



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Special Reviews

OFFICE OF COMMUNITY CARE, CONSOLIDATED
PATIENT ACCOUNT CENTER

Misuse of Funds, Improper
Disposal of Equipment, and
Destruction of Records



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Executive Summary

The Office of Inspector General (OIG) received allegations of misconduct in the operations of the Veterans Health Administration's Consolidated Patient Account Center (CPAC) field offices, which operate within the Office of Community Care and conduct medical billing functions for VA medical centers in designated regions.

The OIG substantiated the following allegations:

1. CPAC management improperly used government funds to purchase food for CPAC employees in fiscal years 2015 and 2016 in connection with several cultural events,
2. One CPAC violated VA policy for disposing of excess equipment when computer monitors were given to a local school without following established procedures, and
3. Some CPAC field offices violated VA policy requiring that destruction of temporary paper records be performed pursuant to a written contract.

The OIG makes recommendations with regard to two of these findings addressing training and compliance with applicable policies. VA concurred with both recommendations and took very prompt action to address the concerns in the report. The OIG considers both recommendations closed. VA's full response can be found in appendix A.

A handwritten signature in black ink that reads "R. James Mitchell".

R. JAMES MITCHELL, ESQ.
Acting Assistant Inspector General
for the Office of Special Reviews

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Abbreviations

AAMS	Agency Asset Management System
CPAC	Consolidated Patient Account Center
EEO	Equal Employment Opportunity
FCIO	Facility Chief Information Officer
OCC	Office of Community Care
OGC	Office of General Counsel
OIG	Office of Inspector General
SEP	Special Emphasis Program
SOP	Standard Operating Procedure



Introduction

The Office of Inspector General (OIG) received and investigated multiple allegations concerning various aspects of the financial management and operations of the Veterans Health Administration's Consolidated Patient Account Center (CPAC) field offices.¹ The OIG substantiated the following allegations: (1) CPAC managers improperly used government funds to purchase food for CPAC employees in fiscal years (FYs) 2015 and 2016 in connection with events held as part of VA's Diversity and Inclusion initiative, (2) the North East CPAC violated VA policy for disposing of excess equipment when computer monitors were given to a local school without following established procedures, and (3) some CPAC field offices did not follow VA policy requiring written contracts for the destruction of temporary paper records. Allegations relating to improper travel, the misuse of funds for the purchase of daily planners and a wheelchair, and the improper use of purchase cards for armored car services were not substantiated and will not be addressed further in this report.

To assess the three allegations listed above, the OIG interviewed the executive director of Revenue Operations for the Office of Community Care (OCC revenue operations director), who has supervisory responsibility for the CPACs; CPAC employees; and other VA employees. The OIG reviewed emails; travel, contract, purchase card and other VA records; relevant documents; federal regulations; and VA policy.²

Findings and Analysis

Finding 1: CPAC Field Offices Violated VA Policy Regarding the Purchase of Refreshments for Cultural Events

The OIG substantiated that CPAC field offices misused funds to provide refreshments to staff in connection with Special Emphasis Programs (SEPs) that were intended to raise employee awareness of the importance of diversity and demonstrate the agency's commitment to equal opportunity in the workplace.³ Although the OIG acknowledges the importance of VA's cultural awareness and inclusion efforts, spending is subject to the specific requirements for appropriated funds.

¹ As part of an organizational realignment, the staff of the OIG's former Administrative Investigations Division have been merged with staff from the Office of Special Reviews, which has assumed responsibility for supervising and publishing the results of the Administrative Investigation Division's pending cases.

² The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Investigations*.

³ 29 CFR 1614.102(b)(4) (1992).

Under applicable VA policy, the use of appropriated funds to purchase refreshments is not authorized except for certain limited exceptions.⁴ The relevant exception to the policy involves “cultural events.”⁵ A “cultural event” is defined as an “event to celebrate ethnic history to advance audience awareness of culture and offered as an educational experience. A cultural event is normally presented as part of an [Equal Employment Opportunity (EEO)] program objective.”⁶ Accordingly, VA funds could be used to purchase food for these events if “(1) the food is part of a formal program intended to advance EEO objectives and enhance the audience awareness of the cultural or ethnic history being celebrated [i.e., a SEP]; and (2) the food is a sample of the food of the culture, and is being offered as part of the larger program to serve an educational function.”⁷ Under applicable administrative law cited in VA’s policy, a sample must be offered, not an entire meal: “A sampling of food serves the educational nature of the program; a meal serves the personal needs of public employees at taxpayer expense.”⁸

FYs 2015, 2016, and 2017, Diversity & Inclusion/Special Emphasis Program Standard Operating Procedures (SOPs), administered by OCC’s EEO Office, were in place to govern the implementation and funding of SEP events within OCC. These SOPs established the procedures by which the CPAC offices submitted budgets for ethnic observance events, including the purchase of food and/or beverages. For FYs 2015 and 2016, each CPAC was allowed to spend up to \$6,000 per year, of which a total of \$3,400 could be spent on food samplings. The SOPs required that each event request submitted for approval include an itemized budget for food expenses, which could not exceed \$500 per program for FY 2016 and \$600 for FY 2017.

However, during FYs 2015 and 2016, CPAC offices violated the SOPs and applicable legal authority in several respects:

- Instead of offering a sample of the food of a particular culture, certain CPAC events provided employees a full meal with a broad range of foods, in violation of case law cited in VA’s policy.⁹ For instance, an event celebrating Black History Month included all components of a full meal (i.e., vegetable, meat, side dishes, dessert, and beverage).

⁴ VA Financial Policies and Procedures, *Awards, Ceremonies, Food or Refreshments, Gifts or Mementos*, Vol. II, Ch. 4, Appendix A(A), December 2013, April 2016.

⁵ VA Financial Policies and Procedures, Vol. II, Ch. 4, Appendix A(B)(4).

⁶ VA Financial Policies and Procedures, Vol. II, Ch. 4, Section 0406.

⁷ VA Financial Policies and Procedures, Vol. II, Ch. 4, Appendix A(B)(4).

⁸ Matter of: U.S. Army Corps of Engineers, North Atlantic Division -- Food for a Cultural Awareness Program, File: B-301184, January 15, 2004.

⁹ Matter of: U.S. Army Corps of Engineers, North Atlantic Division -- Food for a Cultural Awareness Program, File: B-301184, January 15, 2004. The event in question in this matter was also a Black History Month program, with a very similar menu, which was found to be a meal, not a sampling: “A sampling of food serves the educational nature of the program; a meal serves the personal needs of public employees at taxpayer expense.”

- Other events involved the purchase of food for events celebrating Women’s History Month, LGBT Pride Month, Disability Employment Awareness Month, and Women’s Equality Day. Arguably these events may have promoted EEO objectives by raising awareness about issues of employment discrimination based on protected classes. However, unlike events that celebrated the traditional cuisine of an ethnicity or culture, there are no distinct foods associated with the groups being celebrated.¹⁰
- Amounts expended on a number of events exceeded allowable limits. For instance, in FY 2016, 13 events sponsored by CPACs exceeded the \$500 food expense limit in violation of the SOP, and there were three instances where the CPAC’s total yearly food expenditures exceeded the annual \$3,400 food budget approved by the OCC revenue operations director.

The EEO director for OCC told OIG investigators that she approved budgets in excess of the allowable amount for food if there were funds available and acknowledged that this was “an inconsistency” with the SOPs. The OCC revenue operations director said that she was not aware the EEO director was approving budgets that violated the SOPs.

The CPAC Revenue Operations Internal Controls Department reviewed SEP events for the third quarter of FY 2016 and determined that some food purchases at four of the CPACs were not allowable for cultural awareness programs. In response to these audits, the OCC revenue operations director took corrective action by putting a temporary hold on food purchases. Additionally, the FY 2017 SEP SOPs were revised as of March 9, 2017, to limit food purchases to two specific events, “Holidays Around the World” and “Diversity Week” and to limit expenditures to \$600 per program. The OIG determined, however, that the two events authorized by the revised SOP failed to meet the criteria for food purchases because neither celebrates a specific culture through its traditional cuisine.

Finding 1 Conclusion

The OIG determined that CPAC offices and OCC’s EEO staff improperly used VA funds to purchase refreshments for cultural and diversity events that did not meet the criteria specified by VA policy and Revenue Operations’ SOPs. Although the OCC revenue operations director attempted to take corrective action via revision to the SOPs in March 2017, it does not appear that her revisions were compliant with VA policy at that time, nor did they appear to conform to a subsequent policy governing SEPs issued by VA later that year.

¹⁰ VA Financial Policies and Procedures, Vol. II, Ch. 4, Appendix A(B)(4). (The policy prohibits food purchases for such events because “unlike ethnic and cultural minorities, handicapped persons do not possess a common cultural heritage.”)

Recommendation 1

1. The deputy undersecretary for health for the Office of Community Care, with the assistance of the Office of General Counsel as appropriate, ensures that the Office of Community Care's Equal Employment Opportunity Office and its Revenue Operations group are correctly interpreting and complying with VA Handbook 5975.5 and VA's Financial Policies and Procedures with regard to the administration of Special Emphasis Programs, including the purchase of food.

Finding 2: The North East CPAC Violated VA Policy for Disposing of Excess Equipment

The OIG substantiated that the North East CPAC disposed of computer monitors without following appropriate procedures. VA policy states,

[I]n order to be good stewards of Federal government funds, each VA facility is obligated to use all of its property until no longer functional or required. When a facility deems an item as no longer needed, it does not necessarily mean the same item could not be utilized elsewhere within the same facility. A mechanism will be established to ensure unrequired property is made available and publicized internally at each VA facility in order to maximize utilization.¹¹

In compliance with this policy, unrequired property must be reported via the system VA established for that purpose (Agency Asset Management System (AAMS)), which is in turn connected to the GSA system (GSAXcess) used to advertise and requisition excess property from other federal agencies.¹² Unrequired property that cannot be used by a VA facility must be reported through AAMS, where the items are available for screening within VA for 10 days. After this period, the items shift automatically into GSAXcess, which allows other federal agencies to screen them for 21 days.¹³ VA may donate property such as computers and monitors only after this process is completed.

In June 2014 the then facility chief information officer (FCIO) for the North Central and North East CPACs identified monitors that had been turned in due to “fair wear and tear,” and asked whether any other Veterans Integrated Service Network 12 facilities had a use for the equipment. When none expressed an interest, the FCIO and the former equipment property manager for the William S. Middleton Memorial Veterans Hospital in Madison, Wisconsin, involved in the appropriate disposition of the equipment for the North Central and North East CPACs arranged for the donation of the monitors to a local elementary school in August 2015.¹⁴ Although the FCIO attempted to redeploy the monitors within Veterans Integrated Service Network 12 prior to disposal, he failed to offer the equipment through AAMS and GSAXcess, which would have advertised the availability of the equipment to a wider audience as required by VA policy prior to disposing of it.

The current chief logistics officer for the William S. Middleton Memorial Veterans Hospital acknowledged this policy violation and took corrective action by informing personnel of the requirements to advertise excess equipment in AAMS and GSAXcess.

¹¹ VA Directive 7348, *Utilization and Disposal of Personal Property*, Appendix A, Part 2(a), March 30, 2012.

¹² VA Directive 7348, Appendix A at 2(c).

¹³ VA Handbook 7348, *Utilization and Disposal of Personal Property*, Part 4 Sec. 1(d), March 30, 2012.

¹⁴ The donation was facilitated through GSA’s “Computers for Learning” program.

Finding 2 Conclusion

CPAC staff violated VA policy by donating unrequired monitors to a local school without first reporting their availability through AAMS and GSAXcess. Because appropriate corrective action was taken to remind staff of procedures to be followed with excess equipment, the OIG makes no recommendations.

Finding 3: CPAC Field Offices Failed to Comply with VA Policy Relating to the Destruction of Temporary Paper Records

VA policy addresses the process for destroying temporary paper records, which are documents that do not require preservation under federal law. Because these records may contain personally identifiable information, personal health information, or VA-sensitive information, they must be destroyed in accordance with VA policy.¹⁵ This can be accomplished either through shredding performed on VA premises by VA employees or contractors or by destruction performed off-site by a contractor.

If the destruction of these records is not accomplished by a VA employee, this policy requires that the services be performed by a vendor who meets specific certification requirements or who can satisfy the standards set forth in the policy.¹⁶

The policy also contains a number of provisions regarding the form and content of contracts with vendors for information destruction services, including a requirement for a written contract: “Contracts for information destruction services must be in writing and in accordance with VA and Federal acquisition requirements.”¹⁷

The policy specifically provides,

Contracts for information destruction services must be in writing and in accordance with VA and Federal acquisition requirements. Acceptance of a contract for the destruction of temporary paper records must not be through the use of purchase cards or other informal means. Acceptance must be via a fully-executed and current written contract. Payment for contracted services, however, may be made with a purchase card once a fully executed and current contract is in place and the contract number is entered onto the purchase card order.¹⁸

¹⁵ VA Directive 6371, *Destruction of Temporary Paper Records*, Section 5.b., April 8, 2014.

¹⁶ VA Directive 6371, Section 11 a. and b.

¹⁷ VA Directive 6371, Appendix A (14).

¹⁸ VA Directive 6371, Appendix A (14).

The OIG determined that only four CPACs had written contracts in place for destroying temporary paper records for both FYs 2015 and 2016. The other CPACs paid for shredding services using purchase cards without a written contract in place.

It appears that the CPACs were provided inaccurate information by VA's contracting group about the requirement to have an executed contract and the prohibition against using purchase cards to procure destruction services for temporary paper records. In June 2016, the acting director for Finance and Logistics for Revenue Operations sought guidance from the supervisory contract specialist who supported their group about a variety of contract-related issues that had arisen during an audit, including the use of government purchase cards for shredding services. The supervisory contract specialist gave incorrect guidance, indicating that the purchase card could be used for services under \$2,500 and that

...if you have purchases that require special circumstances, say [personally identifiable information], you probably need a contract. Example: If your shred service removes the paper from VA sight, you need a BAA [Business Associate Agreement]. If the van comes to the office, you walk it out and watch it shred, and it does not leave VA, it is no different than the shredders in your office."

This guidance, which is inconsistent with VA's policy, was then circulated by the acting director to the CPAC finance offices stating, "If you have supplies or services above the limited amounts noted [\$2,500], you need to send through contracting." The OIG subsequently determined that the supervisory contract specialist was unaware that VA's policy for the destruction of temporary paper records prohibited the use of purchase cards to procure these services.

Finding 3 Conclusion

The OIG substantiated CPAC and contracting staff failed to adhere to VA's policy relating to destroying temporary paper records, including the improper use of government purchase cards in the absence of a required written contract. The OIG identified the cause as a lack of awareness and understanding about the requirements of this policy by CPAC and contracting staff regarding how contracts for these destruction services should be handled.

Recommendation 2

2. The principal executive director and chief acquisition officer of the Office of Acquisition, Logistics and Construction and the deputy undersecretary for health for the Office of Community Care ensure that their staff are appropriately trained on requirements for compliance with VA Directive 6371 governing the destruction of temporary paper records.

Conclusion

The OIG substantiated that (1) food purchases by certain CPACs in support of diversity initiatives did not satisfy the criteria specified in VA policy governing such purchases, (2) the North East CPAC failed to follow VA policy when it disposed of excess computer monitors, and (3) some CPACs failed to follow VA policy relating to the destruction of temporary paper records.

Recommendations

1. The deputy undersecretary for health for the Office of Community Care, with the assistance of the Office of General Counsel as appropriate, ensures that the Office of Community Care's Equal Employment Opportunity Office and its Revenue Operations group are correctly interpreting and complying with VA Handbook 5975.5 and VA's Financial Policies and Procedures with regard to the administration of Special Emphasis Programs, including the purchase of food.
2. The principal executive director and chief acquisition officer of the Office of Acquisition, Logistics and Construction and the deputy undersecretary for health for the Office of Community Care ensure that their staff are appropriately trained on requirements for compliance with VA Directive 6371 governing the destruction of temporary paper records.

Management Comments Summary

VA concurred with the recommendations in this report and provided action plans demonstrating that prompt action was taken to address the concerns in the report. VA's response in its entirety can be found in appendix A.

OIG Response

Based on VA's responses and the supporting documentation submitted, the OIG considers both recommendations to be closed.

Appendix A: Management Comments

Department of Veterans Affairs Memorandum

Date: September 18, 2020

From: Executive In Charge, Office of the Under Secretary for Health (10)

Subj: OIG Draft Report, Office of Community Care, Consolidated Patient Account Center: Misuse of Funds, Improper Disposal of Equipment, and Destruction of Records (Project No. 2017-00126-IQ-0097) (VIEWS 03367835)

To: Assistant Inspector General for Special Reviews (56)

1. Thank you for the opportunity to review and comment on the Office Inspector General (OIG) draft report, Office of Community Care, Consolidated Patient Account Center: Misuse of Funds, Improper Disposal of Equipment, and Destruction of Records.
2. The Assistant Under Secretary for Health for Community Care has conferred with relevant offices and resources and has taken prompt action to address the concerns in the report. VHA's actions are completed and we ask OIG to consider closing both recommendations.
3. Questions or comments can be addressed to Karen Rasmussen, M.D., Director, GAO OIG Accountability Liaison Office at [redacted].

(Original signed by:)

Richard A. Stone, M.D.

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan**

**OIG Draft Report: Misuse of Funds, Improper Disposal of Equipment, and
Destruction of Records (Project No. 2017-00126-IQ-0097)**

Date of Draft Report: July 7, 2020

Recommendations/ Actions	Status	Completion Date
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Recommendation 1: The Deputy Undersecretary for Health for Community Care (OCC), with the assistance of the Office of General Counsel as appropriate, ensures that OCC’s Equal Employment Opportunity Office and its Revenue Operations group are correctly interpreting and complying with VA Handbook 5975.5 and VA’s Financial Policies and Procedures with regard to the administration of Special Emphasis Programs, including the purchase of food.

VHA Comments: Concur. Effective July 8, 2020, the Executive Director, Revenue Operations rescinded the delegation of authority and suspended the purchase of all food and associated items with appropriated funds. Additionally, the Office of Community Care’s Equal Employment Opportunity Office updated the Diversity and Inclusion Advisory Committee and Special Emphasis Program standard operating procedure to reflect changes noted in OIG’s findings. VHA provided OIG with supporting documentation. VHA has completed actions on this recommendation and asks OIG to consider closing it.

Status: Completed

Recommendation 2: The Principal Executive Director and Chief Acquisition Officer of the Office of Acquisition, Logistics and Construction and the Deputy Undersecretary for Health for the Office of Community Care ensure that their staff are appropriately trained on requirements for compliance with VA Directive 6371 governing the destruction of temporary paper records.

VHA Comments: Concur. The Office of Community Care (OCC) acknowledges staff were instructed to purchase shredding services under micro purchase limits and did not understand the need to include the requirements of VA Directive 6371 regarding contracts for these destruction services. OCC staff have been reminded of the

Directive's requirements through formally issued memorandum from OCC leadership. VHA provided OIG with supporting documentation. VHA has completed actions on this recommendation and asks OIG to consider closing it.

Status: Completed

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Primary Contributors	Leanne Watkins, Administrative Investigator
Other Acknowledgments	Charlma Quarles, Attorney Advisor Barbara H. Wright, Esq. Senior Advisor

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