

AN EXAMINATION OF THE VA OFFICE OF INSPECTOR GENERAL'S FINAL REPORT ON THE INAPPROPRIATE USE OF POSITION AND THE MISUSE OF THE RELOCATION PROGRAM AND INCENTIVES

HEARING

BEFORE THE

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

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Mr. Antione Waller, Director, Baltimore Regional Office, VBA, U.S. Department of Veteran Affairs	

AN EXAMINATION OF THE VA OFFICE OF INSPECTOR GENERAL'S FINAL REPORT ON THE INAPPROPRIATE USE OF POSITION AND THE MISUSE OF THE RELOCATION PROGRAM AND INCENTIVES

Wednesday, October 21, 2015

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS' AFFAIRS
Washington, D.C.

The committee met, pursuant to other business, at 10:30 a.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller [chairman of the committee] presiding.

OPENING STATEMENT OF CHAIRMAN JEFF MILLER

Present: Representatives Miller, Lamborn, Bilirakis, Roe, Benishek, Huelskamp, Coffman, Wenstrup, Walorski, Abraham, Zeldin, Costello, Radewagen, Bost, Brown, Takano, Brownley, Titus, Ruiz, Kuster, O'Rourke, Rice, McNerney, and Walz.

The CHAIRMAN. I first want to recognize a guest in the audience. We have the National Commander Dale Barnett from Georgia with us today.

Commander, thank you for your attendance and thank you for your service. We thank you all for what The American Legion does. And, Commander, thank you for your service and thank you for being here with us today.

I think it is important for members to have an opportunity to listen to the IG and what they found in their report as well as the recommendations that they have made to the secretary.

This report lays out pretty clearly the intent of two senior executives, Ms. Rubens and Ms. Graves, to move to Philadelphia and St. Paul respectively, and that they appear to have used their own positions of authority and their own relationships with the former under secretary to their advantage.

Also according to the report, two subordinates, Mr. Waller and Mr. McKenrick, were then forced to move to positions they did not desire leaving their positions open for their superiors.

The report concluded that not only did Ms. Rubens and Ms. Graves use their positions to inappropriately make these RO director positions available, they also manipulated the relocation system to spend hundreds of thousands of dollars to move to their respective locations.

I want to make it clear that based on our reading of VA's policy prior to this IG report that the relocation program was available

for all SES employees within the department, which by the way I believe is an abuse of taxpayer dollars. Regardless, I understand that since Ms. Rubens and Ms. Graves are both SES employees they are both eligible to receive this program under that policy.

The report, however, makes it very clear that the IG believes they orchestrated the whole transfer for their own personal and financial gain. Last April we first discussed VA's relocation program, specifically Ms. Rubens' move, a move in which she received more than \$288,000 in relocation expenses, and we requested the IG to look into allegations concerning financial benefits and preferences that may have been given.

Until the IG report came out in September the department strongly supported Ms. Rubens' move and her role in her official capacity in Philadelphia. It was not until the report came out that VA decided to backpedal on this and concur with all of the IG's recommendations. As I said before, this report is damning and it deserves to be examined by this committee.

We cannot the request the IG to do an investigation, a thorough one at that, and then once they are done refuse to do anything about it while we await actions on the department's behalf. That is why we are here this morning. This is our role as an oversight committee. We are not here to hold VA's hand and bend to their every request. That has happened far too often in the past under both parties and has contributed to the current situation that we are in. We are here to look at the facts before us and to fairly ask the right questions to ensure transparency between this committee, the department, and the American public.

Although our other witnesses are not here today, we will hear from the VA Office of the Inspector General and I hope all members will take this opportunity to learn more about what is in the final report and the recommendations that have been made to the Secretary.

The CHAIRMAN. Ms. Brown, do you have any comments before Ms. Halliday begins?

Ms. BROWN. Yes, sir.

The CHAIRMAN. Ms. Brown, you are recognized.

Ms. BROWN. Thank you, Mr. Chairman, for holding this hearing. This morning we will be considering a report issued by the VA Inspector General on September 28th, 2015 regarding the inappropriate use of the position and misuse of reallocation programs and incentives. I am very concerned about the allegations contained in this report. I also believe that VA employees deserve to have a process that is fair and enable them to process necessarily to reach a fair conclusion. I have urged the Secretary to take suitable action after the VA has considered all of the evidence.

The VA is still in the process of making a determination. I understand the sensitive nature of this decision and I want to stress again that I am not urging a certain action but rather that a suitable action be taken at the appropriate time. I know that all members of this committee realize the sensitive nature of this morning's hearing and the balance we are trying to take between the committee's important oversight duties and the VA's ongoing investigation of these matters.

I look forward to the discussion of the VA IG's report on this matter. We know that the vast majority of all Veterans Benefits Administration employees, many of them veterans themselves, work hard everyday to provide veterans with the benefits they have earned. This is why the allegations and conclusions of this IG report is so troubling. We need to work together to ensure all Veterans employees, from senior leaders to front line employees, know that they will be rewarded for working hard and that any abuse of a position or authority will simply not be tolerated.

So let us discuss the VA IG reports. We are also waiting the VA determination regarding the issue raised in this report and the results of the VA review of incentive and relocation processes. This is the area where the committee has a direct oversight interest in to make sure that relocation incentives are used properly.

Thank you, Mr. Chairman, and I yield back the balance of my time.

The CHAIRMAN. Thank you very much, Ms. Brown. Thank you again members for being here. With us this morning is Ms. Linda Halliday, Deputy Inspector General, if you would, Ms. Halliday, please come up, with the VA Office of the Inspector General. We have heard her testimony on other issues in the past. We appreciate you being here today. And you are recognized for five minutes for your opening statement. Thank you very much.

STATEMENT OF MS. LINDA HALLIDAY

Ms. HALLIDAY. Thank you. Mr. Chairman and members of the committee, thank you for the opportunity to discuss the results of the OIG's recently published report on the use of the relocation program and incentives within VBA. The report detailed results of our administrative investigation of allegations that VBA senior executives inappropriately used their position for personal and financial benefit and that VBA misused the VA relocation program for the benefit of its senior executive service workforce.

Our statements and comments will be limited in order to preclude any allegation that our testimony unduly influenced VA or the Department of Justice regarding potential administrative or criminal action.

I am accompanied by Mr. Nick Dahl, the Director of the OIG's Bedford Office of Audits and Evaluations; and Ms. Linda Fournier, Director of the OIG's Administrative Investigation Office.

In March this committee and the Senate Veterans' Affairs Committee requested we review allegations concerning the relocation of a VBA headquarters senior executive to the position of the Philadelphia VARO Director. The allegation included questions about the relocation package and the retention of salary, even though the VARO Director position had decreased responsibilities. We were also asked to conduct a broader review of VA's permanent change of station, or PCS, relocation expense program.

I would first like to share some background information. The federal travel regulation states that an employee transferring in the interest of government from one agency or duty station to another for permanent duty that is located at least 50 miles from their duty station is eligible for relocation expense allowance. Examples of the relocation expenses include transportation, shipment and storage of

household goods, real estate expenses. Employees can also be eligible for temporary quarters, subsistence expense, which would include temporary lodging, meals and tips, dry cleaning expenses.

Federal agencies can offer employees assistance through the appraised value offer program, known as AVO, which is designed to help employees sell their primary residence. The program operates as follows: while the employee's property is for sale two separate appraisals are conducted to estimate the value of the home. The average of the two appraisals serves as a backup offer for instances when the employee does not sell their home in a timely manner. If the home does not sell after being on the market 60 days the employee may accept the AVO. In these instances a contractor buys the property from the employee for the average appraised value. Each VA administration defines which employees are authorized to participate in the AVO. The then Under Secretary for Benefits told us that all VBA SES employees were offered AVO benefits when making a PCS move. If the employee accepts the AVO, VA pays a contractor a home sale acquisition fee. In fiscal year 2014 this fee was 27.5 percent of the AVO.

One last piece of background information pertains to VA's SES pay structure. In 2004 VA established a pay band structure for SES pay. In 2014 VA's SES salaries ranged from approximately \$120,000 to \$181,000. VA categorized their SES positions into three different pay bands based on the scope of responsibility for each position, with pay band one representing the highest level of complexity and pay band three representing the lowest.

The position of Deputy Under Secretary for Field Operations is a VA central office based SES pay band one position located in Washington, DC. The position is responsible for the oversight of four area offices and 56 VAROs within VBA. The Director of the Philadelphia and Wilmington VAROs is an SES pay band three position and involves significantly less responsibilities than the Deputy Under Secretary for Field Operations.

VA paid a total of about \$274,000 related to the move of the Deputy Under Secretary for Field Operations to move from the Washington, DC., area to the Philadelphia area. The payments included about \$33,000 paid to Ms. Rubens, who held that position, primarily to reimburse her for lodging, meals, tips, and dry cleaning expenses. Payments to other entities totaled approximately \$241,000 and included about \$212,000 to the home sale contractor, \$16,000 to the company that moved and stored Ms. Rubens' goods, and about \$13,000 in service fees that went to VA's Financial Service Center and the VA Technology Acquisition Center.

Ms. Rubens did retain her pay despite the decrease in job responsibilities. But according to the federal regulations, the SES rate of basic pay for a career senior executive may only be reduced if the senior executive has less than a fully successful annual summary rating or has failed to meet the performance requirements of a critical element. From fiscal year 2009 to the time of her reassignment the Deputy Under Secretary for Field Operations was rated better than fully successful on all performance appraisals. Therefore we concluded that all critical elements were met. Based on applicable federal regulations we determined VA could not reduce the annual

salary upon reassignment despite the decrease in the scope of responsibilities.

We also conducted a limited assessment of VBA's use of the PCS relocation program. We determined VBA's reassignments of seven general schedule GS-15 employees who were promoted to SES, and another 15 SES employees who were moved to different SES positions. We determined that VBA management used reassignments through the PCS program as a way to increase SES pay.

It is important to note from fiscal year 2010 to 2013 the U.S. Office of Personnel Management guidelines precluded all SES employees from receiving annual pay increases. Further, in 2012 the then VA Secretary determined no VBA executive would receive performance awards based on concerns over excessive backlog of veterans disability claims.

Twenty-one of 23 reassignments included salary increases. These VBA reassignments resulted in annual salary increases totaling about \$321,000, which averaged about \$15,300 per individual. We identified concerns with the salary increases because they did not seem to consistently reflect changes in the position's scope of responsibility.

We also found VBA paid seven employees relocation incentives when they moved to new positions. The seven relocation incentives totaled \$140,000. We determined that VBA did not properly justify these incentives. Five relocation expenses were not justified because job vacancies were not announced, or the positions were filled before candidates who applied were considered. The two other incentives were not timely justified as justifications were signed months after the job announcements were posted. The then Under Secretary for Benefits and the then VA Chief of Staff approved the VBA's relocation incentive justification and payments.

VBA paid relocation expenses for 20 of the 23 reassignments, which included AVO related expenses for 11 of the moves. Specifically VBA spent about \$1.3 million on relocation expenses for these moves. While these reassignments resulted in significant cost to VA, these expenses were allowable under the federal relocation program. VBA also spent a total of \$1.8 million for the 23 reassignments we reviewed. While we did not question the need to reassign some staff to manage a national network of VAROs, we concluded VBA inappropriately used VA's PCS relocation program for the benefit of its SES workforce.

In conclusion our findings demonstrate the need to strengthen controls and oversight in order to improve financial stewardship in the program and we are pleased to see the department is reviewing the evidence and taking this report seriously. But at this point I do not have specifics as to how they are going to implement the 12 recommendations. They did give me implementation dates that spanned October 31 through December 31 and I expect more detail at that time.

This concludes my statement and I will answer any questions.

[The prepared statement of Linda Halliday appears in the Appendix]

The CHAIRMAN. Thank you very much. All of my questions this morning for the IG are based on the evidence used to complete their report. Ms. Halliday, at the hearing on April 22nd Mr. Pum-

mel testified that the AVO program was necessary to fill the Philadelphia RO position because it was, quote, tough to fill. In your opinion was the AVO used in Ms. Rubens' case because it was tough to fill?

Ms. HALLIDAY. No. I believe that the Philadelphia VARO offered significant management challenges to whoever took over the leadership. But you have to advertise positions and there were candidates. I think our report says there were approximately 120, but do not quote me on the number.

The CHAIRMAN. At the April—did you find it?

Ms. HALLIDAY. No, I have the Philadelphia one.

The CHAIRMAN. That is all right. At the April 22nd hearing Ms. Rubens testified that the AVO program was, quote, part of a benefit program that VA offers to ensure transition in as quick and as smooth as possible to an office that needed leadership changes, end quote. Based on your investigation is this the reasoning that VA used the AVO program in Ms. Rubens' case? And if not, what was their reasoning?

Ms. HALLIDAY. I believe the reason went to Ms. Rubens saying that she would not execute the move without the AVO. Originally she agreed, she volunteered for the position and agreed to take it. And then a few days later she said she would not take the position without the AVO benefit. And that was pushed through and approved by I believe the VA Chief of Staff—

The CHAIRMAN. Should that document have been signed prior to accepting the position?

Ms. HALLIDAY. You would hope so.

The CHAIRMAN. In your opinion did Ms. Rubens and Ms. Graves use their positions of authority to move Mr. Waller and Mr. McKenrick for their own personal and financial gains?

Ms. HALLIDAY. We concluded that in our report.

The CHAIRMAN. Were Mr. Waller and Mr. McKenrick essentially forced to move to Baltimore and to Los Angeles respectively?

Ms. HALLIDAY. There are different facts that go into each move. We did, we interviewed those individuals. We believe we got sufficient information, feedback from them, that they felt that they were pushed to take those moves.

The CHAIRMAN. Did Ms. Rubens indicate to the IG that Mr. McKenrick reached out to her to volunteer his name for the Los Angeles position?

Ms. HALLIDAY. I believe Ms. Rubens said that her and Mr. McKenrick spoke and he mentioned he had interest in the LA position. But this was right on the heels of being part of the review panel tasked to fill the vacancy. And when we spoke with Mr. McKenrick he flat out said he did not want to go to Los Angeles. He was given only a week to effect the move and that it put him further away from his children.

The CHAIRMAN. What were your conclusions about the role that the current Deputy Under Secretary for Field Operations, Ms. McCoy, played in moving Mr. Waller out of St. Paul so that Ms. Graves could take that position?

Ms. HALLIDAY. I think the actions were inappropriate.

The CHAIRMAN. According to the report you have made a criminal referral of evidence from this investigation to the U.S. Attorney

for the District of Columbia for possible criminal charges. Can you tell us what led you to take this action and what update you may have received from the District Attorney's Office if they will pursue the case?

Ms. HALLIDAY. What led us to making this referral was because it was a misuse of position that cost the federal government almost half a million dollars when you look at the two, both Ms. Rubens' and Ms. Graves', actions. That seemed to be sufficiently high enough, and to look like there was manipulation in the email information that we received that they pushed the two individuals out. I have no information as of this point from the referral for Department of Justice other than they are evaluating the evidence.

The CHAIRMAN. Ms. Brown.

Ms. BROWN. Thank you. The report tells us that the VA could pay as much as \$280,000 in relocation expenses to move Ms. Rubens from VA's central office in Washington, DC., to Philadelphia. Once all PCS claims are processed, why did it cost so much to move Ms. Rubens from Philadelphia, since it is so close? Can you give us a break down of the cost? Specifically, who received what and did you find anything improper about the amount of reimbursements? Basically, did Ms. Rubens make any money on the move?

Ms. HALLIDAY. Okay. For the amount of money that we identified, the \$274,000, Ms. Rubens only received approximately \$33,261. And she is paid for temporary lodging, her real estate expenses, travel costs en route, and miscellaneous expenses associated with the move. Our general consensus is that the majority of those expenses were allowable under the federal travel regulations and there really was not a problem with the reimbursement. We did find two expenses, one for alcohol and one lacking receipts. I considered them somewhat de minimis but they are unallowable. And you know, you have to justify that. Federal travel regulations are what they are.

The next big amount that everyone should be aware of is there was an amount paid to Brookfield and it is for the 2014 home sale fee. And that is the 27.5 percent of the average appraised value of the \$770,000 for her house. That does not go to Ms. Rubens, that goes to a contractor that is under a GSA contract, not a VA contract.

Ms. BROWN. On that point, on that very point, that is my concern. Because General Service, as I mentioned before and I mentioned it to you when you were here before, this is a government wide program. All of the agencies operate under this program. Now as of October 1, 2015, the VA will not longer offer this program to the VA employees. This raises the larger issue as to whether this program is being administered properly across the government, not just VA. I am concerned that the program as well, if it is not working for the VA, are they administering something wrong? Or is it a problem across the board?

You indicated you only could speak to VA. I am writing a letter to the GAO and asking them to give us an update as to how this program is working government wide. Because I think it is unfair if all of the other agencies are administering this program and it is working, and the VA employees are going to be left out. And we

are talking about top level. But this program is available for all VA in the program that are moving and this is allowed for them. How is this going to affect the VA employees?

Ms. HALLIDAY. First, I think your actions to ask GAO are very appropriate. I think you should look at this. There is a substantial amount of money in the AVO, the percentages paid for these home acquisitions. And depending on the competitive market that has rising prices versus dropping, sometimes it is a benefit, sometimes it is not.

As far as VA deciding not to participate in the AVO program, I believe that is their choice. They have a couple of choices, not to participate or to put appropriate levels of controls in place so the type of activities that we described in our report do not continue to happen. My understanding is that they are looking at other recruiting tools that might be more appropriate but I do not have information on that at this time. As I said earlier, I am expecting more detail from VA. I do not necessarily think that the AVO program is the only program that could be effective here. But at this time I think that it is important to have some recruiting tools to get the best of the best to the positions they need to be in.

Ms. BROWN. Thank you. I yield back.

The CHAIRMAN. Mr. Lamborn, you are recognized for five minutes.

Mr. LAMBORN. Thank you, Mr. Chairman. I appreciate your leadership and the ranking member's leadership and questions. We really need to get to the bottom of this and I think there have been some excellent questions so I will just build on what has already been asked. And thank you for the work that you did.

To follow on what Ranking Member Brown just asked you, it looks to me like there is some abuse going on. Was this unique to the VA or a subset within VA? Or is this potential out there for the entire government, and maybe there is abuse in other departments?

Ms. HALLIDAY. I would think the potential exists and that each department, it would be dependent upon whether they had adequate controls in place to process all of the requests and authorizations made under the program. As far as what percentage they may pay for a company to pick up the home sale, this is in the contract. GSA puts the terms of those contracts and all federal agencies rely on it.

Mr. LAMBORN. So at a minimum you would urge us to look at requiring the VA to rewrite its regulations in this area? And at a maximum take this to the rest of the government, maybe go to the OGR committee for instance?

Ms. HALLIDAY. I would think it should be looked at government wide. I would also say that I believe VA is rewriting it.

Mr. LAMBORN. Now that is the AVO program. Also I think it does not make sense that if someone volunteers for a lower position, that is a lower responsibility position, they keep the same high salary. Now this is not maybe going to happen everyday. But what would keep someone from sort of checking out and really kind of abdicating their responsibilities, taking a really low responsibility job? I mean, in this case it was \$15,000. Normally it would be the

lesser salary, but way, way less. I mean, is there, what kind of potential is there for abuse here?

Ms. HALLIDAY. I think there is a lot of potential. But it would not be abuse at this point, since that is allowable under OPM regulations. I definitely think it should be looked at. When you look at the private sector, your pay is commensurate with your responsibilities. I see no reason why it would change.

Mr. LAMBORN. And once again, is this unique to the VA? Or is it government wide?

Ms. HALLIDAY. No, government wide, sir.

Mr. LAMBORN. Okay. And do you have any evidence that other departments have seen this happen? Maybe that never hit the news?

Ms. HALLIDAY. I have no evidence to that. My scope of responsibility stays within the VA.

Mr. LAMBORN. Okay. And then a real specific question on the facts right in front of us that led to this whole hearing today. Let me see, where did I have it? Okay. In your report you found that in March, 2014 Ms. Rubens requested a market analysis of her DC., area home from the VA's AVO contractor, Brookfield. Did the evidence gathered give you any indication as to why she requested this analysis when she did?

Ms. HALLIDAY. I would have to take that for the record. I am not sure.

Mr. LAMBORN. Okay. If you could, please. And with that, Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Thank you. Mr. Takano, you are recognized for five minutes.

Mr. TAKANO. Thank you, Mr. Chairman. Following on Mr. Lamborn's questioning, your report states that according to Mr. Pummel, quote, the VA Chief of Staff at the time said that an SES employee's salary could be increased as long as the executive was moving to a different location, end quote, despite OPM guidelines preventing SES employees from annual pay increases and establishing a salary cap. Was the VA Chief of Staff correct? I understand that for many other transfers you examined, employee responsibility decreased, which was not reflected in their salaries. And it is essentially a similar question that Mr. Lamborn asked. So was the Chief of Staff's statement correct?

Ms. HALLIDAY. Partially.

Mr. TAKANO. Okay.

Ms. HALLIDAY. I think there was too broad of an interpretation applied here. I do not think, I think if they asked the Chief of Staff again can the salary increase if the responsibilities of the position drop substantially, the answer would be different.

Mr. TAKANO. Okay. I would like to know if under current OPM policy SES employees are allowed a pay increase when being transferred?

Ms. HALLIDAY. Yes, if they go to a different position.

Mr. TAKANO. They go to a different position and it is more responsibilities.

Ms. HALLIDAY. Yes.

Mr. TAKANO. All right. Well how can the VA ensure that when employees transfer into a position with less responsibility, their

new salary reflects that decreased responsibility? Is it through the rewrite of regulations? Or——

Ms. HALLIDAY. I believe that that has to be addressed with the Office of Personnel Management, who set up the guiding rules for pay setting for SES.

Mr. TAKANO. So that must be systemic. It has to be beyond just the VA. It has to be a systemic policy determined by the Office of Personnel Management. Well——

Ms. HALLIDAY. VA may have more executives that transfer because it is in such a large decentralized environment, and there are many openings across the nation, where maybe some other federal agencies are more headquarters based. So we have a lot of that in the VA.

Mr. TAKANO. The PCS and AVO programs were created for a reason, to help ensure that the federal government is able to get the right people into the right jobs and to fill vacancies, particularly in high level positions. I know that the VHA in particular has had a tough time filling vacancies. Do you know if VBA faces a similar problem as the VHA?

Ms. HALLIDAY. From my understanding, but I do not have empirical evidence, VBA does face the same problem in filling the vacancies across its 56 VAROs.

Mr. TAKANO. You already answered that there was not, in the particular example in Philadelphia, that there was not a shortage of candidates. You had 120 candidates. But I want to ask a more general, is there, might that be an exception? Are there, is there a shortage of suitable candidates for high level positions at VBA? Or you are not able to really answer that question?

Ms. HALLIDAY. I would not have the evidence on that. I looked at two positions, what was advertised for Los Angeles, what was advertised for Baltimore here.

Mr. TAKANO. Okay. My last question was does the VBA have trouble recruiting talent? And that is probably something——

Ms. HALLIDAY. That is something for the department to answer.

Mr. TAKANO. Okay, thank you. I yield back, Mr. Chairman.

The CHAIRMAN. Thank you very much. A quick question, was the Philadelphia RO position ever advertised?

Ms. HALLIDAY. Yes, it was. No, I am sorry. It was not. It was not. I am getting Baltimore and LA confused.

The CHAIRMAN. I appreciate it.

Ms. HALLIDAY. But Philadelphia was not.

The CHAIRMAN. So the position where Ms. Rubens went was not advertised. Thank you. Dr. Roe.

Dr. ROE. I thank the chairman. I am going to bring us down to, Ms. Halliday, thank you again for being here and providing this information for us. One of the things I think you see across the country is a loss in faith of government, and I think this is a poster child for it. You have a situation where we have our social security recipients are getting no increase this year at all. I am going to tell you about a couple of guys I know back home.

One is Bud Pate. He is a retired Baptist preacher, a Marine, lost his arm in Vietnam. Randy Kingston, both of these guys are friends of mine. Randy is a paraplegic, a young man, had not married, became a paraplegic after, in Vietnam during an explosion, a

battle. And this young woman married him, who knew him ahead of time, knew him when he was whole, but married him, has been faithful together all these years. And these veterans that we see out there are having to struggle to get their benefits of a few hundred dollars or a few thousand dollars a month. And then I see things where we are paying somebody \$33,000 to drive up the road 140 miles and live in a hotel for a few days until they can get a house. If you paid 55 cents a mile that is a \$77 trip, not a \$33,000 trip. And if you eat at the Four Seasons every night, I do not see how you can spend \$33,000. And that is not what average people do out there.

When average people like me, that go out and work for themselves for 30-something years, and I do less, next year I get paid less. That is what happens in the real world. And that is not what is happening here. And I go home and see these injured and disabled veterans. And then I come up here and hear where these senior officials, it seems like they have manipulated a system that they know how it works to, the VA has shifted people around. When we said, no, you cannot raise people's salaries during this particular time so we can sort all this out, but they figured out how to do it. And that sort of cynicism is really pervasive, I think, when you go home and try to explain.

And listening to your testimony, which has been extremely compelling to me, I just want to get that on the record. And I think we have a lost trust. And so I understand this program, two people come in and appraise your house. I looked up, while we are doing this, on the web. The average time is about 60 days on the market around here for a home. If I sell my home here, a private citizen does, they just got to wait until they sell their home. If it is 60 days or if it is 160 days. They have got to wait, just like you probably do if you sell your house here. So the way I understand it is this program they have got is you go out and get your house evaluated at \$800,000, or whatever it is, you pay this, basically this contractor, 27.5 percent, that is \$200,000-something that they got. They can discount that house \$100,000 and sell it quickly and make \$125,000 without blinking an eye. I mean, am I correct on that? Is that how they do it?

Ms. HALLIDAY. That could happen, yes.

Dr. ROE. We need to look at that because—

Ms. HALLIDAY. That is a GSA contract.

Dr. ROE. Yes. I think the one expense in this that I saw that looked pretty reasonable was the poor guy that sent his people down and moved all the furniture. I think that is a fairly reasonable \$16,000 to pack up a big home like that and move it, I think was reasonable. These other things look to me, many of them, look to be over the top. And I simply say that because of the people that I go back home and see every single week when I go home. And veterans that cannot get in to the Phoenix VA right now or get the care they need, and they see this. I think this is very telling to me.

Anything else in the report that we have not talked about? I think we have pretty well seen what it is, is it looks like that this position was a position that Ms. Rubens wanted to go to and essentially worked her way around in the system, knew how the system worked, and was able to obtain that system. Am I correct in that?

Ms. HALLIDAY. That is our general conclusion.

Dr. ROE. Is the conclusion. That is what I thought. Mr. Chairman, I yield back.

Ms. HALLIDAY. Thank you, doctor. Ms. Brownley, you are recognized for five minutes.

Ms. BROWNLEY. Thank you, Mr. Chairman. And thank you, Ms. Halliday, for your report this morning. According to table seven on page 30 of your report, the incoming Los Angeles Regional Office Director received a relocation incentive of \$20,000. As I understand it, relocation incentives are only supposed to be paid in cases where qualified applicants cannot be found or the position is hard to fill. However, and your report states that 168 applicants, five of whom were considered best qualified, had applied for the Los Angeles position. So according to the VBA policy should a relocation incentive have been offered in this case?

Ms. HALLIDAY. Since there was not a final conclusion to whether those five individuals that were considered best qualified could actually fit there, I would have to say, agree with you that that relocation should not have been paid.

Ms. BROWNLEY. Thank you. And then one other question is when an SES employee is offered a reassignment, what are their rights to refuse that reassignment? And what is the process to discuss the reassignment with the VBA leadership?

Ms. HALLIDAY. Generally the position should be advertised. The individual should apply and be considered in the pool of competitive candidates. There are occasions when there is a discussion that someone would like to go to another spot and knows that it is open. I think at that point you can have a discussion, you can identify your interests. But if you have a specific interest, we in the IG if someone raises that we do not pay moving expenses. We do not pay the expenses associated to, you know, for the travel there. We say, okay, you can go to that position but that is at your choice. That is not at the government need. I think once the government need comes in, and in this case what happens, and I am not sure if I am going to give you all the detail on this and I will add anything for the written record. But it is called a management directed move. I do not want to go the position but then you have to go. When you do a management directed move the government then agrees to pay the expenses.

Ms. BROWNLEY. So there are, I mean, in some sense if that was that strategy or protocol is implemented then there are no rights of the employee to refuse a reassignment?

Ms. HALLIDAY. In a management directed move, once they pay, a person really feels that they are at risk of losing their job if they do not accept it. That is almost the last thing you can do.

Ms. BROWNLEY. Thank you. I yield back.

The CHAIRMAN. Is it safe to assume that one of the easiest ways to be fired at the VA is to refuse to move with a management directed move? You do not have to answer. Thank you.

Ms. HALLIDAY. Thank you.

The CHAIRMAN. Dr. Benishek, you are recognized for five minutes.

Mr. BENISHEK. Thank you, Mr. Chairman. Thank you, Ms. Halliday, for being here today. Can you elaborate? Is there any role

that Ms. Hickey had in any of this that you are aware of? Was she, was there communication between her and Ms. Rubens?

Ms. HALLIDAY. I believe there was communications between Ms. Rubens and Ms. Hickey when Ms. Rubens said I am interested in the position. And General Hickey had said that she will do anything she can to help that, you know, make that happen. Like it is noted in the report there. The other role that was played is as the approvals for the transfer in position go up, she has to sign that, it then moves on to the VA Chief of Staff. So there is a documentation trail on the approval and the approval of the AVOs, things like that.

Mr. BENISHEK. I think you recommended that the Secretary try to recoup the \$300,000 that was given to Ms. Rubens. Could you elaborate on that recommendation a bit more?

Ms. HALLIDAY. That is recommendation number nine. And what we did was it was the OIG's position, because there was, we believed there was manipulation to get that vacancy open so that individual could take that spot, that the government had lost \$274,000 because it paid that amount. General Counsel will have to go in and weigh the logistics, VA General Counsel, as to how much of that is recoverable. That decision, I do not know what is going to happen yet.

Mr. BENISHEK. Recoverable? What does that mean? I mean is—

Ms. HALLIDAY. That someone would have to pay that back.

Mr. BENISHEK. Right. But I mean if that is truly the case, that this position was not a management mandated, should not all of it be recoverable?

Ms. HALLIDAY. That is why we put the \$274,000 in there. But it is clearly going to be out of our hands at this point.

Mr. BENISHEK. Right. Right. No, I understand. I understand. Can you tell me a little bit more about as I understand it the VA has their own home loan program that sells thousands of homes a year for less than this 27.5 percent service fee. Are you familiar with any of that? Or—

Ms. HALLIDAY. Are you talking the ones for veterans?

Mr. BENISHEK. Yes. Is that—

Ms. HALLIDAY. That is clearly different than this is.

Mr. BENISHEK. That is different. Okay.

Ms. HALLIDAY. This is what the federal government has put in place to move senior executives around to fill key vacancies.

Mr. BENISHEK. All right.

Ms. HALLIDAY. So I could not mix the two. One is an entitlement program and this is administrative.

Mr. BENISHEK. But this Brookfield, that is a contract with the General Services Administration? That is a general government wide type?

Ms. HALLIDAY. Yes. My understanding it is on the federal supply schedule. It is a contract that is awarded by GSA and then used by the federal agencies that participate in the program.

Mr. BENISHEK. Do you happen to know how many transactions occur, either within the VA or the government as a whole that use this service a year?

Ms. HALLIDAY. I do not have that information. That would probably be vested in GSA.

Mr. BENISHEK. All right. I think that is all I have for you now. Thank you, Mr. Chairman. I will yield back the remainder of my time.

The CHAIRMAN. Ms. Titus, you are recognized for five minutes.

Ms. TITUS. Thank you, Mr. Chairman. Ms. Halliday, thank you. My understanding about the report is that it is limited to SES employees but it includes a few GS employees who, 15 who were moving up. And this is damning enough. But I am concerned that this practice of moving people into jobs with less responsibility but the same amount of money is occurring at other levels as well. And I will just give you an example.

Ed Russell, who was previously the Director of the Reno Regional Office for VBA, which was one of the worst in the country, was put on paid leave. He stayed on that administrative leave for almost a year. Then they could not, or would not, get rid of him, so a brand new position was created in Washington. They called him a senior advisor in the Office of Field Operations, but he teleworked from Reno. He did not even move back to Washington. Now I cannot find out for sure what his salary was, but I doubt if it went down. Now the responsibility that he had as senior advisor while teleworking from Reno had to have been less than being the Director of the Regional Office. So I am concerned that as VA pushes this initiative called My VA if it is full of just patronage and cronyism, that is totally contrary to the image that it is trying to create and its efforts to restore faith in VA. And I wonder if you have any sense that this is more widespread than just the Reno office? Or if you would be willing to look into it if that would be appropriate or even possible?

Ms. HALLIDAY. I do not have any evidence as to whether it is widespread. The view focused on these, the VBA moves. With a congressional request we would look into it.

Ms. TITUS. And would that, it would be something that you could do, though, right?

Ms. HALLIDAY. We could.

Ms. TITUS. If we requested it? Thank you very much. I yield back.

The CHAIRMAN. Ms. Walorski, you are recognized for five minutes.

Ms. WALORSKI. Thank you, Mr. Chairman. And thank you, Ms. Halliday, for being here yet again.

I guess I am, I would call this report, this IG report a crisis in confidence again with the VA and with some of these senior level executives. And I guess I echo back to what Representative Roe said. The discrepancy that is happening in this country between these high level VA executives and the veterans that are in the districts that we all sit in here and represent today, to me it is reprehensible. And we are looking at yet another crisis in confidence.

I have been here, I am only in my third year. I am one of the youngest members on this panel. You have been here since I have been here. When you look at yet another, yet another one of these examples of egregious spending, benefits that people in the private sector do not even have, people in my district cannot even relate

to these issues of paying people to move, at the exorbitant amount of money. Do you look at this at any point, as the Inspector General, and say there is an issue with confidence here with these senior executives?

And I guess to my other colleagues' point, you know whether this is nationwide or not, I would have to suspect based on just the data that we have seen in the three years we have been here, this is just the same old, same old, status quo behavior. There has not been a whole lot of shake down when it comes to what kind of federal benefits are given to these senior executives in the VA. Do you see a confidence issue here as you look at these, at the tangible data that you have?

Ms. HALLIDAY. I think every time the IG identifies a situation where they question the cost, the necessity of those costs, or the validity of those costs, it erodes the trust of veterans.

Ms. WALORSKI. I agree. And I can tell you that my office number still rings every single day in Indiana's Second District with veterans that need help. They need our help in mitigating a system and bringing down the mountains of bureaucracy just so they can access the basic services that they were promised by this government when they signed up to go fight for freedom. And I think that it is just another egregious example that I look at this as a huge crisis in confidence yet again. That we feel like we have taken a couple of steps forward and we go backward when we look at egregious spending. And that is where the Americans do disconnect. That is where our veterans simply cannot trust this government. And I think that it is an atrocity that as we continue to dig deep, further in the weeds on this issue that we have got to hold additional people accountable and make sure that the actions of the senior executives of the VA are absolutely transparent to the American public. And so we have a long road ahead and I yield back my time, Mr. Chairman, thank you.

The CHAIRMAN. Thank you very much. Mr. Walz, you are recognized for five minutes.

Mr. WALZ. Thank you, Mr. Chairman. Commander Barnett, I would like to thank you for being here and let you know your team here in Washington is doing a fabulous job. And we certainly appreciate it. And my 2016 dues are on the way, so that email you sent. So you do a good job of reminding me, so we will get them.

But Ms. Halliday, nice to see you again as always. And I appreciate your time. And I want to thank the chairman and the ranking member for I think once again elevating this committee above the partisan politics, for bringing it to the point of trying to improve the care for veterans.

I also think it is noted that together we are doing what we are supposed to do. Reports are being done. We are doing our oversight. Changes are being made. An Under Secretary is no longer an Under Secretary. And I certainly cannot say if it was in direct result of this, but I think people can draw their conclusions. I also would say that Deputy Secretary Gibson's willingness to come here at every case, and his volunteering to come here, and I think the chairman was very clear and sufficiently stated why that was probably not the right case here because he has got a job to do. And I am grateful that I think my colleagues here have both, did the

accountability piece, the subpoenas were correct, we have created space, we let Deputy Secretary Gibson do his work, and we will have some answers by November 2nd.

So I kind of want to, this is taking care of it. There are some good questions being brought up. The ranking member brought up a great point about across the board on this issue, which I think is very important to look at. I want to ask more specifically about the role of the IG and this committee stepping up to do its oversight responsibility.

I do think it should be noted we are approaching 700 days without someone in the top job at the VA Inspector General. That in itself is inexplicable to me. With that being said, the broader issue of the IG, the IG's role and this committee's role of getting aggressive to do what we are doing today, and I am proud of that, I want to ask a couple of specifics on this. How many investigations has your office conducted on personnel issues at VBA? That is an off the—to get back to us? Or—

Ms. HALLIDAY. I would have to get back to you on the record on that.

Mr. WALZ. Would you know in a general trend has it increased or decreased? Again maybe—

Ms. HALLIDAY. I think my division for my administrative investigations is inundated with work.

Mr. WALZ. Okay. Because I think this is an important one for us and I would ask my colleagues on this. I have been an unabashed supporter of the VA and the role, and you and I talked about some of these where it goes back to the VISN to do some of them because you have to triage those.

Ms. HALLIDAY. Right.

Mr. WALZ. You had I think some very strong vision, the next Inspector General that comes in, that you work with them. I kind of want to know, for you to help me understand this, how does it work when you complete a report? Because I think the public is starting to see, and one of the questions we are asking, is what do we do with this and how do we implement change? So what happens when you send a report over to the VA?

Ms. HALLIDAY. Okay. That is a good question. I will send the report over to the VA. The recommendations in this particular report were directed to the Deputy Secretary because everyone else in the chain of command was involved at some level of the decision making and the actions that occurred. The department gets a specific period of time to review the recommendations.

Mr. WALZ. Who reviews that?

Ms. HALLIDAY. Well that would be the choice, I sent it to the Deputy Secretary. He could task whoever he wants to review the details of the report. You know, he might have General Counsel involved—

Mr. WALZ. Does the evidence file go with it?

Ms. HALLIDAY. We do send evidence over. We did. We sent the evidence over and I know General Counsel and the Office of Accountability Review were involved in looking at the evidence.

Mr. WALZ. And you and I talked about then and on that is that how you go about committing to implementing your recommendations. That is kind of our role, is that correct? Is that what you see?

I see this as where the disconnect is. You do the investigation, you put it out. You send it over to people. People in charge look at it. They can either implement or not implement. This is where I think the disconnect is. This is where I think it is where we step in and there is, people who are proposing another board between us and them, that came up at a hearing we had here recently, kind of a new oversight board especially dealing with health. Is it your interpretation of how this is supposed to work? This is where we are supposed to step in and make sure the implementation is happening?

Ms. HALLIDAY. I think that you are in the best position to make sure people are held accountable to implement those recommendations. Our internal operations has a follow up review. We track the actions to determine how long a recommendation is going to stay open, and is the department taking responsible actions to actually correct the problem. But in cases where you want quick action, yes, I think that is the role of the congressional committee.

Mr. WALZ. I agree. And I think in this case, I think we have got the right people. I think Deputy Secretary Gibson, yourself, this committee see ourselves as partners on fixing this. But at the end of the day I have been saying, and I think the committee has executed that, it is our responsibility by virtue of the public vote and confidence and statutorily in this office for us to do that. So I would argue today is what you are seeing especially on this specific case, the system is working as it is supposed to with vigorous push by us when we are in agreement. So I thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you very much, Mr. Walz. Mr. Coffman, you are recognized for five minutes.

Mr. COFFMAN. Thank you, Mr. Chairman. I certainly welcome the Commander of the American Legion here today. Unlike Mr. Walz, my dues are paid up.

I want to go over these relocation expenses just for a minute here. They totaled \$274,019.12 for a Deputy Under Secretary of Field Operations to move from Washington, DC., to the Philadelphia area. And here is my issue with that. When I look at the relocation expenses that we pay our military, that the Department of Veterans Affairs is there to support and serve, that the highest one can receive I think is around \$4,000. If we look at the pay scale for an O-10, which is a four-star flag officer, that individual would receive a relocation allowance of \$4,514.29 and that is with dependents, an O-10 with dependents, that is four-star. I retired from the Marine Corps as a major. And so that would be the Commandant of the Marine Corps would receive that \$4,514.29. They would receive mileage and they would obviously have their household goods moved, 14,000 pounds, the government would pay for that expense.

I mean, that is incredible. How did this get so out of control, Ms. Halliday?

Ms. HALLIDAY. That is a pretty broad question.

Mr. COFFMAN. Yes.

Ms. HALLIDAY. Without being able to lay the services that are supported through a military move against the private sector and against the VA, I cannot really answer that. I would think that the contracts are set up. We saw that the percentages paid were the

percentages per the contracts. It is possible, I think you should pursue GSA—

Mr. COFFMAN. Sure.

Ms. HALLIDAY [continuing]. And is there another option available that still would not inhibit senior executives moving from one position to another.

Mr. COFFMAN. See, for our military personnel there is no compensation in terms of if you lose money on the sale of your home, there is no compensation for that. Yet for VA executives when the move is directed there is compensation for that. And what we can see is that in compensation, this level of compensation is so high that it incentivizes this culture of corruption where we have an example of a senior executive who is indented to move and forces somebody else out of their position just to move to get the compensation. And I just think that that is extraordinary.

And I, you know, what is so upsetting about this I think is the fact that you do not have leadership at the top of the Veterans Administration that seems to be concerned about reforming this process. That it is always the whistleblower that comes up with this, or you as the Inspector General's Office, from the Inspector General's Office, that comes up with these issues. And that the VA is so slow to respond. And we had testimony today of individuals that were involved in the appointment wait time scandal that are still with, that were at the top of the scandal, that were complicit in the scandal by all observations, that are still on paid administrative leave and this issue happened last year.

Can you, I know that right now you are focused on this issue. But what is the VA's policy on SES personnel that seem to be placed indefinitely on paid administrative leave?

Ms. HALLIDAY. I cannot answer that. I am sorry.

Mr. COFFMAN. I just think that that is extraordinary. Well, I think, I commend you on your work. I certainly hope, I think that clearly the fact is that this was manipulated by virtue of forcing people out of their positions, not advertising the positions as open as they should have on a competitive basis, and then moving simply to get this extraordinary compensation that is so excessive. That clearly I think there is criminal wrongdoing in this and I hope it is pursued by the Justice Department. And with that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much. Mr. Costello, you are recognized for five minutes.

Mr. COSTELLO. Thank you, Mr. Chairman. At the outset I would like to pick up on the comments that my colleagues Mr. Coffman and Ms. Titus made relating to some of the gaming of compensation within the VA. It almost seems like friends are rewarding friends rather than focusing on reforming the VA. And so I would just reiterate that I think that we really need to get to the bottom of how pervasive that may be in the VA. But that is something obviously I am sure all of us as members will discuss a little bit more.

I also want to commend you for your continued work in providing accountability and shining a light on the abuses there. Typically this committee will have witnesses before them that we can ask questions who either were culpable or who can actually speak to

how they are either reforming the challenges or what mistakes were made along the way. But today we do not have that, we just have you. So I do not, I am sure it is a little bit odd that you are here delivering bad news, we are as outraged as anyone, but we do not have anyone really to direct that outrage to.

Let me start with a couple of really fact specific questions just for the record. First, with respect to Philadelphia and Ms. Rubens, as well as Ms. Graves and St. Paul, any evidence that family considerations were part of the reason why they wanted to relocate to those facilities?

Ms. HALLIDAY. You would have to ask them.

Mr. COSTELLO. All right. I just know that in the past I believe there was some testimony by Ms. Rubens indicating that family was nearby, but there was nothing, you were not able to unravel anything more to that?

Ms. HALLIDAY. No.

Mr. COSTELLO. Okay. During your review of Ms. Rubens' move to Philadelphia, were you able to determine when she placed the deposit on the construction of her new home in Philadelphia? And the reason I am asking that question is because I would like to know whether that was before or after her reassignment took place.

Ms. HALLIDAY. I will take that for the record. I am not sure if I have it or not.

Mr. COSTELLO. Okay. Next, and this is as much about me making sure that I describe this accurately when I leave this room as anything, you had testified essentially that the VBA basically had a process to circumvent the pay freeze and bonus freeze mechanisms that were in place, is that correct?

Ms. HALLIDAY. The practice they were using did exactly that.

Mr. COSTELLO. So it is fair to say that I believe the reason why we had pay freezes and no more bonuses was sort of the VA's attempt to say we are going to take responsibility here, the wrongdoing that has been uncovered we are going to get to the bottom to and we are not going to, in the process we are not going to receive bonuses or increased pay, and yet they basically just did it, right? They just did it anyway?

Moving forward, you had said at this point in time you do not have recommendations on how to prevent that from happening moving forward. At some point in time will you issue recommendations to that effect? Or is this really just people doing the wrong thing and you can put all the rules in place, and if they are going to do what they are going to do and violate the rules, they are going to violate the rules?

Ms. HALLIDAY. Being in my occupation, you can always circumvent the controls if you want to. I hope to say this is the exception and not across the board. But the two we looked at we had problems.

Mr. COSTELLO. Okay. In your position, looking at the rules, not looking at these specific facts, but just looking at those rules, do they make sense? Would you look at them and say this is sufficient, there are sufficient enforcement mechanisms here to make sure that people do not get pay increases, people do not get bonuses? Or do they really have to go further? Because—

Ms. HALLIDAY. I think if people act with integrity, generally the rules were strong enough. But you are always going to have some that do not.

Mr. COSTELLO. That is a brilliant point. Because I asked myself, how many rules can we put in place? And if people are acting with integrity we may not have to put that many more rules back in place. But if they are not acting with integrity we are going to put all the rules in the world in there and it still will not matter. And that is the frustrating thing.

And I will just add I am not going to get into the IG report on what is happening in Philly. But it really bothers me to hear that we have apparently made some progress in implementing some of the reforms at the Philadelphia VARO but the person who was there spearheading that has done what she has done. And so the veracity of which just further calls into question the credibility of the reforms that have been made. And it really is, I am flabbergasted by this report. Absolutely stunned. But I commend you for your ongoing work on behalf of the VA.

Ms. HALLIDAY. Thank you.

Mr. COSTELLO. Thank you. I yield back.

The CHAIRMAN. Thank you very much, Mr. Costello. I would draw members' attention to page 18 of the report, where Ms. Rubens said that she grew up in Delaware and that the Philadelphia RO was close to home. She also testified in this committee that her mother was just a few miles down the road. And Ms. Graves, on page 22 it states that she stated that the move to St. Paul got her closer to her mother. So that answers those questions. Ms. Brown, do you have any closing comments?

Ms. BROWN. No, sir. I think that we are going to move forward in looking at the entire program through General Services and making sure that VA employees are not penalized. But if the program is not working overall then we need to look at it. Because we have 13 agencies that use this program. And perhaps we are bringing something to the attention that everybody needs to double down on and take a look at. So thank you very much, and thank you, Mr. Chairman, for having this hearing.

The CHAIRMAN. Thank you very much. And Ms. Halliday, thank you for appearing before this committee. There are no further questions so you are excused.

And I just want to summarize for the members this morning that the committee has voted to issue a subpoena to the five VA employees that we requested to appear before us today. They will now be required to testify at a hearing on November 2nd at 7:30 p.m. and be prepared to respond to questions. As a reminder, I will also be requesting the presence of former Under Secretary for Benefits Allison Hickey at the hearing to testify in her role as a private citizen. I would ask unanimous consent that all members would have five legislative days with which to revise and extend their remarks and add any extraneous material. And, without objection, so ordered. And now this hearing is adjourned. Thank you.

[Whereupon, at 11:41 a.m., the committee was adjourned.]

APPENDIX

**STATEMENT OF LINDA A. HALLIDAY
DEPUTY INSPECTOR GENERAL
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON
"AN EXAMINATION OF THE VA OFFICE OF INSPECTOR GENERAL'S
FINAL REPORT ON THE INAPPROPRIATE USE OF POSITION AND
THE MISUSE OF THE RELOCATION PROGRAM AND INCENTIVES"**

OCTOBER 21, 2015

Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss the results of the Office of Inspector General's (OIG) recently published report on the use of the relocation program and incentives within the VA's Veterans Benefits Administration (VBA).¹ The report detailed results of our administrative investigation into allegations that VBA senior executives inappropriately used their positions for personal and financial benefit, and that VBA misused the VA relocation program for the benefit of its Senior Executive Service (SES) workforce. Our statement and comments will be limited in order to preclude any allegation that our testimony unduly influenced VA or the Department of Justice regarding potential administrative or criminal action. I am accompanied by Mr. Nick Dahl, Director, OIG's Bedford Office of Audits and Evaluations, and Ms. Linda Fournier, Director, OIG's Administrative Investigations Office.

BACKGROUND

In March 2015, the Chairman and Ranking Member of this committee and the Chairman and Ranking Member of the Senate Committee on Veterans' Affairs requested the OIG review allegations received concerning financial benefits and preference given at VA. An anonymous complainant alleged that the Director, VA Regional Office (VARO) Philadelphia, PA, improperly received \$288,206.77 in relocation expenses for transferring from VBA Headquarters to her current position at the VARO and retained her high-level SES salary, despite the position being two levels lower on VA's SES pay scale. We were also asked to conduct a broader review of VA's permanent change of station (PCS) relocation expense program.

Permanent Change of Station Relocation Expenses

The Federal Travel Regulation (FTR) states that an employee transferring in the interest of the Government from one agency or duty station to another for permanent duty that is located at least 50 miles from their old duty station is eligible for relocation expense allowances. Examples of PCS relocation expenses include transportation, shipment and storage of household goods, and real estate expenses. Employees can also be eligible for temporary quarters subsistence expense (TQSE) allowance, which includes

¹ *Administrative Investigation: Inappropriate Use of Position and Misuse of Relocation Program and Incentives in VBA*, September 28, 2015.

reimbursement for temporary lodging, meals, tips, and dry cleaning. TQSE allowance is intended to reimburse an employee reasonably and equitably for expenses incurred when occupying temporary quarters.

Appraised Value Offer Program

As part of the relocation program, Federal agencies, including VA, can offer employees assistance through the Appraised Value Offer (AVO) program, which is designed to help employees sell their primary residence.² Each VA administration, including VBA, defines which employees are authorized to participate in the AVO program. The Under Secretary for Benefits told us that all VBA SES employees are offered AVO benefits when making a PCS move. While the employee's property is for sale, two separate appraisals are conducted to estimate the value of the home. The average of the two appraisals serves as a "back-up offer" for instances when the employee does not sell their home in a timely manner. If the home does not sell after being on the market for 60 days, the employee may accept the AVO. In these instances, a contractor buys the property from the employee for the average appraised value.³ When the employee accepts the AVO, VA pays the contractor a home sale acquisition fee. In fiscal year (FY) 2014, this fee was 27.5 percent of the AVO, which is not above the rate negotiated by the General Services Administration for the contractor's Federal Supply Schedule contract.

VA's Senior Executive Pay Structure

In 2004, VA established a pay band structure for SES pay. In FY 2014, VA's SES salaries ranged from \$120,749 to \$181,500. VA categorized their SES positions into three different pay bands based on the scope of responsibility for each position:

- Pay band 1 is for higher complexity SES positions (for example, VA Chief of Staff)
- Pay Band 2 is for medium complexity SES positions (for example, Deputy Assistant Secretaries)
- Pay Band 3 is for lower complexity SES positions (for example, Associate Deputy Assistant Secretaries).

ADMINISTRATIVE INVESTIGATION: INAPPROPRIATE USE OF POSITION AND MISUSE OF RELOCATION PROGRAM AND INCENTIVES IN VBA

The position of Deputy Under Secretary for Field Operations (DUS for Field Operations) is a VA Central Office based SES position - Pay Band 1 position located in Washington, DC. The position is responsible for the oversight of the 4 Area Offices and 56 VAROs within VBA.⁴ The Director of the Philadelphia and Wilmington VAROs is an SES

² These home sale assistance services are obtained through a contract procured by the U.S. General Services Administration's Federal Acquisition Service.

³ In Fiscal Year 2014, VA utilized Federal Supply Schedule vendor Brookfield Global Relocation Services.

⁴ In July 2015, VBA restructured its four Area Offices (Eastern, Southern, Central, and Western) into five District Offices (North Atlantic, Southeast, Midwest, Continental, and Pacific).

position - Pay Band 3 position and involves significantly less job responsibilities than the DUS for Field Operations.⁵

Relocation Expenses

VA paid a total of \$274,019.12 related to the move of the DUS for Field Operations from the Washington, DC, area to the Philadelphia area. The payments were:

- \$13,062.75 in TQSE allowance
- \$10,524 in real estate expenses
- \$67.68 in en route travel expenses
- \$8,306.86 in withholding tax allowance
- \$1,300 in miscellaneous expense allowance
- \$211,750 paid to Brookfield Global Relocation (AVO contractor)
- \$16,302.83 paid to Relocation Management Worldwide Inc. for the move and storage of household goods
- \$12,705.00 paid to VA's Financial Service Center⁶

Salary Retention

According to Federal regulations, the SES rate of basic pay for a career senior executive may only be reduced if the senior executive has received a less than fully successful annual summary rating, or has otherwise failed to meet the performance requirements for a critical element. From FY 2009 to the time of the reassignment, the DUS for Field Operations was rated better than fully successful on all performance appraisals. Therefore, we concluded that all critical performance elements were met. Based on applicable Federal regulations, we determined VA could not reduce the annual salary upon reassignment despite the decrease in scope of responsibilities.

Review of VBA's Use of the PCS Program

As part of our assessment of VA's PCS program, we reviewed VBA reassignments of 7 General Schedule (GS) Grade 15 employees who were promoted to SES positions and 15 SES employees who moved to different SES positions in FYs 2013, 2014, and 2015.⁷

Annual Salary Increases

We determined that VBA management used reassignments through VA's PCS program as a way to increase SES pay. From FY 2010 to 2013, U.S. Office of Personnel Management (OPM) guidelines precluded all SES employees from receiving annual pay increases. Further, in 2012, the then VA Secretary determined no VBA executives would receive performance awards based on concerns over the backlog of veterans'

⁵ Philadelphia VARO leadership has also remotely managed the Wilmington VARO since 2003.

⁶ VA's Financial Services Center charged a fee of 6 percent of the Brookfield Home Sale invoice. This fee is charged to cover the cost of administering the PCS Home Sale Relocation contract. The Financial Services Center also pays a portion of this fee to VA's Technology Acquisition Center for assisted acquisition services.

⁷ There were a total of 23 reassignments because 1 SES employee was reassigned twice—once in FY 2013 and again in FY 2015.

disability claims. During an interview, we asked the then Under Secretary for Benefits if salary increases and relocation incentives were a way to get around pay freezes and bans on performance bonuses. The Under Secretary stated that the salary increases were about "level-setting pay." She stated further, "it was more about resetting from my perspective base pay to get everybody—get the ends of the bands into more of a—more even, more fair model."

Twenty-one of the 23 reassignments included salary increases. These VBA reassignments resulted in annual salary increases totaling about \$321,000 (average increase was \$15,286). We identified concerns with the salary increases because they did not seem to consistently reflect changes in the positions' scope of responsibility. Additionally, the VBA reassignments led to new vacancies in offices the SES employees left. We found that when VBA filled these vacant SES positions, the selectees often received significant annual salary increases over what their predecessors were paid.

Unjustified Relocation Incentives

OPM policy states an agency may pay a relocation incentive to a current employee who must relocate to accept a position in a different geographic area if the agency determines the position is likely to be difficult to fill in the absence of an incentive. In addition to annual salary increases, VBA paid seven employees relocation incentives when they moved to new positions. The seven relocation incentives totaled \$140,000.

We determined that VA did not properly justify the incentives. Five relocation incentives were not justified because job vacancies were not announced or the positions were filled before candidates who applied were considered. The other two incentives were not timely justified, as the justifications were signed months after the job announcements were posted. The then Under Secretary for Benefits and the then VA Chief of Staff approved VBA's relocation incentive justifications and payments.

PCS and AVO-Related Expenses

In addition to annual salary increases and relocation incentives, VBA paid relocation expenses for 20 of the 23 reassignments, which included AVO-related expenses for 11 of the moves. Specifically, VBA spent about \$1.3 million on relocation expenses for these moves, including about \$710,000 on AVO-related expenses and about \$582,000 on other expenses, such as TQSE and moving and storage of household goods. While these reassignments resulted in significant costs to VA, these expenses were allowable under the Federal relocation program.

VBA spent a total of about \$1.8 million for the 23 reassignments we reviewed from FYs 2013, 2014, and 2015—including annual salary increases, relocation incentives, AVO-related expenses, and other PCS expenses. While we do not question the need to reassign some staff to manage a national network of VAROs, we concluded that VBA inappropriately used VA's PCS relocation program for the benefit of its SES workforce.

CONCLUSION

Our findings demonstrate the need for VA to take actions to strengthen the PCS program controls and oversight in order to improve the financial stewardship of taxpayer's funds. Further, the OIG does not question the need to reassign staff to manage a national network of VAROs; however, we did conclude that VBA misused VBA's PCS program for the benefit of its SES workforce. We provided 12 recommendations to VA to increase oversight of the Department's PCS program and to determine appropriate administrative actions to take, if any, against senior VBA officials. We will monitor VA's progress and follow up on VA's implementation actions until all actions are completed. I was pleased to recently learn that effective October 1, 2015, VA ceased offering the AVO program to its employees. The Department of Justice is also considering action but at this time a decision has not been made.

Mr. Chairman, this concludes my statement and we would be happy to answer any questions that you or Members of Committee may have.

