THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON
March 4, 2011

The Honorable Barack H. Obama
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

This letter is to report a violation of the Anti-Deficiency Act as required by section 1351 of title 31, United States Code (U.S.C.).

A violation of section 1341(a) of title 31, U.S.C. occurred in the Department of the Treasury account symbol 36X4127, the Direct Loan Financing Account, in the total amount of $32,917,018. This account includes loans that the Department of Veterans Affairs (VA) acquired under the authority in 38 U.S.C. § 3732 and loans VA made pursuant to 38 U.S.C. § 3733. The violation occurred on September 30, 2009, when redemption of debt payments to the Treasury exceeded the available unobligated budgetary resources, and remaining budgetary resources were less than the unpaid obligations at the end of fiscal year (FY) 2009. Mr. Robert Lagana, GS-15, Director, Administrative and Loan Accounting Center (ALAC), was the officer responsible for the violation. No disciplinary action has been taken.

At the end of FY 2009, VA had a shortage in total budgetary resources of $32,917,018 for fund 36X4127, Direct Loan Financing Account. Total budgetary resources were $211,826,885, and obligations incurred were $244,743,903. The total obligations in the financing account exceeded available budgetary resources, since VA's repayment of debt to the Treasury exceeded available unobligated cash balances.

The negative position (outstanding obligations in excess of budgetary resources) represented a violation categorized as an "authorization to make disbursements exceeding amounts in a fund."

For FY 2009, there was a change in VA's property management company (from Ocwen to Bank of America (BAC)) resulting in the loss of automated transfer of vendee loan data to VA's Centralized Property Tracking System (CPTS), which interfaces with the Financial Management System (FMS). Documentation for properties sold began to be transmitted to VA's Property Management Oversight Unit (PMOU) and ALAC via e-mail transfer of PDF files.

The Honorable Barack H. Obama

In compliance with the Federal Credit Reform Act of 1990 (Public Law 101-508), the Veterans Benefits Administration's (VBA) Office of Resource Management and Loan Guaranty Service are required to calculate and execute the repayment of debt to the Treasury, interest earned from the Treasury, and interest owed to the Bureau of Public Debt at the end of each fiscal year for all credit financing accounts.

In accordance with established procedures in VA's Office of Finance Bulletin 09GA1.01, VBA returned borrowed financing funds to the Treasury at the end of the fiscal year, leaving its Direct Loan Financing Account with what was believed to be a sufficient balance to cover any unpaid obligations. The remaining balance left in the account was based on obligation data recorded in VA's FMS to that point in the fiscal year. Treasury data on October 1, 2009, confirmed the account had a positive unobligated balance of $9,200,000.

On October 6, 2009, VBA received the BAC trial balance and began to reconcile it to VA's trial balance based on FMS. A $32,917,018 negative position was the result. Investigation found that a number of loans had not been posted to VA's accounting system.

The following actions were or will be taken so this error does not reoccur:

1. VA and BAC completed a project plan that encompasses the work required by VA and BAC for the development of automatic data transfer from BAC directly into CPTS. VA will obtain loan data electronically at the time of the contract with the borrower, as opposed to waiting until the loan is closed. This will allow VA to post the obligation earlier in the process. The technical design was completed on April 14, 2010, and was completed on July 14, 2010.

2. VA developed standard operating procedures covering all processes from sales-contract acceptance to posting transactions in VA's FMS.

3. VA provided refresher training to accountants, accounting technicians, and PMOU staff who process the documents and post administrative and loan obligations.

4. On June 30, 2010, VA revised financial close procedures and developed a closing checklist for management to use. Posting all obligations was an item included in those procedures.

The Honorable Barack H. Obama

5. VA will maintain a larger year-end balance in the Direct Loan Financing account to cover unexpected contingencies, and will closely coordinate internally to ensure the return of excess funds to Treasury. The additional amount will be the higher of 15 percent of year-to-date obligations or $50 million.

6. VA will develop other corrective actions as needed.

Similar reports have been or will be submitted to the President of the Senate, the Speaker of the House of Representatives, the Director of the Office of Management and Budget, and the Comptroller General.

Respectfully,

Eric K. Shinseki

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON
March 4, 2011

The Honorable Joseph R. Biden
President of the Senate
Washington, DC 20510

Dear Mr. President:

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The Honorable Joseph R. Biden

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Similar reports have been or will be submitted to the President of the United States, the Speaker of the House of Representatives, the Director of the Office of Management and Budget, and the Comptroller General.

Sincerely,

Eric K. Shinseki

THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON

March 4, 2011

The Honorable John Boehner
Speaker of the House
of Representatives
Washington, DC 20515

Dear Mr. Speaker:

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2. VA developed standard operating procedures covering all processes from sales-contract acceptance to posting transactions in VA's FMS.

3. VA provided refresher training to accountants, accounting technicians, and PMOU staff who process the documents and post administrative and loan obligations.

4. On June 30, 2010, VA revised financial close procedures and developed a closing checklist for management to use. Posting all obligations was an item included in those procedures.

The Honorable John Boehner

5. VA will maintain a larger year-end balance in the Direct Loan Financing Account in future years to cover unexpected contingencies, and will closely coordinate internally to ensure the return of excess funds to Treasury. The additional amount will be the higher of 15 percent of year-to-date obligations or $50 million.

6. VA will develop other corrective actions as needed.

Similar reports have been or will be submitted to the President of the United States, the President of the Senate, the Director of the Office of Management and Budget, and the Comptroller General.

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Eric K. Shinseki