



Report to the Chairman, Subcommittee
on Oversight and Investigations,
Committee on Veterans' Affairs,
House of Representatives

August 2014

LAND-USE AGREEMENTS

Department of
Veterans Affairs
Needs to Improve
Data Reliability and
Monitoring

GAO Highlights

Highlights of [GAO-14-501](#), a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

VA manages one of the nation's largest federal property portfolios. To manage these properties, VA uses land-use authorities that allow VA to enter into various types of agreements for the use of its property in exchange for revenues or in-kind considerations. GAO was asked to examine VA's use of land-use agreements.

This report addresses the extent to which VA (1) maintains reliable data on land-use agreements and the revenue they generate, (2) monitors the billing and collection processes at selected VA medical centers, and (3) monitors land-use agreements at selected VA medical centers. GAO analyzed data from VA's database on its land-use agreements for fiscal year 2012, reviewed agency documentation, and interviewed VA officials. GAO also visited three medical centers to review the monitoring of land-use agreements and the collection and billing of the associated revenues. GAO selected medical centers with the largest number of agreements or highest amount of estimated revenue. The site visit results cannot be generalized to all VA facilities.

What GAO Recommends

GAO is making six recommendations to VA including recommendations to improve the quality of its data, foster collaboration between key offices, and enhance monitoring. VA concurred with the recommendations.

View [GAO-14-501](#). For more information, contact Steve Lord at (202) 512-6722 or lords@gao.gov.

August 2014

LAND-USE AGREEMENTS

Department of Veterans Affairs Needs to Improve Data Reliability and Monitoring

What GAO Found

According to the Department of Veterans Affairs' (VA) Capital Asset Inventory system—the system VA utilizes to record land-use agreements and revenues—VA had hundreds of land-use agreements with tens of millions of dollars in estimated revenues for fiscal year 2012, but GAO's review raised questions about the reliability of those data. For example, one land-use agreement was recorded 37 times, once for each building listed in the agreement, 13 agreements terminated before fiscal year 2012 had not been removed from the system, and more than \$240,000 in revenue from one medical center had not been recorded. VA relies on local medical center staff to enter data timely and accurately, but lacks a mechanism for independently verifying the data. Implementing such a mechanism and working with medical centers to make corrections as needed would better position VA to reliably account for its land-use agreements and the associated revenues they generate.

GAO found weaknesses in the billing and collection processes for land-use agreements at three selected VA medical centers due primarily to ineffective monitoring. For example, VA incorrectly billed its sharing partners for 14 of 34 agreements at the three centers, which resulted in VA not billing \$300,000 of the nearly \$5.3 million owed. In addition, at the New York center, VA had not billed a sharing partner for several years' rent that totaled over \$1 million. VA began collections after discovering the error; over \$200,000 was outstanding as of April 2014. VA stated that it did not perform systematic reviews of the billing and collection practices at the three centers and had not established mechanisms to do so. VA officials at the New York and North Chicago centers stated that information is also not timely shared on the status of agreements with offices that perform billing due to lack of collaboration. Until VA addresses these issues, VA lacks assurance that it is collecting the revenues owed by its sharing partners.

VA did not effectively monitor many of its land-use agreements at two of the centers. GAO found problems with unenforced agreement terms, expired agreements, and instances where land-use agreements did not exist. Examples include the following:

- In West Los Angeles, VA waived the revenues in an agreement with a nonprofit organization—\$250,000 in fiscal year 2012 alone—due to financial hardship. However, VA policy does not allow revenues to be waived.
- In New York, one sharing partner—a local School of Medicine—with seven expired agreements remained on the property and occupied the premises without written authorization during fiscal year 2012.
- The City of Los Angeles has used 12 acres of VA land for recreational use since the 1980s without a signed agreement or payments to VA. An official said that VA cannot negotiate agreements due to an ongoing lawsuit brought on behalf of homeless veterans about its land-use agreement authority.

VA does not perform systematic reviews and has not established mechanisms to do so, thus hindering its ability to effectively monitor its agreements and use of its properties.

Contents

Letter		1
	Background	5
	VA Does Not Maintain Reliable Data on the Number of Land-use Agreements and Their Associated Revenues	9
	Additional Monitoring at Three VA Medical Centers Could Improve the Billing and Revenue-Collection Process for Land-use Agreements	12
	VA Did Not Effectively Monitor Many of Its Land-use Agreements at Two of the Three Selected Medical Centers	18
	Conclusions	25
	Recommendations for Executive Action	26
	Agency Comments	27
Appendix I	Court Decision on Sharing Agreements at the West Los Angeles Medical Center	28
Appendix II	Comments from the Department of Veterans Affairs	29
Appendix III	GAO Contact and Staff Acknowledgments	34
Table		
	Table 1: Department of Veterans Affairs Land-use Authorities by Maximum Duration of Terms	7
Figure		
	Figure 1: Sharing Partner Installing Irrigation System at Golf Course without Prior Approval	21

Abbreviations

CAI	Capital Asset Inventory
EUL	enhanced use lease
IG	Office of Inspector General
NCA	National Cemetery Administration
OAEM	Office of Asset Enterprise Management
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

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



August 18, 2014

The Honorable Mike Coffman
Chairman
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

With over 7,400 buildings situated on over 35,000 acres of land, the Department of Veterans Affairs (VA) continues to rank amongst the largest federal land-holding organizations, and also operates one of the largest health care-related real estate portfolios in the nation. Since the 1990s, VA's portfolio has been shaped by changes to its organizational mission—transitioning from predominately hospital-based care to outpatient-based services for veterans and their families. As a result of this organizational transformation and other factors, millions of square feet of VA's property at its medical facilities and centers in the past was underutilized or vacant.¹ To effectively manage the challenges associated with this portfolio, Congress provided VA with several legal authorities that enable the department to enter into agreements with public or private entities for the use of its underutilized or vacant property in exchange for cash or some other benefit. For instance, VA has authority to enter into a particular type of lease, called an enhanced-use lease (EUL), which allows the agency to enter into long-term agreements with public and private entities for the use of VA property, resulting in cash or in-kind consideration for VA. Additionally, VA has authority to enter into sharing agreements with entities to provide the use of VA space for the benefit of

¹In September 2008, we reported that the aging of VA's medical facilities and the costs associated with their renovation rendered many structures inappropriate for care delivery, leaving the department with millions of underutilized or vacant square feet of space. More recently, in June 2012, we reported that VA said that it had reduced the number of underutilized facilities in part through the use of land-use agreements. GAO, *Federal Real Property: Progress Made in Reducing Unneeded Property, but VA Needs Better Information to Make Further Reductions*, [GAO-08-939](#) (Washington, D.C.: Sept. 10, 2008) and *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, [GAO-12-645](#) (Washington, D.C.: June 20, 2012).

veterans or nonveterans in exchange for payment or services. Other authorities include outleases, licenses, and permits.²

In exchange for use of the space, VA receives revenue, or in-kind considerations, or both. The in-kind considerations can be used to offset the costs of maintaining its property through cost avoidance or savings, or to enhance the availability of the services it offers to veterans or its employees. Examples of the benefits derived from leasing its property can include providing additional care options to homeless veterans, making parking available for veterans seeking treatment, and providing child-care services for VA employees and others. VA agreements may also offer benefits to the community as a whole, such as recreational facilities and credit unions. However, while VA's underutilized and vacant space can be leased for the benefit of veterans or the public at large, VA's policy is to prioritize making agreements that in no way result in a diminution of services for veterans and also focus on providing supportive housing or service centers for homeless veterans.³

For all federal agencies, including VA, we have identified the management of real federal property as a high-risk area and have included it on GAO's High-Risk List since 2003.⁴ In February 2013, we reported that federal departments and agencies have given high-level attention to this issue and have made progress in real property management. However, the underlying challenges remain. Specifically, the government continues to lack consistent, accurate, and useful data to support decision making. Likewise, the VA Office of Inspector General (IG) reported in February and September 2012 that VA could improve its

²For outleases, VA leases real property to public or private interests outside of VA for up to 3 years. For licenses, VA gives a nonfederal party permission to enter upon and do a specific act or series of acts upon the land without possessing or acquiring any estate therein. For permits, VA gives another federal agency permission to enter upon and do a specific act or series of acts upon the land.

³See Veterans Health Administration Handbook 1820.1. VA space may be offered to a sharing partner for the benefit of veterans or nonveterans. If the former, high priority needs to be given to partners who are offering to provide supportive housing or service centers for homeless veterans. If the latter, then this type of agreement must ensure that the service or space is within the scope of VA's authority, and in no way will it negatively affect the care of veterans.

⁴GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

monitoring and oversight of EUL agreements.⁵ Specifically, the IG found that the EUL agreements were not always effectively monitored in a way that served the best interests of veterans and the department. Additionally, the IG found that VA could not fully determine the effectiveness of leased space due to inaccurate reporting on benefits, and that decision making by local VA staff sometimes lacked transparency. These findings, while specific to the EUL program, raise concerns related to potential deficiencies in the management of other land-use agreements such as sharing agreements, outleases, licenses, and permits.

You asked us to review information on what is known about VA's use of certain land-use authorities, the agreements executed under those authorities, and their outcomes. This report addresses the extent to which VA: (1) maintains reliable data on land-use agreements and the revenue they generate, (2) monitors the billing and revenue-collections processes at selected VA medical centers, and (3) monitors the land-use agreements at selected VA medical centers.

To determine the extent to which VA maintains reliable data on its land-use agreements and the revenue generated from those agreements, we analyzed land-use agreement data contained in VA's Capital Asset Inventory (CAI) for fiscal year 2012, the most recent data available at the time we initiated our review.⁶ We took steps to assess the reliability of the data in CAI by interviewing agency officials knowledgeable about the data, reviewing systems documentation, analyzing the data to assess accuracy and completeness, and taking steps to corroborate certain data from CAI to land-use agreements and other source documents at three selected sites: New York City, New York; North Chicago, Illinois; and West Los Angeles, California. These sites were selected because they had among the largest number of agreements or highest amount of estimated revenue maintained in CAI. Our testing of the existence and

⁵Department of Veterans Affairs Office of Inspector General, *Audit of the Enhanced-Use Lease Program*, Report No. 11-00002-74 (Feb. 29, 2012) and *Review of the Enhanced Use Lease between the Department of Veterans Affairs and Veterans Development, LLC* Report No. 12-00375-290 (Sept. 28, 2012). According to VA officials, all recommendations from IG Report No. 11-00002-74 have been closed by the IG.

⁶CAI is the database of record for VA's real property portfolio, including all of the department's owned and leased assets. The CAI database also houses facility condition assessment data, agreement information, and historical asset information for the portfolio. CAI is managed through the Office of Asset Enterprise Management.

completeness of VA land-use agreement records determined that VA records were neither accurate nor complete, as discussed later in this report. As such, we determined that while the CAI data were reliable enough to select our three sites for review, the data were not sufficiently reliable for the purposes of reporting the total number of agreements held by VA and the revenue those agreements generated in fiscal year 2012 for this audit.

Over the course of this engagement, we visited the three selected sites to corroborate some of the data maintained in CAI and to accomplish other audit objectives. During these site visits, our overall approach included interviewing local medical center officials such as medical facilities' directors, contracting officials, and fiscal officials. With our interviews, we made inquiries on VA's processes and controls related to the billing and collection of its revenues, and tested billing and collections on fiscal year 2012 land-use agreements provided to us by the medical centers. Finally, we toured the facilities and recorded our observations about the space relative to the terms as documented in the agreements.

To determine the extent to which VA monitors the billing and collection processes at selected VA medical centers, we examined VA policies and procedures as they relate to billing and collections of land-use agreements, interviewed VA officials responsible for billing and collecting revenues from land-use agreements at the three selected sites (New York City, New York; North Chicago, Illinois; and West Los Angeles, California) and reviewed all billing and collection documents associated with the land-use agreements at those sites. Because the VA IG performed recent work on EULs, our work for this objective was limited to other land-use agreements types (i.e., sharing agreements, outleases, licenses, and permits). In addition, for one of those sites, West Los Angeles, the VA IG is conducting an investigation in which the IG seized all records related to land-use agreements. As such, our audit was limited to only copies of those records that VA officials had separately maintained. We made inquiries to the investigation, but VA OIG staff declined to discuss the nature or scope of the investigation. We assessed VA's efforts, including VA policies and procedures, using federal internal control standards.⁷ We did not perform a systematic review of VA's internal controls outside of

⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

the three selected sites, and therefore the findings for this objective cannot be generalized to other VA medical centers.

To determine the extent to which VA monitors the management of its land-use agreements, we examined VA policies and procedures and interviewed VA officials responsible for monitoring land-use agreements. We also reviewed the land-use agreements and conducted observations about the monitoring of the property associated with all land-use agreements at the three selected sites. As noted above, our work at West Los Angeles was limited by a current investigation being performed by the VA IG, who seized all records related to land-use agreements. We assessed VA's controls using federal internal control standards. We did not perform a systematic review of VA's internal controls outside of the three selected sites and therefore the findings for this objective cannot be generalized to other VA medical centers.

We conducted this performance audit from May 2013 to August 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Federal Role

VA's three operational administrations—the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA)—each manage their own separate regional network of facilities to provide program services to veterans and their families. These services include a diverse array of educational, disability, survivor, and health benefits.

VHA holds the nation's largest integrated health care system consisting of, among other things, medical centers and community-based outpatient clinics that are decentralized across 21 Veterans Integrated Service Networks. In addition to its primary program mission area of providing health care to veterans, VHA—specifically—is also responsible for managing the majority of the department's underutilized and excess

property and land-use agreements at the local level.⁸ It should be noted that the management of underutilized and vacant spaces can be costly. Decision making on how to use these properties may involve competing considerations such as budgetary constraints, legal limitations, and stakeholder input.

Types of Land-use Agreements and Their Benefits

VA utilizes various leasing authorities as a means of avoiding or decreasing its costs by maximizing available resources through the joint use of facility space. VA may use these authorities to enter into agreements that include outleases, licenses, permits, sharing agreements, and EUL agreements with public or private entities to use land and buildings for revenue or in-kind consideration. See table 1 below for the various types of authorities available to VA, a brief description of the authority, and how proceeds may be used if revenue is generated.

⁸Staff within the Office of Asset Enterprise Management (OAEM) work with the administrations, the regional networks, and medical centers to manage VA's portfolio and undertake other tasks such as performance monitoring and data management.

Table 1: Department of Veterans Affairs Land-use Authorities by Maximum Duration of Terms

Authority	Duration and definition	Proceeds
38 U.S.C. § 8122	<p><i>Outlease:</i> VA may lease real property to public or private interests outside of VA for up to 3 years. Consideration for the lease may include maintenance, protection, or restoration of the property.</p> <p><i>License:</i> VA may give a nonfederal party permission to enter upon and do a specific act or series of acts upon the land without possessing or acquiring any estate therein. A license typically can be revoked at any time.</p> <p><i>Permit:</i> VA may give another federal agency permission to enter upon and do a specific act or series of acts upon the land.</p>	<p>Generally, proceeds generated from outleases of space, minus expenses for maintenance, operation, and repair of buildings leased for building quarters, are deposited into the Department of the Treasury as miscellaneous receipts. Proceeds generated from licenses and permits are also deposited into the Department of the Treasury.</p>
Sharing agreements 38 U.S.C. §§ 8151-8153	<p>VA may enter into sharing agreements to provide the use of health care resources for the benefit of veterans or nonveterans in exchange for payment or services, or both, if VA's resources would not be used to their maximum effective capacity, and the sharing agreement would not adversely affect the care of veterans. Current VA policy provides that sharing agreements can be entered into for up to 10 years, with the initial term not to exceed 5 years.</p>	<p>Proceeds generated from sharing agreements are to be credited to the applicable department medical appropriation of the facility that furnished the space.</p>
Enhanced-use leases 38 U.S.C. §§ 8161-8169	<p>VA may lease property under its jurisdiction or control (typically underutilized or vacant property) to a public or private entity for up to 75 years to provide for supportive housing as defined in 38 U.S.C. § 8161(3).</p>	<p>Enhanced use lease proceeds are deposited into VA's medical care collections fund per 38 U.S.C. § 8165(a)(1). Enhanced use lease disposal proceeds are deposited into VA's major or minor construction project accounts, as the Secretary of the Veterans Affairs deems appropriate.</p>

Source: GAO. | GAO-14-501

Notes:

VA has other authorities available. For example, VA has the authority to transfer any interest in real property to a state for use as a state nursing home or domiciliary (38 U.S.C. § 8122)(a)(3)(A); or transfer the real property to the General Services Administration for disposal (38 U.S.C. § 8122(d)). In addition, VA may enter into interagency agreements with other federal agencies for the use of property.

Depending upon the terms specified and the type of agreement, agreements may generate revenue, in-kind considerations (such as cost savings or avoidance, or enhanced services), or both for the benefit of veterans, VA's operations, or the community at large. When veterans benefit directly from these agreements, they may enjoy access to an expanded range of services that would otherwise not be available on VA medical center campuses because in some cases VA is not authorized to provide such services itself. VA benefits from land-use agreements by offsetting or avoiding altogether the costs associated with operating and

maintaining underutilized or vacant properties. Finally, local communities may also benefit from agreements through the provision of services such as credit unions, daycare, or the placement of rooftop antennas to strengthen cell-phone reception.

Land-use Agreement Data and Monitoring

Details about land-use agreements, including estimated revenue and indications of in-kind considerations, are to be recorded in VA's CAI system by administration, network, or medical facility personnel who are responsible for those agreements. According to VA, it uses this system to evaluate property management by its administrations, regional networks, and medical centers. The inventory data from this system are to form the basis for decision making used in VA's strategic capital-investment planning processes.⁹ CAI data are also reported to external stakeholders, including Congress and GAO.¹⁰

To be entered into CAI, each land-use agreement must have its own revenue source and accounting codes. VA headquarters staff process requests and register the land-use agreements with these codes. Once assigned, the codes are to be entered into the CAI database. VA medical centers in VA's 21 service networks are then responsible for updating the land-use agreement information into CAI immediately after they are notified that the codes have been entered as well as updating CAI at the time of execution of the land-use agreement. VA medical centers are also required to immediately update the CAI database for any subsequent changes in the land-use agreements. Each year, VA headquarters staff initiate a call for the VA medical centers to review existing data in CAI, including land-use agreements; update any needed changes to CAI; and certify the data are complete and accurate at that point in time.

Enhanced use leases (EUL) are centrally managed at headquarters by the Office of Asset Enterprise Management (OAEM). OAEM is responsible for administering and managing the EUL program, with support from local facility staff from VA's administrations. This monitoring

⁹ The Strategic Capital Investment Planning process is an annual process designed to capture the full extent of VA's capital needs and inform the annual budget process. Strategic Capital Investment Planning is a department-wide planning process that results in the creation of a single, integrated, prioritized list of projects from all capital investment accounts.

¹⁰ Other stakeholders include the Federal Real Property Council, General Services Administration, and Office of Management and Budget.

includes tracking lease requirements and identifying benefits and expenses for EUL projects, once leases are executed. VA is also responsible for producing an annual consideration report to Congress for EULs that includes information on revenue, cost avoidance, cost savings, enhanced services, and expenses paid by VA.

Unlike the central management of revenues and agreements associated with EULs, VA generally uses a decentralized approach in the monitoring of sharing agreements, outleases, licenses, and permits.¹¹ The scope of projects can be diverse, ranging from space for medical research, day care, and rooftop telecommunications equipment, to 1-day special events for community causes. Regardless of the type of project, roles and responsibilities may vary by medical facility when overseeing land-use agreements. The monitoring of agreements, including ensuring the space is properly maintained or occupied, may involve offices responsible for asset management or contracting, for instance. According to VA officials, the medical centers are allowed considerable discretion in their management of these agreements.

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

Based on our review of land-use agreement data for fiscal year 2012, VA does not maintain reliable data on the total number of land-use agreements and VA did not accurately estimate the revenues those agreements generate.¹² According to the land-use agreement data provided to us from VA's CAI system, VA reported that it had over 400 land-use agreements with over \$24.8 million in estimated revenues for fiscal year 2012. However, in the course of our testing the reliability of the data, one of VA's administrations—VHA—initiated steps to verify the accuracy and validity of the data it originally provided to us. During this verification process, VHA made several corrections to the data that raised questions about their accuracy, validity, and completeness. Examples of these corrections include the following:

- VHA reported multiple entries for a single land-use agreement. Specifically, VHA had 37 separate land-use entries for the same

¹¹OAEM monitors EULs, which are the only land-use agreements that are entirely managed at the department level. According to VA officials, some NCA outleases and long-term permits and licenses are also managed centrally.

¹²For purposes of this report, we define revenues as any proceeds or receipts received by VA for EULs, sharing agreements, outleases, licenses, and permits. Not all land-use agreements generate revenues.

agreement entered in CAI—one for each building listed in the agreement—that were, in fact, for only one agreement at VA's facility in Perry Point, Maryland.

- VHA also noted in its revisions that there were 13 agreements that had been terminated prior to fiscal year 2012 that should have been removed from the system.

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

- VHA did not include 17 land-use agreements for the medical centers in New York and North Chicago, collectively.
- VHA initially reported that it had 9 non-EUL land-use agreements that generated about \$3.2 million in revenues at its North Chicago medical center in fiscal year 2012. In its revisions, VHA stated that its North Chicago medical center maintained 7 land-use agreements that generated no revenue, instead of 9 agreements that generated revenues. However, on the basis of our independent review of revenue receipts, we found that 5 agreements generated more than \$240,000 in revenue in fiscal year 2012.
- For the medical center in West Los Angeles, VHA revised its estimated revenues from all land-use agreements in fiscal year 2012 from about \$700,000 to over \$810,000. However, our review of VA's land-use agreements at this medical center indicated that the amount that should have been generated was approximately \$1.5 million.

Guidance in this area states that reliable data can be characterized as being accurate, valid, and complete.¹³ Reliable data means that data are reasonably complete and accurate, can be used for their intended purposes, and have not been subject to inappropriate alteration. Additionally, data in systems should also be consistent—a subset of accuracy—and valid. Consistency can be impaired when data are entered at multiple sites and there is an inconsistent interpretation of what data should be entered. Finally, data that are valid actually represent what is

¹³GAO, *Assessing the Reliability of Computer-Processed Data*, [GAO-09-680G](#), External Version I (July 2009).

being measured. Thus, despite the corrections made by VHA, we cannot conclude that the revised number of land-use agreements held by VA or the amount of revenue these agreements generated in fiscal year 2012 are sufficiently reliable.

VA policy requires that CAI be updated quarterly until the agreement ends. VA's approach on maintaining the data in CAI relies heavily on data being entered timely (quarterly) and accurately by a staff person in the local medical center. VA OAEM makes annual requests to medical centers to update the data in CAI, which also calls for the medical centers staff to verify the data.¹⁴ VA officials stated that a number of deficiencies remained after an annual update of the data in CAI. According to VA officials, the errors may be a result of manual data entry or medical centers not adhering to the guidance for updating CAI on a quarterly basis. Our review found that VA does not currently have a mechanism to ensure that the data in CAI are updated quarterly as required and that the data are accurate, valid, and complete. Federal internal control standards state that relevant, reliable, and timely information is to be available for external reporting purposes and management decision making.¹⁵ Additionally, these standards also state that management should put in place control mechanisms and activities to enable it to enforce its directives and achieve results, such as providing relevant, reliable, and timely information.

VA officials recognize the importance of maintaining quality data. According to VA's guidance on CAI, the maintenance of high-quality data is critical to the organization's credibility and is an indication of VA's commitment to responsible capital asset portfolio management. Additionally, VA contends that high-quality data are needed to be responsive to policymakers and others. Officials at the VA headquarters reported that they undertake a few activities throughout the year to improve their data, such as the annual update. For example, an official told us that staff at headquarters had recently deployed a training session in 2014 that focused on updating data in CAI. According to a VA official, six sessions have been provided through June 2014. While these

¹⁴Each year, the VA Central Office issues instructions to staff at the local medical centers alerting them about the need to update data in CAI. As part of this process, local centers are also asked to check data for accuracy, completeness, and validity.

¹⁵[GAO/AIMD-00-21.3.1](#).

activities are positive steps, they do not provide the assurance needed that the data maintained in CAI are reliable. By implementing a mechanism that will allow it to assess whether medical centers have timely entered the appropriate land-use agreement data into CAI, and working with the medical centers to correct the data, as needed, VA would be better positioned to reliably account for land-use agreements and the associated revenues that they generate.

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

Weaknesses Noted in Various Aspects of the Revenue Collection Process at the Selected Medical Centers

At the three medical centers we visited, we found weaknesses with the billing and collection processes that impair VA's ability to effectively and timely collect land-use agreement revenues from its sharing partners. Specifically, we found inadequate billing practices at all three medical centers we visited, as well as opportunities for improved collaboration at two of the three medical centers, and duties that were not properly segregated at one medical center. Because we did not perform a systematic review of VA's internal controls outside of the three selected sites, our findings in this section cannot be generalized to other VA medical centers.

Inadequate Billing Practices

At the three sites that we visited, we found that VA had billed partners in 20 of 34 revenue-generating land-use agreements for the correct amount; however, the partners in the remaining 14 agreements were not billed for the correct amount.¹⁶ Based on our analysis of the agreements, we found

¹⁶We reviewed a total of 59 land-use agreements; of these, 25 did not generate revenue in fiscal year 2012.

that VA underbilled by almost \$300,000 of the approximately \$5.3 million that was due under the agreements, a difference of about 5.6 percent. For most of these errors, we found that VA did not adjust the revenues it collected for inflation. According to the department's guidance on sharing agreements, VA must incorporate an annual inflation adjustment to multiple-year agreements to ensure that its maintenance and operating costs—such as future utility costs—continue to be recouped, or exceeded. However, for some of these incorrectly billed agreements, the sharing partners paid the correct amount of rent as specified in the agreement even though the bill stated an incorrect amount. In addition, we found that the West Los Angeles medical center inappropriately coded the billing so that the proceeds of its sharing agreements, which totaled over \$500,000, were sent to its facilities account. According to the West Los Angeles chief fiscal officer, these proceeds were mainly used to fund maintenance salaries. However, according to VA policy, proceeds from sharing agreements are required to be deposited in the medical care appropriations account that benefits veterans.¹⁷

According to the policy for sharing agreements, each agreement must include the amount of rent for the space, when the rent is expected to be paid, and the number of payments to be made over a specified period by the sharing partners. In the absence of a bill from VA, the sharing partner still is required to make payments as stipulated under the agreement. However, at all three sites that we visited, we found problems with the billing of rent for the land-use agreements:

- At the New York City location, VA officials were not aware that a sharing partner—an academic department with the local university—renewed its agreement to remain at the VA in 2008. As a result and according to a VA New York fiscal official, VA did not bill the sharing partner for several years' rent that totaled over \$1 million. After it discovered this error, VA began to take collection action on the unpaid rent in 2012, but over \$200,000 in delinquent rent remained outstanding as of April 2014.
- At the West Los Angeles location, officials did not send periodic invoices to sharing partners as required by policy or under its agreements. As a result, two of its sharing partners did not always

¹⁷Department of Veterans Affairs, *Sharing Use of Space*, Veterans Health Administration Handbook 1820.1 (Mar. 7, 2005).

submit timely payments. And in a third case, VA has not fully collected on the total amount of past due rent from a sharing partner that it did not bill as expected. Specifically, in August 2011, VA stopped billing a hospitality corporation that operated a laundry facility on the campus. Since that time, the sharing partner has not made any payments as required under the terms of its agreement. The partner vacated the space in December 2013, and owes hundreds of thousands of dollars to VA. A contracting officer in Long Beach, who is responsible for the management of the land-use agreements in West Los Angeles, stated during a February 2014 meeting with GAO that he advised the West Los Angeles location to evict the sharing partner for occupying VA space beyond its agreement term because they were “trespassing” and lacked authorization to remain in the space. The contracting official also stated that VA should bill the sharing partner for the rent due and, if necessary, seek guidance to initiate available collection actions. A West Los Angeles VA official acknowledged that eviction was one of the options that could be pursued; however, the medical center continued to allow the sharing partner to remain in the space so that the agreement could be terminated “amicably.” During our visit in December 2013, that same West Los Angeles official also stated that VA would continue to negotiate with the sharing partner on the final payment to be received; and those negotiations would take into account the value of certain inventory items and parts that the partner left in the space. This official later reported to GAO that, as of May 2014, VA would bill the sharing partner for the full amount of past due rent without offsetting the value of the property remaining in the space. We asked for a copy of the letter that would be sent to the sharing partner, but as of June 2014 VA had not provided it.

- The medical center at West Los Angeles also did not bill a federal government agency sharing space at the Sepulveda Ambulatory Care Center during fiscal year 2012. Instead, the medical center submitted the bill for about \$480,000 to the federal agency on October 1, 2012, the day after the end of fiscal year 2012. As a result, the sharing partner did not make any monthly rental payments during fiscal year 2012. The sharing partner subsequently made the full rental payment in November 2012.
- At the North Chicago medical center, VA officials did not bill one of its sharing partners for about \$3,000 for the month of August 2012. Officials were not aware that they had not billed for this agreement until we brought the matter to their attention in January 2014. According to a VA official, the North Chicago medical center submitted a bill to the sharing partner in June 2014.

Opportunities for Improved
Collaboration

VA officials acknowledged that the department did not perform systematic reviews of the billings and collections practices at the three medical centers, which we discuss in more detail later. Federal internal control standards state that management is to ensure that transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.¹⁸ This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, the standards call for agencies to design control activities to help ensure that all transactions are completely and accurately recorded. These standards and OMB guidance also state that management should put in place control mechanisms and activities to enable it to enforce its directives and achieve results. Because VA lacks a mechanism that ensures its transactions are promptly and accurately recorded, VA is not consistently collecting revenues that the sharing partners owe to VA at these three medical centers.

At two of the three sites we visited, we found that VA could improve collaboration amongst key staff that could enhance the collections of proceeds for its land-use agreements. Examples include the following:

- At the New York site, VA finance staff created spreadsheets to improve the collection of its revenues for more than 20 agreements. However, the fiscal office did not have all of the renewed contracts or amended agreements that could clearly show the rent due since the contracting office failed to inform the fiscal office of the new agreements. According to a VA fiscal official at the New York office, repeated requests were made to the contracting office for these documents; however, the contracting office did not respond to these requests by the time of our visit in January 2014. According to the New York Harbor Healthcare System director and the fiscal officials at New York, collection activities suffered because the contracting office was not responsive.
- At the North Chicago medical center, the finance staff identified differences between what they billed from the sharing partners and what they collected for some agreements. As a result, a North Chicago medical center finance staff official stated that the center's staff had to undertake extra, time-consuming measures—including

¹⁸[GAO/AIMD-00-21.3.1.](#)

speaking to the sharing partners themselves—to resolve these differences. At that time, the finance staff discovered that VA was not billing for the increase in rent for inflation. North Chicago did not have a mechanism to communicate the specific terms (such as inflation adjustments) and did not have access to the land-use agreements across offices, according to another North Chicago finance official. Such sharing of information would have helped to expedite the explanation of these differences.

Collaboration can be broadly defined as any joint activity that is intended to produce more public value than could be produced when organizations act alone. Best practices state that agencies can enhance and sustain collaborative efforts by engaging in several practices that are necessary for a collaborative working relationship. These practices include

- defining and articulating a common outcome;
- agreeing on roles and responsibilities; and
- establishing compatible policies, procedures, and other means to operate across agency boundaries.¹⁹

By taking additional steps to foster a collaborative environment, VHA could improve its billing and collection practices. For example, rather than contacting sharing partners to confirm the accuracy of its billing, fiscal staff in the North Chicago VA could work with the office that holds the agreements, the contracting office, to confirm the accuracy of its billing and to correct errors.

Segregation of Duties

¹⁹Other practices include identifying and addressing needs by leveraging resources; developing mechanisms to monitor, evaluate, and report on results of the collaboration; reinforcing the agency's accountability for collaborative efforts through its plans and reports; and reinforcing individual accountability for collaborative efforts through performance-management systems. GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C. Oct. 21, 2005). This report identifies key practices that can help enhance and sustain agency collaboration. To identify practices for sustaining collaboration, we reviewed academic literature and prior GAO and Congressional Research Service reports in this area. We interviewed experts in coordination, collaboration, partnerships, and networks from organizations such as the National Academy of Public Administration, the IBM Center for The Business of Government, and the University of California at Berkeley. We also considered how the Government Performance and Results Act and the Office of Management and Budget address collaboration among agencies.

Based on a walkthrough of the billing and collections process we conducted during our field visits, and an interview with a West Los Angeles VA official, we found that West Los Angeles did not utilize proper segregation of duties. Specifically, the office responsible for monitoring agreements also bills the invoices, receives collections, and submits the collections to the agent cashier for deposit. This assignment of roles and responsibilities for one office is not typical of the sites we examined. At the other medical centers we visited, these same activities were separated amongst a few offices, as outlined in VA's guidance on deposits.²⁰ Federal internal control standards state that for an effectively designed control system, key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.²¹ These controls should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing them, and accepting any acquired assets. Without proper segregation of duties, risk of errors, improper transactions, and fraud increases. According to West Los Angeles officials, the medical center is considering steps to correct the segregation of duties issue by assigning certain duties to the fiscal office. However, the West Los Angeles site did not provide any details on the steps it would take or the timeline it would follow to implement these actions. Federal internal control standards emphasize the need for federal agencies to establish plans to help ensure goals and objectives can be met.²² Because of the lack of appropriate segregation of duties at West Los Angeles, the revenue collection-process has increased vulnerability to potential fraud and abuse.

Opportunities for Improved Monitoring of Billing and Collections at Selected Medical Centers

VA headquarters officials informed us that program officials located at VA headquarters do not perform any systematic review to evaluate the medical centers' processes related to billing and collections at the local level. VA officials further informed us that VHA headquarters also lacks critical data—the actual land-use agreements—that would allow it to routinely monitor billing and collection efforts for land-use agreements across the department. Federal internal control standards require that departments and agencies assess program quality and performance over

²⁰Department of Veterans Affairs, *Administrative Fiscal Policies and Procedures*, vol. VIII, ch. 1 (October 2013).

²¹[GAO/AIMD-00-21.3.1](#).

²²[GAO/AIMD-00-21.3.1](#).

time and work to address any identified deficiencies. Further, management must continually assess and evaluate these controls to assure that the activities being used are sufficient and effective. In response to our findings, one VA headquarters official told us that the agency is considering the merits of dispatching small teams of staff from program offices located at VA's headquarters to assist the local offices with activities such as billing and collections. However, as of May 2014, VA had not implemented this proposed action or any other mechanism for monitoring the billing and collections activity at the three medical centers. Federal internal control standards also state that management should put in place control mechanisms and activities to enable it to enforce its directives and achieve results. Until VA performs systematic reviews, VA will lack assurance that the three selected medical centers are taking all required actions to bill and collect revenues generated from land-use agreements, as expected.

VA Did Not Effectively Monitor Many of Its Land-use Agreements at Two of the Three Selected Medical Centers

VA did not effectively monitor the status of the land-use agreements at the medical center level for two selected sites that we visited. As a result, we identified problems associated with many of the land-use agreements including unenforced agreement terms, expired agreements with partners remaining in VA space, and organizations occupying VA space without a written agreement. Because we did not perform a systematic review of VA's internal controls outside of the three selected sites, our findings in this section cannot be generalized to other VA medical centers.

Several Agreements Lacked Proper Enforcement of Terms

During our site visit to West Los Angeles, we noted several sharing agreements that lacked proper enforcement. These agreements included the following:

- *Authorization and Reporting Terms for Parking Services Agreement Not Enforced.* VA did not enforce two key modification terms of a West Los Angeles sharing agreement. One modification for this agreement allowed for the receipt of in-kind considerations—such as road repaving and the installation of speed bumps—in lieu of revenue, as originally agreed. This agreement modification stipulates that the sharing partner will provide services (such as paving) as determined necessary by the contracting official. However, the medical center's current contracting officer—an official located in the Long Beach office—stated that he had not approved any services under the agreement since his appointment in June 2012. Another provision in

the modification requires the sharing partner to provide an annual reconciliation to the contracting officer.²³ According to a West Los Angeles VA official that was previously responsible for monitoring the agreement, this report reconciles the costs of the in-kind services provided to VA to the revenues generated through the agreement each year. This official could not provide us with either documentation or information regarding any services that were provided during fiscal year 2012, including the value of such services. According to the current contracting officer in Long Beach, neither the sharing partner nor officials at West Los Angeles medical center have provided the reconciliation reports for 2012.²⁴ We also requested the 2012 reconciliation report from VA West Los Angeles officials, but they could not provide us with a copy.²⁵

- *Original Payment Terms with Nonprofit Organization Not Enforced.* A West Los Angeles VA agreement with a nonprofit organization to provide space and services for homeless veterans included a rental provision that, if enforced, would have collected over \$250,000 in revenue in 2012.²⁶ However, according to a West Los Angeles VA official, no revenue was collected that fiscal year because the rental provision was waived. According to this same official, the waiver for the rental provision may have occurred in the late 2000s due to the

²³After executing an agreement in 2002 with a partner to provide vehicular parking spaces on the medical campus, a former VA contracting official modified a key term of that agreement 1 week later. Based on VA's proposal for the project, the department had intended to generate revenues by allowing the community to park in underutilized parking lots at various events. Specifically, the original agreement required the sharing partner to pay to VA 60 percent of all gross revenues the sharing partner generates. Under the terms of the original agreement, VA would have received \$960,000 in revenue for fiscal year 2012. According to the Long Beach contracting officer, who was responsible for this agreement at the time of our review, the timing and type of modification was unusual. Officials at VA headquarters stated that they could not recall if this modification was reviewed and approved by VA headquarters officials.

²⁴According to the current contracting officer, he has requested on several occasions all land-use agreements from West Los Angeles that he is responsible for monitoring, but West Los Angeles has not responded to his requests.

²⁵According to VA officials, the VA IG is conducting an investigation in which the IG seized all records related to land-use agreements. As such, we cannot determine whether such reports were provided, as required, to West Los Angeles officials and were reviewed by those officials.

²⁶The agreement would have also generated rental revenue in subsequent years.

nonprofit experiencing financial hardship.²⁷ However, from our review of the VA solicitation for award, demonstrating financial viability was one of the criteria considered in evaluating this partner. Further, VA policy requires the monitoring of sharing agreements and does not have a provision that allows for the waiving of such revenues. According to the contracting officer at the Long Beach VA office, VA has given this nonprofit organization an unfair advantage over other organizations that provide similar services by lowering its operating costs.

- *Agreement Terms with Golf Course Manager Not Enforced.* During our site visit to West Los Angeles, we observed the installation of an irrigation system to upgrade a nine-hole golf course (shown in fig. 1) located at the medical center. As part of this agreement, the partner managing the golf course is required to obtain prior approval from the VA contracting officer before making any improvements to VA's property. The Long Beach contracting officer told us that, he was unaware of the improvements to the golf course and had not authorized them, in contrast to what was stipulated in the agreement.

²⁷ According to West Los Angeles officials, the VA IG is conducting an investigation in which the IG seized all records related to land-use agreements at the medical center. As such, we cannot determine whether the revenue provision was waived.

Figure 1: Sharing Partner Installing Irrigation System at Golf Course without Prior Approval



Source: GAO. | GAO-14-501

- *Improper Subleasing of VA Space.* VA guidance does not allow sharing partners to sublease the space obtained through sharing agreements. However, we found that a nonprofit organization—a botanic garden—subleased its space to two other organizations, including an exotic bird sanctuary and a food pantry. The Long Beach VA contracting officer told us that he was not aware of this sublease prior to our audit.

Expired Agreements

We found expired agreements at two of the three VA medical centers we reviewed where the sharing partners were still occupying the space. At the West Los Angeles medical center, a university athletics department, a laundry-services company, and a soccer club occupied VA space after their agreements had expired. According to a West Los Angeles VA official, VA did not renegotiate an extension for these agreements because of an ongoing lawsuit.²⁸ The university athletics department and soccer club continued to pay rent although they generally did not fully comply with the schedule of payment terms outlined in the expired

²⁸In August 2013, a federal judge found that certain sharing agreements in West Los Angeles medical center were unauthorized under the land-use authority under which they were executed. App. I provides more information about this ongoing litigation.

agreement. However, as previously discussed, the laundry-services company had not made any payments to VA since 2011 but remained in the building until it vacated the space in December 2013.²⁹ According to the current contracting officer, he advised West Los Angeles to remove the laundry-services company from the premises, but medical center officials did not act on this advice. West Los Angeles VA officials told us that they discussed sending month-to-month tenancy letters to sharing partners that authorized them to operate on the VA property in the absence of an agreement. However, according to the contracting official at Long Beach, the letters were not sent to the partners because the lawsuit prohibited such actions.

At the New York medical center, seven agreements expired and were not renewed timely. Because of the lack of monitoring, one sharing partner—a local School of Medicine—with seven expired agreements remained on the property and occupied the premises without written authorization during fiscal year 2012. Our review of VA’s policy on sharing agreements did not have any specific guidance on how to manage agreements before they expired including the renewal process. Federal internal control standards state that the policies and procedures are needed to enforce management directives such as the process for managing expiring agreements.³⁰ They help ensure that actions are taken to address risks. Without such guidance, VA may find it difficult to adequately manage agreements scheduled to expire at any time or determine what specific actions should be taken when an agreement has expired.

Lack of Written Agreements

At both the New York and West Los Angeles medical centers, VA did not have written agreements with some organizations that were using VA space. As a result, VA may be vulnerable to claims of liability and other risks. VA’s guidance requires that a written agreement be in place for spaces occupied by non-VA entities. During the course of this review, we found VA lacked agreements in the following:

- *Rooftop Antennas.* During our site visit to the New York medical center, we observed more antennas on the roof of a VA facility than

²⁹A West Los Angeles VA official stated that the company wanted an agreement for 10 years, but because of the ongoing lawsuit on sharing agreements VA could not extend the term of the agreement beyond 18 months as a license. The company also wants to be reimbursed for the amount of improvements made to the space during the lease.

³⁰[GAO/AIMD-00-21.3.1](#).

the New York medical center had recorded in CAI. After we brought this to their attention, New York VA officials researched the owners of these antennas and could not find written agreements or records of payments received for seven antennas. VA did not have written agreements associated with these antennas. According to New York VA officials, now that they are aware of the antennas, they will either establish agreements with the tenants or disconnect the antennas.

- *Dog Park and Baseball Fields.* The City of Los Angeles has utilized a 12-acre field—Barrington Park—on VA property for recreational use (e.g., dog park and baseball fields) without a written agreement.³¹ The city has posted signs about local ordinances at the site, which purport to show the space is under the city’s jurisdiction. VA is forgoing potential revenue for use of this facility by not having a written agreement in place. In the absence of a written agreement, it is also unclear what party should respond to any emergency situation that may occur at the park and fields.³² The lack of an agreement in this instance could potentially increase VA’s risk of liability.

VA officials stated there could be a number of reasons that these spaces lacked agreements such as agreements could have been disposed of or misplaced. VA officials acknowledged that agreements are not centrally managed or stored and that CAI does not include all terms of the agreements that are needed for monitoring activity. However, VA’s guidance calls for written sharing agreements with all non-VA partners. Further, federal internal control standards state that all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination and the documentation should be properly managed and maintained.³³

We found that VA had not established mechanisms to monitor the various agreements at the West Los Angeles and New York medical centers. VA

³¹According to a West Los Angeles official, in 2012, West Los Angeles began negotiations with Los Angeles officials to formalize a sharing agreement for the city’s use of the park. However, the official stated that negotiations were suspended as a result on ongoing litigation related to sharing agreements at the medical center.

³²In contrast, some of the sharing agreements we reviewed specifically include a provision that makes clear which party is responsible for securing/patrolling certain areas. VA policy requires a provision for security to be included in its written agreements.

³³[GAO/AIMD-00-21.3.1](#).

officials acknowledged that they had not performed systematic reviews of these agreements and had not established mechanisms to enable them to do so. Federal internal control standards also state that management should put in place control mechanisms and activities to enable it to enforce its directives and achieve results. Federal internal control standards require that departments and agencies assess program quality and performance over time and work to address any identified deficiencies. Further, management must continually assess and evaluate these controls to assure that the activities being used are effective. Without a mechanism for accessing land-use agreements to perform needed monitoring activities, VA lacks reasonable assurance that the partners are meeting the agreed-upon terms, agreements are renewed as appropriate, and agreements are documented in writing, as required. This is particularly important if sharing partners are using VA land for purposes that may increase risk to VA's liability. Finally, with lapsed agreements, VA not only forgoes revenue, but it also misses opportunities to provide additional services to veterans in need of assistance and to enhance its operations.

Conclusions

For the past decade, we have reported that the management of federal property is at risk for fraud, waste, and abuse. As one of the U.S. government's largest property holders, many of the issues we identified across the federal government can be found in VA's management of its underutilized and vacant property. VA's system for managing its numerous land-use agreements, including its system for recording associated revenues and benefits, is in need of corrective action. Because we found that the VHA data maintained in CAI are unreliable, these data cannot be used to accurately and reliably manage the bulk of VA's land-use agreements as intended. Developing a mechanism to assess the accuracy, validity, and completeness of land-use agreement data in CAI would better position VHA to reliably account for the current land-use agreements and the associated revenues that they generate.

VA has opportunities to enhance the effectiveness of its land-use agreements processes at the three selected medical centers. As noted in our report, deficiencies in its monitoring of the billing and collection of revenues have impaired VA in the timely collection of all revenues due from its sharing partners and the proper recording of the revenues to its medical-care appropriations account at one of the medical centers. In addition, VA did not have mechanisms in place at two medical centers to ensure that different individuals charged with the responsibility of executing and managing agreements and collecting revenues worked together in a collaborative manner. Further, VA lacked adequate processes that enabled it to readily access land-use agreements and perform monitoring of the execution of its land-use agreements at two of the three selected sites, which resulted in land-use agreement terms not being properly documented in writing or being enforced by VA and the failure to execute renewals when the agreements have expired. The ineffective monitoring of land-use agreements at the VA medical centers is further exacerbated by the lack of any detailed guidance by VA on how to manage the expiration of land-use agreements. Finally, the lack of appropriately segregated duties at its West Los Angeles medical center is also problematic and needs to be immediately addressed; however, officials at that medical center have not developed a plan for doing so. This lapse of a key internal control increases the likelihood that revenues from land-use agreements may be vulnerable to potential fraud and abuse. Until VA effectively addresses these weaknesses, it will likely continue to miss opportunities to maximize revenues that can be used to offset VA operational costs—thereby placing a higher burden on taxpayers—or provide additional services to veterans in need of assistance.

Recommendations for Executive Action

In order to improve the quality of the data collected on specific land-use agreements (i.e., sharing, outleases, licenses, and permits), enhance the monitoring of its revenue process and monitoring of agreements, and improve the accountability of the VA in this area, we recommend that the Secretary of Veterans Affairs take the following six actions:

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

Agency Comments

We provided the Departments of Veterans Affairs with a draft of this report for its review and comment. In its written comments, reprinted in appendix II, the Department concurred with our recommendations and provided technical comments that we incorporated, as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees and the Secretary of Veterans Affairs. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you have any questions concerning this report, please contact me at (202) 512-6722 or lords@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.

Sincerely yours,



Stephen M. Lord
Managing Director, Forensic Audits and Investigative Service

Appendix I: Court Decision on Sharing Agreements at the West Los Angeles Medical Center

On August 29, 2013, a federal judge found that certain sharing agreements in the West Los Angeles medical center were unauthorized under the land-use authority under which they were executed.¹ This authority states that the Secretary of Veterans Affairs may enter into agreements to share health care resources with health care providers in support of the Department of Veterans Affairs' (VA) mission. As a result, the federal judge voided several sharing agreements with entities other than health care providers; thus, the district court case called into question whether VA can enter into sharing agreements with entities other than health care providers. The case is under appeal at the United States Court of Appeals for the Ninth Circuit.

If this opinion stands, this ruling may affect other sharing agreements VA holds with nonmedical providers nationwide. Our review of VA's land-use agreements at West Los Angeles, North Chicago, and New York found just over 40 percent of VA's sharing agreements were with nonmedical providers, such as telecommunication companies that lease space for rooftop antennas, and collectively generate hundreds of thousands of dollars in revenue each year.

¹The U.S. District Court for the Central District of California ruled in *Valentini v. Shinseki*—a case filed on behalf of disabled and homeless veterans—that VA violated the nature of its sharing authority when it leased portions of the campus surrounding the West Los Angeles medical center to 11 business and organizations for purposes unrelated to providing health care and treatment to veterans.

Appendix II: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

July 10, 2014

Mr. Stephen M. Lord
Managing Director, Forensic Audits and
Investigative Service
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

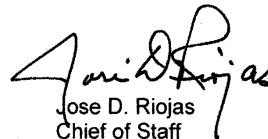
Dear Mr. Lord:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, "**LAND USE AGREEMENTS: Department of Veterans Affairs Needs to Improve Data Reliability and Monitoring**" (GAO-14-501). VA generally agrees with GAO's conclusions and concurs with GAO's recommendations to the Department.

The enclosure specifically addresses GAO's recommendation in the draft report, provides an action plan, and offers technical comments to the draft report.

VA appreciates the opportunity to comment on your draft report.

Sincerely,


Jose D. Riojas
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Response to
Government Accountability Office (GAO) Draft Report
**“LAND USE AGREEMENTS: Department of Veterans Affairs Needs to Improve
Data Reliability and Monitoring”**
(GAO-14-501)

GAO Recommendation: In order to improve the quality of the data collected on specific land use agreements (i.e. sharing, outleases, licenses, and permits), enhance the monitoring of its revenue process and monitoring of agreements, and improve the accountability of the VA in this area, we recommend that the Secretary of the Department of Veterans Affairs take the following six actions:

Recommendation 1: Develop a mechanism to independently verify the accuracy, validity, and completeness of VHA data for land use agreements in CAI.

VA Comment: Concur. The Office of Asset Enterprise Management (OAEM) will develop additional business rules, data integrity enforcement, data validity reporting, and other clarifying enhancements to the Capital Asset Inventory (CAI) database. OAEM will develop written policy guidance (e.g., Handbooks and/or Directives) to reflect the changes.

The Veterans Health Administration's (VHA) Office of Capital Asset Management and Engineering Support (OCAMES) will develop written policy guidance (e.g., Handbooks and/or Directives) and provide training to field engineers and contracting offices on the proper use of CAI to ensure:

- All new and existing land use agreements, sharing agreements, licenses, outleases, and permits are entered and updated accurately in the CAI database.
- Updates to the CAI database are made quarterly or as needed when information changes with the sharing partner.
- OCAMES will verify the accuracy and validity of all information for the sharing agreements on a quarterly basis or as needed to ensure that the concept paper documentation that was submitted for approval was entered accurately in the CAI database.

Target Completion Date: January 31, 2015.

Recommendation 2: Develop mechanisms to monitor the billing and collection of revenues for land use agreements to help ensure that transactions are promptly and accurately recorded at the three medical centers.

VA Comment: Concur. VHA OCAMES will develop written policies (e.g., Handbooks and/or Directives) to ensure that the following corrective measures are instituted long term.

- No later than 5 days after execution, the contracting officer will be required to forward all new and updated licenses, outleases, permits, and sharing

Enclosure

Department of Veterans Affairs (VA) Response to
Government Accountability Office (GAO) Draft Report
**“LAND USE AGREEMENTS: Department of Veterans Affairs Needs to Improve
Data Reliability and Monitoring”**
(GAO-14-501)

agreements to their fiscal offices to monitor the billing and collection of revenue for land use agreements.

- A copy of each executed sharing agreement shall also be sent to OCAMES.
- OCAMES with support from the Office of Management/Finance (OMF) will review, as needed, processes for the recognition of revenue, billings, collections, and for financial reporting to ensure that adequate controls are in place and that processes comply with VA financial policies and Federal accounting standards.
- To ensure the completeness of financial data for land use agreements, OCAMES, with support from OMF, will define applicable internal controls, accounting entries, financial policies, and accounting report requirements.
- OCAMES will validate land use agreements from the CAI database quarterly for completeness at the three medical centers. After verification, OCAMES will provide the data to VHA's Office of Finance to validate the billing and collection of revenues at the three medical centers.

Target Completion Date: January 31, 2015.

Recommendation 3: Develop mechanisms to foster collaboration between key offices to improve billing and collections practices at the New York and North Chicago medical centers.

VA Comment: Concur. North Chicago and New York have already begun implementing the following mechanisms:

- The fiscal department at North Chicago has hired a Management and Program Analyst, who serves as a liaison between fiscal, facilities management, and business offices.
- New York has assigned the contracting officer representative (COR) duty to an existing staff member. This position now serves as a central point of contact for the medical center's agreements to include land use agreements.
- The COR has reviewed all Sharing Agreements and identified the correct billing amounts, projected dates, and any incremental option period funding shifts that may apply during the life of the agreement.
- This information has been provided to the contracting office to validate and has been shared with the biller and fiscal.
- Once bills are submitted, the COR will follow up with the Agent Cashier to verify payment.

North Chicago leadership is developing a local Sharing and Support Agreement Policy and Joint Policy Instruction, which delineates responsibilities and procedures. This will be shared with all North Chicago staff. New York is scheduling a meeting to discuss the

Enclosure

Department of Veterans Affairs (VA) Response to
Government Accountability Office (GAO) Draft Report
***“LAND USE AGREEMENTS: Department of Veterans Affairs Needs to Improve
Data Reliability and Monitoring”***
(GAO-14-501)

development of a local Sharing and Support Agreement Policy. The creation of the local policy is a joint effort between all involved parties which should result in a more cohesive and uniform process. Target Completion Date: November 30, 2014.

Recommendation 4: Develop mechanisms to access and monitor the status of land use agreements to help ensure that agreement terms are enforced, agreements are renewed as appropriate, and that all agreements are documented in writing as required at the three selected medical centers.

VA Comment: Concur. VHA OCAMES will visit each of the three sites with a team consisting of a member of our compliance engineering group, a member of our capital consulting group, and the program manager. While on each of these three visits, our team will meet with the medical center director, the pertinent facility engineering staff, the pertinent contracting staff, possibly with finance team members, and any other functional area personnel deemed necessary. These visits will happen in the near term and have the purpose of ensuring that appropriate billing and collections are made, and that expired agreements are identified and addressed. The Office of Acquisition, Logistics, and Construction (OALC) Real Property Service will support the medical centers to the extent modification of existing agreements or post-transactional assistance with real estate matters is necessary. Lastly, OCAMES will work with OAEM on developing reports and notifications, via CAI, to help identify potential issues with data related to land use agreements. Target Completion Date: January 31, 2015.

Recommendation 5: Develop a plan for the West Los Angeles medical center that identifies the steps to be taken, timelines, and responsibilities in implementing segregation of duties over the billing and collections process.

VA Comment: Concur. VA's Greater Los Angeles Asset Management Office and Fiscal Service are currently working to develop a plan for the West Los Angeles Medical Center which will further segregate duties related to billing and collections for land use agreements. Progress to date includes obtaining access to the required Veterans Health Information Systems and Technology Architecture (VistA) billing menus for key personnel. This will allow identified Asset Management Office employees to be delegated authority for a specific part of the billing and collections process, rather than having one department responsible for all elements of the process. The Asset Management Office and Fiscal Service managers continue to refine the new process, but in essence, Asset Management Office staff will continue to monitor land use agreements as the COR and will initiate billing; Fiscal Service staff will be responsible for accounts receivables and processing the actual payments made pursuant to land use agreements.

Enclosure

Department of Veterans Affairs (VA) Response to
Government Accountability Office (GAO) Draft Report
***“LAND USE AGREEMENTS: Department of Veterans Affairs Needs to Improve
Data Reliability and Monitoring”***
(GAO-14-501)

Asset Management Office staff are being trained on the use of the VistA billing menus during the week of June 30, 2014. Asset Management Office and Fiscal Service leadership will be meeting throughout the month of July 2014 to establish the protocols for our respective staffs. The process is planned to be fully implemented in August 2014.

Asset Management Office and Fiscal Service staff who are involved in the billing/collections process will be trained at in-person training and meetings. Local Standard Operating Procedures will be developed memorializing the protocols associated with this new process. Target Completion Date: August 31, 2014.

Recommendation 6: Develop guidance on managing expiring agreements at the three medical centers.

VA Comment: Concur. VHA OCAMES will visit each of the three sites with a team consisting of a member of our compliance engineering group, a member of our capital consulting group, and the program manager. While on each of these three visits, our team will meet with the medical center director, the pertinent facility engineering staff, the pertinent contracting staff, possibly with finance team members, and any other functional area personnel deemed necessary. These visits will happen in the near term and have the purpose of ensuring that appropriate billing and collections are made, and that expired agreements are identified and addressed. OALC's Real Property Service will support the medical centers to the extent modification of existing agreements or post-transactional assistance with real estate matters is necessary. Lastly, OCAMES will work with OAEM on developing reports and notifications, via CAL, to provide advance notice of agreements that are nearing expiration so that appropriate action can be taken. Target Completion Date: January 31, 2015.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Stephen Lord, (202) 512-6722 or lords@gao.gov

Staff Acknowledgments

In addition to the contact named above, Matthew Valenta (Assistant Director), Erika Axelson, Carla Craddock, Debra Draper, Olivia Lopez, Elke Kolodinski, Edward Laughlin, Barbara Lewis, Paul Kinney, Jeffrey McDermott, Maria McMullen, Linda Miller, Lorelei St. James, April VanCleaf, Shana Wallace, and William Woods made key contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

