AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

AN EXAMINATION OF WASTE AND ABUSE ASSOCIATED WITH VA'S MANAGEMENT OF LAND-USE AGREEMENTS

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

TUESDAY, FEBRUARY 10, 2015

Serial No. 114–6

Printed for the use of the Committee on Veterans' Affairs

U.S. GOVERNMENT PUBLISHING OFFICE

98–569 WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON VETERANS' AFFAIRS

JEFF MILLER, Florida, *Chairman*

DOUG LAMBORN, Colorado
GUS M. BILIRAKIS, Florida, *Vice-Chairman*
DAVID P. ROE, Tennessee
DAN BENISHEK, Michigan
TIM HUELSKAMP, Kansas
MIKE COFFMAN, Colorado
BRAD R. WENSTRUP, Ohio
JACKIE WALORSKI, Indiana
RALPH ABRAHAM, Louisiana
LEE ZELDIN, New York
RYAN COSTELLO, Pennsylvania
AMATA COLEMAN RADEWAGEN, American Samoa
MIKE BOST, Illinois

CORRINE BROWN, Florida, *Ranking Minority Member*
MARK TAKANO, California
JULIA BROWNLEY, California
DINA TITUS, Nevada
RAUL RUIZ, California
ANN M. KUSTER, New Hampshire
BETO O'ROURKE, Texas
KATHLEEN RICE, New York
TIMOTHY J. WALZ, Minnesota
JERRY MCNERNEY, California

JON TOWERS, *Staff Director*
DON PHILLIPS, *Democratic Staff Director*

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATION

MIKE COFFMAN, Colorado, *Chairman*

DOUG LAMBORN, Colorado
DAVID P. ROE, Tennessee
DAN BENISHEK, Michigan
TIM HUELSKAMP, Kansas
JACKIE WALORSKI, Indiana

ANN M. KUSTER, New Hampshire, *Ranking Member*
BETO O'ROURKE, Texas
KATHLEEN RICE, New York
TIMOTHY J. WALZ, Minnesota

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Veterans' Affairs are also published in electronic form. The printed hearing record remains the official version. Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

Tuesday, February 10, 2015

	Page
An Examination of Waste and Abuse Associated With VA's Management of Land-Use Agreements	1

OPENING STATEMENTS

Mike Coffman, Chairman	1
Prepared Statement	23
Ann McLane Kuster, Ranking Member	2
Prepared Statement	23

WITNESSES

Ms. Janet P. Murphy, Acting Deputy Under Secretary for Health for Operations and Management VHA	4
Prepared Statement	24
Accompanied by:	
Dr. Skye McDougall, Ph.D, Action Director, Desert Pacific Healthcare Network, VHA	
Mr. Stephen Lord, Managing Director, Forensic Audits and Investigative Service, GAO	6
Prepared Statement	27
Mr. Edward Lilley, Assistant Director for Healthcare, National Veterans Affairs and Rehabilitation Division, The American Legion	7
Prepared Statement	37

AN EXAMINATION OF WASTE AND ABUSE ASSOCIATED WITH VA'S MANAGEMENT OF LAND-USE AGREEMENTS

Tuesday, February 10, 2015

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 4:02 p.m., in Room 334, Cannon House Office Building, Hon. Mike Coffman [chairman of the subcommittee] presiding.

Present: Representatives Coffman, Benishek, Walorski, Kuster, O'Rourke, and Rice.

OPENING STATEMENT OF CHAIRMAN MIKE COFFMAN

Mr. COFFMAN. Good afternoon, the hearing will come to order. I want to welcome everyone to today's hearing entitled An Examination of Waste and Abuse Associated With VA's Management of Land-Use Agreements. Before we begin, I would like to ask unanimous consent that the Honorable Tim Walz from the State of Minnesota be allowed to join us on today's hearing. Where is Tim? He is not here. He is not here yet. No objection, I hope.

He is set to be redesignated as a member of this subcommittee tomorrow, so I doubt anyone will have any objection.

Hearing none, so ordered.

The hearing will address serious problems with VA's billing and collection practices regarding its land-use agreements at VA medical centers, which were substantiated by the GAO. These deficiencies continue to result in an extreme loss of income, waste of taxpayer money, and compromised services provided to veterans. The primary focus of the hearing will be on issues occurring at the West Los Angeles VA Medical Center, including land-use agreements, problems faced by homeless veterans in the area, and other issues affecting quality of care. The shortcomings associated with VA's management in West Los Angeles are many. There have been multiple embezzlement investigations involving the facility over the last few years, at least one of which amounted to a guilty plea involving the theft of over $680,000.

One additional such investigation is ongoing and is being addressed by the VA inspector general, and the Department of Justice. The nature of land-use agreements in West Los Angeles also produces cause for concern. For instance, the facility has agreements with university sports teams, hotel laundry facilities and

even a rare bird sanctuary. Considering this land was given to the Federal Government specifically to house veterans, VA is violating the terms of the original bequest. Notably, a Federal district court in California ruled in 2013 that many of the facility's non-healthcare related agreements were void because the court stated agreements of that sort that did not provide for sharing of healthcare resources result in lost access to space and opportunities that benefit veterans. On January 27, 2015, the day we informed VA of this hearing, the parties agreed to settle the appeal of the court's decision.

Based on the framework of this settlement, it does not appear that there is any impediment VA faces which would discourage its continued misuse of the property. In the framework, VA states that it will not complete a Master Plan to restructure the West L.A. property until October 15, 2015, which will require vigilant oversight considering past efforts to create such a Master Plan have largely failed. Many similar stories of waste and misuse of property set aside to help veterans, as well as other compromised services that inevitably occur due to facility mismanagement, will be discussed today regarding West Los Angeles, New York City and North Chicago, which were the sites GAO focused on in the audit. We will hear from GAO, as well as from the American Legion, which has raised concerns with problems occurring in West Los Angeles, primarily the growing homeless veteran population that is an unfortunate and unnecessary byproduct of the VA's mismanagement of property entrusted to veterans.

I look forward to hearing from these witnesses as well as from the VA so that we can get to the bottom of this issue and look for solutions to better serve our Nation's veterans. With that, I now recognize Ranking Member Kuster for her opening statement.

[THE PREPARED STATEMENT OF CHAIRMAN MIKE COFFMAN APPEARS IN THE APPENDIX]

OPENING STATEMENT OF RANKING MEMBER ANN McLANE KUSTER

Ms. KUSTER. Thank you, Mr. Chairman. This afternoon the Subcommittee on Oversight and Investigations will be looking into VA practices regarding land-use agreements and a report from the Government Accountability Office from August of last year.

This is my first hearing as ranking member of this subcommittee, one of the most important subcommittees in Congress. And I look forward to working with Chairman Coffman and with all of my colleagues.

Our efforts to identify where problems exist at the VA could not be more important or more timely. But we must also remember that our responsibility is not only to identify problems, but to work to find solutions. This means all of us, the VA, outside agencies, such as the GAO, veterans, including our friends at the VSOs, must work together to ensure the highest quality of care is being delivered to our veterans.

Today's hearing is about an issue we face time and again: How can we ensure that the information and data collected by the VA is, in the words of the GAO, accurate, valid, and complete? How can we ensure that there are processes in place that provide the

necessary level of accountability, while ensuring that the job of the VA, namely to care for our veterans, gets done? This can, perhaps, be best summed up in the title of the GAO's testimony, Improved Data Reliability and Monitoring Needed for the Department of Veterans Affairs. The question we must ask in terms of monitoring and accountability is how much management control should be exercised centrally or delegated locally?

We will not arrive at the answers to these questions today, but I am hopeful that the beginning of this discussion will lead us to solutions that we can all agree on. Solutions that ensure the proper level of accountability and management control, while remaining flexible enough not to hinder the VA's ability to accomplish its mission. This will take real leadership on behalf of the VA and all of us here in this room today.

The VA's transition from inpatient services to increased outpatient services has meant that VA's real estate portfolio contains many aging facilities, and far too much underutilized space. This was first pointed out many years ago. In fact, a June 2012 GAO report found that the VA had made progress in this area, though reducing the number of underutilized facilities in part through land-use agreements.

The VA is not alone in facing real challenges in property management. The GAO has included property management on its high-risk list since 2003. The GAO looked at three VA sites: North Chicago, New York City, and West Los Angeles, and found that its review raised questions regarding reliability of data in VA's capital asset inventory system, as well as lack of oversight and communication regarding billing, collecting, and contracting. Far too often at the three sites looked at by GAO, VA improperly paid for services it did not receive, and failed to collect what it was owed. That is why it is crucial to have this discussion this afternoon to learn about the GAO's findings and the steps that the VA has taken to address these problems. I look forward to hearing about future efforts to strengthen the management, oversight, and use of land-use agreements.

Going back to the 2012 GAO report, how much confidence should we have that using land-use agreements is an effective tool in managed underutilized space, and so we can increase the amount of benefits and services being provided to our veterans? If the VA is to provide the highest level of benefits and services to veterans in the most efficient manner, land-use agreements may, indeed, be an important tool in VA's tool chest, but only if the data is reliable and there is real oversight within VA to make sure that VA is properly benefiting from these agreements.

Finally, I look forward to discussing the recent agreement regarding West Los Angeles. As the American Legion points out in testimony today, for far too long the needs of veterans were not always the highest priority when it came to agreements between the VA and non-VA entities. This practice runs counter to the terms of the original deed, as pointed out by our chair. The agreement regarding the parties in Valentini v. McDonald is a way forward, but there are milestones that need to be met, and we will need to make sure that this committee is a full partner in the progress made in meeting those steps.

Thank you Mr. Chair, I yield back.

[THE PREPARED STATEMENT OF RANKING MEMBER ANN KUSTER APPEARS IN THE APPENDIX]

Mr. COFFMAN. I thank you, Ranking Member Kuster. I ask that all members waive their opening remarks as per this committee's custom. With that, I invite the first and only panel to the witness table.

On the panel we will hear from Janet P. Murphy, Acting Deputy Under Secretary for Health for Operations and Management for the Veterans Health Administration. She is accompanied by Dr. Skye McDougall, Acting Director of the Desert Pacific Healthcare Network, also known as VISN 22 for the Veterans Health Administration. Also on this panel are Mr. Steven Lord, Managing Director of the Forensic Audits and Investigative Service at the Government Accountability Office. And Mr. Edward Lilley, Assistant Director for Healthcare of the American Legion, National Veterans Affairs and Rehabilitation Division. All of your complete written statements will be made part of the hearing record.

Ms. Murphy, you are now recognized for 5 minutes.

STATEMENT OF JANET P. MURPHY, ACTING DEPUTY UNDER SECRETARY FOR HEALTH, OPERATIONS AND MANAGEMENT, VETERANS HEALTH ADMINISTRATION, ACCOMPANIED BY DR. SKYE MCDOUGALL, PH.D., ACTING DIRECTOR, DESERT PACIFIC HEALTHCARE NETWORK, VETERANS HEALTH ADMINISTRATION

Ms. MURPHY. Good afternoon, Chairman Coffman and Ranking Member Kuster, and members of the subcommittee. Thank you for the opportunity to discuss the VA's billing and collection practices regarding our land-use agreements. As you mentioned, sir, I am here with Dr. Skye McDougall, who is the Network Director for VISN 22.

The Department of Veterans Affairs owns and leases real property in hundreds of communities across the United States and overseas. And currently, VA manages over 174 million square feet of space, approximately 151 million owned square feet, and 23 million leased square feet of building assets. A very large footprint indeed. Unlike many Federal agencies, VA owns 87 percent of its square footage, which means that real estate plays a very important role in our overall asset management strategy.

To manage these properties, the VA uses land-use authorities that allow VA to enter into various types of agreements for the use of its property in exchange for revenues or in-kind considerations. We at VHA value and appreciate the GAO's recent insights and findings into VA's land-use agreement procedures. We acknowledge the noted deficiencies and recognize that there are many needed improvements to the design, implementation, and oversight of the VA land-use program.

The GAO recently examined our land-use program, specifically our sharing agreements. They looked into three medical centers that Ranking Member Kuster mentioned and made recommendations for improvements at each site.

At VA medical centers in North Chicago and New York, new collaborative processes have been established to improve billing and

collection procedures. The GAO also recommended that VHA develop a plan for West Los Angeles Medical Center that identifies steps to be taken, timelines and responsibilities in implementing segregation of duties over the billing and collection processes.

The VA greater Los Angeles asset management office and fiscal service recently collaborated with VISN 22 and the network contracting office to finalize the standard operating procedure for the West Los Angeles Medical Center's billing and collection process. This SOP clearly defines duties related to billing and collections for land-use agreements.

A follow-up audit of the SOP will be conducted by VISN 22 financial quality assurance management staff in April of this year.

In addition, VA is considering other system-wide improvements for land-use agreements. These include establishing a better set of administrative tools for the field to use in managing these complex agreements and processes. The VHA's chief financial officer will conduct recurring independent reviews of our billing and collection processes to ensure a better separation of duties.

And finally, we are developing a standardized implementation and monitoring tool for land-use agreements that will also include reviews of land-use agreements during our normal capital program reviews. We are updating our land-use handbook with feedback from the GAO, and also instituting mandatory training for those who manage land-use agreements. I also might add for leaders who have land-use agreements in their areas will also receive this training. These actions are an example of VHA's commitment to improving the management of our land-use agreements. We are making progress to solidify our policies and taking actions to implement the GAO's recommendations.

I am also pleased to share that Secretary McDonald and attorneys representing homeless veterans in Los Angeles announced an agreement that dedicates the West Los Angeles campus to better serve veterans. This agreement commits the Department to design a plan to help end homelessness among veterans in Los Angeles County. Under this agreement, Secretary McDonald will launch an accelerated process to develop a new long-term Master Plan. The Master Plan will prioritize the provision of bridge housing and permanent supportive housing. It will also describe an exit strategy for third-party land-use agreements that do not comply with the applicable laws and do not fit the Master Plan.

In conclusion, Mr. Chairman, VA has a complex and diverse real estate portfolio. We seek to leverage our portfolio optimally to provide quality care and services to our veterans. We will correct the deficiencies in our oversight and management of our land-use agreements. I thank you for the opportunity to discuss this issue. And at this time my colleague and I prepared to answer any questions you may have. Thank you.

[THE PREPARED STATEMENT OF MS. JANET MURPHY APPEARS IN THE APPENDIX]

Mr. COFFMAN. Mr. Lord, you are now recognized for 5 minutes.

STATEMENT OF STEPHEN LORD

Mr. LORD. I thank you, Chairman Coffman, Ranking Member Kuster, and other distinguished members of the committee. I am pleased to be here today to discuss our recent work on VA land-use agreements. This is an important issue because the agreements, if managed properly, can help leverage VA resources and help provide needed benefits to veterans.

Today I would like to highlight the findings of our 2014 report. Briefly we looked at the reliability of VA's data on these holdings, its billing and collection process, as well as its systems for monitoring whether the agreements are up to date or have, in fact, expired. I think it is important to first point out that our findings related to the visits to the three centers are not generalizeable. Again, we visited West L.A., North Chicago, and a New York facility.

Regarding the first point, data reliability, when we started this audit, I asked my team a very simple question: Well, how many land-use agreements does VA currently have in effect? And what level of funding is associated with these agreements? And the bottom line is we had a hard time answering that very simple question. For example, we found that some agreements were not loaded into the central repository, other agreements were in the database that were actually expired and should never have been there. And it was really difficult to get full visibility over the overall number of holdings. So therefore, we questioned the reliability of the data and made some recommendations to VA to help improve that.

Regarding the second point, the billings and collection process, we found weaknesses at the three centers. In the actual billing, the bills they actually sent out, we found that VA underbilled by $300,000, which is a significant amount. We also found in other cases they didn't bill at all, the agreements had expired and private entities continued to occupy VA space, and that concerned us as well.

Finally, we found that VA needed to do a better job of monitoring the status of the agreements. They all have different terms, different conditions, they expire at different times. That would have helped them identify the one case in West L.A., where a non-profit, they simply waived a revenue of $250,000 a year because of financial hardship, even though that is not allowed by VA policy.

Again, in New York we made a site visit, we observed seven antennas on top of a facility. We said, well, whose antennas are those? And bottom line is they didn't know. They should have been receiving revenues associated with the antennas. These are all examples that underscore the importance of sound billing, effective monitoring.

In closing, it is clear VA needs to improve in all these areas. There is some good news in all of this. We made six important recommendations to the Secretary to improve the reliability of the data, the billings and collection process, their overall monitoring system. VA has embraced all six recommendations and they have given us several updates on where they are in implementing these recommendations. That is going to help strengthen the management of these expensive holdings. However, it is still too early to tell whether they are going to be successful. As you know, the devil

is in the details. And we are going to continue to monitor that over the next few months. Again, once implemented, these recommendations will help ensure additional benefits are provided to needy veterans.

Chairman Coffman, other distinguished members, that concludes my testimony. I look forward to any questions you have about our report, as well as the new framework agreement which was just executed in late January. I studied that in great detail in preparation for this hearing as well.

[THE PREPARED STATEMENT OF MR. STEPHEN LORD APPEARS IN THE APPENDIX]

Mr. COFFMAN. Thank you. Mr. Lilley, you are now recognized for 5 minutes.

STATEMENT OF EDWARD LILLEY

Mr. LILLEY. Betrayed, that is exactly how the homeless veterans in Los Angeles feel when the VA leases property to private businesses, yet they remain homeless. This can not be the way our government fights for our homeless veterans and ultimately ends veterans' homelessness.

Good afternoon, Chairman Coffman, Ranking Member Kuster, and members of the committee. On behalf of our national commander, Mike Helm, and the 2.4 million members of the American Legion, I want to say thank you for the scrutiny you are applying to the mismanagement of VA's land-use agreements, specifically the issues currently being faced by the homeless veterans in the Los Angeles area.

When the 387 acres of land was donated in 1888 to the Federal Government, it was to be, quote, "Permanently maintained as a national home for disabled vet volunteer soldiers." The West L.A. campus did just that until VA began closing its doors to them and allowed the private sector to lease land and buildings. The American Legion first took action in 1983, when we passed a resolution urging no part of the West L.A. VA facility be sold or otherwise transferred by the United States Government or any agency thereof.

In the 1990s, when private developers wanted to purchase the West L.A. VA and build another Century City shopping center, the American Legion reiterated our position and passed another resolution affirming that real property located at the West L.A. VA Medical Center, and elsewhere where such facilities are provided, shall be maintained to obtain the greatest benefit for care and well-being of the sick, disabled veteran population.

VA has since leased ground to private companies, yet never fully disclosed the terms of the leases or how it spends the proceeds. In their latest report on land-use agreements, GAO added that West L.A. has used a 12-acre field, Barrington Park, on VA property for recreational use without a written agreement. Meanwhile, homeless veterans sleep on skid row sidewalks, while students at one of the most exclusive schools in the country play sports on land donated specifically to permanently house former servicemembers. Not only has the land donated in 1888 been utilized for recreational use since the 1980s without a signed agreement or payments to the VA, but according to the GAO, the VA has failed to

maintain reliable data on the total number of land-use agreements nor accurately estimated the revenues those agreements generated.

Currently, the American Legion supports a publicly transparent, enhanced use lease program, and believes strongly that the leasing agreements must conform to priority services that meet the needs of the veterans community. The American Legion was relieved to hear about the recent agreement between the Department of Veterans Affairs and the attorneys representing homeless veterans to turn its West Los Angeles VA campus into a facility that truly serves veterans, especially those who are homeless, severely disabled or elderly.

We have grimaced for many years over the irony of a once-thriving veterans campus surrounded by the largest population of homeless veterans in America. We were also pleased about the short timelines agreed to for developing a written plan to help end veteran homelessness in greater Los Angeles, and to develop a new long-term Master Plan for the future use of the West Los Angeles campus. The American Legion expects to be actively involved in providing inputs into the Master Plan, and will continue monitoring West L.A. to ensure the correct changes are being made. Ultimately, we want VA to make good on their promise to functionally eliminate veterans' homelessness, but this will not be possible as long as the largest population of homeless veterans in America is not addressed.

The American Legion thanks the committee for their close attention to the problems veterans face, among them, homelessness. We want you to know that we remain deeply committee to ensuring that the scourge of veteran homeless has ended.

Mr. COFFMAN. Thank you, Mr. Lilley.

[THE PREPARED STATEMENT OF MR. EDWARD LILLEY APPEARS IN THE APPENDIX]

Mr. COFFMAN. Ms. Murphy, the parties to the lawsuit involved in the West L.A. facility are seeking to vacate the decisions of the District court, namely those that declared the non-healthcare agreements void, and order VA to halt construction of an amphitheater involving one of the voided agreements. I have two questions about what VA will do if the decisions are vacated. Will the VA allow land-use agreement holders whose agreements do not involve sharing of healthcare resources to remain on the property?

Ms. MURPHY. Thank you, Mr. Chairman. The Master Plan that is going to be developed will address those issues. And until that Master Plan is developed, we will not know what the disposition of all of those entities will be. Certainly the Master Plan will be consistent with having entities on the property that support services to homeless veterans. And all other entities that do not meet the criteria of support for veterans will be looked at critically as part of that process.

Mr. COFFMAN. Well, here is the problem. We already know that it is out of compliance. We already know that in 1888, when this land was bequeathed to the Federal Government, it was for the specific purpose of serving veterans. So I don't understand why you have to go through some kind of bureaucratic process to determine that you are in violation of law when you are already in violation of law. Can you explain that to me?

Ms. MURPHY. I think, sir, in this instance, a very strong and well-thought-out Master Planning process could help us answer those questions.

Mr. COFFMAN. Reading the law would help answer these questions. Will VA now resume construction of that amphitheater despite the fact that it provides no direct service to veterans?

Ms. MURPHY. I would refer that question to my colleague, Dr. McDougall.

Dr. MCDOUGALL. No, the VA has no intention at this point of resuming construction. That will, again, be looked at as part of the Master Planning process.

Mr. COFFMAN. Ms. Murphy, VA's settlement framework states that the Department will develop exit strategies for non-VA entities located on the West L.A. campus if they don't comply with the new Master Plan to be completed by October 2015. When will the multiple land-use agreement holders that GAO found have no contract or written agreement with the VA, or have failed to provide a payment for the use of the property, be forced to vacate the premises instead of remaining at taxpayer and veteran expense?

Ms. MURPHY. Sir, I can't answer that question precisely, but again, that will be part of the process.

Mr. COFFMAN. How long is this process supposed to take place?

Ms. MURPHY. The Master Plan is intended to be completed in October of this year.

Mr. COFFMAN. October of this year?

Ms. MURPHY. Yes, sir.

Mr. COFFMAN. It is going to take until October of this year to find out that you are in violation of the law when you are already in violation of the law. Is that what you are telling me?

I will recognize the ranking member.

Ms. KUSTER. Thank you very much, Mr. Chair. I want to get at the heart of the matter. And I appreciate Mr. Lilley when you said what we are looking at is to try to get the greatest benefit for the care of veterans.

We have got an issue here where the Federal Government, through the VA, has been bequeathed this property. And you, in particular, had said that you didn't want that property to be sold. So presumably if all 300 acres can't be used for the specific benefit, there is a value to the taxpayers and to the veterans through these lease agreements.

I am going to direct my question to Mr. Lord because I think you have spent some time with the agreement. Can we get at the heart of the question of what is happening? If an audit goes forward, we get on top of these agreements, presumably there are rent payments, proceeds that are being paid into the VA. Can that money then be directed toward the specific benefit of the veterans, and in this case the homeless veterans in West Los Angeles?

Mr. LORD. Yes, as long as you can establish a nexus to healthcare resources or medical services. I read the statement of congressional intent in preparing for the hearing. I think that was the failing of the prior agreement. They were collecting revenues, but there was no direct relationship to the provision of healthcare services to veterans. So I would argue you can still maintain the

agreements if you do it properly and you can leverage existing resources. That is the issue.

Ms. KUSTER. I understand it was hard to get on top of all these agreements. I commend the work that you have done and urge the VA in going forward with your audit, changing your administrative processes, getting on top of your billing and collection.

Mr. Lord or Ms. Murphy, do you have a sense of the scope of these resources that we are talking about, either on an annual or a monthly basis, if all the rents were collected and were directed to the benefit of veterans in West Los Angeles?

Mr. LORD. Well, a rough order of magnitude when I asked a basic question how many agreements are we talking about, it was roughly about 400. And that includes all types of agreements, not just sharing agreements. It was over—about $25 million, but some agreements they waived the revenue provision, so potentially it is much more significant. But you need reliable data to really answer that question. That is why I want to be real cautious about providing even rough order of magnitude estimates.

Ms. KUSTER. Sure. It is fair to say then that this settlement agreement, with the promise of an audit going forward, is a positive step, right? We are getting to the heart of the matter here.

Mr. LORD. I would argue it is positive. Of course, it is going to depend on how it is executed and practiced. Not to use the old cliche the devil is in the details, but it includes an exit strategy, as Chairman Coffman elaborated on. Also by this Friday, if you read it closely, the VA is to submit a strategy for homeless veterans and an action plan, so we don't have to wait until October to see what is going to happen. By this Friday, they have to submit this new action plan and related strategy.

Ms. KUSTER. Ms. Murphy or Dr. McDougall, I realize every T has not been crossed ever and I dotted, but can you give us some insight into the action plan and what the steps are? Can you foresee, Dr. McDougall, where we are headed with this and how we can start to address the crux of the matter here that Mr. Lilley has pointed out. We have a homeless veterans problem, we have assets that aren't being capitalized, and can we move forward on that?

Dr. MCDOUGALL. Thank you. I would like to tell the committee that I am as appalled by what the GAO uncovered as the committee is and Mr. Lilley is.

As part of the transition briefing that I was given to assume this job on January 1st, I was not happy with what I heard. And so I personally called the criminal OIG to make sure that they had all the information that I have so that we are all acting in concert. My office has taken over, the VISN office has taken over land use from this facility so it is now managed by my capital assets manager. Both she and my fiscal officer have been up there in the past couple of weeks to make sure that the billing practices and the SOP are in place.

We have—an audit will be done by my financial management staff in April, again to ensure that the billing and collection and segregation of duties piece is intact. We have a task force and a central office fiscal staff that are working with us to conduct a financial audit of our 25 entities on campus and to make sure that we are able to recoup whatever we can legally, and to assess all

the different types of agreements we have moving forward. And then the future use will be governed by the Master Plan.

Ms. KUSTER. For the record, I would like to make a request that the members of this committee receive a copy of that audit in April 2015 when that becomes available. And if I could, I would like to ask the chair if we could have a follow-up hearing next fall, at least September, October, in the timeframe when this Master Plan can be presented, and so that we can be assured that the assets—as your capital assets manager, I think that was a good step, apparently it was not in good hands, I think we will have to leave to the DOJ and the IG the steps that need to be taken there. But certainly going forward, we would like to stay in close contact with you about this and then work with Mr. Lilley and others in the community to make sure that the revenues that are generated in an appropriate way be directed toward this plan to end homelessness in West Los Angeles.

I just have a few seconds left, Mr. Lilley, but is there anything else that we could do to assure you that we will be on top of this going forward?

Mr. LILLEY. As long as we could be included on that audit copy, we would appreciate that as well. We want to follow up, we are here to help and we want to make sure those veterans are taken care of.

Ms. KUSTER. We are here to help you keep their feet to the fire, so thank you very much, Mr. Chair.

Mr. COFFMAN. I want to thank the oversight of the American Legion on this critical issue. And Ranking Member Kuster, I think you have a great idea, we will do a follow-on hearing to make sure that this is all implemented that we are talking about today.

Dr. Benishek, you are recognized for 5 minutes

Dr. BENISHEK. Thank you, Mr. Chairman.

So Dr. McDougall, you are new on the job, right? January you said?

Dr. MCDOUGALL. Correct, January 1st.

Dr. BENISHEK. How about you, Ms. Murphy, are you new on the job there too then?

Ms. MURPHY. January 19th.

Dr. BENISHEK. So you are both relatively new on the job. Have you guys been to the West L.A. hospital? Do you know what it looks like and have you been all through this area?

Dr. MCDOUGALL. Yes.

Ms. MURPHY. Yes.

Dr. BENISHEK. Let me ask you this: I want to go through one of the specifics here, apparently there is this hospital laundry that is operating on campus without paying rent. Are you familiar with that story there?

Dr. MCDOUGALL. Yes, I am. And they have completely paid up what they owed us and they are off campus.

Dr. BENISHEK. What is the name of the individual at the VA who's responsible for allowing that to happen? Isn't there a facilities manager there that would be responsible for that? What would be that person's name?

Dr. MCDOUGALL. That was our asset manager, Ralph Tillman, and he is retired from the VA.

Dr. BENISHEK. I see, okay. When did his retirement come about?

Dr. MCDOUGALL. I believe in September.

Dr. BENISHEK. I am glad to hear that he is retired. Dr. McDougall, considering that this hearing deals with these wasted resources that could more appropriately have been used to provide healthcare to our veterans, how long is the average wait time for a new patient at the greater L.A. Medical Center?

Dr. MCDOUGALL. The average wait time for a new patient right now is about 4 days.

Dr. BENISHEK. Is that true for mental health patients as well?

Dr. MCDOUGALL. That is true for mental health as well.

Dr. BENISHEK. Mr. Lilley, does that correspond to your experience there at the VA in L.A.?

Mr. LILLEY. The American Legion we last visited there in October, and we were conducting a veterans benefit center out there. This was something that we have been doing around the country in response to the crisis that broke out last year within the VA.

I don't know that appointment scheduling was necessarily the biggest issue there, we were out there following the homeless issue. We were able to help 200 veterans, most of which were homeless veterans that were in transition while we were out in Los Angeles.

Dr. BENISHEK. Dr. McDougall, apparently the Greater Los Angeles received $24 million for the accelerated care initiative to improve access to care. What was this money spent on in particular?

Dr. MCDOUGALL. There was a—central office provided a staffing algorithm to distribute the funding between mental health providers, specialty care providers and primary care providers and the support staff that goes along with this, so that is how the funding is being utilized.

Dr. BENISHEK. Ms. Murphy, does every single VA medical center have their own management plan as far as its usage of the facility? Is there any central management plan or how is that working?

Ms. MURPHY. Thank you, sir. They should not have their separate plans. There is a directive and a handbook that governs land-use agreements. These are managed out of the office—out of central office, out of the office of—OCFM, Office of Facilities Management.

Dr. BENISHEK. Doesn't seem to me that that was followed in this case; is that right?

Ms. MURPHY. You are correct, it was not.

Dr. BENISHEK. Mr. Lord, is that a common practice where the central management plan is not followed?

Mr. LORD. Common practice, I don't know how to respond to that. I will acknowledge it is more complicated when you have all these stakeholders involved, centrally and at the local level. Even at the local level, you have different offices involved in tracking fiscal, contracting, business, operations.

Dr. BENISHEK. There is not one person in charge of the situation in L.A. like Ms. McDougall suggested that there was this guy who is now retired who was in charge?

Mr. LORD. For sharing agreements they have decentralized that function to the centers. I am not saying you necessarily have to fail given that, if you managed it properly you can still do a good job due to the centralized approach.

Dr. BENISHEK. I would think decentralized would be the best because you would know the facility rather than some bureaucrat in Washington telling them how to do things in L.A. I don't really like that, I like L.A. deciding, but it seems like the people in L.A. would have to make sure they collect the damn rent.

Mr. LORD. Sure. I believe in trust, but you also have to verify, verify they are doing things consistently.

Dr. BENISHEK. Thank you for your testimony here today, I am out of time. Thanks, Mr. Chairman.

Mr. COFFMAN. Thank you, Dr. Benishek. Mr. O'Rourke, you have 5 minutes.

Mr. O'ROURKE. Thank you, Mr. Chairman. For Mr. Lord, the $300,000 underbilled that you referred to, that was in West L.A.?

Mr. LORD. No, that was for the three centers we visited of the bills they sent out.

Mr. O'ROURKE. That is New York, Chicago, West L.A.

Mr. LORD. Yes, that is of the invoices they sent out which is part of the problem, but we also reported, and in some cases, they didn't bill at all.

Mr. O'ROURKE. Was that annually or is that cumulative over a period of years?

Mr. LORD. That was for the one year, we did the drill down at the three centers, we looked at fiscal year 2012 data, that was the most recent data we had at the time of our review.

Mr. O'ROURKE. Gotcha. A question you may or may not be able to answer now, but I am interested in the answer, how does this performance relate to other Federal agencies or departments that manage a lot of land, excluding a department like BLM that have an expressed purpose for that land and then may or may not enter into these land-use or lease agreements with other non-related entities? Does DoD do this or do we have other examples? How do they do comparable to the VA?

Mr. LORD. We have never done a direct comparison, but in general, I am sure you know a Federal real property, it is on GAO's high-risk list, it has been on the list since 2003. So in general there is—other agencies experience challenges in managing real property, VA is certainly not the only one in this area.

Mr. O'ROURKE. Gotcha.

What level, and this may be for Ms. Murphy or Dr. McDougall, at what level are these decisions made and then reviewed? Following up on some of the questions that are already asked, there is somebody there who is managing the agreements on site, but what is the hierarchy of review through the VISN and on up if it goes beyond that?

Ms. MURPHY. Thank you, sir. It depends upon the type of agreement, but there is a defined process for putting these agreements in place, it requires—for example, if the medical center director has the authority to move the agreement forward, that has to go through that person. Contracting actually is the only entity that has the authority to actually obligate the government to those agreements. Fiscal has a role. Fiscal has to set up the codes for receiving the revenue and creating the bills.

So there is actually a very well-defined process for putting these agreements in place if it is followed. The problem with West L.A.

is it wasn't followed. So depending upon, as I said, the type of agreement, it could be at a facility level, it could be at a VISN level, it could be at a national level.

Mr. O'ROURKE. And also for you, Ms. Murphy, one of the issues that we have really wrestled with on this committee and on the full committee is the issue of accountability and creating a culture that values and recognizes and understands accountability. I think you alluded to that in your answer to Ms. Kuster's question about ongoing investigations. I wouldn't ask you to say anything publicly that would jeopardize that. And you, in answer to Dr. Benishek's questions, both acknowledge that you are relatively new to these positions. But as specifically as you can, can you talk about how important it is for there to be accountability for this and certainly want to see people who are responsible for these mistakes held accountable, but how do we gain something beyond that in this organization?

Ms. MURPHY. I will take the first stab at it, sir. Absolutely, accountability is key and the leadership is responsible for ensuring that these agreements are properly put in place, are monitored, audited, and the revenues that they generate actually accrue to the government. So there are several ongoing investigations, and we expect there are findings that those folks will be held accountable.

Mr. O'ROURKE. Mr. Lilley, I wanted to ask you a quick question, is it your position or the position of the American Legion that you are not opposed necessarily to lease agreements as long as ultimately the benefit accrues to the veterans and the immediate needs there with homeless veterans or taking care of the primarily mental healthcare needs of the veterans are resolved?

Mr. LILLEY. That is correct, we support the agreements. Currently, that is per resolution that we passed at our last national convention provided the benefit is going to the veterans.

Mr. O'ROURKE. Great, thank you.

Mr. COFFMAN. Ms. Walorski, you have 5 minutes.

Ms. WALORSKI. Thank you, Mr. Chairman. Ms. Murphy, the original transfer of property on which the West L.A. VA center sits was intended to House veterans. How many veterans are being housed in that West L.A. campus? I don't mean the ones who are patients at the hospital or treatment facility, but how many homeless veterans are being housed at that facility overall?

Ms. MURPHY. If I may refer that question to Dr. McDougall.

Ms. WALORSKI. Sure.

Dr. MCDOUGALL. Eight hundred eighteen homeless veterans are being housed on the campus at this point in time.

Ms. WALORSKI. That is not inpatient?

Dr. MCDOUGALL. No, that is not inpatient, this is just homeless veterans in one type of housing or another, emergency transitional, long-term housing.

Ms. WALORSKI. Are the housing units full? Is there a waiting list?

Dr. MCDOUGALL. I don't know if there is a waiting list or not.

Ms. WALORSKI. Are those houses normally full?

Dr. MCDOUGALL. Yes, oh, yes.

Ms. WALORSKI. And then I guess the follow-up, Dr. McDougall, would be to you as well, with the massive population of homeless

veterans in that L.A. area, I am still trying to figure out the follow-up to what Dr. Benishek just asked. When he's asking about the hotel laundry, there is also a baseball diamond, and a bird sanctuary. How in the world does that achieve the goal of housing veterans?

Dr. MCDOUGALL. Moving forward it will be part of the Master Planning process and there will be working with any entity that is on campus right now to fully leverage—if they want to stay, to fully leverage their resources to provide direct benefit to the veterans.

Ms. WALORSKI. I know you are new, I feel sorry that you are new and sitting in a Congressional hearing. Were you aware of this debacle when you were hired?

Dr. MCDOUGALL. No. Well, peripherally aware of it, but not until I read the GAO report did I realize how severe the situation was.

Ms. WALORSKI. And Dr. McDougall again, I have another question. The former West L.A. director lived in a 3,500 square foot house provided by the VA on the facilities campus, and I believe other West L.A. execs lived on that property as well; is that correct?

Dr. MCDOUGALL. That is correct.

Ms. WALORSKI. Fair market rental rates of multi-bedroom houses in that area are approximately $10,000 a month. How much did former Director Beiter pay?

Dr. MCDOUGALL. $2,450 a month.

Ms. WALORSKI. How much do each of the other facility leaders pay to live on that property?

Dr. MCDOUGALL. It depends on the size of the unit they have, but it is between $1,500 and $2,000, but we do follow the National Quarters Management Program and we use the tool provided by the Department of Interior to calculate the rental value.

Ms. WALORSKI. And have they been paying that all the way along or just in the last month, since you have come in?

Dr. MCDOUGALL. No, it is raised—it is a biweekly payroll deduction so we are able to monitor that, and the rent is raised every year, or reevaluated every year. I know it is being raised in March.

Ms. WALORSKI. That is quite a deal. I am sure American taxpayers are interested considering the immense homeless veteran population in and around the L.A. area, how the very purpose of the property of which that complex sits is to house homeless veterans.

Aren't the houses and lands VA provides to facility leadership actually better suited to actually support additional veterans in addition to the 818?

Dr. MCDOUGALL. We are taking over in my office the Quarters Management Program, and we will be rolling that into how we evaluate land use in the Master Plan overall.

Ms. WALORSKI. So it is interesting that given this Master Plan that we are all waiting for with bated breath, it is interesting this place has sat there, it has housed unaccountable organizations, it has been used to do laundry, to play baseball and to provide a bird sanctuary for those interested in birds. And yet, the homeless population in this country is the highest it has ever been, and with the influx of more veterans coming home and the pleas that we hear

from all the associations, definitely the American Legion as well, it seems to most Americans that are going to hear this story, it is an atrocity that veterans are sleeping outside in the cold while the VA again has to stop what they are doing, readjust with new employees, and go back and correct many, many years of wrongs.

And so I feel bad that the two of you are sitting here as such new employees. And I know the VA has a long way to go, but I just think that it is such an outrage that—we all have homeless veterans in our areas and we are all trying to make every single tax dollar accountable to be used what it was given for in the spirit of being good stewards, which is what the American people ask of you as well.

I thank you for being here, and I yield back the balance of my time.

Mr. COFFMAN. Thanks, Doctor—Thanks, Ms. Walorski. We are going do a second round of questions. VA's, I guess, Ms. Murphy, VA's January 2015 fact sheet regarding the settlement of the West L.A. lawsuit states that the VA will create a long-term Master Plan that prioritizes the creation of temporary and long-term housing for homeless veterans. However, VA created an early Master Plan in 2011 based on a 1998 legislative mandate, which, in part, called for creating such housing. So what will be different about this Master Plan when the one proposed 4 years ago was not successful?

Ms. MURPHY. Thank you, sir. I think one thing that will be different is that Secretary McDonald has made a very public commitment to Members of Congress, to the public, to the veterans service organizations and to veterans to make it different this time, and to use that property for the purpose that it was intended. So I think we have a way forward and I think the way forward is different. And the approach and the support that we have this time I think is different, and I believe we will be successful.

Mr. COFFMAN. Well, I kind of challenge that. Simply because General Shinseki made it one of his core goals. I think it was probably at the top of his list, was dealing with the veterans' homelessness, and here under his watch, this whole thing evolves and is just out of control.

Mr. Lilley, do you have any comment on that?

Mr. LILLEY. I would say it would go beyond Secretary Shinseki, this has been going on and we have been involved with this for more than 30 years. We are happy that the VA has finally settled, but we are going to be on top of this and want to make sure the settlement is going to include a very, very, very specific plan that is going to get veterans' homelessness ended.

So we are here to help. This should be an all-hands-on-deck approach. You've got to go beyond what the VA programs have, use the community, use the VSOs. You have to get everybody involved; it is a community problem.

Mr. COFFMAN. I must be kind of simple, because I am looking at this bird sanctuary on this property that was designated to serve the needs of veterans. And can anybody explain to me how a bird sanctuary can be somehow inured to the benefit of homeless veterans, can somebody explain that to me?

Ms. MURPHY. I cannot.

Mr. COFFMAN. Well, that is interesting, but I think we just had previous testimony that said there will be a consideration of the Master Plan of whether it will or it won't, and I think you just said obviously it won't.

Ms. MURPHY. If it is in current formation, I don't know, but we will see if as——

Mr. COFFMAN. So a bird sanctuary could, in fact, inure somehow to the benefit of veterans?

Ms. MURPHY. I think if that is part of the Master Plan that is established, that is a possibility.

Mr. COFFMAN. Okay, I must be awfully simple, but I just don't get it. Homeless veterans and bird sanctuary on the same grounds, meeting the needs of homeless veterans, okay.

Ms. Kuster.

Ms. KUSTER. Thank you very much, Mr. Chair. I want to move on, and by the way, Mr. Lilley, you and your organization should be commended for your efforts over 30 years. It is a bipartisan effort here in terms of stewardship of taxpayer dollars, but also our joint commitment to serving the needs of our veterans.

Just moving past West L.A. and Chicago and New York, I am wondering, and this is for you, Ms. Murphy, but also Mr. Lord, if you have any thoughts on this, two questions: One is, have you identified software, and I understand you are both new to the position, that is available for this type of land-use management, because obviously just as an attorney the contracts are not going to look the same, the purposes, the term, the duration, all of that will be different. But have you identified software at least to keep track of these agreements?

And secondly, have you undertaken or does the VA intend to undertake a systemwide reassessment of these land-use agreements at VA facilities that were not a part of this GAO study? In other words, I think what we learned from Phoenix in this committee is that it was outrageous, it was atrocious, it may be criminal behavior. And we may have a similar situation here, but we also know that there are other VISNs that had the problems we identified in Phoenix, and I think we would be remiss if we didn't suggest to you that we want to make sure on a systemwide basis that you are taking steps going forward.

By the way, I met with Secretary McDonald, I don't doubt he actually was quite current on this and very aware of not only settling the lawsuit, but making sure that we stay on top of it. And I think our committee can be helpful keeping your feet to the fire. But could you comment, if you would, on the systemwide assessment and audit?

Ms. MURPHY. Thank you, Ranking Member Kuster. Your first question was about the software. So we are working with the capital asset inventory, which is a software-based program, to make improvements to that. I actually had a chance to look at some of the improvements. I asked to see the software to see what kinds of things we were looking at and tracking. So some of the improvements provide greater controls, more standardization of nomenclature, business rules, alerts when an agreement is expiring and we do not have a new agreement in place or we haven't given an extension or reconsidered.

In the future we hope to be able to connect that software with the financial management system, so that if a payment does not come in, we are alerted that the payment didn't come in. So I think some really good enhancements to that software.

Then additionally, we used to update the system annually, that is going to go to quarterly now. So that there will be quarterly updates, another way of checking to see that things are current and that the system is working as it should.

The other—I think training is really important, and I took the training here recently. So I look to see what people are being trained on in terms of our land-use agreements. I think the training is actually quite good. I got it, I understood what we were trying to do with the land-use agreements. And so that training is going to be made available, certain members of our staff will be required to take it. I am going to also encourage that all leaders take the training as well. I think this is a very important issue and one that we obviously stumbled. So it is about leadership; leadership has to be accountable and responsible. So those are some of things that we are doing.

The other thing is the finance people in our system already we are able to—we have a check and balance system on the conflict so there is a system in place already where you can't have certain keys to pay bills, create bills, cut checks, et cetera. So our finance people are going to be looking very carefully at that to make sure we are not giving keys, inappropriate keys to staff to log in to do those kinds of transactions. That is separation of duties. We already can run reports to see who has those keys and maybe who shouldn't have those keys, so much more attention to those kind of controls, that is really what we need to do.

Ms. MURPHY. The land-use authorities are good authorities. But it is our responsibility to make sure that we are using them properly and the oversight is there.

Ms. KUSTER. So, I think that would be very helpful. And one additional piece that would be very helpful for our committee is when you complete this report and this audit, for us to understand the scope, the magnitude of the resources that could be collected, that could inure to the benefit of the veterans—and this may be other people that would be involved in this, but it would be helpful for us to hear the accounting mechanism, so that we can be assured that those resources will be directly reinvested to the benefit of the veterans.

And specifically in West L.A. But I would certainly be curious on a more macro scale to make sure that wherever these agreements exist—you know, you cited this figure, 87 percent of VA facilities are owned facilities. So I can't imagine this is a unique situation.

And, look, we are accountable to the taxpayers and to the veterans. We need to make sure that, to the extent those resources are being used appropriately, that the revenues are being redirected to the benefit of the taxpayers.

So I yield back.

Thank you, Mr. Chair.

Mr. Coffman. Ms. Walorski.

Ms. WALORSKI. Thank you, Mr. Chairman.

Ms. Murphy, I think I am directing this to you but it could be to the doctor as well, but we heard today from the American Legion about a recent article published that explains how a mentally disabled homeless veteran in West L.A. was arrested by VA police for taking food out of a trash can. He was fined $1,000, which he paid by collecting aluminum cans, which is absolutely deplorable to think that this situation is going on. Into what account, though, was that money deposited? And what is it used for, that fine, that fee money?

Ms. MURPHY. I am sorry, ma'am. I am not clear what fee money you are referring to?

Ms. WALORSKI. The fine, he was fined $1,000. So he raised the money by collecting aluminum cans and paid the VA police $1,000. Where does that money go? What account does that money get deposited into?

Ms. MURPHY. I don't have that information. But we can get that for you. I am guessing some revenue account that tickets and fines are paid to.

Ms. WALORSKI. Could you follow up with the committee and provide us a detailed account of where every dollar of that money that he spent went? Can we get that report by the end of the week? Is that possible?

Ms. MURPHY. We can try to find out, yes.

Ms. WALORSKI. Okay. I appreciate that.

And I have one more question. Ms. Murphy, again, on January 3, Los Angeles Neighborhood Council Coalition unanimously voted in favor of a motion that declared Los Angeles in a state of emergency for homeless veterans. The motion urges the city and the VA to open a large-scale crisis humanitarian relief project on the West L.A. property to immediately house and care for thousands of homeless and disabled veterans. Does the VA agree with that and support that motion?

Ms. MURPHY. I would presume we would in its essence, yes. I think our master planning process will lead us to where we want to go with that.

Ms. WALORSKI. So have you heard of that before, the declaration of emergency?

Ms. MURPHY. I have not heard of that proposition, no.

Ms. WALORSKI. Go ahead, Doctor.

Ms. MCDOUGALL. No, I have not heard of it either. But that neighborhood council has been one of our community partners that is involved in the homeless strategic plan that is being developed right now.

Ms. WALORSKI. And my final question, I think we are all so shocked about the bird sanctuary. It is back to this issue, in the GAO's report, it stated that VA guidance does not allow sharing partners to sublease the space obtained through sharing agreements. However, GAO found that a not-for-profit organization, the Botanical Garden, subleased its space on the West L.A. campus to two other organizations, including the exotic bird sanctuary and a food pantry, and that the VA contracting officer told GAO he was not aware of this sublease. Can you explain, I guess it would be Doctor, maybe, how VA allowed subleases to exist?

Ms. MCDOUGALL. Again, I can't address how it happened. And the person that was responsible has left the organization.

But clearly there was not a segregation of duties as there should have been. And there was not a bona fide contracting officer involved. Moving forward, we have changed that. That is why it has been taken over, land use, by my office so that we can make sure there is no conflict of interest. We are working with the Network Contracting Office. And we will be auditing what is going on at GLA to ensure that this does not happen again.

Ms. WALORSKI. With the huge amount of responsibility and clean-up work that you two have been left with, is there any kind of ongoing investigation as to who caused this mess? How they mysteriously retired? Why there was never any accountability leveled to them or on them by the VA itself when all this came out? And are you seeking internally there or asking the higher-ups in the VA to go back and hold these people accountable that you are holding the bag for.

Ms. MCDOUGALL. The Criminal IG is involved right now and is looking into it. I have heard, but it is not confirmed, that the FBI is also involved. So once we get those reports, we will do whatever we can to hold any individual we can accountable for what occurred at the facility.

Ms. WALORSKI. And for whatever you can share with the committee in those reports, will you do that?

Ms. MCDOUGALL. Yes.

Ms. WALORSKI. Thank you.

I yield back my time, Mr. Chairman.

Mr. Coffman. Mr. O'Rourke.

Mr. O'ROURKE. Thank you.

For Ms. Murphy, following up on the ranking member's questions about the systems and software that we use to manage these properties and your answers about what those things might be able to do for you, alerting you when a lease is coming due and triggering actions or reviews on the part of the VA.

At this point, does the VA use any third-party, private-sector contractors or consultants to assist with these tasks?

Ms. MURPHY. Thank you, sir. Specifically with the software development or——

Mr. O'ROURKE. No. Managing the property and the land and the leases and doing it professionally, I mean, a company that does that as their sole purpose versus the VA, which is focused on outcomes for veterans. Is that at any level taking place today?

Ms. MURPHY. Right. I can't answer specifically. But we certainly can get that information for you.

Mr. O'ROURKE. Are you adverse or opposed to doing that?

Ms. MURPHY. I don't actually have an opinion. You know, we will take all the help we can get.

Mr. O'ROURKE. I think part of what excites me about Bob McDonald leading the VA right now is his private-sector experience. And just now, as the ranking member was asking her question, I searched for Procter & Gamble real estate. And there was a press release announcing, you know, an outside property management firm coming under contract to manage 16.5 million square feet of office space globally for Procter & Gamble.

And so I think there has got to be something to this idea that—understandably, the VA is not good at this. This is just not what we want you all to do. We want you to take care of the veterans that have served this country. And there are firms and businesses who exclusively do this and do it very well.

And so I hope that, I mean I will just take your answer that you don't have an opinion to mean that you are not necessarily opposed to it. And in your review of what you are doing and what you can do, I hope that you will include the prospect of talking to an outside firm, maybe not to manage the property but maybe to consult on best property management practices, including software and systems, processes and procedures.

I think we would be, you know, at our peril, we would ignore the expertise that is out there in the private sector. And I have got to think that Secretary McDonald would see the wisdom in that as well.

Ms. MURPHY. Right. I would just add that as part of the master planning process, my understanding is that there will be a consultant that will be helping us with that.

Ms. MCDOUGALL. We will be looking for an urban planning firm to assist us with the master planning process.

Mr. O'ROURKE. Great. But in terms, I mean just systematically to manage that, that to me would be just exciting to at least look at and get an answer back on.

So if you do that, I would encourage you to do that. If you do that, I would love to see the results of that inquiry and I know that probably the other members of the committee would as well.

Thank you.

Thanks, Mr. Chair.

Mr. COFFMAN. Ms. Murphy, the Veterans Park Conservancy signed a 90-day revokable license with the VA on November 11, 2014 which expressly terminated its land use agreement in order to build the amphitheater. This licensing agreement expired yesterday. So does that mean that the Veterans Park Conservancy currently has no valid agreement with the VA? If so, have they vacated the premises?

Ms. MURPHY. I can't answer your question. But perhaps Dr. McDougall can.

Mr. COFFMAN. Sure. Dr. McDougall.

Ms. MCDOUGALL. It did expire yesterday. And beyond that, we will have to look into the situation as to whether or not they are going—what the situation is with them on the campus.

Mr. COFFMAN. I am sorry, you don't know if they are still there, is that what you are saying?

Ms. MCDOUGALL. Well, they were building an amphitheater and the construction halted.

Mr. COFFMAN. Okay. Whether they vacated or not——

Ms. MCDOUGALL. So they have vacated and they have been off the premises since November.

Mr. COFFMAN. Okay, they are——

Ms. MCDOUGALL. Right.

Mr. COFFMAN. Okay. Because I think one of the Federal Court filings stated that the VA and the VPC entered into a revokable

license that mandated a termination of the land-use agreement in lieu of the license.

Ms. Murphy, there is an ongoing criminal investigation in West L.A. regarding one of the companies operating under a land-use agreement with the facility. This company is also under investigation by other Federal agencies. And we have learned the company has a 10-year agreement with an additional 10-year option to operate on the property ending in 2022.

After a search of government contract databases, there was no information at all regarding this company. How can the VA enter into a contract with a company for a potential 20-year term without having any available referential information to support the company's prior work?

Ms. MURPHY. Thank you, sir.

I am not certain which company you are referring to. Perhaps Dr. McDougall has more information.

Ms. MCDOUGALL. If it is the company that I think you are referring to, it shouldn't have happened. And I agree with you 100 percent. It just never should have happened.

So that is, as you said, what the Criminal OIG is looking into. And we also have a central office fiscal team that is going to be looking into exactly what is going on with that company in terms of revenue generation.

Mr. COFFMAN. Do any other members have questions?

Mr. O'Rourke.

Ms. Kuster.

Ms. KUSTER. No further questions. Thank you, Mr. Chairman.

Mr. COFFMAN. Well, I would like to thank the witnesses today. And I look forward to the follow-on committee hearing recommended by the ranking member.

And this hearing is adjourned.

[Whereupon, at 5:13 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF CHAIRMAN MIKE COFFMAN

Good afternoon. This hearing will come to order.

I want to welcome everyone to today's hearing titled, "An Examination of Waste and Abuse Associated with VA's Management of Land-Use Agreements." Before we begin, I would like to ask unanimous consent that the Honorable Tim Walz from the State of Minnesota be allowed to join us on the dais today. He is set to be re-designated as a member of this Subcommittee tomorrow, so I doubt anyone will have any objection. Hearing none, so ordered.

The hearing will address serious problems with VA's billing and collecting practices regarding its land-use agreements at VA Medical Centers, which were substantiated by GAO. These deficiencies continue to result in extreme loss of revenue, waste of taxpayer money, and compromised services provided to Veterans.

The primary focus of the hearing will be on issues occurring at the West Los Angeles VA Medical Center, including land use agreements, problems faced by homeless Veterans in the area, and other issues affecting quality of care. The shortcomings associated with VA's management in West Los Angeles are many. There have been multiple embezzlement investigations involving the facility over the last few years, at least one of which amounting to a guilty plea involving the theft of over $680,000. One additional such investigation is ongoing and is being addressed by the VA Inspector General and the Department of Justice.

The nature of land use agreements in West Los Angeles also produces cause for concern. For instance, the facility has agreements with university sports teams, hotel laundry facilities, and even a rare bird sanctuary. Considering this land was given to the federal government specifically to house Veterans, VA is violating the terms of the original bequest.

Notably, a federal district court in California ruled in 2013 that many of the facility's non-healthcare related agreements were void because, the court stated, agreements of that sort that do not provide for sharing of health-care resources result in lost access to space and opportunities that benefit Veterans.

On January 27, 2015, the day we informed VA of this hearing, the VA settled its appeal of the court's decision. Based on the framework for this settlement, it does not appear there is any impediment VA faces which would discourage its continued misuse of the property.

In the framework, VA states that it will not develop a master plan to restructure the West LA property until October 2015, which will require vigilant oversight considering past efforts to create such a master plan have largely failed. Many similar stories of waste and misuse of property set aside to help Veterans, as well as other compromised services that inevitably occur due to facility mismanagement, will be discussed today regarding West Los Angeles, New York City, and North Chicago, which were the sites GAO focused on in its audit.

We will hear from GAO as well as from the American Legion, which has raised concerns with problems occurring in West Los Angeles, primarily the growing homeless Veteran population that is an unfortunate and unnecessary byproduct of VA's mismanagement of property entrusted to Veterans. I look forward to hearing from these witnesses, as well as from the VA, so that we can get to the bottom of this issue, and look for solutions to better serve our nation's Veterans.

PREPARED STATEMENT OF RANKING MEMBER ANN MCLANE KUSTER

Thank you Mr. Chairman.

This afternoon, the Subcommittee on Oversight and Investigations will be looking into VA practices regarding land-use agreements, and a report from the Government Accountability Office from August of last year.

This is my first hearing as Ranking Member of this Subcommittee, one of the most important subcommittees in Congress, and I look forward to working with Chairman Coffman and all of my colleagues.

Our efforts to identify where problems exist at the VA could not be more important. But we must also remember that our responsibility is to not only identify problems, but to work to find solutions. This means all of us—the VA, outside agencies such as GAO, and veterans—must work together to ensure the highest quality of care is being delivered to our veterans.

Today's hearing is about an issue we face time and again—how can we ensure that the information and data collected by VA is, in the words of GAO, accurate,

valid, and complete? How can we ensure that there are processes in place that provide the necessary level of accountability while ensuring that the job of the VA, to care for veterans, gets done?

This can perhaps be best summed up in the title of GAO's testimony—"Improved Data Reliability and Monitoring Needed for Department of Veterans Affairs." The question we must ask in terms of monitoring and accountability is how much management control should be exercised centrally, or delegated locally.

We will not arrive at the answers to all these questions today. But I am hopeful that beginning this discussion today will lead us to solutions that we can all agree on, solutions that ensure the proper level of accountability and management control while remaining flexible enough not to hinder the VAs ability to accomplish its mission. This will take real leadership on behalf of the VA, and all of us here in this room today.

The VA's transition from inpatient services to increased outpatient-based services has meant that VA's real estate portfolio contains many aging facilities, and far too much under-utilized space. This was first pointed out many years ago. In fact a June 2012 GAO report found that VA had made progress in this area, through reducing the number of underutilized facilities in part through land-use agreements.

The VA is not alone in facing real challenges in property management. The GAO has included property management on its high-risk list since 2003.

The GAO looked at three VA sites: North Chicago, New York City, and West Los Angeles and found that its review raised questions regarding the reliability of the data in VA's Capital Asset Inventory system, as well as lack of oversight and communication regarding billing, collecting, and contracting.

Far too often, at the three sites looked at by GAO, VA improperly paid for services it did not receive and failed to collect what it was owed. That's why it is crucial to have a discussion this afternoon to learn about the GAO's findings and the steps VA has taken to address these problems. I look forward to hearing about further efforts to strengthen the management, oversight, and use of, land-use agreements.

Going back to the 2012 GAO report, how much confidence should we have that using land-use agreements is an effective tool in managing under-utilized space and so we can increase the amount of benefits and services being provided to our veterans?

If the VA is to provide the highest level of benefits and services to veterans in the most efficient manner, land-use agreements may indeed be an important tool in VA's tool chest—but only if the data is reliable, and there is real oversight within VA to make sure that VA is properly benefitting from these agreements.

Finally, I look forward to discussing the recent agreement between the VA regarding West Los Angeles. As the American Legion points out in testimony today, for far too long the needs of veterans were not always the highest priority when it came to agreements between the VA and non-VA entities. This practice runs counter to the terms of the original deed. The agreement regarding the parties in Valentini v. McDonald is a way forward, but there are milestones that need to be met and we will need to make sure that this committee is a full partner in the progress made in meeting these steps.

PREPARED STATEMENT OF MS. JANET MURPHY

Good morning, Chairman Coffman, Ranking Member Kuster, and Members of the Subcommittee. Thank you for the opportunity to discuss VA's billing and collection practices regarding our land use agreements at VA Medical Centers. I am accompanied today by Dr. Skye McDougall, Acting Network Director, Veterans Integrated Service Network (VISN) 22. We value the Government Accountability Office's (GAO) insights and findings and recognize there are many needed improvements to the design, implementation, and oversight of VA's Land Use program.

Background

VA's mission is unique compared to other Federal agencies, in that we operate the Nation's largest integrated healthcare system, with more than 1,700 hospitals, clinics, community living centers, domiciliaries, readjustment counseling centers, and other facilities. Additionally, VA administers a variety of benefits and services and operates 131 national cemeteries nationwide.

The Department owns and leases real property in hundreds of communities across the United States and overseas. Currently, VA manages over 174 million square feet (SF) of space, comprised of approximately 151 million owned SF and 23 million leased SF of building assets. This is a very large footprint, and unlike many Federal

agencies, VA owns the large majority of its portfolio—87 percent of its square footage—which means real estate plays an important role in our overall asset management strategy.

To manage these properties, VA utilizes land use authorities that allow VA to enter into various types of agreements for the use of its property in exchange for revenues or in-kind considerations (e.g., outleases, sharing agreements, permits, easements, licenses, enhanced-use leases).

GAO Report on Land Use Agreements

The GAO recently examined VA's use of land use agreements, specifically sharing. GAO's report addresses the extent to which VA (1) maintains reliable data on land use agreements and the revenue we generate; (2) monitors the billing and collection process at selected VA medical centers; and (3) monitors land use agreements at selected VA medical centers. VA appreciates GAO's review and we acknowledge the noted deficiencies in our management of land use agreements.

GAO looked at three VA medical centers and made recommendations for improvement at each site. At VA medical centers in North Chicago and New York, new collaborative processes have been established to improve billing and collection procedures. Leadership at North Chicago has developed a local Sharing and Support Agreement Policy and Joint Policy instruction, which has delineated responsibilities and procedures. Leadership at New York Harbor developed a standard operating procedure (SOP) for local sharing agreements. GAO also recommended that VHA develop a plan for the West Los Angeles Medical Center that identifies the steps to be taken, timelines, and responsibilities in implementing segregation of duties over the billing and collection process.

VA Greater Los Angeles Asset Management Office and Fiscal Service, in collaboration with the VISN 22 Office and Network Contracting Office 22, finalized a SOP for Billing and Collection Processes for the West Los Angeles Medical Center to better segregate duties related to billing and collections for land use agreements in the fall of 2014. A follow-up audit of the SOP's billing and collection processes will be conducted by VISN 22 compliance staff in April 2015.

The actions described in the paragraphs above are an example of our commitment to improving the management of our land use agreements and to provide better support to Veterans. VHA is making progress to solidify our policies and pursue actions for the remaining GAO recommendations. Furthermore, VA will apply the lessons learned through the scrutiny of land use agreements in California, New York, and Illinois across VA's healthcare network.

VA Way Forward

VA is considering other system-wide improvements to the land use agreement process. These include:

- Establishing a better set of administrative tools for the field to use in managing these complex processes: Our current capital asset management tools are not automated. Nor are they sufficiently robust to effectively monitor land use sharing agreements across VA's healthcare system. VHA is working with its partners in the Office of Management to identify, fund, and implement an automated asset management system—a system that allows for triggered reminders for our field staff based on information about the assets themselves. This change will take time.
- Conducting ongoing independent reviews of our billing and collection processes by VHA's Chief Financial Officer (CFO), which would ensure proper separation of duties: GAO identified separation of duties concerns at the facilities they visited. We have corrected these issues at each of the sites visited by GAO's team. To improve monitoring, VHA's CFO will issue revised financial policy and work with network CFOs to monitor land use agreements.
- Developing a standardized implementation model that allows VA medical centers to focus on high quality healthcare: As we implement the changes described above, we must acknowledge the clear challenge identified in the GAO report. Management of multiple land use agreements on VA medical center campuses adds additional responsibilities to an already complex management challenge. The core mission for VA healthcare facilities remains the delivery of safe, effective, and timely healthcare. Over the long term, we need to evaluate our use of VA's sharing authority for land use agreements and determine whether the use of such agreements continues to benefit Veterans.

The Next Step to End Homelessness Among Los Angeles Veterans

Secretary McDonald and attorneys representing homeless Veterans in Los Angeles announced an agreement that dedicates the West Los Angeles VA campus to serving Veterans in need, and commits the Department to design a plan to help end

homelessness among Veterans in Los Angeles County. The agreement is an important step forward in carrying out President Obama's commitment that no Veteran should live on the streets, or forego necessary medical and psychological services.

Under the agreement, Secretary McDonald will also launch an accelerated process to develop a new long-term Master Plan for the future use of the West Los Angeles campus. This Master Plan, which is targeted to be completed by October 16, 2015, will prioritize the provision of bridge housing and permanent supportive housing. It also will describe an exit strategy for third-party land use agreements that do not comply with applicable laws, and do not fit within the Master Plan. Representatives from the Veterans' community will be actively involved in providing input to the Master Plan, along with other stakeholders, including the local community.

Conclusion

Mr. Chairman, as mentioned earlier, VA has a complex real estate portfolio and we seek to maintain the optimal mix of investments needed to provide care, services, and benefits to our Nation's Veterans. We will correct deficiencies and improve oversight in our management of land use agreements by improving the quality of our data, enhancing monitoring, and fostering collaboration between key offices.

Thank you for the opportunity to discuss this issue. At this time, my colleagues and I are prepared to answer any questions you may have.

United States Government Accountability Office

Testimony

Before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

For Release on Delivery
Expected at 4:00 p.m. ET
Tuesday, February 10, 2015

LAND-USE AGREEMENTS

Improved Data Reliability and Monitoring Needed for Department of Veterans Affairs

Statement of Stephen Lord, Managing Director
Forensic Audits and Investigative Service

Chairman Coffman, Ranking Member Kuster, and Members of the Subcommittee:

I am pleased to come before the subcommittee to discuss the findings of our August 2014 report on the Department of Veterans Affairs' (VA) use of land-use agreements.[1] With over 7,400 buildings situated on more than 35,000 acres of land, VA continues to rank among the largest federal landholding organizations, and also operates one of the largest health care–related real-estate portfolios in the nation. To manage these properties, VA relies on land-use authorities that allow VA to enter into various types of agreements for the use of its property. For example, VA has authority to enter into sharing agreements with entities to use VA space on behalf of veterans or nonveterans in exchange for payment or services. Other authorities include enhanced-use leases, outleases, licenses, and permits.[2] VA receives revenue, in-kind considerations, or both, from entities that use VA's space. In-kind considerations can be used to offset the costs of maintaining its property through cost avoidance or savings, or to enhance the availability of the services it offers to veterans or its employees. Examples of the benefits derived from leasing its property can include providing additional care options to homeless veterans, making parking available for veterans seeking treatment, or providing child-care services for VA employees and others. VA agreements may also offer benefits to the community as a whole, such as recreational facilities and credit unions.

For all federal agencies, including VA, we have identified the management of federal real property as a high-risk area and have included it on GAO's High-Risk List since 2003.[3] In February 2013, we reported that federal departments and agencies have given high-level attention to this issue and have made progress in real-property

[1]GAO, *Land-Use Agreements: Department of Veterans Affairs Needs to Improve Data Reliability and Monitoring*, GAO-14-501 (Washington D.C.: Aug. 18, 2014).

[2]For enhanced-use leases, VA may lease property under its jurisdiction or control (typically underutilized or vacant property) to a public or private entity for up to 75 years to provide for supportive housing. For outleases, VA leases real property to public or private interests outside of VA for up to 3 years. For licenses, VA gives a nonfederal party permission to enter upon and do a specific act or series of acts upon the land without possessing or acquiring any estate therein. For permits, VA gives another federal agency permission to enter upon and do a specific act or series of acts upon the land.

[3]GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: Feb. 14, 2013).

management. However, the underlying challenges remain, such as the absence of consistent, accurate, and useful data to support decision making.

My remarks today highlight the key findings of our August 2014 report on VA land-use agreements. Specifically, like the report, this testimony discusses the extent to which VA (1) maintains reliable data on land-use agreements and the revenue they generate, (2) monitors the billing and collection processes at selected VA medical centers, and (3) monitors land-use agreements at selected VA medical centers.

For the report, we analyzed data from VA's database on its land-use agreements for fiscal year 2012, which were the most-recent data available at the time we initiated our review. We took steps to assess the reliability of the data in the Capital Asset Inventory (CAI) by interviewing agency officials knowledgeable about the data, reviewing systems documentation, analyzing the data to assess accuracy and completeness, and taking steps to corroborate certain data from CAI to land-use agreements and other source documents at three selected sites: New York City, New York; North Chicago, Illinois; and West Los Angeles, California. We determined that while the CAI data were reliable enough to select our three sites for review, as discussed later, the data were not sufficiently reliable for the purposes of reporting the total number of agreements held by VA and the revenue those agreements generated in fiscal year 2012 for this audit. We also reviewed agency documentation and interviewed VA officials. In addition, we visited the three selected medical centers to review the monitoring of land-use agreements and the collection and billing of the associated revenues. We selected medical centers with the largest number of agreements or those with high amounts of estimated revenue. The site-visit results cannot be generalized to all VA facilities. Further details on our scope and methodology are included in the August 2014 report.[4] Our work for that report was conducted in accordance with generally accepted government auditing standards.

In summary, we found that VA did not maintain reliable data on the total number of land-use agreements and the revenue they generate. Further, our work found weaknesses in the billing and collection processes for

[4]GAO-14-501.

land-use agreements at three selected VA medical centers due primarily to ineffective monitoring. Finally, we found that VA did not effectively monitor many of its land-use agreements at its medical centers in West Los Angeles and New York. These problems included unenforced agreement terms, expired agreements, and instances where land-use agreements did not exist where they should. At these sites, VA did not perform systematic reviews and has not established mechanisms to do so, thus hindering its ability to effectively monitor its agreements and use of its properties. After reviewing our draft report, VA concurred with all six of our recommendations and indicated planned actions to address them.

VA Does Not Maintain Reliable Data on the Number of Land-Use Agreements and Their Associated Revenues

In August 2014, we reported that, on the basis of our review of land-use agreement data for fiscal year 2012, VA does not maintain reliable data on the total number of land-use agreements and VA did not accurately estimate the revenues those agreements generate. According to the land-use agreement data provided to us from VA's Capital Asset Inventory (CAI) system—the system VA utilizes to record land-use agreements—VA reported that it had over 400 land-use agreements generating over $24.8 million in estimated revenues for fiscal year 2012. However, when one of VA's administrations—the Veterans Health Administration (VHA)—initiated steps to verify the accuracy and validity of the data it originally provided to us, it made several corrections to the data that raised questions about their accuracy, validity, and completeness.

Examples of these corrections include the following:

- at one medical center, one land-use agreement was recorded 37 times, once for each building listed in the agreement; and
- VHA also noted that 13 agreements included in the system should have been removed because those agreements were terminated prior to fiscal year 2012.

At the three VA medical centers we reviewed, we also found examples of errors in the land-use agreement data. Examples of these errors include the following:

- VHA did not include 17 land-use agreements for the medical centers in New York and North Chicago, collectively.
- VHA incorrectly estimated the revenues it expected to collect for the medical center in West Los Angeles. VHA revised its estimated revenues from all land-use agreements in fiscal year 2012 from about $700,000 to over $810,000. However, our review of VA's land-use agreements at this medical center indicated that the amount that

should have been reflected in the system was approximately $1.5 million.

VA policy requires that CAI be updated quarterly until an agreement ends. VA's approach on maintaining the data in CAI relies heavily on data being entered timely and accurately by a staff person in the local medical center; however, we found that VA did not have a mechanism to ensure that the data in CAI are updated quarterly as required and that the data are accurate, valid, and complete. By implementing a mechanism that will allow it to assess whether medical centers have timely entered the appropriate land-use agreement data into CAI, and working with the medical centers to correct the data, as needed, VA would be better positioned to reliably account for land-use agreements and the associated revenues that they generate.

Additional Monitoring at Three VA Medical Centers Could Improve the Billing and Revenue-Collection Process for Land-Use Agreements

In our August 2014 report, we also found weaknesses in the billing and collection processes for land-use agreements at three selected VA medical centers due primarily to ineffective monitoring.

- Inadequate billing: We found inadequate billing practices at all three medical centers we visited. Specifically, we found that VA had billed partners in 20 of 34 revenue-generating land-use agreements for the correct amount; however, the partners in the remaining 14 agreements were not billed for the correct amount.[5] On the basis of our analysis of the agreements, we found that VA underbilled by almost $300,000 of the approximately $5.3 million that was due under the agreements, a difference of about 5.6 percent. For most of these errors, we found that VA did not adjust the revenues it collected for inflation. We also found that the West Los Angeles medical center inappropriately coded the billing so that the proceeds of its sharing agreements, which totaled over $500,000, were sent to its facilities account rather than the medical-care appropriations account that benefits veterans, as required.[6] VA officials stated that the department did not perform systematic reviews of the billings and collections practices at the three medical centers, which we discuss in more

[5]We reviewed a total of 59 land-use agreements; of these, 25 did not generate revenue in fiscal year 2012.

[6]Department of Veterans Affairs, *Sharing Use of Space*, Veterans Health Administration Handbook 1820.1 (Mar. 7, 2005).

detail later. A mechanism for ensuring transactions are promptly and accurately recorded could help VA collect revenues that its sharing partners owe.

- Opportunities for improved collaboration: At New York and North Chicago, we found that VA could improve collaboration among key internal staff, which could enhance the collections of proceeds for its land-use agreements. For example, at the New York site, the VA fiscal office created spreadsheets to improve the revenue collection for more than 20 agreements. However, because the contracting office failed to inform the fiscal office of the new agreements, the fiscal office did not have all of the renewed contracts or amended agreements that could clearly show the rent due. According to a VA fiscal official at the New York office, repeated requests were made to the contracting office for these documents; however, the contracting office did not respond to these requests by the time of our visit in January 2014. By taking additional steps to foster a collaborative environment, VHA could improve its billing and collection practices.
- No segregation of duties: On the basis of a walkthrough of the billing and collections process we conducted during our field visits, and an interview with a West Los Angeles VA official, we found that West Los Angeles did not properly segregate duties. Specifically, the office responsible for monitoring agreements also bills the invoices, receives collections, and submits the collections to the agent cashier for deposit. Because of the lack of appropriate segregation of duties at West Los Angeles, the revenue-collection process has increased vulnerability to potential fraud and abuse. This assignment of roles and responsibilities for one office is not typical of the sites we examined. At the other medical centers we visited, these same activities were separated amongst a few offices, as outlined in VA's guidance on deposits.[7]

VA headquarters officials informed us that program officials located at VA headquarters do not perform any systematic review to evaluate the medical centers' processes related to billing and collections at the local level. VA officials further informed us that VHA headquarters also lacks critical data—the actual land-use agreements—that would allow it to routinely monitor billing and collection efforts for land-use agreements across the department. One VA headquarters official told us that the agency is considering the merits of dispatching small teams of staff from

[7]Department of Veterans Affairs, *Administrative Fiscal Policies and Procedures*, vol. VIII, ch. 1 (October 2013).

program offices located at VA's headquarters to assist the local offices with activities such as billing and collections. However, as of May 2014, VA had not implemented this proposed action or any other mechanism for monitoring the billing and collections activity at the three medical centers. Until VA performs systematic reviews, VA will lack assurance that the three selected medical centers are taking all required actions to bill and collect revenues generated from land-use agreements.

VA Did Not Effectively Monitor Many of Its Land-Use Agreements at New York and West Los Angeles Medical Centers

In our August 2014 report, we found that VA did not effectively monitor many of its land-use agreements at the New York and West Los Angeles medical centers. We found problems with unenforced agreement terms, expired agreements, and instances where land-use agreements did not exist. Examples include the following:

- In West Los Angeles, VA waived the revenues in an agreement with a nonprofit organization—$250,000 in fiscal year 2012 alone—due to financial hardship. However, VA policy does not allow revenues to be waived.
- In New York, one sharing partner—a local school of medicine—with seven expired agreements remained on the property and occupied the premises without written authorization during fiscal year 2012. Our review of VA's policy on sharing agreements showed that VA did not have any specific guidance on how to manage agreements before they expired, including the renewal process.
- In New York, we observed more antennas on the roof of a VA facility than the New York medical center had recorded in CAI. After we brought this observation to their attention, New York VA officials researched the owners of these antennas and could not find written agreements or records of payments received for seven antennas. According to New York VA officials, now that they are aware of the antennas, they will either establish agreements with the tenants or disconnect the antennas.
- The City of Los Angeles has used 12 acres of VA land for recreational use since the 1980s without a signed agreement or payments to VA. An official said that VA cannot negotiate agreements in this case due to an ongoing lawsuit brought on behalf of homeless veterans about its land-use agreement authority.

We found that VA had not established mechanisms to monitor the various agreements at the West Los Angeles and New York medical centers. VA officials stated that they had not performed systematic reviews of these agreements and had not established mechanisms to enable them to do so. Without a mechanism for accessing land-use agreements to perform

needed monitoring activities, VA lacks reasonable assurance that the partners are meeting the agreed-upon terms, agreements are renewed as appropriate, and agreements are documented in writing, as required. This is particularly important if sharing partners are using VA land for purposes that may increase risk to VA's liability (e.g., an emergency situation that might occur at the park and fields in the city of Los Angeles). Finally, with lapsed agreements, VA not only forgoes revenue, but it also misses opportunities to provide additional services to veterans in need of assistance and to enhance its operations.

Implementation of Recommendations Could Enhance the Quality of Data That VA Collects, Enhance VA's Monitoring of Revenue and Agreements, and Improve VA's Accountability

Our August 2014 report made six recommendations to the Secretary of Veterans Affairs to improve the quality of the data collected on specific land-use agreements (i.e., sharing, outleases, licenses, and permits), enhance the monitoring of its revenue process and monitoring of agreements, and improve the accountability of VA in this area. Specifically, we recommended that VA

- develop a mechanism to independently verify the accuracy, validity, and completeness of VHA data for land-use agreements in CAI;
- develop mechanisms to monitor the billing and collection of revenues for land-use agreements to help ensure that transactions are promptly and accurately recorded at the three medical centers;
- develop mechanisms to foster collaboration between key offices to improve billing and collections practices at the New York and North Chicago medical centers;
- develop mechanisms to access and monitor the status of land-use agreements to help ensure that agreement terms are enforced, agreements are renewed as appropriate, and all agreements are documented in writing as required, at the New York and West Los Angeles selected medical centers;
- develop a plan for the West Lost Angeles medical center that identifies the steps to be taken, timelines, and responsibilities in implementing segregation of duties over the billing and collections process; and
- develop guidance on managing expiring agreements at the three medical centers.

After reviewing our draft report, VA concurred with all six of our recommendations. VA's comments are provided in full in our August 2014 report.

In November 2014, VA provided us an update on the actions it is taking to respond to these recommendations in our August 2014 report. These

actions include (1) drafting CAI changes to improve data integrity and to notify staff of expiring or expired agreements, (2) updating guidance and standard operating procedures for managing land-use agreements and training staff on the new guidance, and (3) transitioning oversight and operations of the West Los Angeles land-use agreement program to the regional level. If implemented effectively, these actions should improve the quality of the data collected on specific land-use agreements, enhance the monitoring of VA's revenue process and agreements, and improve accountability for these agreements.

Chairman Coffman, Ranking Member Kuster, and members of the subcommittee, this concludes my prepared remarks. I look forward to answering any questions that you may have at this time.

For further information on this testimony, please contact Stephen Lord at (202) 512-6722 or lords@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Matthew Valenta, Assistant Director; Carla Craddock; Marcus Corbin; Colin Fallon; Olivia Lopez; and Shana Wallace.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission	The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.
Obtaining Copies of GAO Reports and Testimony	The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (http://www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to http://www.gao.gov and select "E-mail Updates."
Order by Phone	The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, http://www.gao.gov/ordering.htm. Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537. Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.
Connect with GAO	Connect with GAO on Facebook, Flickr, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at www.gao.gov.
To Report Fraud, Waste, and Abuse in Federal Programs	Contact: Website: http://www.gao.gov/fraudnet/fraudnet.htm E-mail: fraudnet@gao.gov Automated answering system: (800) 424-5454 or (202) 512-7470
Congressional Relations	Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548
Public Affairs	Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

Please Print on Recycled Paper.

STATEMENT OF
EDWARD LILLEY, ASSISTANT DIRECTOR FOR HEALTHCARE,
NATIONAL VETERANS AFFAIRS AND REHABILITATION DIVISION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
"AN EXAMINATION OF WASTE AND ABUSE ASSOCIATED WITH VA'S MANAGEMENT OF LAND-USE AGREEMENTS"

FEBRUARY 10, 2015

"Of all of the egregious cases involving homeless veterans in Los Angeles, one stands out for attorney Mark Rosenbaum. VA police arrested a homeless Vietnam War veteran they caught taking food from a trash bin on the West Los Angeles VA campus. Although clearly mentally disabled – the veteran had suffered a head injury after falling out of a helicopter – VA cops didn't extend a helping hand. Instead, they gave him a citation for stealing government property. He paid the $1,000 fine by collecting aluminum cans.[1]"

In October 2014, The American Legion held a Veterans Benefit Center for veterans in the Los Angeles area to provide assistance with VA appointment scheduling, benefits claims, enrollment in VA health care, and to follow up with the outreach provided to the city's large homeless veteran community. The Legion's Center was held at the Cloud Break Communities & US VETS Transitional and Permanent Housing Facility for at-risk and/or homeless veterans. During the three-day benefits event, more than 200 veterans were able to receive assistance. However, had the West Los Angeles campus of the VA provided the assistance promised to veterans, the Benefits Center may not have been necessary.

The West Los Angeles campus of the Department of Veterans Affairs has strayed so far from its mission of protecting veterans that charter busses in search of parking can spend the night there, but not homeless veterans who fought for this country; hotel laundry can be cleaned there, but a homeless veteran who needs a shower to clean up for a job interview can't get help. This cannot be the way our government fights for homeless veterans.

The struggle in West Los Angeles has a lengthy history. Congress enacted legislation well over 100 years ago in 1887 to authorize construction of the first soldier's home in the West, part of efforts following the Civil War to address disabled and homeless veterans. The following year, the land was donated *in perpetuity* to serve veterans by Senator John P. Jones and the Bakers, a prominent Los Angeles family.

The Pacific Branch of the National Veterans Home opened later that year with about 1,000 veterans in temporary quarters. The federal government added a hospital and permanent housing.

[1]The American Legion Magazine – September 2014 http://www.legion.org/magazine/224241/betrayed

A post office, churches, theaters and a 10,000-volume library followed. Veterans tended gardens, put on plays and rode the trolley to Santa Monica beaches. By 1922, West Los Angeles was home to about 4,000 veterans. The Pacific Veterans Home eventually became part of VA, but the agency quietly stopped accepting new residents in the late 1960s or early 1970s as a swell of Vietnam War veterans appeared and upscale neighborhoods grew up around the West Los Angeles VA.

Not only did VA stop allowing veterans to live there, it turned more than 100 acres of the property into a leasing enterprise for everything from a dog park to charter bus storage, a private school's athletic center and a hotel chain's laundry – not to mention the UCLA baseball stadium.

Thus did the land that had been used to directly serve veterans become encroached upon by enterprises that have nothing to do with its original intent, such that in 2012 Carolina Winston Barrie, the 84 year old descendent of one of the land donors, came forward to lament the loss of what had been: "a fully functioning city within the county of Los Angeles."[2]

The American Legion, the nation's largest wartime service organization of veterans, has been fighting for veterans to have full use of the West LA land for over 30 years. In 1983, The American Legion passed a resolution urging "no part of the West Los Angeles Veterans Administration Facility be sold or otherwise transferred by the United States Government, or any agency thereof."[3]

In 1992, The American Legion affirmed that "real property located at the West Los Angeles Veterans Medical Center in Los Angeles, California, and elsewhere where such facilities are provided, shall be maintained to attain the greatest benefit for care and well-being of the sick disabled veteran population."[4]

Now, The American Legion urges Congress to restrict the Enhanced Use Lease (EUL) capabilities to a priority list of services that will meet the needs of the veteran community[5], and The American Legion opposes any EUL that does not specifically provide any obvious and permanent benefits, resources or services to the veterans' community.

To be clear, the 388 acres of the West Los Angeles Medical Center Campus (West LA VA) represent the largest medical center in the Department of Veterans Affairs (VA) medical system and they *do* serve quite a large contingent of veterans. The VA Greater Los Angeles Healthcare System serves over 1.4 million veterans in Southern California, over half a million of those veterans in the city of Los Angeles alone. Unfortunately, the campus is no longer solely dedicated to serving veterans, and that is where The American Legion takes issue with the current state of affairs in California.

---

[2] http://www.npr.org/2012/09/10/160736598/los-angeles-va-has-made-millions-on-rental-deals

[3] Resolution No. 4 *"Retention of Real Property Located at West Los Angeles, California, Veterans Administration Facility,"* 1983

[4] Resolution No. 20 *"Maintain West Los Angeles Property for Veterans,"* 1992

[5] Resolution No. 154 *"The Department of Veterans Affairs Enhanced-Use Leasing,"* 2014

The fight against the commercialization of the veterans' property in Los Angeles has been a long battle dating back decades. This land was donated in perpetuity for the use of veterans, and therefore this land *belongs* to the veterans, not to be disposed of to corporate interests in the hopes of short term financial gains. In 1988 and 1991, Congress enacted legislation prohibiting any commercial development of 109 of the property's 388 acres. In 2007, legislation extended the ban on the sale or disposal of the land to the entire campus. The legislation also affirmed that the property was to remain in permanent possession of the VA to serve veterans.[6]

Additional commercial development of the property solely for profit is antithetical to the purpose and honor of the original donation of land. However, this does not mean there aren't better uses the property could be put to use for.

The previous Secretary of Veterans Affairs, Eric Shinseki, made a very powerful promise at The American Legion's National Convention in Milwaukee in 2010. He told the thousands of assembled Legionnaires "We will end veteran homelessness in the next five years."[7] The VA has worked diligently towards that end, and over the first four years there *has* been a large drop in the numbers of homeless veterans by over a third, to fewer than 50,000 in August of 2014, from over 75,000 in 2010 when the pledge was made.[8]

Reducing the final cohort of homeless veterans will be very difficult, and VA will need to maximize every resource at its disposal, as well as continuing their coordinated work with communities to meet the challenge. In the midst of such a struggle, why then is land specifically set aside for veteran tied up in rental agreements for projects of no benefit to vulnerable veterans who need help most? Why, when VA must dig deep and use every conceivable tool at their disposal, was land that could be used to help homeless veterans being used for a massive hotel chain's laundry facilities, for set storage for major movie studios, and for athletic complexes for private schools?

Due to lawsuits filed on behalf of homeless veterans, some changes are happening in West LA. In the Fall of 2013, for example, a judge ruled VA's leases with the private schools and businesses were not legal, and some of the business have moved out, but the ruling was appealed.[9] Veterans need guarantees that the resources donated and dedicated to serve veterans are not going to be sold off for unclear profits rather than help the veterans as intended.

On January 28, 2015, the VA announced that it had come to an agreement with attorneys representing homeless veterans in Los Angeles that dedicates the West Los Angeles VA campus to serving veterans in need, and commits the department to design a plan to help end homelessness among veterans in Los Angeles County. While The American Legion is relieved to hear about the agreement, and pleased to hear about the short timelines given for improvement, we will be monitoring the West Los Angeles and stand ready to assist as we have for the past 30 years.[10]

---

[6] Section 224 of the Consolidated Appropriations Act for Fiscal Year 2008
[7] http://www.legion.org/veteransbenefits/90664/shinseki-backlog-will-end-year
[8] http://online.wsj.com/articles/number-of-homeless-veterans-in-the-u-s-falls-over-past-four-years-1409089535
[9] http://www.legion.org/magazine/224241/betrayed
[10] http://www.legion.org/homelessveterans/225875/va-redeems-itself-west-la

Previous legislation in both houses of Congress, S. 1987 and H.R. 4004, from Senator Feinstein and former Representative Waxman would have authorized development on the property for the purpose of helping veterans, and specifically, long term therapeutic housing that can help veterans who are struggling with homelessness achieve stability. This legislation, or any future legislation, needs to keep in focus the driving principle supported by The American Legion with regard to how VA resources are to be used.

No one imagined this conflict when a U.S. senator and a Los Angeles businessman donated 387 acres to the federal government in 1888 with the stipulation that the land be used to "permanently maintain a national home for disabled volunteer soldiers." If the VA still plans to end Veteran homelessness by the end of this year, then they need to make good on the promise to the homeless veterans in Los Angeles.

Enhanced Use Leasing can be helpful to the programs of the Department of Veterans Affairs, but it must be restricted to a priority list of services that meet the needs of the veterans' community. Outside organizations must follow the same reporting procedures required of the government in order to ensure effective communication with the Chief Business Office – and the entire process must be publicly transparent while in consultation with veterans service organizations (VSOs) and community stakeholders.[11]

The American Legion thanks this committee again for their diligent oversight of VA's land use agreements. Working together, The American Legion, Congress, the American people and the Department of Veterans Affairs *can* end veteran homelessness, but only when all assets of VA are arrayed to directly serve veterans.

Questions concerning this testimony can be directed to The American Legion Legislative Division (202) 861-2700, or ideplanque@legion.org

[11] Resolution No. 154 *"The Department of Veterans Affairs Enhanced-Use Leasing,"* 2014

○