

**Department of
Veterans Affairs**

Memorandum

Date: December 15, 2003

From: Deputy Under Secretary for Health (10A)
Acting Chief Research and Development Officer (12)

Subj: Subject: Non-Profit Corporation Expenditures

To: VA Medical Center Directors
VA Chiefs of Staff
VA Associate Chiefs of Staff for Research

Thru Deputy Under Secretary for Health for Operations and Management (10N)
VISN Directors (10N-X)



1. In light of the findings from the recent Inspector General's investigation, I am issuing a reminder to those individuals who have responsibility for managing/administering funds that are donated to support VA research and education. These funds must be used in accordance with the applicable Federal regulations and VHA Handbooks.
2. VHA Handbook 1200.17 (VHA Handbook 1400.2 – Education-only NPCs) provides that the VA non-profit corporations (NPCs) exist solely to facilitate VA research and education at VA medical centers. NPCs can only expend funds on research projects or education activities that have been reviewed and approved by a VA Research and Development or Education Committee, respectively.
 - a). Funds may also be expended to generally further VA's research and education missions and/or to administer the corporation. In every instance, corporation and VA officials must determine that the expenditure of donated resources is appropriate and the best use to which such resources can be put in the furtherance of VA research and/or education.
 - b). The VA statute authorizing the creation of the NPCs (38 USC 7361-7368) and the Handbooks are the definitive applicable guidance for VA statutory corporations and should also be used as guidelines for managing other funds donated (directly or indirectly), to support VA research and education.
3. Other guidelines on the appropriateness of expenditures for non-profit organizations (IRS regulations, OMB Circular A-122) do not control the purposes for which VA corporations may expend monies.
 - a). For example, while the OMB circular may allow expenditures for meals or refreshments to boost employee morale and performance, this would not be considered a legitimate expenditure for a VA corporation. Reasonably priced meals or refreshments (i.e., what an individual would pay with personal funds) may be appropriate expenditures where they

are incidental to a business meeting or conference that was in furtherance of the VA research mission.

- b). While there may always be some subjectivity in determining whether or not a particular expenditure supports the VA research and education mission , I do expect that these decisions will be made with the highest ethical standards. It is important to keep in mind that once funds are accepted to support VA research they are to be administered in the public trust for the benefit of VA research and education, and considerable thought should be given as how to best use them.
4. NPC Boards of Directors have a responsibility to draft, implement and ensure compliance with policies governing the individual NPCs, including policies on allowable expenditures. However, while the Medical Center Director is only one member of the NPC Board of Directors, he or she is accountable to ensure that NPC expenditures are made in accordance with VHA Handbooks and the statutory purposes of the corporations.



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