STATEMENT OF

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MANDATORY SPENDING PROGRAMS

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INTRODUCTION

Mr. Chairman and Members of the Committee, I am pleased to address the Office of Inspector General's (OIG's) efforts to identify and eliminate waste, fraud, and abuse in mandatory programs administered by the Department of Veterans Affairs (VA). We provide oversight that addresses mission-critical activities and programs in health care delivery, benefits processing, financial management systems, procurement practices, and information management. Our work is accomplished consistent with our strategic goals and aligned with the strategic goals of the Department.

I will present my observations, identify current efforts that are helping to raise fraud awareness in VA, and summarize some of our most significant work. I will also highlight management areas where I believe improvement can be made to reduce waste, prevent fraud, and improve administration of VA programs.

To provide continuing oversight of VA's operation, I established a Combined Assessment Program, (CAP), as part of my office's effort to ensure that high quality health care and timely benefits are provided to our Nation's veterans. CAP reviews

combine the knowledge and skills of the OIG Offices of Audit, Investigations, and Healthcare Inspections to provide collaborative assessments of VA medical facilities and regional offices on a cyclic basis. The CAP assessments provide management independent and objective evaluations of key facility programs, activities, and controls.

During CAPs, we conduct fraud and integrity awareness briefings to raise employee awareness of fraudulent activities that can occur in VA programs. CAPs continue to identify investigative leads, systemic weaknesses, and vulnerabilities in program areas and conditions that require management attention.

In March 1999, we issued our first CAP assessment and since that time we have completed almost 100 CAP reviews at VA healthcare systems, medical centers, and regional office facilities.

We also provide oversight by performing national program audits, preaward and postaward contract reviews, hotline reviews, healthcare inspections, and investigations. The results help identify where the Department needs to address major program challenges and improve the economy and effectiveness of its operations.

From fiscal year (FY) 1998 through March 31, 2003 we issued 872 reports, processed 2,008 hotline cases, and performed 7,073 investigations. We have made recommendations having the potential to save the Department approximately $1.5 billion by preventing waste, fraud, and other abuses in mandatory programs. My staff has detected major frauds impacting the delivery of benefits to veterans and their beneficiaries and investigated criminal activities perpetrated by employees and others that resulted in significant losses.

I will highlight the most significant of this work and address management areas where I believe further improvement is needed.

BENEFITS PROCESSING

I am pleased to note the success of the Department's ongoing efforts to reduce the pending claims backlog that once peaked at about 601,000. Today, the backlog of rating cases pending has been reduced to about 283,000. Over the last 5 years, we have made recommendations to VBA addressing many potential improvements and identified potential monetary savings in excess of $1.5 billion. In addition, investigations have led to the assessments of fines, restitution payments, and other recoveries through civil judgments totaling about $150 million.

Overall, I appreciate the responsiveness the Secretary and Under Secretary have shown to ensure the Department addresses OIG concerns. However, while VBA is making

progress, there are still many opportunities for improvement to ensure the timely delivery of benefits and services to veterans.

OIG audits and investigations continue to find that improper benefit payments are a significant problem in the Department. Improper payments have been attributed to poor oversight, monitoring, and inadequate internal controls. Improper payments have also occurred because of payments to ineligible veteran beneficiaries, fraud, and other abuses. I believe the risk of improper payments is high considering the significant volume of transactions processed through VA systems, the complex criteria often used to compute veterans' benefits payments, and the numerous instances of improper and erroneous payments previously identified.

As a result of our work, I have seen improvement in the Department's efforts to ensure benefits are terminated or reduced upon incarceration of veterans.

Incarcerated Veterans

In July 1986, our office reported that veterans who were imprisoned in state and Federal penitentiaries were improperly receiving disability compensation benefits or needs based pension. This occurred because controls were not adequate to ensure benefits were terminated or reduced upon incarceration, as required by Public Law 96-385. As a result of our audit, Department managers agreed to implement certain measures to identify incarcerated veterans and reduce or terminate benefits as appropriate.

We conducted a follow-up evaluation in 1999 to determine if disability benefit payments to incarcerated veterans were appropriately adjusted, and other procedures agreed to in 1986 had been implemented. We found that Department officials had not implemented the agreed to control procedures and improper payments to prisoners had continued.

During the follow-up evaluation, we reviewed a sample of veterans incarcerated in state and Federal prisons and found that 72 percent of the cases were not adjusted as required. Based upon the number of beneficiaries that were incarcerated, we estimated that nationwide, about 13,700 incarcerated veterans had been, or would be overpaid by about $100 million. Additionally, overpayments to newly incarcerated veterans totaling about $70 million would occur over the next 4 years, if VBA did not establish appropriate controls.

Subsequently, VBA initiated positive actions to enter into agreements with the Federal Bureau of Prisons to identify claimants in Federal prisons and with the Social Security Administration (SSA) that allows VBA to use the State Verification and Exchange System to identify claimants incarcerated in state and local facilities. As a result of their actions, the Department is in a much better position today to reduce erroneous payments paid to incarcerated veterans and realize the projected savings.

I would also appreciate the opportunity to address our current work and provide some examples of where our work has identified large numbers and amounts of improper payments and to address where we have identified fraud in the administration of VA benefit programs.

Fugitive Felon Program

In compliance with a recent law, I have established a fugitive felon program to identify VA benefits recipients and VA employees who are fugitives from justice. The program consists of conducting computerized matches between fugitive felon files of law enforcement organizations and VA benefit and personnel records. Once a veteran or employee is identified as a fugitive, information on the individual is provided to the law enforcement organization responsible for serving the warrant to assist in apprehension. Fugitive information is then provided to VA so that benefits may be suspended and to initiate recovery action for any overpayments. Based on our pilot study and matches conducted to date, I anticipate that between 1 and 2 percent of all fugitive felony warrants submitted will involve VA beneficiaries. Savings related to the identification of improper and erroneous payments are projected to exceed $209 million.

To date, a Memorandum of Understanding has been completed with the U.S. Marshals Service, the States of California and New York, and most recently, the National Crime Information Center. While we are still in the initial phases of setting up the program, our data matching efforts have identified more than 11,000 matches of potential fugitive beneficiaries and employees. Details of recent investigations of such fugitives follow.

- My agents along with state investigators arrested a fugitive beneficiary wanted on a parole violation warrant for aggravated kidnapping. Photographs were circulated and a briefing was given to the VA Regional Office (VARO) on the fugitive status of the veteran. We provided intelligence and assisted in field operations that resulted in terminating the fugitive's VA benefit. Several months later, the fugitive attempted to enter the VARO to inquire about the status of his benefits checks, however he was turned away by security due to the fact that he had a knife on his person. A member of the VARO recognized the fugitive from the pictures we had provided and immediately alerted my staff. OIG Agents were able to take the fugitive into custody and subsequently turned him over to the state investigative agents.

- In another case, a fugitive sought by the FBI was arrested at his residence based on a Federal arrest warrant issued for Unlawful Flight to Avoid Prosecution. The veteran was wanted on a state warrant for manslaughter, assault, and reckless driving and had fled to avoid prosecution of the state case. Allegedly, the veteran killed a ten-year-old girl and injured her aunt because of his reckless driving. The

Seattle VA Regional Office had previously suspended the veteran's benefits under the provisions of the fugitive felon project.

- In yet another instance, following due process, VA benefit payments going to a veteran wanted for armed robbery of a bank in Red Wing, MN, were suspended and later terminated. This action resulted in a $44,448 cost savings. In addition, during February 2003, the bank to which the veteran's funds were deposited was requested to return any available funds effective from the date the veteran became a fugitive felon. Accordingly, the veteran's bank sent VA a check for $8,975.90, the total amount of funds available in his account.

This program contributes to Homeland Security by apprehending fugitive felons, including some who are wanted for violent offenses in their communities.

Death Match Project

In addition to the fugitive felon program, we are also conducting an ongoing proactive death match project. The OIG Death Match initiative is a continuous program that involves quarterly matching of the VA Compensation and Pension database with the SSA's records of death file. The purpose is to identify veterans who died, where VA is still erroneously paying benefits. Since we began this proactive initiative in FY 2000, our data matching efforts have identified 8,754 possible cases. To date, we have closed 3,180 cases because the veteran was still alive or VA previously took corrective action. Of the 463 investigations completed to date, 76 individuals were arrested and $15.3 million is in the process of being recovered. Based on the results of the completed investigations, we project the remaining 5,111 cases may produce 855 arrests and $172 million in monetary benefits.

Philippines Benefit Review

During 2002, the OIG and VA Regional Office Manila staff worked together on an international review to identify and eliminate erroneous benefit payments to payees supposedly residing in the Philippines. Over 1,100 interviews were conducted, approximately 2,600 files were reviewed, 9 criminal cases were initiated and 1 search warrant was obtained and executed. As of May 2002, awards of 594 beneficiaries were identified for suspension or termination. The overpayments for these 594 beneficiaries totaled approximately $2.5 million with a projected 5-year cost avoidance of over $21 million. Criminal investigations initiated during the Philippines review were turned over to the Philippines National Police. We also referred 94 beneficiaries to the VARO for review regarding a possible increase in benefits; appointment of a fiduciary; change of address; Prisoner of War Medal status; and various other benefits changes. From this review effort, several criminal investigations have been developed that will continue to be pursued during the next fiscal year. VA officials from the Manila Regional Office and

VA's Financial Systems Quality Assurance Service were instrumental to the success of this review.

We are now looking at other areas outside the continental United States where large numbers of veterans or their dependents receive benefits. Presently, over 78,000 payees, outside the continental United States, receive approximately $49 million a month in benefit payments. For example, benefit payments of approximately $2.9 million are paid to approximately 5,100 veterans and their beneficiaries in Germany on a monthly basis. In addition, benefits valued at approximately $28 million are paid monthly to about 42,000 payees in Puerto Rico.

VA Regional Office Fraud Cases

Atlanta VA Regional Office

An OIG investigation uncovered $11.2 million that had been fraudulently paid to a 30-year VA employee and her 11 co-conspirators representing the largest known embezzlement by a VA employee. Based on a phone call from an alert Naval Federal Credit Union employee, the OIG team's investigation determined that an employee of VA's Atlanta Regional Office devised a scheme whereby she used her position of trust and the VA computer system to resurrect the claims files of deceased veterans who had no known dependents. Once the files were reestablished, the employee generated large retroactive benefit payments and, in some cases, recurring monthly payments, to her co-conspirators. After the payments were deposited in private bank accounts, the co-conspirators shared the proceeds with the VA employee by giving her what amounted to approximately one-third of the money they had received.

The scheme started in July 1996, when the employee channeled funds to a retired career VA employee and a former VA employee. Between 1996 and August 2001, the trio stole over $6 million. As a result, the OIG team and the U.S. Attorney's Office decided to review all claims files touched by these individuals. We discovered a second conspiracy that showed the same VA employee, starting in 1993, embezzled approximately $5 million while working with close friends and eight co-conspirators. This scheme was devised whereby large lump sum payments and recurring monthly benefit payments were made to these individuals. Like the 1996 scheme, the VA employee received a share of the benefits when the checks were cashed. Over 100 bank accounts were analyzed to determine the disposition of the stolen money. The investigation generated 73 seizure warrants and 30 forfeiture recoveries.

The 12 co-conspirators pled guilty to various charges including theft of Government funds, conspiracy, and conspiracy to commit money laundering. The VA employee's guilty plea came after being indicted on 1,000 counts from the two conspiracies. In addition to defrauding VA, three of the co-conspirators also pled guilty to defrauding the

SSA. The 12 defendants were sentenced to a total of 37.5 years' imprisonment, 35 years' probation, and judicially ordered to make restitution totaling over $34 million.

Property with an appraised value of almost $2.8 million was seized or forfeited. This included houses, airplanes, and such oddities as a mini-submarine. In addition, numerous bank accounts, insurance policies, cash, jewelry, valuable collections (including a $40,000 Barbie doll collection), antiques, cars, boats, and motor homes were recovered from the individuals involved.

Houston VA Regional Office

We also investigated a matter involving a Houston VA Regional Office employee who was found to have created a false veteran payee within VA data systems and, with the assistance of another VA employee, caused benefit payments to be disbursed to an address they controlled. In total, during a 3-year period, they stole over $229,700 from VA. Both employees were prosecuted and received prison sentences, 3 years' probation and were directed to make restitution totaling $459,572.

Nashville VA Regional Office

In another instance, a VA Regional Office employee, assigned to the Nashville Regional Office as a veteran services representative, was prosecuted because of a scheme he devised wherein he obtained the medical information of another veteran from VA's computerized Automated Medical Information Exchange. He then altered the patient information to show it was referring to his medical condition, and forwarded the fraudulent documents to the VA Regional Office in Cleveland for inclusion in his own claims folder.

This action caused the VARO managing his records to re-evaluate the claim and upgrade his rating to a 100 percent disability. During the investigation, it was also determined that compensation granted the employee in 1988, based on his claim for suffering a gunshot wound, was based on fictitious information. The employee later resigned and prior to his prosecution, made restitution to VA amounting to $42,976. After pleading guilty to a Criminal Information charging him with aiding and abetting and wire fraud, the employee was sentenced to 6 months' monitored home confinement and 24 months' probation.

In another Nashville case, a veteran was prosecuted on charges of wire fraud relating to falsified records submitted to VA. The records included his DD Form 214, Certificate of Release or Discharge from Active Duty. The veteran essentially misrepresented himself to VA as a wounded prisoner of war. He further fabricated his military service by claiming to have received the Distinguished Service Cross, and Silver Star; and, a battlefield commission. During a major news network interview, the veteran claimed to

be a surviving member of an Army group and claimed he was ordered to fire on Korean civilians at No Gun Ri during the Korean War.

Investigators proved he was not present and his account, therefore, was false. The veteran's false claims enabled him to wrongfully receive the Purple Heart and collect disability compensation and medical care benefits from VA for 16 years. The veteran was sentenced to 21 months' imprisonment, 36 months' supervised release and ordered to pay restitution to VA totaling $412,839.

In other benefit fraud cases, two VBA claims examination employees, at separate VBA Regional Offices, each embezzled over $600,000 in unrelated schemes.

New York VA Regional Office

In the first instance, a man was arrested in New Jersey on drug possession charges in April 1998. The arresting officers found a fictitious identification card on his person and records relating to a savings account in the name shown on the identification card. Our joint investigation led to the discovery that fraudulent VA disability compensation benefits were paid into the savings account monthly since August 1986. At the time the fraud was discovered, the payments were made at the rate of $5,011 monthly, the maximum VA compensation rate at that time.

The arrested man turned out to be a former VA employee who had worked as a disability rating specialist at VA's New York Regional Office from January 1986 to May 1987. The former employee was ultimately convicted of having fraudulently received VA compensation benefits to which he was not entitled. The scheme was perpetrated using another person's Social Security Number (SSN). The name and date of birth used were not those of the person whose SSN was used. The monthly fraudulent payments continued to be processed for 12 years, totaling over $620,000.

St. Petersburg VA Regional Office

In this case, a supervisor at VA Regional Office St. Petersburg, FL, stole $615,451 by creating a fraudulent disability compensation award in the name of her fiancé, a veteran who had served in the Persian Gulf War. The fraud began in March 1997 and continued until the employee's arrest in January 1999. The perpetrator used VBA's computer system on 10 occasions between March and October 1997, to retroactively increase the fraudulent payments she was sending to their bank account. These actions generated a series of one-time payments totaling about $520,000, and incrementally increased the recurring benefit payments to $5,011 monthly. At the time of her arrest, the perpetrator was a Veterans Service Center Section Chief, a mid-level managerial position.

After learning of these thefts, the Under Secretary for Benefits requested that my office review internal controls in the compensation and pension (C&P) program to determine what vulnerabilities existed that might have facilitated these crimes. I provided a vulnerability assessment, reporting on 18 observed vulnerabilities in six general internal control categories. We also began our CAP review initiative to assess the scope and breadth of current vulnerabilities at VA's regional offices.

Department-Wide Review of Large One-Time Payments

In order to ensure the integrity of the benefits delivery system, the Secretary of Veterans Affairs requested the OIG conduct a department-wide review of large C&P one-time payments. We began a project examining all one-time payments of $25,000 or more made by the VBA, as well as a review of active awards that were considered vulnerable to fraud. One additional case of employee fraud was found in our review of 58,129 one-time payments. The OIG team was able to conclude that payments were valid for 99.8 percent of the cases reviewed, with the balance of cases being associated with the Atlanta Regional Office matter.

Although the benefits delivery system and claims processing in general were free of any similar one-time pay fraud situations, we did find unacceptably high rates of non-compliance with internal control requirements related to the processing of one-time payment claims. As a result, VBA began requiring that regional office management review all large one-time payments to ensure that they were appropriate and that required reviews were performed. In addition, we recommended that security deficiencies discovered in the claims processing system be corrected, and that regional office managers certify annually that their claims processing security is in compliance with required controls.

Income Verification Match

One of most significant and successful data matching initiatives was our November 2000 audit of VBA's Income Verification Match. We identified opportunities for VBA to:

- Significantly increase the efficiency, effectiveness, and amount of potential overpayments that are recovered.

- Better ensure program integrity and identification of program fraud.

- Improve delivery of services to beneficiaries.

We found that VA's beneficiary income verification process with the Internal Revenue Service resulted in a large number of unresolved cases. We estimated the monetary impact of these potentially erroneous payments totaled $806 million. Of this amount, we

estimated potential overpayments of $773 million were associated with benefit claims that contained fraud indicators such as fictitious Social Security numbers or other inaccurate key data elements. The remaining $33 million was related to inappropriate waiver decisions, failure to establish accounts receivable, and other process inefficiencies. We also estimated that $300 million in beneficiary overpayments involving potential fraud had not been referred to the OIG for investigation. While VA addressed most of the recommendations in our report, the recommendation to complete necessary data validation of beneficiary identifier information contained in Compensation and Pension master records to reduce the number of unmatched records with the SSA remains unimplemented.

While the Department did not agree with our monetary impact, they did agree to report the Income Verification Match program as an internal high priority weakness. We did not accept the Department's rationale for reducing the monetary impact, since our estimate was based on a statistical sampling methodology that reflected a conservative estimate of the dollar impact of overpayments that have occurred.

Worker' Compensation Benefits

We also audited VA's Federal Employee Compensation Act program in July 1998 and concluded the program was not effectively managed and that by returning current claimants to work who are no longer disabled, VA could reduce future payments by $247 million. The audit found that the lack of effective case management practices placed the Department at risk for program abuse, fraud, and unnecessary costs.

In April 1999, in response to requests for assistance by the Department, we provided the Department with a handbook for VA Facility Workers Compensation Program Case Management and Fraud Detection. As a result, Office of Workers Compensation Program costs had decreased by 1.6 percent to about $130 million by the end of FY 1999. However, since that time costs have increased to approximately $151 million in 2002. We are currently performing a follow-up audit to our 1998 audit. Our preliminary results indicate VA continues to be at risk for program abuse, fraud, and unnecessary costs because prior OIG program recommendations have not been fully implemented.

FINANCIAL MANAGEMENT SYSTEMS

Over the last 5 years, OIG has made recommendations addressing improvements needed in Financial Management activities and identified the potential for monetary savings totaling about $600 million. Since FY 1999, VA has achieved unqualified Consolidated Financial Statement (CFS) audit opinions. However, continuing material weaknesses, such as information technology security controls and noncompliance with Federal financial management system requirements have been identified. Corrective action

needed to address noncompliance with financial system requirements is expected to take several years to complete.

The material weakness concerning the Department's financial management systems underscores the importance of acquiring and implementing a replacement integrated core financial management system. Achieving the success of an unqualified CFS opinion currently requires a number of manual compilations and extraneous processes that the financial management system should perform. These processes require extraordinary administrative efforts by the program, financial management, and audit staffs. As a result, the risk of materially misstating financial information is high. Efforts are needed to ensure adequate accountability, and reliable, useful, and timely information needs to be available to help Department officials make well-informed decisions and judgments.

I will now highlight some additional concerns focusing on debt management activities in the Department.

Debt Management Issues

As of December 2002, debts owed to VA totaled over $3 billion, of which active vendee loans comprise about 52 percent. Debts owed to VA result from the payment of home loan guaranties; direct home loans; life insurance loans; medical care cost fund receivables; and compensation, pension, and educational benefits overpayments. Over the last 4 years, my office has issued reports addressing many facets of the Department's debt management activities. We reported that the Department should: (i) be more aggressive in collecting debts; (ii) improve debt avoidance practices; (iii) streamline and enhance credit management and debt establishment procedures; and (iv) improve the quality and uniformity of debt waiver decisions. While VA has addressed many of the concerns we reported over the last few years, our most recent audits continue to identify areas where debt management activities could be improved and OIG report recommendations have not been adequately addressed.

Medical Care Collection Fund

During FY 2002, we conducted an audit of VA's Medical Care Collection Fund (MCCF) activities that resulted in identifying opportunities to maximize the recovery of funds due VA for the provision of health care services. We reported there were potential opportunities for VA to enhance its collection efforts. Recovered funds are used to supplement the Department medical care budget and from FYs 1997 through 2001 MCCF collections have total $3 billion.

As of September 2001, VA reported a $1 billion backlog of unbilled care. We estimated that eliminating this backlog could result in additional collections of about $368 million.

Our audits continue to identify additional opportunities for improvements that can ensure the accuracy of medical record documentation and coding and more aggressively pursue accounts receivable collections. We also reported that insurance companies were not always billed in patient discharges sampled because the attending physician's participation was not documented in the patient medical record. Missed billing opportunities were estimated to total $13.1 million nationwide. Improvements can result in additional collections of about $4.6 million, based on projections that 35 percent of these billings are paid.

In our MCCF audit, we also noted that VA's average number of days to bill for these services took about 95 days. Private sector hospitals generally bill within 10 days of care. VA continues to be at risk of losing revenues by under-billing and not ensuring more timely billing efforts for services.

Our 2002 Healthcare Inspections review found incorrect Current Procedural Terminology codes in 50 percent of the outpatient records sampled. Thus, we are continuing to evaluate the accuracy of medical record documentation and coding during our CAP reviews with emphasis on reviewing the quality of documentation and aspects of residency supervision to ensure the proper coding of services performed.

I strongly support follow-up of unpaid bills and appeal of denied insurance claims to increase future collection results in the Department. We have recommended that the Department continue to aggressively pursue improvements in these activities. Promoting results oriented accountability over the MCCF program will improve debt management in the Department.

ADDITIONAL BENEFITS OF COMPUTER MATCHING EFFORTS CAN BE ACHIEVED WITH LEGISLATIVE REFORM

Data sharing has been an important and successful tool for identifying improper payments, as well as fraud, waste and abuse. Verifying that the right person is getting the right benefit at the right time is a priority management objective. Computer data matching gives us the ability to verify program participant information and thereby detect improper payments sooner or perhaps even prevent them before they start. We find computer-matching initiatives cost-effective because this type of work saves a significant amount of labor.

Unfortunately, under current regulations, we are not realizing the timesaving features that computers offer. There is a huge untapped potential for saving the Federal government a significant amount of erroneous and improper payments in a timely manner through data matching. However, current regulations are overly cumbersome and time-consuming.

Currently, under the Privacy Act, an initial computer matching agreement between two agencies may remain in effect for 18 months. Extensions must be negotiated for an additional 12 months. After this 12-month extension, agencies must then renegotiate a whole new agreement. Renegotiations are time-consuming and unnecessarily increase workload demands on the agency. Furthermore, renegotiations do not always add any additional value to data sharing between agencies. For example, VA matches with the Social Security Administration wage data is an integral part of our efforts to review veterans eligibility for pension benefits. This match should be accomplished annually.

There are other restrictions that keep us from realizing the full benefits of computer matching to identify fraud, waste, and abuse. For example, the cumbersome and time-consuming process under the Computer Matching and Privacy Protection Act of 1988 (P. L. 100-503), does not apply when matching records from the Department's system of records. However, P.L. 100-503 prevents the matching of Federal personnel records when there is the possibility that the match results will subject the Federal employee to adverse financial, personnel, disciplinary or other adverse actions. In other words, the law prevents us from timely stopping Federal employees from defrauding the Federal government.

Here are some changes I believe would be beneficial:

- Lengthen the time periods that computer-matching agreements can remain in effect.

- Amend the Computer Matching and Privacy Protection Act of 1988's exclusionary clause to include Federal personnel records when making internal matches using only records from the Department's system of records.

- Develop a process to streamline the development and implementation of a computer matching program. Actions can include consolidating notice requirements and reevaluating the need to submit approved matches to Congress as well as OMB. Currently, we must provide record subjects with prior notice by direct notice, constructive notice, and a periodic notice.

OTHER LEGISLATIVE REFORM OPPORTUNITIES

Acquiring routine access to Social Security wage and employment data is also critical to ensuring effective oversight and administration of VA benefits such as eligibility for monthly compensation and pension payments, verification of income for home loan guarantees, eligibility for medical care (without co-payment) and matching efforts to VA's payroll files for protection against employee fraud. We need to initiate actions that will improve VA's ability to review applicants' eligibility for benefits and enhance our efforts to detect and prevent fraud.

For example, gaining timely access to Social Security wage data would be indispensable to efficient oversight of the Workers' Compensation program. Investigation of workers compensation cases is very timely and resource intensive, frequently requiring lengthy surveillance to develop a fraud case. Access to the employment and earnings information held by IRS would also improve the effectiveness of our audits and investigations and ultimately free up audit and investigative resources for other high priority matters.

Many overpayments are caused by the inability of VA Regional Offices to act on information provided by VA employees or other Government entities. All entities other than the beneficiary or fiduciary are considered third party for purposes of verified information. As a result, while it is important to protect the interests of beneficiaries, the designation of benefit delivering Government entities as third parties creates backlogs in VA's claims processing activities and benefit overpayments. VA policy should be revised to include all VA entities in the definition of first party. This would expedite the due process notification requirement; and reduce overpayments and other unnecessary claims processing work.

This completes my written testimony on waste, fraud, and abuse in mandatory programs of the Department of Veterans Affairs. I would be pleased to provide information on other activities and findings and to answer any questions the committee may have.