

**Opening Statement
Of
Dennis J. Kucinich, Chairman
Domestic Policy Subcommittee
Oversight and Government Reform Committee
Wednesday, July 16, 2008
2154 Rayburn HOB
11:30 a.m.**

**“Examining Contractor Performance and Government
Management of Retroactive Pay for Retired Veterans with
Disabilities”**

Veterans are told every year that their political leaders, their military leaders, and their nation are grateful to them. The President just last month awarded the Presidential Medal of Freedom in part on his assessment that the recipient demonstrated the “love and care” that should be shown to our veterans.

But do the leaders believe it? Has caring for our veterans become an empty gesture? Is it a hollow sentiment?

This Subcommittee began an investigation into the causes of delay in delivering a benefit to severely disabled veterans, whose injuries and diseases are related to their combat and military service experience. Congress mandated in 2003 and 2004 that such veterans were eligible to receive their full military retired and VA

disability pay, where previously their retired pay had been deducted by the value of the disability pay. The new benefit was going to make a real difference in the lives of these veterans, with awards ranging from a thousand dollars to tens of thousands of dollars. But the payments barely got out the door.

My staff sifted through a total of over 16,000 pages of documents produced separately by the Defense Finance and Accounting Service (DFAS) and Lockheed Martin. They interviewed veterans whose eligibility for VA Retro pay was denied or delayed. Their findings are shocking:

Delays in the implementation and execution of the VA Retro program were caused by government mismanagement and poor performance by Lockheed.

- The Department of Defense waited two years after enactment of the law to hold its first formal meeting on implementing the new benefit.
- It took a total of five and one-half years to review the claims of just 133,057 veterans who became eligible when Congress changed the law.

- Up to 8,763 disabled veterans died before their cases were reviewed for VA Retro eligibility.
- DFAS gave a no bid, Cost Plus contract to Lockheed. Lockheed's performance proved to be deficient, but DFAS was unable to assess penalties because the contract did not permit it.
- Unable to do more than exhort Lockheed to do better, DFAS cut back on its own Quality Control. Essentially, the Government let Lockheed monitor itself. DFAS suspended its own rigorous, independent verification of calculation made by Lockheed, and instead outsourced quality assurance to Lockheed.
- In doing this, DFAS effectively bypassed GAO regulations on statistical sampling in federal quality-control procedures.
- Lockheed applied a weaker standard to quality assurance than the standard mandated by GAO.

- DFAS also used federal workers to supplement Lockheed's workforce. This is highly unusual, since there is a prohibition on assigning federal workers to tasks that the Government has contracted out to a private company.
- While these measures had the effect of clearing the backlog of cases waiting for review, it did so at the expense of accuracy:
- Up to 60,051 payments to veterans were issued after a suspension of quality control measures went into effect on March 1, 2008.
- At least 28,283 veterans were denied retroactive pay based on determinations made wholly without quality assurance review.
- Those denials were made by Lockheed technicians who received all of six weeks training.

This Subcommittee doesn't know how many denials and payments were made in error. But we know that DFAS hasn't a clue either, because DFAS failed to do due diligence. In suspending its own

quality control measures, DFAS shifted the burden of error detection onto disabled veterans. DFAS and Lockheed have told disabled veterans that they are on their own to figure it out themselves and fight with a bureaucracy if they disagree with what Lockheed and their Government has told them.

These findings are why this hearing is really about something bigger than the execution of a specific program called VA Retro: Do we care enough about our veterans to get it right the first time?

Do we care enough to verify the accuracy of the payments we send to them?

Do we care enough to check the work of a Lockheed technician who, with six weeks' training, has made a decision that a disabled war veteran is NOT eligible for retroactive pay?

Our investigation has unfortunately found that Lockheed and DFAS did not care enough in this case to do that. Their policies and practices in the VA Retro are an intolerable insult to veterans. The management of the VA Retro project and the performance of Lockheed have been disgraceful.

I hope that today's hearing can help to change that, give peace of mind to tens of thousands of retired veterans with disabilities, focus the minds of management at the Defense Finance and Accounting Service, and remind Lockheed "who they're working for."