

DEPARTMENT OF VETERANS AFFAIRS
Veterans Health Administration
Washington, DC 20420



May 12, 2021

In Reply Refer To:
10NC1 (SSVF)
810 Vermont Avenue, NW
Washington, DC 20420

Volunteers of America Southwest
3530 Camino Del Rio North, Suite 300
550 Washington Street South
San Diego, CA 92108

RE: Supportive Services for Veteran Families (SSVF) Grant 18-CA-420 and S20-CA-601B

Dear Mr. McFadden,

In accordance with 38 CFR 49.62 and CFR 62.80, *Withholding, suspension, deobligation, termination, and recovery of funds by VA*, this letter is to notify Volunteers of America Southwest (VOASW) that the SSVF Program Office intends to withhold further payment and, effectively, suspend SSVF grants 18-CA-420 and S20-CA-601B upon 7 days receipt of this notice.

Withholding and Suspension of Funds. In accordance with 38 CFR 62.80, when a grantee fails to comply with the terms, conditions, or standards of the supportive services grant, VA may, with 7 days' notice to the grantee, withhold further payment, suspend the supportive services grant, or prohibit the grantee from incurring additional obligations of supportive services grant funds, pending corrective action by the grantee or a decision to terminate. VA allows all necessary and proper costs that the grantee could not reasonably avoid during a period of suspension if such costs meet the provisions of the applicable Federal Cost Principles.

In addition, grantees must adhere to 62.70 Financial management and administrative costs.

- (a) Grantees must comply with applicable requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards under 2 CFR part 200.
- (b) Grantees must use a financial management system that provides adequate fiscal control and accounting records and meets the requirements set forth in 2 CFR part 200.
- (c) Payment up to the amount specified in the supportive services grant must be made only for allowable, allocable, and reasonable costs in conducting the work under the supportive services

grant. The determination of allowable costs must be made in accordance with the applicable Federal Cost Principles set forth in 2 CFR part 200.

(d) Grantees are subject to the Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations, codified at 38 CFR Part 49.

(e) Costs for administration by a grantee must not exceed 10 percent of the total amount of the supportive services grant. Administrative costs will consist of all direct and indirect costs associated with the management of the program. These costs will include the administrative costs, both direct and indirect, of subcontractors.

Reason for withholding of funds by VA and suspension of grant

On May 4, 2021, the Voice of San Diego published an article, describing an alleged misuse of funds by VOA Southwest. The article describes a conspiracy where fraudulent payments were made by the organization's Chief Financial Officer to vendors owned by the CFO's sisters-in-law. According to the article, when VOA Southwest's CEO was presented with these findings by VOA staff, these staff lost their jobs. The article reports that a subsequent audit by San Diego County found \$1 million in questionable charges. VOA Southwest had not previously informed the SSVF Program Office of the lawsuits or audit findings as is required by the terms of their grant.

The VA Office of Business Oversight (OBO) conducted a recent audit for SSVF that covered FY2018 and FY 2019. The report was issued to VOA SW on February 24, 2021. OBO noted findings/issues on 3 categories that were identified as unallowable. (Recertification, General GL Expenditures and Payroll).

OBO was asked to look at records from this audit to specifically identify all SSVF specific transactions related to fraud identified by San Diego County. The issue review identified \$87K of SSVF funds used as payments to fraudulent vendors for the audit period of FY 2018 and 2019. It is anticipated that the overarching lack of internal controls and fraudulent activity will be exponentially higher once a review of current grant funds are audited from a forensic criminal fraud accounting review.

In these circumstances, we may need to act quickly to protect the interest of the government by suspending your funding while we undertake an investigation of the specific facts. We may coordinate our suspension actions with other Federal agencies that have an interest in our findings. A suspension may result in your debarment from receiving Federal funding government-wide for up to three years.

Debarment and Suspension. SSVF grant recipients must comply with 2 CFR Part 180 requirements regarding debarment and suspension.

There are circumstances under which we may receive information concerning your fitness to carry out a project and administer Federal funds for instance:

- a) Conviction of, or a civil judgment for, the commission of fraud, embezzlement, theft, forgery, making false statements;
- b) Any other offense indicating a lack of business integrity or business honesty that seriously and directly affects your present responsibility; and/or

c) Any other cause of so serious or compelling a nature that it affects an organization's present responsibility

Based on assessment of these grant requirements, your agency is non-compliant with the SSVF grant agreement and in violation with the terms of your grant agreement (MOA) Sections 2, 4, 7, 8 , 20 and 26.

As a result, the SSVF Program Office proposes to suspend the grant 7 days of receipt of this letter.

The Division of Payment Management has been notified and is currently withholding payment of grant funds. The term “withholding” refers to the fact that payment of a supportive services grant will not be paid until such time as VA determines that the grantee provides sufficiently adequate documentation and/or actions to correct a deficiency for the supportive services grant. Costs for supportive services provided by grantees under the supportive services grant from the date indicated on the withholding letter are reimbursed only if the grantee is able to submit the documentation or actions that the deficiency has been corrected to the satisfaction of VA.

Please contact Jeffrey Houser, Compliance Officer, at 518-596-5973 or Jeffrey.Houser@va.gov should you have any questions.

Regards,

A handwritten signature in black ink, appearing to read 'JK', is centered below the text 'Regards,'.

John Kuhn, SSVF Director