



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Los Angeles, California

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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Executive Summary

Introduction

During the week of January 24–28, 2005, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office Los Angeles, CA. The regional office is under the jurisdiction of the Veterans Benefits Administration (VBA) Western Area Office. The purpose of the review was to evaluate selected regional office operations, focusing on benefits claims processing and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to 92 employees.

Results of Review

The CAP review covered 10 activities. The regional office complied with selected standards in five activities:

- Benefits Delivery Network Security
- Employee Claims Folder Security
- Fiduciary and Field Examinations
- Large Retroactive Payment Controls
- System-Generated Messages

Based on our review, the following organizational strength was identified:

- Automated information systems (AIS) security controls were effective.

We identified four activities that needed additional management attention. To improve operations, we made the following recommendations:

- Reduce benefit payments for veterans hospitalized for extended periods at Government expense.
- Promptly reduce benefit payments for incarcerated veterans.
- Improve Vocational Rehabilitation and Employment (VR&E) program data accuracy.
- Monitor VR&E Government Purchase Card Program purchases that exceed \$2,500.

This report was prepared under the direction of Ms. Janet Mah, Director, and Mr. Brian Linton, CAP Team Leader, Los Angeles Audit Operations Division.

Western Area Director and Regional Office Director Comments

The Western Area and Regional Office Directors agreed with the CAP review findings and provided acceptable improvement plans. (See Appendix A, page 9, for the full text of the Western Area Director's comments and Appendix B, pages 10–13, for the full text of the Regional Office Director's comments.) We will follow up on the planned actions until they are completed.

(original signed by:)

RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization and Programs. The regional office provides Compensation and Pension (C&P), VR&E, and burial benefits to eligible veterans, dependents, and survivors residing in the Southern California counties of Inyo, Kern, Los Angeles, Orange, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura. The regional office operates outbased offices at the VA Loma Linda and Long Beach Healthcare Systems. The estimated veteran population served by the regional office is 918,000.

During fiscal year (FY) 2004, the regional office authorized about \$740 million in C&P benefits for 116,401 beneficiaries. As of September 2004, the regional office had 2,566 participants in the VR&E program, which provides evaluations, counseling, education and training, and other services to service-disabled veterans with employment impairments. The regional office also provides fiduciary oversight for approximately 2,708 incompetent veterans and other beneficiaries.

Although the Phoenix Regional Loan Guaranty Center administers the VA Guaranteed Loan Program for California, the regional office provides VA Loan Guaranty Program Certificate of Eligibility services for veterans in 26 western states.

Resources. In FY 2004, the regional office's general operating expenditures were about \$18.3 million. As of September 2004, the regional office had 256 full-time employees.

Objectives and Scope of the CAP Review

Objectives. CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality VA healthcare and benefits services. The objectives of the CAP review are to:

- Conduct recurring evaluations of selected healthcare facility and regional office operations focusing on patient care, quality management, benefits delivery, and financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

Scope. We reviewed selected benefits claim processing, financial, and administrative activities to evaluate the effectiveness of benefits delivery and general management controls. Benefits delivery is the process of ensuring that veterans' claims and requests for benefits and services are processed promptly and accurately. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met. The review covered

regional office operations from FY 2003 to FY 2005 through December 2004 and was done in accordance with OIG standard operating procedures for CAP reviews.

In performing the CAP review, we interviewed managers and employees, reviewed beneficiary files and financial and administrative records, and inspected work areas. The review covered the following 10 activities:

Automated Information Systems Security	Government Purchase Card Program
Benefits Delivery Network Security	Incarcerated Veteran Benefit Adjustments
Compensation and Pension	Large Retroactive Payment Controls
Hospitalization Adjustments	System-Generated Messages
Employee Claims Folder Security	Vocational Rehabilitation and Employment
Fiduciary and Field Examinations	

An activity that was particularly effective or otherwise noteworthy is recognized in the Organizational Strength section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4–8). In this report we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, we did not identify any reportable deficiencies.

During the review, we also provided fraud and integrity awareness training briefings to 92 regional office employees. These briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating procurement fraud, false claims, conflicts of interest, and bribery.

Follow-Up to Previous CAP Recommendations

As part of this review, we followed up on recommendations resulting from a prior CAP review of the regional office (*Combined Assessment Program Review of the VA Regional Office Los Angeles, California*, Report No. 03-00287-130, July 16, 2003). In December 2002, we found that the regional office needed to improve the processing of system-generated messages, the use of end products, and the processing of C&P benefit reductions for veterans hospitalized at Government expense. Our January 2005 CAP review found improvements had been made in two of the three areas. The regional office was promptly processing system-generated messages and making needed C&P award adjustments and performing monthly end product audits to ensure quality control. The regional office also made a strong effort to pursue recommended benefit reductions for hospitalized veterans identified during the prior CAP review. However, higher workload priorities delayed follow-up actions, and some veterans died before benefit reductions could be initiated. Improvements are still needed to ensure that the benefit payments for veterans hospitalized for extended periods at Government expense are reduced. (See Opportunities for Improvement section, page 4.)

Results of Review

Organizational Strength

AIS Security Controls Exceeded VBA Requirements. VBA requires regional offices to implement physical AIS devices and control measures to protect information assets and sensitive information from unauthorized access, disclosure, modification, destruction, and misuse. Regional office AIS control measures were effective, and the Information Security Officer (ISO) had implemented network password, logon, and Internet usage controls that exceeded VBA requirements. To ensure the integrity of password strength, the ISO conducted password vulnerability scans quarterly instead of annually as required by VBA policy. In addition, Information Resources Management locked employees out of the network if they had repeated, failed logon attempts or accessed questionable internet sites and required them to be counseled by the ISO before re-establishing their network access.

Opportunities for Improvement

Compensation and Pension Claims Processing – Benefit Payments for Hospitalized Veterans Should Be Promptly Reduced

Condition Needing Improvement. Veterans Service Center (VSC) staff did not reduce benefit payments for veterans who had been hospitalized for extended periods at Government expense. In certain situations, Federal law requires the reduction of C&P benefit payments to hospitalized veterans. For example, payments to veterans who are entitled to aid and attendance allowances, in addition to their regular disability pension or compensation benefits, generally must be reduced to the lower housebound rate if the veterans are hospitalized at Government expense.

At our request, the VA Loma Linda, Long Beach, and Greater Los Angeles Healthcare Systems identified 472 veterans who had been continuously hospitalized at Government expense for 90 days or more as of December 2004. We reviewed a judgment sample of 10 of the 472 hospitalized veterans' claims folders and found that 7 of the veterans receiving C&P benefits should have had their benefits reduced. These veterans were overpaid \$105,232 while hospitalized at Government expense.

VSC staff had not reduced benefits payments because they did not correctly evaluate or consistently identify hospitalized veterans whose C&P benefits required adjustment. The VSC assigns the duty of completing benefit adjustments for hospitalized veterans on a rotational basis to different VSC staff. For five of the seven veterans, VSC staff reviewed VA Automated Medical Information Exchange (AMIE) system reports that identified veterans admitted to VA medical facilities or contract nursing homes. However, VSC staff, who were inexperienced in adjusting the benefits of hospitalized veterans, incorrectly concluded in these five cases that no benefit reductions were required. For the remaining two veterans, the claims folders contained no documentation showing the veterans had been hospitalized.

Recommended Improvement Action 1. We recommended that the Western Area Director ensure that the Regional Office Director requires that: (a) VSC staff initiate due process, properly reduce payments for the seven veterans identified, and pursue recovery of all overpayments; (b) VSC staff review the remaining 462 identified cases and take action, as needed, to initiate due process and reduce benefits payments; and (c) VSC staff assigned on a rotating basis the duty of reducing benefits for hospitalized veterans receive refresher training on the correct processing of hospital adjustments and the need to obtain and review AMIE reports.

The Western Area and Regional Office Directors agreed with the findings and recommendations and reported that due process notice was given on April 5, 2005, to the seven veterans whose awards required adjustment. For the remaining 462 cases

identified, the regional office plans to complete their review by July 31, 2005. The Triage Coach began hospital adjustments refresher training for VSC staff in February 2005 and will complete this training by the end of April 2005. In addition, the regional office plans to process hospital adjustments and obtain and review AMIE reports veterans from the healthcare systems on a monthly basis. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Incarcerated Veteran Benefit Adjustments – Benefit Payments for Incarcerated Veterans Should Be Promptly Reduced

Condition Needing Improvement. VSC management needed to improve the timeliness of benefit payment reviews and adjustments for incarcerated veterans. Under Federal law, a veteran imprisoned in a Federal, State, or local penal institution within the United States is subject to a reduction or discontinuance of C&P benefits. VA has agreements with the Bureau of Prisons (BOP) and the Social Security Administration (SSA) under which VA is provided monthly listings of inmates who may also be VA beneficiaries. VBA policy requires VSC staff to review the monthly listings and reduce benefit payments for veterans who have been incarcerated more than 60 days and who meet benefit adjustment criteria.

For the period June to December 2004, the VSC received 2 BOP and 6 SSA listings that identified 170 veteran inmates whose C&P payments could potentially be reduced or discontinued. We reviewed a judgment sample of 25 of the 170 veterans' claims files and found that it took the VSC an average of 3 months to process the monthly reports. We also found that VSC staff had not reviewed 10 of the 25 selected files. Of the 10 files, 7 involved potential benefit overpayments where staff needed to provide the veterans and their dependents due process before reducing the payments. In one case, a veteran appearing on the September 2004 SSA listing notified the regional office in July 2004 of his incarceration and confirmed this in writing the following month. Despite these notifications, VSC staff did not take appropriate action and initiate due process for this veteran until December 2004.

If the VSC confirms the incarceration of the seven veterans through the end of January 2005 and there are no apportionments to dependents, overpayments could total as much as \$112,736. Prompt action to review and adjust C&P payments for incarcerated veterans could prevent or significantly reduce overpayments. VSC management stated that staff had not been available to promptly review incarcerated veteran information and perform related benefit adjustments until October 2004 because of higher VSC workload priorities.

Recommended Improvement Action 2. We recommended that the Western Area Director ensure that the Regional Office Director requires that: (a) VSC staff promptly review SSA and BOP reports and initiate due process for incarcerated veterans and their

dependents and (b) if appropriate, promptly reduce incarcerated veteran benefits and process related apportionment claims.

The Western Area and Regional Office Directors agreed with the findings and recommendations and reported that in January 2005 they assigned a senior VSC representative to promptly review SSA and BOP listings and to ensure that appropriate due process is provided for incarcerated veterans and their families. This same representative now promptly reduces incarcerated veteran benefits and processes related apportionment claims. In addition, the Western Area Office will also review a sample of cases within the next 3 months. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Vocational Rehabilitation and Employment Program – WINRS and Benefits Delivery Network Data Accuracy Needed Improvement

Conditions Needing Improvement. VR&E management needed to improve the accuracy of VR&E program data in WINRS¹ and the Benefits Delivery Network (BDN).² The VR&E program provides services and assistance necessary to enable veterans with service-connected disabilities to become employable and obtain and maintain suitable employment. Generally, veterans actively pursuing higher education or other training programs should move sequentially from applicant status through evaluation and planning status, rehabilitation to the point of employment status, employment services status, and rehabilitated status. Veterans who are temporarily inactive in the program should be assigned to interrupted status. Veterans who leave the program and have not been rehabilitated should be assigned to discontinued status.

To determine whether veterans received timely and appropriate VR&E services, we reviewed a judgment sample of 15 cases from the December 2004 “Chapter 31 Veterans In Open Case Status” report. The sample included five cases each from applicant status, evaluation and planning status, and rehabilitation to the point of employment status. Our review determined that VR&E staff needed to improve the accuracy of WINRS and BDN data. VBA policy requires that this data be accurate so that VR&E staff can track and manage their caseloads locally and so that VBA can monitor the effectiveness of regional office VR&E programs.

VR&E staff could not locate the Counseling, Education, and Rehabilitation (CER) folders for 2 of the 15 cases. Of the 13 remaining cases, 4 had incorrect dates of claim recorded in WINRS and BDN. Because VBA and local regional office management officials use BDN data to evaluate the timeliness of claims processing and to monitor

¹ WINRS is VR&E’s electronic case management system. Its name is derived from the first initials of the regional offices where it was piloted: Winston-Salem, NC; Indianapolis, IN; Newark, NJ; Roanoke, VA; and Seattle, WA.

² BDN is VA’s main automated processing system for all C&P awards and related actions. BDN contains C&P master record information for all veterans and beneficiaries and generates the information needed to issue benefit payments.

staff performance, these inaccuracies caused the processing times of these four cases to be understated by 6, 23, 30, and 240 days, respectively.

Recommended Improvement Action 3. We recommended that the Western Area Director ensure that the Regional Office Director requires VR&E staff to: (a) locate or reconstruct the two missing CER folders and verify the veterans' eligibility for the VR&E program and (b) review WINRS and BDN data, correct identified data inaccuracies, and ensure future case management data is entered correctly.

The Western Area and Regional Office Directors agreed with the findings and recommendations and reported that the missing CER folders for the two veterans were located at a contract counseling firm subsequent to the CAP review. The regional office also had initiated contact with these veterans to verify their eligibility for the VR&E program. Corrective action on the identified four cases with data inaccuracies will be completed by April 15, 2005, and data accuracy will be addressed with VR&E staff as needed based on their performance. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Government Purchase Card Program – VR&E Purchases Exceeding \$2,500 Needed Monitoring

Condition Needing Improvement. The regional office's Government Purchase Card Program controls were generally effective, but VR&E purchases needed improved monitoring. During the 14-month period October 2003 through November 2004, 9 cardholders made 2,525 purchases totaling \$1,937,283. Our review of a judgment sample of 23 purchases that each exceeded \$2,500 and in total amounted to \$146,727 determined that the purchases were appropriate. However, the Support Services Division Chief needed to ensure that VR&E cardholders sought competition or prepared sole source justifications for purchases exceeding \$2,500 as required by the Federal Acquisition Regulation (FAR).

For transactions exceeding \$2,500, the FAR requires cardholders to solicit price quotes from at least three sources when the needs cannot be met by Government supply sources. For purchases greater than \$2,500 but less than \$100,000, soliciting from a sole source is allowed when only one source is reasonably available. Approving officials are required to monitor purchases exceeding \$2,500 to ensure that cardholders are following the FAR requirements. Cardholders responsible for the 23 purchase card transactions we reviewed did not obtain required price quotes because they believed the VR&E counselors could justify the use of specific sources for each of these purchases. However, justifications for the sole source purchases were not documented in the purchase card transactions files as required by the FAR.

Recommended Improvement Action 4. We recommended that the Western Area Director ensure that the Regional Office Director requires: (a) cardholders to comply with

the FAR requirements for competitive and sole source purchases that exceed \$2,500 and (b) approving officials monitor purchases to ensure that VR&E cardholders comply with the FAR.

The Western Area and Regional Office Directors agreed with the findings and recommendations and reported that the VR&E Officer provided training on March 15, 2005, and informed all VR&E cardholders of the requirement to seek competition or prepare sole source justifications for purchases exceeding \$2,500. On March 24, 2005, General Services Administration staff provided FAR training to all VR&E cardholders. The VR&E approving officials and the Purchase Card Coordinator now monitor all purchases to ensure that VR&E cardholders comply with the FAR. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Western Area Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: April 12, 2005
From: Director, Western Area Office
Subject: **VA Regional Office Los Angeles, California**
To: Director, Los Angeles Audit Operations Division (52LA)

I have reviewed the Draft Report of the CAP review for the VA Regional Office, Los Angeles. As the Western Area Director, I appreciate the feedback from the review.

Attached are the Regional Office's implementation plans for your recommendations and suggestions. We will work with the Regional Office to ensure all open remaining actionable plans are implemented by the set target date.

Again, thank you for your feedback. If you have any questions, please don't hesitate to call me at (602) 627-2746.

Thank you,

(original signed by:)

Diana M. Rubens
Western Area Director

Regional Office Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: April 12, 2005
From: Director, VA Regional Office Los Angeles, California
Subject: **VA Regional Office Los Angeles, California**

Enclosed is the Los Angeles Regional Office response to the Combined Assessment Program (CAP) Review Draft Report. We concur with recommendations 1 through 4 in the report. Information concerning our corrective actions resulting from the review is attached. We also concur with the monetary benefits estimates you provide in Appendix C.

We appreciated the courtesy and assistance of the audit team during their visit and are confident their findings and our corrective actions will ensure better service to veterans and their dependents residing within our jurisdiction.

Should you have any questions or concerns regarding our response, please contact me at (310) 235-7696.

(original signed by:)

STEWART LIFF

Director

Director's Comments to Office of Inspector General's Report

The following Director's comments are submitted in response to the recommendations in the Office of Inspector General Report:

OIG Recommendation(s)

Recommended Improvement Action 1. We recommend that the Western Area Director ensure that the Regional Office Director requires that: (a) VSC staff initiate due process, properly reduce payments for the seven veterans identified, and pursue recovery of all overpayments; (b) VSC staff review the remaining 462 identified cases and take action, as needed, to initiate due process and reduce benefits payments; and (c) VSC staff assigned on a rotating basis the duty of reducing benefits for hospitalized veterans receive refresher training on the correct processing of hospital adjustments and the need to obtain AMIE reports.

- (a) **Concur.** Due Process notice was given to the 7 identified veterans on April 5, 2005. We also have taken action in three additional cases that were pending at the time of review. One case had been reduced incorrectly, and an award to increase benefits was processed on April 7, 2005. Action was taken on the second case on January 22, 2005, and benefits were reduced effective August 1, 2004. Due process notice was given in the third case on April 5, 2005.
- (b) **Concur.** We will assign Senior Veteran Service Representatives (SVSR) and Veterans Service Representatives (VSR) on the Post-Determination team responsibility for review of the remaining 462 identified cases of veterans hospitalized at government expense. These reviews will be completed by July 31, 2005.
- (c) **Concur.** VSRs in Triage team received refresher training for hospital adjustments in February 2005, conducted by the Triage Coach. Training will also be conducted in the Post-Determination team by the end of April 2005. VSRs on the Post-Determination team will process hospital adjustments on a rotating monthly basis. We also plan to request a monthly list of veterans hospitalized from each VAMC similar to the one provided to OIG. The lists will be retained in a folder and will be reviewed monthly by a Coach.

Recommended Improvement Action 2. We recommend that the Western Area Director ensure that the Regional Office Director requires that: (a) VSC staff promptly review SSA and BOP reports and initiate due process for incarcerated veterans and their dependents and (b) if appropriate, promptly reduce incarcerated veteran benefits and process related apportionment claims.

- (a) **Concur.** Shortly prior to OIG's visit in January 2005, a Senior Veterans Service Representative (SVSR) on the Post-Determination team was assigned to promptly review SSA and BOP reports and to ensure that appropriate due process is provided.
- (b) **Concur.** The same SVSR promptly reduces incarcerated veteran benefits and processes related apportionment claims. The Western Area Office has also advised us that they will review a sample of cases within the next three months.

Recommended Improvement Action 3. We recommend that the Western Area Director ensure that the Regional Office Director requires VR&E staff to: (a) locate or reconstruct the two missing CER folders and verify the veterans' eligibility for the program and (b) review WINRS and BDN data, correct identified data inaccuracies, and ensure future case management data is entered correctly.

- (a) **Concur.** Both files were located at a contract counseling firm subsequent to the CAP review. One veteran was contacted February 7, 2005, and he advised us that he was working and was no longer interested in Chapter 31 services. The CER was returned and services formally discontinued effective March 31, 2005. The second veteran's file had been sent to the contract counseling firm for a re-evaluation of the veteran's vocational objective. The VR&E Counselor, who is no longer employed by the RO, failed to properly update the CWINRS case management program. Subsequent attempts to contact the veteran have been unsuccessful. The case is currently in interrupted status, awaiting a response from the veteran.
- (b) **Concur.** Corrective action on the four cases identified during the OIG review will be completed by April 15, 2005. Data Integrity will be monitored on a monthly basis as CER files are reviewed as part of the monthly Local Quality Assurance program conducted by the VR&E Officer and the Assistant VR&E Officer. Data Integrity issues will be addressed with individual Vocational Rehabilitation Counselors and Vocational Rehabilitation Specialists on an as needed basis as a performance issue.

In addition, the results of the most recent Central Office and local Quality Assurance reviews will be reviewed during the staff meeting to be held in April 2005. VR&E will also be discussing the importance of correctly inputting case management data into the CWINRS program.

Recommended Improvement Action 4. We recommend that the Western Area Director ensure that the Regional Office Director requires: (a) cardholders to comply with the FAR requirements for competitive and sole source purchases that exceed \$2,500 and (b) approving officials monitor purchases to ensure that VR&E cardholders comply with the FAR.

- (a) **Concur.** Training was provided on March 15, 2005 by the VR&E Officer. He informed all VR&E cardholders that they must seek competition or prepare sole source justifications for purchases exceeding \$2,500 as required by the Federal Acquisition Regulation (FAR).
- (b) **Concur.** General Services Administrative (GSA) staff conducted training on the Federal Acquisition Regulation (FAR) with all VR&E cardholders on March 24, 2005.
- (c) **Concur.** The VR&E approving officials and the Purchase Card Coordinator now monitor all purchases to ensure that VR&E cardholders comply with the FAR. The VR&E Officer has established a blanket contract with one vendor and justifications for single sole source purchases will be documented in the purchase card transactions files as required by the FAR.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Benefit payments to certain veterans who were hospitalized at Government expense for extended periods should be reduced.	\$105,232
2	Benefit payments to certain veterans who were incarcerated should be reduced.	112,736
	Total	\$217,968

OIG Contact and Staff Acknowledgments

OIG Contact	Janet Mah (310) 268-4335
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Acknowledgments	Cristina C. Andreozzi Julio Arias Carin D. Childress Rose Kim Tae Kim Brian Linton Pauline Murano Debra Persley
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Report Distribution

VA Distribution

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