



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

August 17, 2016

The Honorable Gene Dodaro  
Comptroller General of the United States  
Government Accountability Office  
Washington, DC 20548

Dear Mr. Comptroller:

This letter is to report a Department of Veterans Affairs (VA) violation of the Antideficiency Act (ADA), as required by section 1517(b) of Title 31, United States Code.

A violation of section 1517 occurred in the *Joint Department of Defense (DOD)-VA Medical Facility Demonstration Fund account* ("the account," 36-0169) in the amount of \$5,150,135.26. The violation occurred in the first quarter of fiscal year (FY) 2012 in connection with the obligation of funds that were transferred to VA by DOD. VA did not request a timely apportionment of these funds by the Office of Management and Budget (OMB) to allow for their legal obligation. The Medical Services Director, GS-15, within the VA Office of Management, Office of Budget, was the officer responsible for the violation.

The account was established in the Treasury in late FY 2011 to consolidate VA and DOD funding for the Captain James A. Lovell Federal Health Care Center in North Chicago. This center is a fully integrated Federal health care facility with a single, combined VA and Department of the Navy mission. VA serves as executive agent for the account, which receives transfers from four VA accounts (Treasury accounts 36-0160, 36-0152, 36-0162, 36-0167) and one DOD account (Treasury account 97-0130). During the first quarter of FY 2012, VA was operating under a combination of automatic apportionments and individual apportionments for the accounts that provide in-transfers to the 36-0169 account. The five contributing accounts with differing apportionments complicated the budget execution process for the newly established account.

VA has determined that the violation contained no knowing and willful intent on the part of the responsible party to violate the ADA. The violation was an administrative error. The Medical Services Director authorized the recording of a DOD in-transfer in VA's accounting system prior to securing Office of Management and Budget's (OMB) approval of an apportionment of the funds. As a result, the account incurred obligations of \$5,150,135.26 against funds that had not been apportioned. This condition existed for 10 days before VA received apportionment authority from OMB which cured the violation. The responsible employee was counseled and reminded of the importance to adhere to the statutory requirement that OMB must apportion budget authority prior to its obligation by VA.

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Although VA's system of administrative funds control has been approved by OMB, the Department is conducting a thorough examination of our internal controls to ensure violations of this nature are not repeated.

Identical reports will be submitted to the President, the President of the Senate, and the Speaker of the House.

Sincerely,



Robert A. McDonald