THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 13, 2008

The Honorable Gene L. Dodaro
Acting Comptroller General of the United States
U.S. Government Accountability Office
Antideficiency Act Reports, Room 7165
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

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 $27,509,201. This account includes loans that the Department of Veterans Affairs (VA) has acquired under the authority in 38 U.S.C. § 3732 and loans VA has made pursuant to 38 U.S.C. § 3733. The violation occurred on September 28, 2007, 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) 2007. Mr. Mitchel K. Sturm (GS-0501-15, Director, Finance Services Staff) was the officer responsible for the violation.

At the end of FY 2007, VA had a shortage in total budgetary resources of $27,509,201 for fund 36X4127, Direct Loan Financing Account. Total budgetary resources were $268,724,000, and obligations incurred were $296,233,201. The total obligations in the financing account exceeded available budgetary resources, as 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." It should be noted that at no time were disbursements or outlays incurred when the cash balance in the fund was insufficient. Had all outstanding obligations come in during the 4-day negative cash position window, cash balances would have been corrected with the Department of the Treasury prior to making those payments.

In compliance with the Federal Credit Reform Act of 1990, Public Law 101-508, the Veterans Benefits Administration (VBA) is 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 FY 2007, VBA revised its formula for estimating the cash on deposit and owed to the Treasury. VBA repaid the Treasury on September 27, 2007, based on the new formula. Unfortunately, the formula did not incorporate the amount of prior- year unpaid obligations, which resulted in VBA returning too much money to the Treasury.

11/26/08

The Honorable Gene L. Dodaro

The following steps have been or will be taken so that this error does not reoccur:

- VBA revised the interest and debt calculation tool to include unpaid prior-year obligations.
- To reduce the amount of unpaid obligations before the end of the fiscal year, in August 2008, VBA began reviewing prior-year unpaid obligations to determine why lenders may not have billed VA for the payments.
- VBA implemented a Loan Guaranty Service Cash Balance database to allow daily tracking of estimated cash requirements.
- In July, VBA developed a schedule of operations for September that allowed for the return of borrowing transactions to be posted at least 1 week prior to the end of the year. Although the posting was on September 29 during this startup year, VBA ensured that the financing account was funded appropriately. This process will be repeated each year in the future.
- VBA Finance submitted its calculations to VA's Office of Finance and Office of Budget in mid-September for review of the transactions prior to their execution and reported its cash balances to the Department on September 28.
- VA's Office of Management will issue a Financial Management Bulletin requiring that VA's Financial Management System authenticate actual balances and calculation amounts prior to VBA executing any Government-wide accounting system transactions with the Treasury for all financing accounts. For end-of-year transactions, the Bulletin will require VBA Finance to submit its calculations to VA's Office of Finance and Office of Budget by mid-September for concurrence on the transactions prior to their execution, as done in 2008. The Bulletin will also require VBA Finance to report to the Department the status of cash balances no more than 4 business days prior to the end of the fiscal year and update the status on the morning of September 30, so that corrective action can be taken before the end of each fiscal year. Over the long term, VA will move towards automated checks into agency financial systems for all financing account transactions to support funds controls.

Similar reports were submitted to the President of the United States and the Director of the Office of Management and Budget and are being sent to the President of the Senate and the Speaker of the House of Representatives.

Sincerely yours,

James B. Peake, M.D.