



# REDACTED REPORT



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

June 7, 2012

The Honorable Carolyn Lerner  
Special Counsel  
U.S. Office of Special Counsel  
1730 M Street, NW, Suite 300  
Washington, DC 20036

Re: OSC File No. DI-11-3544

Dear Ms. Lerner:

This is in response to your letter regarding allegations reported by Ms. Brigitte Bennerson, a Department of Veterans Affairs (VA) employee, at the Cleveland VA Medical Center (VAMC), in Cleveland, Ohio. Ms. Bennerson alleged that funds were improperly transferred from Cleveland VAMC's and the North Central Consolidated Patient Account Center's (NCCPAC) suspense accounts to permanent accounts, and that payments made to the facility were not properly tracked as required by Federal standards and VA policy. Please note that the Brecksville, Ohio office, a branch of the Cleveland VAMC, is now closed and the NCCPAC conducts insurance collection for the Cleveland VAMC.

VA has thoroughly investigated Ms. Bennerson's allegations. A fact-finding team conducted interviews and reviewed numerous documents to investigate the allegations and produced the enclosed report. The evidence substantiates the allegations that employees violated Federal standards and VA policy concerning the use of suspense accounts. Accounting transactions at both the Cleveland VAMC and NCCPAC improperly transferred funds from suspense accounts to permanent accounts in violation of the Department of the Treasury guidance and VA policy, and as a result, payments made to the agency were not properly tracked. The investigation revealed the errors were strictly accounting errors and did not rise to the level of criminal wrongdoing, i.e., no theft or misappropriation of funds.

VA has taken several steps to address this issue to ensure the integrity of the financial records at the Cleveland VAMC. Financial record integrity remains a fundamental element of VA's finance offices. The Cleveland VAMC and NCCPAC have been directed to conduct a journal voucher review for collections that were not processed in accordance with policy, retroactive to and including fiscal year 2010 when the new financial indicator criteria and suspense policies were disseminated to correct any errors. Both the Cleveland VAMC and NCCPAC will be conducting a review of all transactions, providing refresher training to all accounting staff, and reviewing their

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guidebook processes to ensure they reflect current guidance. Veterans Health Administration leadership took corrective action based on the findings of the fact-finding team, including appropriate administrative action for the individuals who violated the Department of the Treasury and VA suspense account policy and procedures.

I have reviewed the report and concur with the findings, conclusions and corrective actions.

Thank you for the opportunity to respond to this issue.

Sincerely,



Eric K. Shinseki

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Enclosure

## REPORT SUMMARY: OSC File No. DI-11-3544

### **I. SUMMARY OF INFORMATION**

An investigation was conducted in response to Office of Special Counsel (OSC) File No. DI-11-3544 regarding allegations made by a Department of Veterans Affairs (VA) employee, Brigitte Bennerson, who works at the VA Medical Center, Cleveland, OH (Cleveland VAMC). (Note: Cleveland VAMC used to operate from two facilities, one in Cleveland and one in Brecksville, OH. The Fiscal Service office operated out of Brecksville until September 2011. Upon closing the Brecksville office, the North Central Consolidated Patient Account Center (NCCPAC) took on VAMC Cleveland's consolidated revenue (insurance collection) workload in January 2011.). Ms. Bennerson alleged that funds were improperly transferred from Cleveland VAMC's suspense accounts to permanent accounts, and that payments made to the facility were not properly tracked. The investigation revealed that accounting transactions at both the Cleveland VAMC and the NCCPAC improperly transferred funds from suspense accounts to permanent accounts in violation of Treasury guidance and VA policy, and as a result, payments made to the agency were not properly tracked.

### **II. CONDUCT OF THE INVESTIGATION**

A Veterans Health Administration Chief Financial Officer team consisting of Ms. Lori Barbanel, Supervisory Accountant and Mr. D.T. Wells, Financial Program Analyst, were assigned to conduct a field investigation regarding the whistleblower disclosure. The investigation team visited both VAMC Cleveland and NCCPAC, conducted interviews of 16 witnesses and reviewed relevant documentation from February 13-16, 2012.

### **III. SUMMARY OF EVIDENCE**

#### **1. BACKGROUND**

A suspense account is a temporary account where unidentified funds/payments to the VA are placed for a short time period while VA employees determine in which account the money should go. Most of the transactions using suspense accounts involve insurance collections for medical care. Often, insurance companies will send over payment for 250 or more patients' transactions in one lump sum, ranging from under \$10/transaction to thousands of dollars. VA personnel need to sort through the payment accounting to ensure the payments post to the right bill for the right patient and are the right amount. Once those issues are sorted out, insurance collections are then recorded in the permanent insurance collection fund. Collections in the permanent insurance collection fund at the end of the month are transferred and provided to the facility next month as Medical Services funds that are available until expended. When a payment is received that cannot be matched to a bill, and it is questionable whether the payment is due the VA, the funds are moved to a suspense account as a temporary holding account pending identification of the correct placement. Once research is completed the

funds are refunded to the insurance company, receipted against the proper bill(s), or deposited into the Treasury.

In accordance with Treasury Financial Manual, I, Part 2, Chapter 1520.25—Clearing Accounts, Federal agencies are required to classify collections to the proper bill and place those payments to the proper account at the time of collection. As aforementioned, because some collections do not include information that will allow matching transactions to a specific bill, suspense accounts are used to temporarily hold unidentified collections. There is an expectation that funds will be cleared from the suspense account in 30 days, but no later than 60 days.

Current VA Policy and procedures for Suspense accounts are included in VA Financial Policies and Procedures, Clearing (Suspense) and Deposit Funds, Volume II – Chapter 2C, August 2009. It states: “020502 B. Items remaining in the clearing accounts longer than 30 days require approval from the station fiscal officer and must be cleared by 60 days. All accounting entries used to adjust accounting records will be supported by documentation such as a source document or a journal voucher.” If items remain in suspense accounts longer than 60 days, a red financial indicator will flag the overdue item. This was widely distributed through Finance, Accounting, Budget and Quality Assurance offices and was discussed in the context of the Financial Indicators as part of the October 13, 2009 National Finance conference call.

VHA developed a series of monthly Financial Indicators to provide a means of evaluating and promoting improvement in financial management. Each indicator has a metric, and compliance is evaluated based on described criterion. One of the indicators is a pass/fail (green or red) for having items in suspense exceeding 60 days without an approved waiver. When in red status, the facility may request a waiver from the Financial Indicator Committee if the facility believes the circumstances causing the red indicator are beyond its control and provides supporting documentation. Financial Indicator scores have been included on the Performance Plans for Veterans Integrated Service Network (VISN) and Medical Center leadership and may have been included in the Performance Plans of others.

Further clarification, specifically on the requirements for reviewing and clearing Unapplied Deposits in Suspense accounts, was articulated in a VHA Office of Finance Accounting Alert, Volume 2010, Issue 9, released March 21, 2010. This Alert was provided by email to VHA National Fiscal Officers, VHA National Accountants, VHA National Budget Analysts, and VHA Quality Assurance Managers which includes VISN and VAMC staffs. It specifically states that “Stations are reminded that it is inappropriate to process transfers and to create new transactions to avoid a red financial indicator. At stations where this is the current practice, this practice must be discontinued immediately. This practice degrades the integrity of VAs financial records.” Monthly, the VHA CFO Office

provides a listing of items in suspense to assist facilities and includes the original e-mail notification with the Accounting Alert attached.

## 2. INVESTIGATION

The review team interviewed 16 employees at the Cleveland VAMC and NCCPAC. Additionally, they reviewed a sample of financial transactions involving moving funds from suspense accounts to permanent accounts from FY 2008 to FY 2012 from both locations. As aforementioned, the responsibilities for managing the collection activities transferred from the Cleveland VAMC to NCCPAC in January 2011; the accounting records and other accounting duties remain the responsibility of Cleveland VAMC. Based on the review team's review of sample transactions from FY 2008 to FY 2012 from the Cleveland VAMC and NCCPAC confirmed that funds were moved from suspense accounts to the insurance collection accounts without proper documentation or apparent knowledge that the VA was indeed entitled to the payment. Often the only journal voucher documentation for transactions was "End of Month."

Thirty-two sample accounting records for Cleveland VAMC and NCCPAC were selected from all transactions where Finance transferred funds from the Insurance Collection Fund to Suspense between FY 2008 to FY 2012. Journal Voucher documentation for 15 of these transactions reflects end-of-month movement of funds out of suspense with no additional justification. The review identified instances when accounting staff clearly described the correct placement of payments but still moved funds from suspense to the insurance collection fund. Additionally, the review team identified payments belonging to another fund such as interest or TriCare which were improperly placed in the insurance collection account.

The remaining transactions reviewed were reversal or correction actions, often occurring months later. These transactions returned a portion of the lump sum deposits from the insurance collection fund back to suspense in order to offset payments against a specific bill or a refund to the insurance company. This demonstrates that the facility was using the permanent fund to extend the time for research by improperly using the permanent fund as an extension of the suspense account. A consequence of this action is that the accounting records do not reflect accurate monthly insurance collections. However, the investigation revealed the errors were strictly accounting errors and did not rise to a level of criminal wrongdoing, i.e., no theft or misappropriation of funds was found.

Based on the interviews, described in more detail below, the review team concluded there was lack of knowledge and/or training regarding correct suspense account procedures which contributed to the failures described.

a. CLEVELAND VAMC

Of the 16 employees interviewed at the Cleveland VAMC and NCCPAC, 13 had knowledge of suspense account procedures. Of those 13, five accounting staff at Cleveland gave “meeting financial indicators” as an appropriate justification for moving funds from suspense to permanent accounts.

At the Cleveland VAMC, only Ms. Bennerson and the facility CFO could correctly describe the procedures for transfers from suspense to permanent accounts. All five who misunderstood the procedures for suspense accounts thought it was correct to move a suspense item into the permanent account where it is believed it may belong pending additional research. All seven stated that their primary source for training had been from previous accountants; only Ms. Bennerson described supplementing her training by reviewing source policy documents. There were no local written procedures for use of suspense accounts at the Cleveland VAMC.

The evidence provided in the complaint indicated that between January and July 2011 Ms. Bennerson contacted her immediate supervisor, Chief of Accounting, the VAMC Cleveland CFO, the VISN 10 Financial Quality Assurance Management (FQAM) investigator, and cc'd the VISN 10 CFO, in an email regarding the correct policies related to suspense. The FQAM investigator reviewed Ms. Bennerson's allegations, and according to email evidence provided, he agreed with Ms. Bennerson and he claimed he discussed the subject with the VISN CFO. Unfortunately, the FQAM investigator passed away in mid-2011, shortly after he sent the July 2011 email to Ms. Bennerson. The VISN CFO said he did not discuss this with the FQAM investigator before he died. No process changes were made and there is no documentary evidence that the FQAM investigator discussed this with the Chief of Accounting before the FQAM investigator died.

The incorrect procedures for suspense processing preceded the Chief of Accounting taking his position. VHA confirmed that the Chief of Accounting, while not an Accountant, possessed the academic qualifications for his position and had substantial experience which was equivalent to the full performance level of the Accounting position. He also relied on the training provided by his predecessor. Although the Accounting Alert was sent to all field facilities in March 2010, the Chief of Accounting continued to direct Ms. Bennerson to move funds from suspense to permanent accounts in violation of VA Policy and VHA Guidance. Based on his emails, it is evident that the Chief of Accounting did not understand the ALERT. The Chief of Accounting's emails reflect his erroneous understanding that if one can be fairly certain of the fund where the money should go, it's acceptable to make the deposit to the fund and continue researching thereafter to verify. The Chief of Accounting's emails reflect he had a great concern for red indicators, but a misunderstanding of the correct processes.

b. NCCPAC

While the NCCPAC employees also received most of their training from other employees, NCCPAC does have Standard Operating Procedures which give general guidance for suspense accounts. The NCCPAC leadership has been aware that changes needed to be made since early FY 2012 and immediately began corrective action. In addition, the Acting Chief Financial Officer at the NCCPAC sent an email on February 14, 2012, to all NCCPAC Accounting personnel to reiterate the importance of closing suspense account items prior to 60 days and the correct procedures if the 60 day deadline cannot be met.

**IV. SUSTAINED OR UNSUSTAINED VIOLATIONS**

1. Results of this investigation have confirmed violations of the VA policy and Treasury's guidance by Cleveland VAMC Fiscal Service and NCCPAC employees improperly transferring funds from suspense accounts to permanent accounts , and
2. As a result of the improper transfer of funds from suspense accounts to permanent accounts, payments made to the agency were not properly tracked. The investigation revealed the errors were strictly accounting errors and did not rise to a level of criminal wrongdoing, i.e., no theft or misappropriation of funds was found.

**V. ACTIONS TAKEN**

1. VHA Office of Finance required VAMC Cleveland and NCCPAC to conduct a Journal Voucher review for collections that were not processed in accordance with policy, retroactive to and including FY 2010 when the new Financial Indicator criteria and Suspense Policies were disseminated, to correct any errors. The facility and CPAC will provide documented completion of the corrective actions to the Associate Chief Financial Officer for Financial Management and Accounting Systems by September 1, 2012.
2. Cleveland VAMC took corrective action based on the findings of the review team. The Medical Center issued admonishments to two employees, one of whom resigned their position effective May 18, 2012. These two individuals were responsible for ensuring the proper justification existed in the journal vouchers to appropriately transfers funds from the suspense account to a permanent account.
3. In light of the investigation team's findings, NCCCPAC conducted their own complete review of all their transactions involving the Cleveland VAMC. Eleven items out of 1,825 (.61%) were found to be moved incorrectly out of suspense without proper documentation during FY 11. No instances have occurred during FY 12. The employee that processed these transactions resigned in September 2011, after being counseled for a variety of issues. The NCCPAC CFO responsible for the oversight of the accounting section retired in December 2011.

The CPAC Program Management Office will be conducting a review of all transactions, providing refresher training to all accounting staff and reviewing their guidebook processes to ensure they reflect current guidance.

4. Cleveland VAMC and NCCPAC leadership will clarify and reiterate collection policies and develop training focused on the proper use of the collection fund and suspense accounts, documentation requirements, and recording of collections.
5. Cleveland VAMC and NCCPAC will routinely monitor suspense procedures and transactions for compliance, and non-compliance will be appropriately addressed.