



U.S. OFFICE OF SPECIAL COUNSEL

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February 5, 2008

The Special Counsel

The President  
The White House  
Washington, D.C. 20500

Re: OSC File No. DI-07-0168

Dear Mr. President:

I received a disclosure from Mr. José N. Alfaro, Supervisory General Supply Specialist, that employees at the Department of Veterans Affairs (VA), Veterans Administration Medical Center (VAMC), Long Beach Healthcare System, Long Beach, California, engaged in a violation of a law, rule, or regulation and gross mismanagement. Mr. Alfaro disclosed that VA managers improperly authorized credit card purchases for random door prizes to employees that were distributed at an agency's "Celebration of Quality" event in December 2004. Mr. Alfaro consented to the release of his name.

I required the Honorable R. James Nicholson, then Secretary of Veterans Affairs, to conduct an investigation into the whistleblower's disclosures pursuant to 5 U.S.C. § 1213(c) and (d). The Secretary tasked the matter to management at the Network Director of Veterans Integrated Service (VISN 22) for an administrative investigation. On January 2, 2008, the Honorable James B. Peake, the newly appointed Secretary of Veterans Affairs, submitted his report to me. Mr. Alfaro provided comments on the agency report to pursuant to 5 U.S.C. § 1213(e)(1). As required by law, 5 U.S.C. § 1213(e)(3), I am now transmitting the report to you, together with Mr. Alfaro's comments.

As discussed below, the agency investigation substantiated Mr. Alfaro's allegations. Specifically, Mr. Alfaro alleged that during the summer of 2005, he was responsible for reviewing credit card purchases as part of a routine audit. According to the information that Mr. Alfaro provided, VA managers improperly instructed VAMC Staff Assistant Lolita Cuevas to purchase door prizes and gift cards for a random drawing that would be conducted as part of an employee-focused Celebration of Quality agency event. The door prizes and gift card purchases were authorized by Mr. Charles Feistman, VAMC Chief Financial Officer. When Mr. Alfaro brought these purchases to the attention of managers, including Mr. Feistman, managers summarily found that no wrongdoing had occurred and declined to act upon his allegations.

The investigation substantiated Mr. Alfaro's allegations that the purchase of gift cards and other items for an agency celebration violated VA Handbook 5017. After the agency's initial inquiries about purchases related to the event in December 2004, the agency decided to expand its scope of investigation to analyze expenditures for a similar event that had been held in December 2003. The investigation concluded that items purchased for door prizes, specifically,

gift cards, plants, and other decorations totaling \$495.81 for the 2003 event, and totaling an additional \$1,540.01 for the 2004 event, were not permissible under VA policies because these items had "intrinsic value." VA Handbook 5017, *Employee Recognition and Awards*, Part IV and OF Bulletin 03GA1.01. Furthermore, the agency has taken the following corrective action:

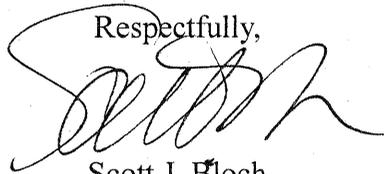
1. Mr. Feistman, Chief Financial Officer, received verbal counseling regarding the improper guidance given to employees related to the proper use of appropriated funds;
2. Mr. Feistman and other relevant employees involved in the planning of incentive awards ceremonies will receive additional training on permissible expenditures;
3. VAMC in Long Beach has implemented new guidelines on the purchase of mementos;  
and
4. the agency will pursue, to the extent practical, reimbursement for the value of the door prizes distributed to certain employees.

Mr. Alfaro had an opportunity to review the agency report. Mr. Alfaro commented that he and Mr. Feistman met on many occasions to review expenditures that were not appropriate and lamented the fact that Mr. Feistman only received verbal counseling for violating regulations related to the improper purchases. Mr. Alfaro also accused Mr. Feistman of lying to investigators about his lack of knowledge regarding impermissible items. Mr. Alfaro maintained that he had informed Mr. Feistman previously about the improper purchases on several occasions. Mr. Alfaro also questioned the appointment of the investigator, Mr. Ronald J. Larson, given that Mr. Larson is also a Chief Financial Officer at another facility within the same VA VISN 22 system.

I have reviewed the original disclosures, the agency report, and Mr. Alfaro's comments. Based on that review, I have determined that the agency's report contains all of the information required by statute, and that its findings appear to be reasonable.

As required by 5 U.S.C. § 1213(e)(3), I have sent a copy of the agency report and Mr. Alfaro's comments to the Chairmen of the Senate and House Committees on Veterans' Affairs. I have also filed a copy of the agency report and Mr. Alfaro's comments in our public file and closed the matter.

Respectfully,



Scott J. Bloch

Enclosures