

**VA EDUCATION CORPORATIONS
AUTHORIZED BY TITLE 38
UNITED STATES CODE (U.S.C.) SECTIONS 7361 THROUGH 7368**

- 1. REASON FOR ISSUE:** This Veterans Health Administration (VHA) Handbook provides the procedures for non-profit education corporations (hereinafter called Corporation(s)) created pursuant to Title 38 United States Code (U.S.C.) Sections 7361 through 7368, as amended November 16, 1999.
- 2. SUMMARY OF MAJOR CHANGES:** This Handbook contains basic procedures governing non-profit education Corporations created pursuant to Title 38 U.S.C. Sections 7361 through 7368, as amended November 16, 1999. *NOTE: Public Law 106-419 changed the expiration of authority from December 31, 2000, to December 31, 2003.* Training program accreditation requirements are clarified by this issuance.
- 3. RELATED ISSUES:** VHA Directive 1400 (to be published).
- 4. RESPONSIBLE OFFICE:** The Office of Academic Affiliations (144) is responsible for the contents of this VHA handbook. Questions may be referred to (202) 273-8374.
- 5. RESCISSIONS:** VHA Handbook 1400.2, dated December 5, 2000, is rescinded.
- 6. RECERTIFICATION:** This document is scheduled to be recertified on or before the last working day of November 2006.

S/ Tom Sanders for
Thomas L. Garthwaite, M.D.
Under Secretary for Health

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**VA EDUCATION CORPORATIONS
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1. PURPOSE

This Veterans Health Administration (VHA) Handbook provides policies, procedures, and instructions governing non-profit Education Corporations created pursuant to Title 38 United States Code (U.S.C.) Sections 7361 through 7368. Among the procedures in this handbook are those prescribed by the Under Secretary for Health under 38 U.S.C. Section 7364(c). **NOTE:** *Where noted, this Handbook also pertains to non-profit VA Research and Education Corporations governed by VHA Handbook 1200.17, to be published.*

2. SCOPE

Education Corporations (“Corporations”) exist and may exist solely to facilitate education at the medical center by acting as a flexible funding mechanism. The Corporations are subject to dissolution should they not serve the best interest of the Department of Veterans Affairs (VA). VA employees involved in any fashion in the affairs or operations of the Corporations must ensure that the Corporations further the interests of the Department, VHA, and VA education programs.

3. ESTABLISHMENT OF VA EDUCATION CORPORATIONS

a. **Establishment.** Pursuant to delegation by the Secretary of Veterans Affairs to medical center Directors, each medical center Director is authorized to establish a Corporation as permitted under law. A medical center Director must notify the Chief Academic Affiliations Officer in VA Central Office when an education Corporation has been incorporated. At some VA medical centers, a position titled medical center Director may not exist. The official responsible for carrying out the equivalent responsibilities of a medical center Director may exercise the same authority relative to the establishment and oversight of a Corporation.

Authority: 38 U.S.C. Section 7361(a); 38 U.S.C. Section 512; and 38 U.S.C. Section 7363.

NOTE: *When a Corporation is established for the dual purpose of supporting research and education or when an existing research Corporation expands its charter to include education, the medical center Director must notify the Chief Academic Affiliations Office in VA Central Office. See VHA Handbook 1200.17, to be published.*

b. **State Law.** Each Corporation must conform to the applicable non-profit corporation law of the jurisdiction in which it is organized. **Authority:** 38 U.S.C. Section 7365.

c. **Official Resources.** Reasonable and necessary VA resources may be used to establish a Corporation. The medical center also may provide the Corporation space for activities and services such as maintenance, repair, and utilities without reimbursement.

Authority: *Compared to (Cf) 38 U.S.C. Section 7362(a).* **NOTE:** *The medical center Director must notify the Office of Academic Affiliations (144) 30 days prior to dissolution of a Corporation.*

d. **Expiration of Authority**. No Corporation may be established after December 31, 2003. **Authority:** *38 U.S.C. Section 7368 as amended by Public Law 106-419.*

4. DIRECTORS, OFFICERS, AND EMPLOYEES OF CORPORATIONS

a. **Board of Directors**

(1) **Eligibility**. The corporate directors, known collectively as the Board of Directors, are responsible as provided by state law for the management and operation of the Corporation.

(a) The board must consist of at least five members including:

1. **Statutory Directors:**

a. The medical center Director,

b. The Chief of Staff (COS), and

c. The Associate Chief of Staff for Education (ACOS/E) or equivalent.

d. In the case of a facility at which the positions of medical center Director, COS, and ACOS/E do not exist, those officials who are responsible for carrying out the equivalent responsibilities must serve on the board. **Authority:** *38 U.S.C. Section 7363(a)(1); VA General Counsel Advisory Opinion (VAOPGCADV) 40-89 (O.G.C.Adv.40-89).*

2. **Nonstatutory Directors**. At least two persons who are not officers or employees of the Federal Government and who are familiar with issues involving education and training as appropriate for the activities of the Corporation may be appointed to the Board of Directors. Members of the board who are not Federal officials or employees must not be affiliated with, employed by, or have any other financial relationship with any entity that is a source of funding for VA education unless that source of funding is a governmental entity or an entity the income of which is exempt from taxation under the Internal Revenue (IRS) Code of 1986. However, persons who own stock in such entities may be board members as long as they do not own a controlling interest. **Authority:** *38 U.S.C. Section 7363(c).*

(2) **Appointments and Changes to the Board of Directors**. The medical center Director is authorized to approve all appointments to the Board of Directors of the Corporation serving that VA medical center and all changes to the membership of that board.

(3) **Authority to Act**. The Board of Directors of each Corporation has authority to act for the Corporation as provided in its articles of incorporation and bylaws. This includes the authority to appoint, subject to the concurrence of the medical center Director, an Executive Director for the general operation of the Corporation and to establish the specific duties and responsibilities of the Executive Director.

(4) **Compensation**. Statutory members of the Board of Directors, including the medical center Director, the COS, and the ACOS/E or their local equivalents, may not receive any compensation for services to the Corporation since their service as members of the Board is part of their VA duties and responsibilities. The Corporation may compensate other members of the Board of Directors, who do not serve on the Board as part of any Government employment.

Authority: 18 U.S.C. Section. 209; 38 U.S.C. Section 7363; VAOPGCADV 40-89 (O.G.C.Adv.40-89).

b. **Officers.** The officers of the Corporation must be appointed by the Board of Directors consistent with state law. The medical center Director, the COS, and the ACOS/E, or their local equivalents may serve as corporate officers, but cannot receive compensation for such services. Other VA employees, subject to employee standards of ethical conduct, may be compensated if they serve as corporate officers. VA employees who also serve as officers of the Corporation may receive compensation for Corporation work performed outside their VA duties during non-VA duty hours. However, they may not receive compensation from the Corporation for any such services carried out during their VA duty hours.

c. **Executive Director.** The Board of Directors appoints an Executive Director. Individual medical center Directors are authorized by the Under Secretary for Health, pursuant to 38 U.S.C. Section 7363(b), to concur in the appointment of an executive director. The executive director can receive a Corporation salary for services provided to the Corporation. If the Executive Director is also an employee of VA, the executive director may be compensated only for services performed for the Corporation that are outside the scope of the executive director's VA duties and are performed outside VA-duty hours. **Authority:** 38 U.S.C. Sections 7363, and 7366 (c); 18 U.S.C. Section 209.

d. **Employees**

(1) **Work of Employees.** The Corporation may employ individuals to work on VA-approved education activities. Corporation employees assigned to VA to provide education or training services are subject to the supervision, direction, and control of VA.

(2) **Corporation Employees with VA Without Compensation (WOC) Appointments.** All Corporation employees, including VA employees who work for the Corporation during non-VA duty hours and are assigned to VA to work on education and training activities must have a WOC appointment regardless of whether they receive a corporate salary.

e. **Conflict of Interest Issues.** All Corporation board members, officers, and employees are subject to Federal statutes and regulations applicable to Federal employees with respect to conduct and conflicts of interest. Applicable Federal statutes and regulations include 18 U.S.C. Sections 202-209of, and Title 5, Code of Federal Regulations (CFR) Part 2635. At the time the relationship or employment is initiated, each Corporation board member, officer, and employee must sign a statement certifying awareness of and compliance with Federal conduct and conflicts of interest laws and regulations. This statement is to be retained in each board member's, officer's, or employee's file. Annually, the Executive Director must certify that such a statement is on file for each board member, officer, and employee (see App. C.) **Authority:** 38 U.S.C. Section 7366.

f. **Liability and Insurance.**

(1) Because work on approved education and training activities is in furtherance of a Government mission, actions of Corporation board members, officers, and employees, including those on WOC status, working on an approved education or training activity will generally be protected from personal liability consistent with the Federal Tort Claims Act (FTCA). This protection is subject to certification by the Attorney General that the individual was performing services within the scope of Government employment and, ultimately, subject to a decision of a

court of law. Because such protection is not a certainty and since Corporation activities not directly related to approved education or training may be judged to be outside the scope of Government employment and not protected under the FTCA, the Corporation should purchase sufficient liability insurance for board members, officers, and employees.

(2) Statutory board members (see subparagraph 4a(1)(a)1(a-d)) need to be considered Government employees for the purposes of compensation for work injuries (see 5 U.S.C. Ch. 81). Non-statutory members of the Board of Directors and employees of the Corporation (e.g., corporate officers, the Executive Director, and any private legal counsel) should be entitled under relevant state law to compensation for work related injuries. **Authority:** 28 U.S.C. Sections 1346 (b), and 2671; Cf. 38 U.S.C. Section 7316.

5. PROVIDING AND FUNDING ADMINISTRATIVE AND EDUCATION SERVICES

VA employees who, as part of their official responsibilities, have any role or function, whether statutory or otherwise, in the affairs or operations of Corporations, are required to ensure that the Corporations further the best interests of VA.

a. **Use of VA Time or Resources to support Management or Other Internal Operations of Corporations.** In general, official VA time and other resources may not be used to carry out administrative functions of established Corporations, such as accounting, resources management, and reporting. One exception is that statutory members of the Board of Directors of Corporations necessarily use VA time and other official resources to fulfill their responsibilities as board members. Use of Department resources to carry out activities which clearly and primarily promote the VA education mission is not objectionable if the activities coincidentally further internal Corporation purposes. **Authority:** 31 U.S.C. Section 1301.

b. **Use of Corporation Funds for VA Salaries and Expenses Related to Approved Education Activities.** VA employees assigned as part of their VA duties to carry out education and training activities that have been approved under applicable procedures are performing functions that Corporations are intended to support. It is lawful for Corporations to reimburse VA appropriation accounts for salaries and other costs of these activities. However, it is a violation of the prohibition against supplementation of Federal salaries for a Corporation to pay VA employees directly for such activities, even if the activities are being performed outside VA duty hours. Corporation employees, including VA employees hired by the corporation to do work that is distinct from their official VA duties and performed outside their VA duty hours, may be paid directly by Corporations for carrying out education activities approved under paragraph 8. **Authority:** 18 U.S.C. Section 209; 38 U.S.C. Section 8301; VHA Supplement to MP-4, Part VII, Section 4.01h, DM&S Supplement.

c. **Use of Corporation Employees to Support Approved Education Activities.** Corporation employees may be assigned to work on approved education or training activities provided that they have a VA WOC appointment. Although employed by the Corporation, their services are donated to support the education mission and their work is subject to the supervision, direction, and control of VA.

6. AUTHORITIES AND LIMITATIONS AFFECTING EDUCATION CORPORATIONS

a. **Tax Exempt Status.** The Secretary of Veterans Affairs is required by law to dissolve a Corporation if it does not obtain approval from the IRS as a tax-exempt organization within 4

years of the date of its incorporation. The Corporation must comply with applicable IRS and state regulations. **Authority:** *26 U.S.C. Section 501(c)(3); 38 U.S.C. Section 7361(b).*

b. **Donations.** Corporations may accept donations, in cash or in kind, from for-profit, non-profit, public or private entities.

c. **Assurances.** Corporations are not authorized to give assurances or other commitments concerning VA decision-making, including assurances that VA will fulfill any particular purpose for which a donor intends a gift to be used. Corporations may not give any assurance that conflicts with Federal law.

d. **Agreement.** Corporations may not enter into agreements that purport to supersede or are contrary to Federal law. Corporations are strongly encouraged to seek VA Counsel review and approval of any substantive clause in a draft agreement that has not been previously approved by VA Counsel (such as, but not limited to, a patent clause, a confidentiality clause, or an indemnification clause). Studies administered under agreements that contain inappropriate language may be terminated and the funds returned to the sponsor. Corporations found to sign agreements containing inappropriate terms may be required to obtain VA Counsel approval of all ongoing and future agreements or may be subject to the sanctions provided in paragraphs 1 through 10 of this Handbook. The Corporation must maintain a record of all such consultations. Corporations do not have authority to bind VA to any course of action or agree to any provision for liquidated damages or other compensation for failure to implement the purpose for which the gift is given. **Authority:** *38 U.S.C. Section 7366.*

e. **Recourse.** Corporations must include the following as a term of acceptance in the agreement with the donor: “the sole consequence of any failure to implement a purpose for which a donor intends a gift to be used is the refund of the gift.” A Corporation needs to purchase sufficient liability insurance to protect the corporation, its board members, officers, and employees against suits arising from negligence, errors, and omissions.

f. **Contracts with VA.** Corporations may not contract with VA to provide goods or services. **Authority:** *38 U.S.C. Section 7361; Cf. VAOPGCADV 57-89 (O.G.C.Adv.57-89).*

g. **State Law.** Each Corporation must conform to the applicable non-profit Corporation law of the jurisdiction in which it is organized.

h. **Federal Law.** If state law conflicts with Federal law governing the Corporations, then Federal law preempts the conflicting state law. **Authority:** *38 U.S.C. Sections 7361(a), and 7365.*

i. **Interpretation of Law.** Only the VA General Counsel speaks authoritatively upon the numerous Federal laws governing the VA mission. General Counsel interpretations of such laws are controlling. **Authority:** *Public Law (Pub. L.) 100-527, Section 8 (1988); 38 CFR Section 14.500 (b).*

j. **Legal Counsel.** Either VA legal counsel or private legal counsel (paid for by Corporation funds) may be used in the operation of the Corporation. **NOTE:** *If the Corporation uses private legal counsel, the Corporation must, on a quarterly basis, provide a copy of all written legal advice from private counsel to the appropriate VA Regional Counsel in that respective*

jurisdiction. On a quarterly basis, the Corporation must also provide the Regional Counsel in the respective jurisdiction with copies of billings for services rendered by private counsel.

k. **Disbursement.** No expenditure of funds for an education or and training activity is permitted unless the activity is first reviewed and approved under prescribed procedures (see par. 8).

l. **Transfer of Funds.** VA can not transfer funds appropriated to VA to the Corporation. VA may transfer to the Corporation any other funds received by VA for the conduct of education and training. **Authority:** *38 U.S.C. Section 7362.*

m. **Employee Education System (EES).** Education Corporations may provide funds to VA's EES to perform education and training activities for the medical center that have been approved under paragraph 8.

7. CORPORATE MANAGEMENT

a. **Documenting Donations.** The Corporation must document acceptance of donations. Documentation includes a formal acknowledgement of every donation. The acknowledgement must contain a statement setting out the nature and conditions of the donation (see App. C). **Authority:** *38 U.S.C. Section 7366(d)(2).*

b. **Management of Funds.** Guaranteeing the safety of the Corporation's assets is the primary goal in management of Corporation funds. The Corporation may deposit funds in interest-bearing Federally-insured accounts at either a bank, or through a brokerage firm providing full Federal Deposit Insurance Corporation (FDIC) (or equivalent credit union) coverage of all deposits. The Corporation may use idle funds to purchase instruments backed by the full faith and credit of the United States Government such as Treasury bills, notes and bank certificates of deposit. Investment in stocks, mutual funds, certain Federal agency financial instruments, or similar investment vehicles, is not allowed. **Authority:** *38 U.S.C. Section 7362; VAOPGCADV 18-91(O.G.C.Adv.18-91); VAOPGCADV 55-90 (O.G.C.Adv.55-90).*

c. **Official Approval.** An appropriate official of the Corporation must approve all expenditures. That official may be the Executive Director or another person designated by the Corporation's Board of Directors.

d. **Documenting Relationship Between Corporation and VA.** When transferring funds to VA, the Corporation must document the transaction. The documentation may consist of the following: a bill for collection, an Intergovernmental Personnel Act (IPA) mobility assignment, or an approved Memorandum of Understanding (MOU) as well as other records. **Authority:** *38 U.S.C. Sections 7362 and 7364.*

e. **Professional Memberships.** Corporation funds may be used to pay for corporate membership in professional organizations.

f. **Publications.** Corporation funds may be used to pay for publications that facilitate the interests of the VA education mission.

g. **Travel Expenditures.** Corporation funds may be used for the following purposes:

- (1) Travel directly related to an approved education or training activity;
- (2) Travel related to Corporation business, e.g., travel to further the acquisition of resources.

Authority: *38 U.S.C. Section 7362; MP-1, Parts I and II or superseding document.*

h. **Licensing**. The Corporation may not pay for professional licenses for VA employees. The Corporation may pay for licensure for qualified individuals who work exclusively for the Corporation, if such payment can be related to support of the VA education mission.

i. **Multi-Center Activities**. A Corporation may administer funds for multi-center education and training activities, provided that, in doing so, the Corporation is serving the education mission at its “home” medical center and that the multi-center activities benefit approved education and training activities at the medical facility where the Corporation is established.

j. **Residual Funds**. Any residual funds remaining after an education activity that the donor does not want returned will be used for the general support of approved VA education activities consistent with the requirements of this handbook.

k. **Records and Records Retention**

(1) The Corporation must make and preserve records of the organization, including its functions, policies, decisions, procedures, and transactions in accordance with commonly accepted non-profit practices and commonly accepted accounting practices. These records must be:

(a) Designed to furnish information needed to protect the legal and financial rights of the Government and of persons directly affected by the Corporation's activities; and

(b) Maintained for the benefit of the Corporation.

(2) The Corporation's officers and directors must fulfill their fiduciary obligations to the Corporation by providing proper documentation that will:

(a) Evidence proper approval of major business decisions.

(b) Evidence information necessary if the IRS conducts a review of the Corporation's tax-exempt status. All pertinent tax records for purposes of IRS review must be retained for 6 years.

(3) All other non-tax records must be retained according to Federal and state laws.

(4) The creation and maintenance of tax records and non-tax records must be consistent with accounting procedures established by the Corporation.

(5) The Corporation must maintain adequate and sufficient timekeeping, payroll, and other records of compensation to clearly demonstrate that compensation is paid in accordance with corporate policy for work conducted outside a VA tour of duty. **Authority:** *26 U.S.C. Section 6501; Cf. 38 U.S.C. Sections 7393 and 7365; 18 U.S.C. Section 209.*

8. REVIEW AND APPROVAL OF EDUCATION ACTIVITIES FOR PURPOSES OF ACCEPTING DONATED SUPPORT FROM CORPORATIONS

a. A medical center having a Corporation established to support education and training must have an Education Committee appointed by the medical center Director. The majority of members of the Education Committee must be persons who are not board members, officers, or employees of the Corporation.

(1) Prior to the expenditure of any funds by the Corporation for an education activity, the committee must review and evaluate the project in accordance with procedures prescribed by the Under Secretary for Health.

(2) No Corporation may spend funds for an education or training activity without prior approval of the Education Committee.

(3) Education Corporations found to be supporting inappropriate activities may be required to have all activities reviewed by the Education Committee and submitted to the medical center Director for approval. **NOTE:** *Such Corporations may also be subject to the sanctions described in paragraph 10.*

b. Types of education and training activities, which may be approved, include:

(1) **Patient-Related Activities.** These activities include education activities for veterans, their families and guardians, including instruction or other learning experiences related to improving or maintaining the health of veterans.

(2) **Employees.** Work-related experiences for employees designed to:

(a) Improve performance of current duties;

(b) Assist employees in maintaining or gaining specialized proficiencies; or

(c) Expand understanding of advances or changes in patient care, technology, or health care administration. **NOTE:** *These activities include education and training conducted as part of a residency or other program designed to prepare an individual for an occupation or profession.*

c. An Education Committee may not approve an activity, project, or program until the committee has, with respect to the activity, project, or program, determined the following:

(1) The extent of its value to VA.

(2) Its furtherance of the VA health care mission.

(3) Its enhancement of the efficacy and efficiency of VA.

(4) Its promotion of patient health, improvement of patient care, or improvement of employee performance.

d. Residencies and other clinical training programs that prepare individuals for an occupation or profession must be accredited by a national body recognized by VA for the specific discipline. The Chief Academic Affiliations Officer in VA Central Office must

approve all other residency or clinical training programs before such programs can accept support from a VA non-profit Corporation. **NOTE:** *Continuing education activities are not subject to this requirement.*

Authority: 38 U.S.C. Sections 7362, 7364(b); 7302, 7471, 8154; Pub. L. 106-117.

9. OVERSIGHT AND ACCOUNTABILITY OF CORPORATIONS

a. **Accountability, Oversight, and Audit.** In connection with any audit, inquiry, investigation, or review of Corporation activities, the Corporation must cooperate with and make its records available to the VA Inspector General, the Comptroller General, the IRS, the Secretary of Veterans Affairs, and the State where the Corporation is doing business.

Authority: 38 U.S.C. Section 7366.

b. **Reporting Requirements.** A Corporation must submit a report each year to the Secretary of Veterans Affairs. The report must include the following information:

(1) Each Corporation with revenues in excess of \$300,000 for any year must obtain an independent audit of the financial statements of the Corporation for that year. A Corporation with annual revenues between \$10,000 and \$300,000 must obtain an audit of the Corporation at least every 3 years.

(2) By June 1 of each year, Corporations must submit an annual report to the Office of Academic Affairs (144), VA Central Office, detailing Corporation funding and expenditures. The annual report is required even if the Corporation did not accept or expend funds during the previous year. The information contained in the Corporation's report is used to prepare VA's annual report to Congress regarding the Corporations. **NOTE:** *Research and Education Corporations are required to submit two reports distinguishing their funding and expenditures for research and education separately.* The Corporation's annual report is assigned Report Control Number (RCN) 10-0889 (see App. A). The annual report must include:

(a) An independent auditor's report for the Corporation's last completed fiscal year (see subpar. 9b(1)).

(b) IRS Form 990, Return of Organization Exempt from Income Tax, or 990 EZ with schedules, Return of Organization Exempt From Income Tax, for the Corporation's last completed fiscal year even if revenues fall below the IRS reporting threshold of \$25,000.

(c) An annual statement signed by the Corporation's Executive Director verifying that each board member, officer, and employee has certified an awareness of, and compliance with such laws and regulations pertaining to conduct and conflict of interest in the same manner required of Federal employees (see App. C).

(d) The location of the Corporation.

(e) The amount received by the Corporation during the previous year, including the following:

1. The total amount received;

2. The amount received from governmental entities for research and the amount received from governmental entities for education;
 3. The amount received from all other sources for education; and
 4. The amount received from a source referred to in subparagraph 9b(2)(e)3, if it exceeded \$25,000, as well as information that identifies the source.
- (f) The amount expended by each Corporation during the year including the following:
1. The amount expended for salary for education staff and the amount expended for salary for support staff;
 2. The amount expended for direct support of education; and
 3. The amount and identification of the payee, if the amount expended with respect to the payee exceeded \$35,000.
- (g) The amount expended by the Corporation during the year for travel conducted in conjunction with education.

NOTE: *The Executive Director of the Corporation is responsible for providing a copy of the auditor's report to the Chief Fiscal Officer or equivalent at the VA medical center which the Corporation serves.*

Authority: *Pub. L. 104-262.*

10. SUSPENSION AND DISSOLUTION OF CORPORATIONS

a. When the Corporation is not acting in the best interest of VA, or is in violation of state or Federal statutes, the Chief Academic Affiliations Officer may impose a temporary suspension on Corporation education activities. During a temporary suspension, the Corporation may take no action without the review and signature of the medical center Director. After a temporary suspension is imposed, VHA will review whether to order the dissolution of the Corporation.

Authority: *38 U.S.C. Section 7361*

b. The Secretary of Veterans Affairs has authorized the medical center Director to order the dissolution of a Corporation at any VA medical center based on a determination that the Corporation is no longer serving the interest of VA. When dissolution has been ordered, medical center Directors are required to dissolve a Corporation in accordance with state law.

NOTE: *The medical center Director must notify the Office of Academic Affiliations (144,) 30 days prior to dissolution of a Corporation.*

c. If a Corporation has not been recognized as a tax-exempt organization under 26 U.S.C. Section 501(c)(3) by the end of the 4-year period beginning on the date of the incorporation of the Corporation, the Under Secretary for Health, or designee, must order the dissolution of the Corporation. **Authority:** *38 U.S.C. Sections 512, and 7361; 26 U.S.C. Section. 501(c)(3).*

**INSTRUCTIONS AND SAMPLE FORMAT FOR VA NON-PROFIT EDUCATION
CORPORATIONS, REPORT CONTROL NUMBER (RCN) 10-0889, DUE JUNE 1**

1. INSTRUCTIONS

a. Each year, Corporations are required to submit certain information to the Secretary. In addition, the Department of Veterans Affairs (VA) is required to submit a report to Congress providing detailed information about the Education Corporations. In order to compile this report, VA needs specific information from each Corporation following in the sample format.

b. The following required documentation is due each year on June 1; send it to: VA Central Office, Office of Academic Affiliations (144), 810 Vermont Avenue, N.W., Washington, DC 20420. **NOTE:** *Audits and completion of Internal Revenue Service (IRS) Form 990, Return of Organization Exempt from Income Tax, need to be scheduled to allow timely compliance with this deadline.*

(1) Education Corporation name, VA medical center name, Executive Director name, telephone, fax, E-mail.

(2) **A list of all material activities and accomplishments.** A list of educational activities supported by the Corporation during the previous year fulfills this requirement.

(3) **A copy of the Corporation's audit (with the auditor's management letter) for the Corporation's last completed fiscal year.** An annual audit is required for each year a Corporation's revenues exceed \$300,000. A Corporation with annual revenues between \$10,000 and \$300,000 is required to obtain an audit at least once every 3 years. A corporation is exempt from this requirement each year when revenues fall below \$10,000.

(4) **A copy of the Corporation's IRS Form 990, for the Corporation's last completed fiscal year.** All corporations must complete an IRS Form 990 annually, even if revenues fall below the IRS threshold of \$25,000. Be sure that the IRS Form 990 accurately provides the following information:

(a) The amount received during the previous year, including:

1. Total revenues (IRS Form 990, Line 12).
2. The total amount received from Governmental entities (IRS Form 990, Part I, Line 1c).
3. The total amount received from all other sources (Total of IRS Form 990, Part I, Lines 1a, 1b and 2).

(b) The amount expended during the year including:

1. The total amount expended for salary for education staff (Total of IRS Form 990, Part II, Lines 25, 26, 27, 28, 29, Column (B)).

2. The amount expended for salary for support staff (Total of IRS Form 990, Part II Lines 25, 26, 27, 28, 29, Column (C)).

3. The total amount expended for direct support of education (IRS Form 990, Part II, Line 44, Column (B)).

4. The total amount expended for travel for education (IRS Form 990, Part II, Line 39, Column (B)).

(5) **Although it is not required in the IRS Form 990, the statute that authorizes the Non-profit Corporations (NPCs) requires them to track education donations and expenditures.** Accordingly, the Corporation needs to establish accounting systems sufficient to track and report:

(a) The amount received from Governmental entities for education (all or part of IRS Form 990, Part I, Line 1c).

(b) The amount expended for salary for education staff (all or part of sum of IRS Form 990, Part II, Lines 25, 26, 27, 28, 29, Column (B)).

(c) The amount expended for direct support of education (all or part of IRS Form 990, Part II, Line 44, Column (B)).

(d) The amount expended for travel conducted in conjunction with education (all or part of IRS Form 990, Part II, Line 39, Column (B)).

(6) **A statement signed by the executive director of the Corporation verifying that each board member, officer, and employee has certified awareness of and compliance with, such laws and regulations pertaining to conduct and conflict of interest in the same manner required of Federal employees.** To comply with this requirement, at the time a director, officer or employee is appointed by the Corporation, a statement is to be signed certifying compliance with and awareness of Federal laws and regulations pertaining to conduct and conflicts of interest (see App. C). This statement must be retained in the personnel file of each director, officer or employee. *NOTE: Once a year, the Executive Director must verify those employees' personnel files contain a signed certification.*

(7) **A list that identifies each donor whose total contributions for the year exceed \$25,000; provide name, location and total dollar amount.** Two copies of this list are to be attached to the report.

(8) **A list that identifies all employees and all payees, entities and individuals, who received payment during the year from the Corporation in excess of \$35,000; provide name, location and total dollar amount.** Corporations that use payroll services or employee leasing firms also must identify each individual employee paid more than \$35,000 during the year. Two copies of this list are to be attached to the report.

**2. SAMPLE FORMAT FOR THE VA NON-PROFIT EDUCATION CORPORATIONS
ANNUAL REPORT FORM**

Provide the following information in the order shown.

1. Education Corporation name, VA medical center name, Executive Director name, telephone, fax, E-mail.

2. Copy of independent audit report and management letter. Copy enclosed YES NO (Circle one).

- a. Revenues >\$300,000 audit required yearly.
First audit required with 2000 annual report due June 1, 2001.
- b. Revenues >\$10,000<\$300,000 audit required once every 3 years.
First audit required with 2002 annual report due June 1, 2003.
- c. No audit required with revenues <\$10,000.

3. Copy of IRS FORM 990 with schedules. Copy enclosed YES NO (Circle one)

4. Revenues and Expenditures (see instructions).

- a. Government funding received for education. \$
- b. Non-Government funding received for education. \$
- c. Salary expenditure for education staff. \$
- d. Salary expenditure for support staff. \$
- e. Total expenditure for education. \$
- f. Travel expenditure for education. \$

5. Copy of VA non-profit Corporation (VANPC) project list (satisfies accomplishments requirement). Copy enclosed YES NO (Circle one)

6. Executive Director Certification with respect to conduct conflicts of interest regulations:

I have verified that each board member, officer, and employee has certified and has complied with, Federal laws and regulations with respect to conduct and conflicts of interest in the performance of official functions in the same manner as Federal employees are required to.

Executive Director Signature _____ Date _____

7. Attach two copies of the following list: name, location of donors, and amount for total contributions for the year exceeding \$25,000.

EXAMPLE:

<u>Name</u>	<u>Location</u>	<u>Amount</u>
Robert Wood Johnson Foundation	Piscataway, NJ	\$
Applied Microbiology	Tarytown, NY	\$
Astra Merck	Wayne, PA	\$

8. Attach two copies of the following list: name, location of employees, and payees (entities and individuals) with amount for total payments received for the year exceeding \$35,000.

EXAMPLE:

<u>Name</u>	<u>Location</u>	<u>Amount</u>
U.S. Laboratory Supplies	Chicago, IL	\$
Xerox Corporation	New York, NY	\$

NOTE: SUBMIT REPORT TO:

*VA Central Office
Office of Academic Affiliations (144)
810 Vermont Avenue, N.W.
Washington, DC 20420*

*Tel: 202-273-8369
Fax: 202-273-9376
Email: andy.fleshman@hq.med.va.gov*

**SAMPLE FORMAT FOR ACKNOWLEDGMENT LETTERS
FOR UNRESTRICTED FUNDS**

SAMPLE 1

(To Representative of funding organization)

Dear (Representative):

_____ (Corporation) _____ acknowledges receipt of your check in the amount of \$ ___ (amount) ___, Check No. ___ (check no.) ___ for use in the general support of education.

Acceptance of this funding does not imply endorsement on our part or on the part of the Department of Veterans Affairs. We thank you for your consideration and support.

Sincerely,

(Signature)

(Printed Name)

(Title of the Corporation Official)

SAMPLE 2

(To funding organization)

Dear (Sponsor):

I am writing on behalf of the _____(Corporation)_____ to acknowledge receipt of check number __ (number)___ in the amount of \$_____(amount)_____ from _____(Sponsor)_____. It is our understanding that this amount is provided in support of _____(education activity)_____. It is our understanding that there are no other restrictions on the use of these funds.

This activity was approved with the understanding that all funding will be administered by _____(Corporation)_____. Accordingly, payment may be made only to ___(Corporation)_____. Under no circumstances will _____(Sponsor)_____ make any payment associated with this activity directly to any corporation or VA employee.

Upon completion of the activity, it is our usual practice to use the remaining balance of funds, if any, for the general support of approved education activities. Please advise _____(Corporation)_____ if this is not acceptable to you or if use of the funds is restricted.

_____(Corporation)_____ is pleased to participate in this activity with _____(Sponsor)_____. We thank you for your contribution.

Sincerely,

(Signature)

(Printed Name)

(Title of the Corporation Official)

**SAMPLE FORMAT FOR
THE STATEMENT FROM DIRECTORS, OFFICERS, AND EMPLOYEES
OF THE VA-AFFILIATED NON-PROFIT CORPORATION
CERTIFYING COMPLIANCE WITH
FEDERAL CONDUCT AND CONFLICTS OF INTEREST LAWS**

I hereby certify that I am aware of and am in compliance with the Federal laws and regulations applicable to Federal employees with respect to conduct and conflicts of interest related to the performance of my official functions at the (education corporation).

(Signature)

(Printed Name)

(Title)

(Date)