



**U.S. OFFICE OF SPECIAL COUNSEL**

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September 29, 2009

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

Re: OSC File No. DI-08-1766

Dear Mr. President:

The Office of Special Counsel (OSC) received a disclosure from an employee at the Department of Veterans Affairs (VA), Veterans Health Administration, Portland Veterans Affairs Medical Center, Portland, Oregon. The whistleblower, who requested anonymity, alleged that employees were improperly being compensated on fee-basis appointments and the process for approving these appointments was not adequately overseen by management officials.

The whistleblower's allegations were referred to the Honorable James B. Peake, former Secretary of Veterans Affairs, to conduct an investigation pursuant to 5 U.S.C. § 1213(c) and (d). The authority to approve the investigation and report the findings to OSC was delegated to Michael J. Kussman, Under Secretary for Health. Under Secretary Kussman submitted the agency's report, which was prepared by the VA Office of Inspector General, on May 8, 2009. A supplemental report was received on August 11, 2009.

The agency's reports substantiated the whistleblower's allegations. The reports identified four violations of VA policy: over 100 fee-basis employees were compensated on a time-basis instead of on a task or service basis, retired VA annuitants who entered service on fee-basis agreements and were compensated on a time-basis did not have their fees reduced by the amount of their annuities as required, fee-basis appointees were paid in excess of the annual \$15,000 limitation without receiving a waiver, and fee-basis appointees were paid in excess of the amount approved in their fee-basis agreements.

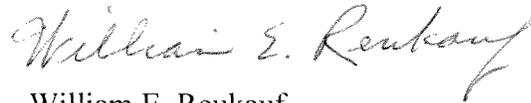
The agency took corrective action in response to the findings. The improper fee-basis appointments for nurses were terminated on or before March 15, 2009. The fee-basis appointments were converted into full-time, temporary full-time, part-time, or intermittent appointments, and actions were taken to ensure compliance with VA policy when hiring retired annuitants. The anonymous whistleblower declined to comment on the agency's reports.

I have reviewed the original disclosure, the agency's report, and the agency's supplemental report. Based on that review, I have determined that the agency's reports contain all of the information required by statute and their findings appear to be reasonable.

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As required by law, 5 U.S.C. § 1213(e)(3), I have sent a copy of the reports to the Chairmen and Ranking Members of the House and Senate Committees on Veterans Affairs. I have also filed copies of the agency reports in our public file and closed the matter. OSC's public file is now available online at [www.osc.gov](http://www.osc.gov).

Respectfully,

A handwritten signature in cursive script that reads "William E. Reukauf".

William E. Reukauf  
Associate Special Counsel

Enclosures