

# Department of Veterans Affairs

# Memorandum

Date: July 21, 2016

From: Assistant Inspector General for Investigations (51)

Subj: Report of Administrative Investigation - Conflict of Interest and Violation of Ethics Pledge, Office of the Secretary, Washington, DC – Report No. 14-02190-293 (2014-02190-IQ-0088)

To: VA Chief of Staff (00A)

## **Purpose**

VA Office of Inspector General Administrative Investigations Division investigated allegations that Ms. Mary Carstensen, former (resigned) Senior Advisor to the VA Secretary engaged in a conflict of interest resulting in an ethics violation.

## **Objective, Scope, and Methodology**

To assess this allegation, we interviewed Ms. Carstensen; Attorney, Office of General Counsel, Professional Staff Group-3; Senior Advisor, Strategic Engagement; Special Assistant to the Secretary on Non-Governmental Organizations; and other VA employees. Further, we reviewed email, telephone, and personnel records, as well as records associated with a Nonprofit Organization (NPO) and Good Stewards, LLC (GSL). We also reviewed Federal laws and regulations, as well as VA policy.

## **Background**

Personnel records reflected that Ms. Carstensen retired from the U. S. Army, and her last assignment was as a Director of the USA Wounded Warrior Program. She said that a NPO hired her as a consultant in 2008 to assist with their charity services and that about the same time she formed GSL as a sole-proprietorship which was subsequently converted to a limited liability company with her as its Chief Executive Officer (CEO). The NPO in question has been GSL's only client since September 2011. GSL's mission was to advise "nonprofits and corporations on wounded warrior and veterans' management to include nonprofit vetting, grant making, disability employment, case management and influencing national policy."

Personnel records reflected that on August 1, 2011, the then VA's Chief of Staff approved Ms. Carstensen's selection as a Senior Advisor to the Secretary and concurred that she "will be responsible for the development, adaptation, and implementation of Department-wide programs and policies affecting overall operations of VA." Records also showed that she began working for VA on September 1, 2011, as a non-career Senior Advisor to the Secretary. Ms. Carstensen told us that she was responsible for interagency care coordination, Affordable Care Act implementation, interagency memoranda of understanding (MOU), and policies, as well as connecting NPOs or non-governmental organizations (NGO) with VA subject matter experts and provide NPOs and NGOs with updates on VA's activities and goals.

## **Issues**

On September 1, 2011, Ms. Carstensen signed an Ethics Pledge in which she vowed that for a period of 2 years from the date of her appointment, she would not participate in any particular matter involving specific parties that were directly and substantially related to her former employer or former clients. However, records reflected that Ms. Carstensen maintained an employee/contractor relationship with the NPO in 2011 and the relationship continued during her employment at VA. Three weeks after signing her Ethics Pledge, she received her annual ethics training. Nevertheless, Ms. Carstensen continued to coordinate and act as a liaison between the department and the NPO ensuring the attendance of the then VA's Secretary and Chief of Staff, as well as their wives for a fundraising event in November 2011.

The evidence developed during the investigation supported a finding that Ms. Carstensen engaged in a conflict of interest and misused her position to support the NPO throughout her VA tenure. As a VA employee, she encouraged VA senior leaders to attend NPO-hosted events, and discussed inviting their spouses to these events. She also used her VA position to provide the NPO information on VA's Secretary and Chief of Staff, i.e. travel and calendar information, when at the same time her for-profit company received payments for services rendered for at least one event that she encouraged VA senior leaders to attend.

Our investigation discovered Ms. Carstensen expressed her own concerns regarding a conflict of interest in an email to the NPO, but still billed the NPO on her company's letterhead for services provided for the same particular event in which she ensured the attendance and participation of VA leadership. The invoice reflected the amount owed was \$9,104, with three itemized entries, totaling \$1,354, for services during the same time period as the event.

More than a year after her appointment and repeated requests from OGC, Ms. Carstensen failed to submit her first two Public Financial Disclosure Reports for OGC ethics officials to determine whether her activities were prohibited or created a conflict of interest or appearance of. Our review of the disclosures concluded that Ms. Carstensen failed to fully disclose her prior employment with the NPO and her current relationship, which provided her compensation well in excess of the \$5,000 reporting requirement.

## **Conclusion**

The evidence substantiated that Ms. Carstensen, maintained a less-than-arm's-length relationship with an NPO and violated ethics regulations, as well as her executed Ethics Pledge, to give the NPO greater visibility. She also engaged in a conflict of interest when as a VA employee she encouraged VA senior leaders to attend NPO-hosted events and provided non-public VA information to them, while receiving over \$250,000 in payment from the same NPO over a 3-year period. We made a criminal referral of the conflict of interest to the U. S. Department of Justice (DOJ), but they declined to prosecute. She also failed to fully disclose the income the NPO paid to GSL on her financial statements and to make full disclosure of her activities to OGC when asking for ethics advice so that they could give her a fully informed ethics opinion based on all available information.

We did not make a recommendation to VA and we are administratively closing this case, as DOJ declined to prosecute and Ms. Carstensen resigned from her position effective August 4, 2014.

A handwritten signature in black ink that reads "Quentin G. Aucoin". The signature is written in a cursive style with a large initial 'Q'.

**QUENTIN G. AUCOIN**  
**Assistant Inspector General for**  
**Investigations**

# Report Distribution

## VA Distribution

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

## Non-VA Distribution

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

**To Report Suspected Wrongdoing in VA Programs and Operations:**

**Telephone: 1-800-488-8244**

**Email: [vaoighotline@va.gov](mailto:vaoighotline@va.gov)**

**(Hotline Information: [www.va.gov/hotline](http://www.va.gov/hotline))**