purchases and payments. In addition, board meeting minutes indicate the board members knew IVREF did not have sufficient accounting staff. Therefore, according to the current executive director, the former executive director handled financial duties, which included bank statement reconciliation. Inadequate board of directors' oversight allowed a single individual, the former executive director, full control over the IVREF bank accounts, including use of funds, reconciliation of bank statements, and approval of payments to the credit card accounts. The team determined weak oversight along with insufficient accounting staff resulted in a lack of proper segregation of duties.

Segregation of duties is a basic requirement of internal controls; that is, to reduce the risk of fraud, waste, or abuse, no one individual should control all aspects of a transaction or event.<sup>30</sup> For example, custody of cash, disbursements, and reconciliations should be the responsibility of separate individuals. Opening and reviewing mail should have been assigned to someone who had no responsibilities for, or access to, the credit card and bank accounts. Receipt, review for unusual transactions, and reconciliation of credit card and bank statements by someone with no responsibilities for credit and cash disbursements could have detected the former executive director's fraudulent actions.

After an investigation by OIG special agents, the former executive director entered a plea of guilty to one count of federal program theft in the U.S. District Court for the District of Idaho in April 2019.<sup>31</sup> The former executive director accepted responsibility and admitted she used the NPC credit card inappropriately and attempted to conceal the actions by altering IVREF bank statements. The former executive director paid about \$44,300 in restitution and was subsequently sentenced to five years' probation for the felony offense.

## **Finding 1 Conclusion**

The audit team found internal control weaknesses at IVREF that allowed the former executive director to misuse assets. Misuse of NPC assets reduces funding that should be directed to

---

<sup>30</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 10, 2014.

<sup>31</sup> Rule 11 Plea Agreement, *United States v. Rideg*, No. 19-00104-DCN (D. Idaho 2019).

VA-approved research and education. Failure to address control weaknesses increases the risk of further inappropriate use and loss of funds. The misuse of funds identified at IVREF demonstrates insufficient oversight of NPC activities and expenditures by the board of directors, which includes senior Boise VAMC officials. While the IVREF board of directors took some steps to address the allegations prior to the OIG audit, additional actions are needed to strengthen NPC oversight.

## **Recommendations 1–3**

The OIG made three recommendations to the Boise VAMC director:

1. Confer with the Office of General Counsel to determine whether administrative action should be taken against the nonprofit's current executive director concerning: (a) the processing of salary increases for the former executive director and herself without written authorization and performance evaluations as required by IVREF policies and (b) the failure to report the former executive director's conduct regarding the salary increase to the board of directors.
2. Make certain the Idaho Veterans Research and Education Foundation board of directors implements controls requiring two or more responsible officials to provide oversight of all salary and pay rate changes.
3. Ensure the Idaho Veterans Research and Education Foundation board of directors implements controls for the use of credit cards and the receipt, review, and reconciliation of credit card statements.

## **Management Comments**

The Boise VAMC director concurred in principle with recommendation 1 and concurred with recommendations 2 and 3. In response to recommendation 1, the director reported that he and IVREF board members conducted an administrative review. The director stated he did not believe additional administrative review was justified. Regarding recommendation 2, the director reported that IVREF developed a standard operating procedure that requires the review and signature of two responsible IVREF officials for all salary and pay rate changes. In response to recommendation 3, the director reported that a standard operating procedure for the use, receipt, review, and reconciliation of credit cards and statements had been adopted. Appendix C provides the full text of the director's comments.

## **OIG Response**

The action plans provided by the Boise VAMC director for recommendations 2 and 3 are responsive to the recommendations. The director noted that planned actions were completed. However, the evidence provided was not sufficient to close the recommendations at this time.

Regarding recommendation 1, the director did not indicate that he conferred with the Office of General Counsel, as recommended, to determine whether administrative action should be taken against IVREF's current executive director for (a) processing salary increases for the former executive director and herself without written authorization and performance evaluations as required by IVREF policies and (b) failing to report the former executive director's conduct regarding the salary increase to the board of directors.

The OIG will follow up on planned actions and will close recommendation 1 when sufficient evidence is provided of the VAMC's discussion with the Office of General Counsel, including a conclusion as to whether administrative action against the current executive director is appropriate. The OIG will close recommendations 2 and 3 when sufficient evidence of approved and dated IVREF salary and pay rate changes and IVREF credit card standard operating procedures are provided illustrating corrective actions have been implemented.

## **Finding 2: The Boise VAMC’s Inadequate Controls and Oversight Resulted in Improper Payments to IVREF**

The audit team estimated the Boise VAMC made about \$50,600 in improper payments to IVREF from January 2014 through April 2018 (the audit period) based on a review of the only three payments within that time frame related to an Intergovernmental Personnel Act agreement. The audit team reviewed the three payments and the associated invoices and determined all were improper because none included supporting documentation, such as payroll records for staff time. These improper payments were made because the Boise VAMC Research and Development Budget Office staff did not comply with VA policy requiring verification that services were received in accordance with the agreement before approving invoices for payment.<sup>32</sup> Noncompliance by staff with VA policy was compounded by the absence of periodic supervisory reviews of approved invoices.<sup>33</sup> As a result, the Boise VAMC had no assurance that IVREF invoice amounts were valid and services had been completed before payment.

### **What the OIG Did**

To evaluate whether Boise VAMC officials had sufficient controls over, and oversight of, VA payments to IVREF, the audit team reviewed applicable laws, regulations, VA policies, and local procedures. The audit team also interviewed staff at IVREF and the Boise VAMC. Team members reviewed the related Intergovernmental Personnel Act agreement between the medical center and IVREF, and corresponding invoices submitted by IVREF to the Boise VAMC.

As part of the audit, the team obtained data from VA’s Financial Management System on payments made by the Boise VAMC to IVREF from January 2014 through April 2018, the audit review period. During that time, 13 payments were made. Of the 13 payments, 10 were found to be miscellaneous transactions such as funding transfers for an equipment expense or accounting corrections. Only three payments made in July and December 2017 that totaled approximately \$50,600 were related to an Intergovernmental Personnel Act agreement.

### **Insufficient Controls Resulted in Boise VA Medical Center Payments to IVREF That Lacked Supporting Documentation**

As noted above, the Boise VAMC’s payments of about \$50,600 to IVREF were improper because they lacked supporting documentation, such as payroll distribution reports or time cards. The audit team found the Boise VAMC Research and Development Budget Office staff did not verify services were performed in accordance with the agreement before approving IVREF invoices for payment.

---

<sup>32</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, B, October 2013.

<sup>33</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010203, C, October 2013.

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.”<sup>34</sup>

VA financial policy requires a review of invoices to determine whether services were performed and whether invoices were for lawful and proper amounts before payment.<sup>35</sup> However, the audit team found no supporting documentation such as records noting the number of hours worked or amount of annual or sick leave taken.

The improper payments occurred because the Boise VAMC’s Research and Development Budget Office controls over invoice review did not comply with VA policy. The Boise VAMC’s Research and Development Budget Office supervisor stated IVREF was not asked or required to provide any supporting documentation with invoices. The VAMC Research and Development Budget Office supervisor informed the audit team that procedures for invoice review included determining that funding was available and that the billing period matched the effective period. Because the procedures were inadequate, the Boise VAMC had no assurance that IVREF invoices were valid and accurate before processing them for payment.

## **Without Oversight, Policy Compliance Was Not Assured**

The lack of compliance by the VAMC’s Research and Development Budget Office staff with VA policy was compounded by the absence of required oversight—periodic supervisory reviews of approved invoices. VA financial policies require supervisors to periodically review invoices approved by subordinates to ensure compliance with policy.<sup>36</sup> According to the Research and Development Budget Office supervisor, these periodic supervisory reviews were not performed because of the low volume of invoices. Without oversight, compliance with policy was not assured.

## **Finding 2 Conclusion**

The Boise VAMC’s controls for, and oversight of, payments to IVREF fell short of requirements. Because of noncompliance with VA policy, the Boise VAMC had no assurance that IVREF invoice amounts were valid or accurate. Adequate review of invoices’ supporting documentation and routine supervisory reviews of approved invoices would increase confidence that services have been received. Although the volume of invoices was low during the audit

---

<sup>34</sup> OMB Circular A-123, app. C, “Requirements for Payment Integrity Improvement,” June 26, 2018.

<sup>35</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010201.01, B, October 2013.

<sup>36</sup> VA Financial Policies and Procedures, vol. VIII, chap. 1A, sec. 010203, C, October 2013.

review period, controls and oversight of payments should be strengthened to comply with VA policy.

## **Recommendations 4–5**

The OIG made two recommendations to the Boise VAMC director:

4. Establish procedures that require the Research and Development Budget Office staff to review VA-affiliated nonprofit corporation invoices to confirm services were performed or goods were received in accordance with Intergovernmental Personnel Act agreements before approving invoices for payment.
5. Institute procedures to make certain the Research and Development Budget Office supervisor conducts periodic reviews of the 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 Boise VAMC director concurred with recommendations 4 and 5. In response to recommendation 4, the director reported that if an Intergovernmental Personnel Act agreement is considered for staffing in the future, proper review of, and training on, the agreement's standard operating procedure will be completed.

In response to recommendation 5, the director reported that procedures have been implemented and Research and Development staff training has been conducted for the periodic review of IVREF invoices authorized for payment.

## **OIG Response**

The action plans provided by the Boise VAMC director for recommendations 4 and 5 are responsive to the recommendations. Although the director reported that planned actions were completed, 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 sufficient evidence has been provided that illustrates corrective actions have been implemented.

## **Appendix A: Scope and Methodology**

### **Scope**

The audit team conducted its work from February 2019 through July 2020. The scope of the audit focused on determining the merits of complaints alleging violations of law and VA policy at IVREF, a VA-affiliated NPC located on the Boise VAMC campus. The audit team visited IVREF, the Boise VAMC, and VA's Office of Research and Development. The audit team's scope and assessment of internal controls focused on those controls relating to the audit objectives.

The audit team reviewed relevant sources of information, including applicable laws and regulations, and VA policies and procedures. The audit team conducted interviews and obtained relevant documentation from Boise VAMC and IVREF officials. In addition, the audit team reviewed applicable prior audit recommendations, governing board of directors' meeting minutes, IVREF accounting records, and wage records.

As part of the audit, the audit team obtained data from VA's Financial Management System on payments made by the Boise VAMC to IVREF from January 2014 through April 2018, the audit review period. During the review period, 13 payments occurred. Of the 13 payments, 10 were found to be miscellaneous transactions, such as funding transfers for accounting corrections. Only three payments made in July and December 2017 were related to Intergovernmental Personnel Act agreement payments within the scope of the audit, and they totaled approximately \$50,600.

### **Methodology**

To evaluate the allegations and assess internal controls, the audit team reviewed applicable laws, regulations, VA policies, and local procedures. The audit team examined relevant accounting records and interviewed personnel from the Boise VAMC and IVREF. To determine whether the Boise VAMC processed NPC invoices in accordance with law and VA policies, the audit team tested three payments made by the Boise VAMC totaling approximately \$50,600.

### **Fraud Assessment**

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The audit team exercised due diligence and remained alert for fraud indicators. The audit team 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 audit team also identified and reviewed NPC disbursement documentation for potential fraud indicators. During the audit, the audit team conferred with the OIG's Office of Investigations about irregularities identified.

## **Data Reliability**

The audit team relied on computer-processed data from VA's Financial Management System. To assess the reliability of these data, the audit team interviewed officials from the Boise VAMC to validate source documentation. To test for reliability, the audit team determined whether any data were missing from key fields or were outside the time frame requested. The audit 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 audit team also compared the data extracted from VA's Financial Management System to documentation and financial records obtained from the Boise VAMC. The audit team concluded that the computer-processed data obtained from VA's Financial Management System were sufficiently reliable to support the audit objectives and conclusions.

## **Government Standards**

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## Appendix B: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1-3	Potential monetary loss associated with unallowable and questionable expenditures at IVREF.*		\$61,800
4-5	Improper payments due to VHA staff inappropriately authorizing invoices for payment, without adequate documentation from January 2014 through April 2018.†		\$50,600
<b>Total</b>			<b>\$112,400</b>

*Source: OIG staff analysis.*

*Note: Numbers were rounded.*

*\* Questioned amount consists of the \$44,300 misuse of the credit card, and unauthorized and questionable salary increases of \$7,900 and \$9,600 respectively.*

*† None of the three payments evaluated included documentation to support the payments, which means the payments reviewed represented improper payments.*

## Appendix C: Management Comments

Department of Veterans Affairs

Memorandum

Date: August 25, 2020

To: Mr. Larry Reinkemeyer, the Assistant Inspector General for Audits and Evaluation

From: Boise VA Medical Center, Boise, Idaho (531/00)

Below, please find the facility response to the Office of Audits and Evaluations review of Financial Controls Related to VA-Affiliated Nonprofit Corporations: Idaho Veterans Research and Education Foundation. We have also included detailed responses to the recommendations with supporting documentation labelled "Boise VA Response to Inspector General Report Financial Controls Related to VA-Affiliated Nonprofit Corporations: Idaho Veterans Research and Education Foundation." The facility would like to call attention to the fact that immediately upon recognition of the financial irregularities at the Idaho Veterans Research and Education Foundation, the facility Director notified the Inspector General and requested an external investigation into the Foundation's finances.

Finding 1: Lapses in IVREF's Controls and Oversight Resulted in Salary Increases Without Written Authorization and Credit Card Misuse

Concur.

Recommendations 1–3

The OIG made the following recommendations to the Boise VAMC director:

1. Confer with the Office of General Counsel to determine whether administrative action should be taken against the nonprofit's current executive director concerning the processing of salary increases for the former executive director and herself without written authorization and performance evaluations as required by IVREF policies, and failure to report the former executive director's conduct regarding the salary increase to the board of directors.

Concur in principal. Action plan: Administrative review of actions by current executive director conducted by Medical Center Director (MCD), and IVREF board members. MCD does not believe additional administrative review is justified. Status: complete.

2. Make certain the Idaho Veterans Research and Education Foundation board of directors implement controls requiring two or more responsible officials to provide oversight of all salaries and pay rate changes.

Concur. Action plan: Idaho Veterans Research and Education Foundation developed a Standard Operating Procedure (SOP) for all salary and pay rate changes. All changes require the review and signature of two responsible IVREF officials. Current ED has amended the personnel action form to include IVREF President's signature for all IVREF employee salary and pay rate changes. Status: Complete.

3. Ensure the Idaho Veterans Research and Education Foundation board of directors implements controls for the use of credit cards, and receipt, review, and reconciliation of credit card statements.

Concur. Action plan: A Standard Operating Procedure (SOP) for use, receipt, review and reconciliation of credit cards and statements, including all bank statements, has been adopted. Status: Complete.

Finding 2

The Boise VAMC's controls for, and oversight of, payments to IVREF fell short of requirements. Because of noncompliance with VA policy, the Boise VAMC had no assurance that IVREF invoice amounts were valid or accurate. Adequate review of invoices' supporting documentation and routine supervisory reviews of approved invoices would increase confidence that services have been received. Although the volume of invoices was low within the audit review period, controls and oversight of payments should be strengthened to comply with VA policy.

Concur.

Recommendations 4–5

The OIG directed these two recommendations to the Boise VAMC director:

4. Establish procedures that require the Research and Development Budget Office staff to review VA-affiliated nonprofit corporation invoices to confirm services were performed or goods were received in accordance with Intergovernmental Personnel Act agreements before approving invoices for payment.

Concur. Action plan: If an IPA is considered for staffing in the future, the Boise VAMC Fiscal, Human Resources, Research and Development and IVREF will ensure that proper review and training of the IPA SOP be completed. Status: Complete.

5. Institute procedures to make certain the Research and Development Budget Office supervisor conducts periodic reviews of the VA-affiliated nonprofit corporation invoices authorized for payment by staff as required by VA Financial Policies and Procedures, Volume VIII, Chapter 1A.

Concur. Action plan: Boise VA Medical Center (Boise VAMC) Fiscal and the Research and Development (R&D) Office have implemented procedures for the periodic review of IVREF invoices authorized for payment by staff as required by VA Financial Policies and Procedures, Volume VIII, Chapter 1A. Training of the procedures with R&D staff has been conducted. Status: Complete.

Please contact me with any additional questions.

David Wood, MHA, FACHE  
Medical Center Director  
Boise VAMC

*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

---

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

---

<b>Audit Team</b>	Timothy J. Crowe, Director Chau Bui Erin Costa Charles F. Chiarenza Clenes Duhon Angela Ferguson Valerie Kimball Michelle Swagler
-------------------	--

---

<b>Other Contributors</b>	Roy Fredrikson Allison Tarmann
---------------------------	-----------------------------------

## Report Distribution

### VA Distribution

Office of the Secretary  
Veterans Benefits Administration  
Veterans Health Administration  
National Cemetery Administration  
Assistant Secretaries  
Office of General Counsel  
Office of Acquisition, Logistics, and Construction  
Board of Veterans' Appeals  
Director, VISN 20: Northwest Network  
Director, Boise VA Medical Center  
Veterans Health Administration Office of Research and Development  
Veterans Health Administration Chief Financial Officer  
Director, Veterans Health Administration Nonprofit Program Office

### Non-VA Distribution

House Committee on Veterans' Affairs  
House Appropriations Subcommittee on Military Construction, Veterans Affairs,  
and Related Agencies  
House Committee on Oversight and Reform  
Senate Committee on Veterans' Affairs  
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs,  
and Related Agencies  
Senate Committee on Homeland Security and Governmental Affairs  
National Veterans Service Organizations  
Government Accountability Office  
Office of Management and Budget  
U.S. Senate: Michael Crapo, Jim Risch  
U.S. House of Representatives: Russ Fulcher, Michael Simpson

OIG reports are available at [www.va.gov/oig](http://www.va.gov/oig).