

**STATEMENT OF
THE HONORABLE GEORGE J. OPFER
INSPECTOR GENERAL
DEPARTMENT OF VETERANS AFFAIRS
BEFORE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON THE OVERSIGHT EFFORTS OF THE
VA OFFICE OF INSPECTOR GENERAL:
ISSUES, PROBLEMS, AND BEST PRACTICES AT
THE DEPARTMENT OF VETERANS AFFAIRS**

February 15, 2007

INTRODUCTION

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to address the Office of Inspector General's (OIG's) oversight efforts in terms of issues, problems, and best practices at the Department of Veterans Affairs (VA). We provide independent oversight that addresses mission-critical activities and programs in health care delivery, benefits processing, financial management, procurement practices, and information management. We plan our work in each of these strategic areas, which are aligned with the Department's strategic goals.

Today, I will present to you my observations of OIG's overall impact since 2001, and the challenges we face in providing effective oversight of the second largest Cabinet level Department to ensure it effectively carries out its mission of serving America's veterans. We have accomplished much, but there is much more we can do.

With me today are the Assistant Inspectors General (AIGs) for Investigations, Audit, and Healthcare Inspections; and the Counselor to the Inspector General, who will answer questions about their specific programs. The AIGs conduct criminal and administrative investigations, national audits, health care inspections, and other reviews in the five strategic areas. For fiscal year (FY) 2007, the proposed joint resolution provides the OIG funding to support 445 full-time equivalents (FTE) from appropriations. This is a reduction of 40 FTE from the previous year. Our Office of Contract Review performs preaward and postaward reviews under a reimbursable agreement with VA, which funds an additional 25 FTE. These reviews of VA contracts produce significant recoveries to the VA Supply Fund, as well as many improvements in processes and practices in the procurement arena.

RETURN ON INVESTMENT

In the 6-year period FY 2001–2006, OIG delivered a return on investment of \$31 for every dollar invested in OIG operations. We produced \$11.6 billion in monetary benefits from recommended better use of funds, savings, costs avoidances, recoveries, questioned costs, restitutions, and civil judgments. We issued 1,169 audit and inspection reports with 6,601 recommendations to improve services to veterans and to improve the economy and efficiency of VA programs, operations, and facilities. Almost 90 percent of these recommendations have been implemented by VA to date. OIG also completed almost 15,000 investigative actions resulting in arrests, indictments, convictions, administrative sanctions, and apprehension of fugitives, and processed over 93,000 Hotline contacts, which resulted in completion of over 7,300 reviews of allegations of fraud, waste, abuse, and mismanagement. OIG oversight is not only a sound fiscal investment, it is an investment in good government and public assurance. For example, you cannot put a monetary value on a patient's life saved through better health care standards or removing an abusive provider from patient care.

To highlight some best-practice accomplishments resulting from our health care inspection work, the Veterans Health Administration (VHA) developed new national policies for colon cancer diagnosis and treatment, management of pressure ulcers, management of surgical items that can be left in the body, and seamless transfer of medical records for returning war veterans transitioning from active duty to VA medical care. Our investigative work has led to the successful prosecution of medical providers who have harmed, and in some cases murdered, patients. We have performed oversight work aimed at developing mandated physician and nursing staffing standards. In the benefits area, our work has led to the successful prosecution of thousands of unscrupulous individuals who preyed on veterans by stealing benefits checks, abusing fiduciary responsibilities, and making false claims.

Audits have identified billions of dollars in better use of funds through improved practices. In financial management, we have produced unqualified opinions of VA financial statements for many years while identifying material weaknesses that need correcting. In procurement, preaward reviews since 2001 have recommended more than \$2 billion in potential cost savings by contracting officers negotiating fair and reasonable prices. Postaward reviews of Federal Supply Schedule contracts resulted in more than \$104 million in hard-dollar recoveries that went back to the VA Supply Fund. Audit reviews have identified systemic information technology (IT) system development deficiencies in major procurements, such as CoreFLS. Our mandated Federal Information Security Management Act audits have identified serious deficiencies in VA's IT security. We have also successfully completed investigative work on major IT data loss cases, such as the loss and recovery of the data on 26.5 million veterans and active duty personnel.

Despite our significant accomplishments, I believe we have only scratched the surface on what we can contribute to helping improve VA programs and activities. For example, while we do the most we can with the resources provided, there are many issues we are

unable to review within existing resource levels. For example, we cannot investigate or review all Hotline complaints. In fact, we must refer 70 percent of all Hotline cases to the Department for review. I believe VA would benefit from an independent and objective review of these cases by the OIG because the OIG-performed substantiation rate is 20 percent higher than the Department. Furthermore, business is growing—our Hotline contacts are up 16 percent over this point last year. We also decline more criminal investigation cases than we prefer due to our high per capita agent caseload of 16 to 1, which is one of the highest in the OIG community.

We focus our resources on the most important and urgent issues facing VA at the time and will always do so, but this often results in delaying review of other important high priority planned oversight work. I would now like to take this opportunity to discuss some of these high priority issues by strategic area.

HEALTH CARE DELIVERY

OIG work has helped VHA improve the quality of medical care through our focused reviews, health care inspections, audits, and investigations. During the past 6 years, the OIG has invested about 40 percent of its resources in overseeing health care issues.

Issues that have received little attention in past years but offer significant opportunity for systemic improvement involve services provided to returning war veterans, medical research activities, care of elder veterans, VHA's Veterans Integrated Service Network (VISN) structure, and drug diversion at VA medical centers and mail-out pharmacies.

Operations Enduring Freedom and Iraqi Freedom (OEF/OIF) veterans are receiving care, as are other veterans, in a nationwide system of over 150 medical centers, 800 Community Based Outpatient Clinics, and over 200 Vet Centers. While we believe the quality of medical care in VHA facilities is generally excellent, VA is challenged to deliver mental health services and provide seamless transition of care from active duty to veterans who live in areas distant from VA facilities. Compliance by VA researchers with policies that protect patients and ensure sound scientific results is another area of concern. VA research is budgeted at \$1.8 billion in FY 2008, which makes the research program commensurate with the entire VA IT budget. The increasing geriatric veteran population presents VA with constantly changing challenges to care for elders at VA facilities, contract nursing homes, and at home. Veterans 85 years and older enrolled in VA health care are expected to exceed 675,000 by 2012.

As VA searches for organizational efficiencies, the question of whether the VISN model offers VHA the best infrastructure to manage its health care resources and provide access to quality care needs to be addressed. The size of operations and the highly decentralized nature of these activities add to the complexity of this issue.

Drug diversion steals valuable medicines from patients who need them and makes patients vulnerable to harm from providers impaired by drug use. VA has over 1,300

sites nationwide where drugs are provided or stored with unique circumstances that can be exploited by those seeking to steal drugs. VA would benefit from independent OIG systematic facility reviews—immediately focusing on information contained in automated dispensing systems—to identify and investigate instances of drug diversion.

BENEFITS PROCESSING

The Veterans Benefits Administration (VBA) faces rising workload levels, in terms of both absolute numbers and complexity, and is anticipating receiving 800,000 claims in both FYs 2007 and 2008 from returning war veterans and veterans of earlier periods. The pending inventory of disability claims alone rose to almost 400,000 by the end of FY 2006.

The timeliness and accuracy of processing these claims remain a top priority for VBA. For example, VBA reports progress in reducing its error rate for compensation core rating work to 12 percent, but this rate remains unacceptably high in a program of over \$40 billion. I believe VBA and veterans would benefit from OIG oversight work aimed at reviewing VBA's quality assurance program for rating decisions and an assessment of other contributing causes of timeliness problems to address the serious backlog of claims in VBA.

FINANCIAL MANAGEMENT

Although VA has received a series of unqualified audit opinions, it has three material weaknesses that impact its ability to safeguard and account for VA financial operations. The lack of an integrated financial management system increases the risk of materially misstating financial information and requires significant labor-intensive manual processes to prepare auditable reports for the Department. Other material weaknesses are deficiencies in financial operations oversight and continuing problems with IT security controls.

The annual audit of VA's Consolidated Financial Statement does not address other important financial activities or provide a detailed review of individual accounts. We do not know, for example, if other high risk areas, such as VA financial, statistical, budget, and performance measures and reports, including the validity of automated VA data, are accurate and reliable. Additionally, VA's internal controls over, and accountability for, the use of VA funds remain an area of high concern.

I believe the OIG has an important role to play in overseeing the development process of new integrated financial and logistics systems to ensure that they systematically address the needs of VA and correct material weaknesses.

PROCUREMENT PRACTICES

VA spends over \$6 billion annually in supplies, services, construction, and equipment. In the past 6 years, we have issued a number of reports involving individual failed

procurements that resulted in large dollar losses to VA and serious delays in significant projects needed to improve VA infrastructure. Systemic deficiencies include the lack of effective communication, little or no acquisition planning, poorly written contracts, inadequate competition, poor contract administration, and inadequate legal support.

We believe the organizational structure of VA's procurement activities and the lack of oversight and accountability are factors that have significantly contributed to these problems. Because procurement activities are decentralized, it is difficult to conduct an in-depth oversight program on a nationwide basis. There is no central database identifying contracts that have been awarded, individual purchase orders, or the amount of money spent on goods and services.

Effective oversight can improve contracting practices and help avoid losses due to fraud, waste, abuse, and mismanagement. To this end, I believe VA would benefit from national audits conducted by staff who possess the specialized skills, knowledge, and experience in the rapidly changing environment of Federal acquisitions. Efforts are also needed to determine whether VA procurement activities could benefit from the same centralization that VA is implementing in IT.

INFORMATION MANAGEMENT

VA's budget request for FY 2008 estimates a need to spend \$1.86 billion for the IT appropriation. At a time when VA is realigning its IT governance and resources, OMB identified dozens of VA systems on its high risk watch lists. VA's automated information systems have not provided management with sufficient information for effective decision making, are not fully integrated, and are difficult to use. The current IT consolidation within VA is a critical first step to establishing an effective IT governance structure, but does not guarantee success. It remains to be seen whether VA's realignment will enhance operational effectiveness, provide standardization, and eliminate duplication in the delivery of information management services.

Independent oversight is needed to ensure system development controls are effective, requirements are accurately identified and planned, and contracts used to support projects protect the Department's interests and achieve optimum results. VA will continue to face challenges in implementing its enterprise architecture, and ensuring that it addresses the entire range of managerial, operational, and technical controls necessary to oversee the IT architecture.

We have not been able to provide comprehensive audit oversight of information security controls over VA systems. VA has identified almost 600 IT systems. To date, we have only been able to review a very small percentage of these systems. I believe VA would benefit from more national audits of information management and governance, IT investments, and information and system security. This will help VA improve its management practices and security controls over its sensitive information, thereby helping VA institute changes that could prevent further exposure of sensitive data.

The loss of VA data on millions of veterans and active duty military personnel last year highlights the challenges facing the VA in the area of information security. As we briefed your staff, we currently are reviewing the circumstances involving a missing external hard drive containing sensitive data from a VA facility in Birmingham, Alabama. These reviews are complex and labor intensive.

Concern with protecting VA data is and will remain a primary focus for years to come. This is not just a VA concern, but a national issue that reflects the technological age we live and work in. This is an area that will continue to require significant OIG resources and oversight in the future. To this end, I believe VA would benefit from an OIG rapid response capability, using teams consisting of criminal, administrative, and computer forensic investigators who would immediately assess the magnitude of the breach and implement an investigative protocol built upon successful methods used in prior incidents.

CONCLUSION

My office will continue to provide oversight of VA programs through a combination of proactive and reactive audits, health care inspections, and criminal and administrative investigations. We will continue to provide positive return on investment not only in terms of monetary impact, but also in management collaboration, good government, and public trust. While I believe the OIG has accomplished a great deal in improving VA, we are faced with the evolving challenges I have set forth above and the need to greatly expand oversight to meet these challenges.

In closing, I would like to add that my current resource level is sufficient to meet my mandatory obligations and respond to high priority issues raised by the Congress and VA. However, I believe VA, like most agencies, is faced with evolving challenges and changing demands. If the OIG is going to be an agent of positive change, future resource levels need to be commensurate with this challenge.

Thank you again for the opportunity to discuss these issues with you today. My staff and I would be pleased to answer any questions.