



United States Government Accountability Office  
Washington, DC 20548

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October 27, 2011

*Subject: VA Philippines Office: Maintain Operations, but More Information Needed to Determine Future Presence*

### Congressional Committees

The Department of Veterans Affairs (VA) operates a regional office in the Republic of the Philippines—the only one of its 57 regional offices that is located in a foreign country. Over the last two decades, Congress has periodically reauthorized the office for an average of 3 years each time. The Philippines was a U.S. territory prior to World War II and was granted independence in 1946. Congress authorized limited benefits for Filipino veterans who served under the command of the United States during the war, and authorized VA to operate a regional office to administer these benefits. In 1958, the office expanded to include an outpatient health clinic. VA estimates that about 18,000 Filipino WWII veterans were alive as of 2010, down from an estimated 452,000 in 1977. In light of this declining population eligible for benefits, maintaining the office may no longer be warranted at some point. Public Law 111-275 extended the authority for VA to operate this office until December 31, 2011, and directed GAO to submit this report. Our objectives are to (1) describe the primary activities undertaken by the VA regional office in the Philippines, and (2) identify the estimated costs and benefits of maintaining this office in its current location versus moving its activities to the U.S.

To address these objectives, we

- reviewed VA's historical, current, and projected office workloads;
- visited the Philippines office and observed its activities;
- reviewed relevant reports from VA, the Social Security Administration (SSA), and the Department of State (State);
- interviewed officials from VA, SSA, and State in the Philippines and in the U.S.; and
- reviewed VA's actual costs for operating the Philippines office and its estimated costs for conducting some of the office's activities in the U.S.

We reviewed these data and determined they were sufficiently reliable for the purposes of this report.

We conducted this performance audit from February 2011 to October 2011 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.

On October 12 and 13, 2011 we briefed your staff on the results of our analysis (see enclosure I for the briefing slides). This report formally conveys the information provided during those briefings. In summary:

- The VA Philippines office processes disability compensation, and survivor, pension and other VA benefits for all Filipino WWII veterans and dependents, as well as for U.S. veterans and dependents living in the Philippines.<sup>1</sup> For example, the office processes monthly compensation for about 6,000 Filipino WWII veterans with disabilities and dependents, a significant decrease from almost 34,000 in 1976. The office also processes disability compensation and pension benefits for about 8,500 U.S. veterans and dependents who live in the Philippines. In fiscal year 2010, the office processed \$187 million in compensation and pension benefits for both Filipino and U.S. veterans. According to VA officials, in order to combat high levels of fraud the office staff use a variety of methods, including using photographs and interviews to determine identity, verifying claims using forensic analysis, and using WWII Japanese records to determine whether a Filipino WWII veteran collaborated with the enemy during the war. The Philippines office also provides medical exams through its outpatient clinic to support compensation and pension claims and provides other health care services for U.S. veterans. In fiscal year 2010, about 4,600 veterans made almost 24,000 visits to the clinic, which serves primarily U.S. veterans; Filipino WWII veterans are not eligible for services other than compensation and pension exams, and no dependents are eligible for these services. Some of the on-site services and benefits the Philippines office provides are not available in other foreign countries. For example, U.S. veterans with service-connected conditions receive treatment at the outpatient clinic for both their service-connected and non-service-connected conditions, and receive prescription drugs at no charge.<sup>2</sup> VA staff also process SSA benefits for individuals—which includes veterans and nonveterans—living in the Philippines and 41 other countries throughout the East Asia Pacific region.<sup>3</sup> In fiscal year 2010, the Philippines office administered more than \$200 million in total Social Security benefits to about 29,000 beneficiaries. Of this total, about \$11 million was a special benefit for about 1,800 Filipino WWII veterans and U.S. veterans.
- Currently, the benefits of maintaining the Philippines office likely outweigh its costs; however, more information will be needed to determine the need for its continued presence in the future. Financial savings from lower personnel costs and fraud detection efforts currently offset or lower some of the office's operating costs. The cost of processing VA benefits in the Philippines office is about \$5.1 million per year. However, VA estimates that the personnel cost is about \$5.5 million less than it would be in the U.S. because most employees in the Philippines office are local staff who are paid substantially less than staff would be paid in the U.S. In addition, VA estimated that this office recently prevented over \$4 million in fraudulent payments through fraud prevention

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<sup>1</sup>Recently, VA staff processed the Filipino Veterans Equity Compensation (FVEC) benefit, which provided one-time, lump-sum payments to about 18,000 Filipino WWII veterans, whether disabled or not. FVEC was authorized by the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, § 1002, 123 Stat. 115, 200. VA had paid out \$216 million in FVEC benefits as of January 2011.

<sup>2</sup>For veterans living in all foreign countries except the Philippines, the VA Foreign Medical Program assumes payment responsibility for necessary treatment of service-connected conditions. Moreover, there are no VA-operated clinics outside the Philippines, and treatment for non-service-connected conditions, including prescription drug services, is not covered.

<sup>3</sup>VA administers SSA benefits under a memorandum of understanding with SSA. SSA reimburses VA for the operating costs of conducting these activities.

and investigation.<sup>4</sup> The operating cost for the outpatient clinic was \$10.1 million in fiscal year 2010. VA has not estimated the costs or savings that would occur if the outpatient clinic were closed and/or some of its health services were administered from the United States, such as through VA's Foreign Medical Program. According to VA, there are cost savings associated with completing the compensation and pension exams in-house by VA rather than having the exams completed by Philippine private sector physicians because this sector is known for pervasive fraud. Beyond financial savings, other benefits of the Philippines office support its presence in the short-term. According to State officials, the VA office plays an important role in U.S. foreign relations with the Republic of the Philippines, and its closure could adversely affect the countries' relations. The Philippines is an important ally in Asia and a strategic partner in fighting terrorism. VA has not developed information that would help decide the status of the office in the future, such as projections of the number of veterans and dependents in the Philippines and their future impact on office workloads. Other factors to consider in maintaining or closing the office include the capacity to investigate fraud, the impact on services to veterans in the Philippines (such as health services in an outpatient clinic), and geopolitical considerations.

### **Conclusions and Matters for Congressional Consideration**

Currently, continuing operations appears to be warranted because of lower payroll costs, the specialized workload, and other factors. However, as the population of Filipino WWII veterans and dependents declines, so should the need for specialized staff and extensive fraud investigation activities. Over the past two decades, Congress has reauthorized a series of short-term extensions (averaging 3 years in length) to allow VA to operate this office. A 3-year extension beyond the December 31, 2011, deadline would allow VA to conduct a thorough analysis of future feasibility. Congress should consider extending authority for the Philippines office, but require VA to assess and report to Congress on the feasibility of maintaining a future presence in the Philippines. In conducting this analysis, VA should be required to consult with SSA and State to develop and use information on the potential future workload of the office based on the projected number of Filipino WWII veterans, U.S. veterans, and dependents in the Philippines; the costs and benefits of alternative ways to provide services to veterans in the Philippines, such as delivering medical services through the Foreign Medical Program and providing some services from the United States while maintaining fraud investigation staff in the Philippines; and the foreign policy implications of maintaining or closing the VA office in the Philippines.

### **Agency Comments and Our Evaluation**

We provided a draft of this report to the Secretary of Veterans Affairs, the Secretary of State, and the Commissioner of the Social Security Administration for their review and comment. VA said it agreed with our conclusion recommending that Congress consider extending authority for the office and, if requested by Congress, VA would reassess the costs and benefits of maintaining operations in the Philippines. VA also noted that there has been a recent increase in parts of its workload and that its office in the Philippines performs work that is not performed at most regional offices in the United States. See enclosure II for VA's written comments. SSA said that it agreed that it is important to consider the many foreign policy implications of closing or maintaining the office and that it would welcome

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<sup>4</sup>Most of these savings, about \$3.9 million, came from investigating claims for the one-time FVEC benefit. According to VA, the office's fraud detection work has also detected overpayments, and it has detected noncompliance with VA education benefit programs at schools and universities in the Philippines.

participation in future discussions on the status of the office. State said that it had no comments. VA and SSA provided additional technical comments which we incorporated where appropriate.

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We are sending copies of this report to relevant congressional committees, the Secretary of Veterans Affairs, the Secretary of State, the Commissioner of the Social Security Administration, and other interested parties. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202)512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in enclosure III.



Daniel Bertoni  
Director, Education, Workforce,  
and Income Security Issues

Enclosures (3)

*List of Committees*

The Honorable Patty Murray  
Chairman  
The Honorable Richard Burr  
Ranking Member  
Committee on Veterans' Affairs  
United States Senate

The Honorable Tim Johnson  
Chairman  
The Honorable Mark Kirk  
Ranking Member  
Subcommittee on Military Construction, Veterans Affairs, and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Jeff Miller  
Chairman  
The Honorable Bob Filner  
Ranking Member  
Committee on Veterans' Affairs  
House of Representatives

The Honorable John Culberson  
Chairman  
The Honorable Sanford Bishop  
Ranking Member  
Subcommittee on Military Construction, Veterans Affairs, and Related Agencies  
Committee on Appropriations  
House of Representatives



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# **VA Philippines Office: Maintain Operations, but More Information Needed to Determine Future Presence**

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**Briefing for Staff Members of Congressional Committees**

**October 12-13, 2011**

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For more information, contact Dan Bertoni, [bertonid@gao.gov](mailto:bertonid@gao.gov), (202) 512-7215.

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## Briefing Overview

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- Introduction
- Objectives
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- Findings
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## Introduction

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- The Department of Veterans Affairs (VA) operates a regional office in the Republic of the Philippines—its sole office in a foreign country.
- The Philippines became a U.S. territory in 1898.
- About 500,000 Filipinos fought alongside U.S. soldiers in World War II.
- Congress authorized the VA office, which administers benefits to veterans who fought in the war. Congress has reauthorized the office for specific periods of time, averaging 3 years over the last two decades. The current authorization expires December 31, 2011.
- Because of the declining population of Filipino WWII veterans, the need for the office is being reassessed.
- The Veterans' Benefits Act of 2010, Pub. L. No. 111-275, § 807(b), directed GAO to report on the regional office in the Philippines.

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## Objectives

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1. Describe the primary activities undertaken by the U.S. Department of Veterans Affairs (VA) regional office in the Philippines.
2. Identify the estimated costs and benefits of maintaining this office in its current location versus moving its activities to the U.S.

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## Summary of Findings

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- The VA Philippines office processes VA benefits, delivers health services to U.S. veterans, and processes Social Security benefits for individuals in the East Asia Pacific region.
- The office provides veterans in the Philippines with on-site services not available to veterans in other foreign countries, such as health services delivered through an outpatient clinic.
- Currently, the benefits of maintaining the office in the Philippines likely outweigh its costs because of financial savings and other benefits.
- Additional information is needed to assess the costs and benefits of maintaining this office in the future, including the number of veterans and dependents in the Philippines.

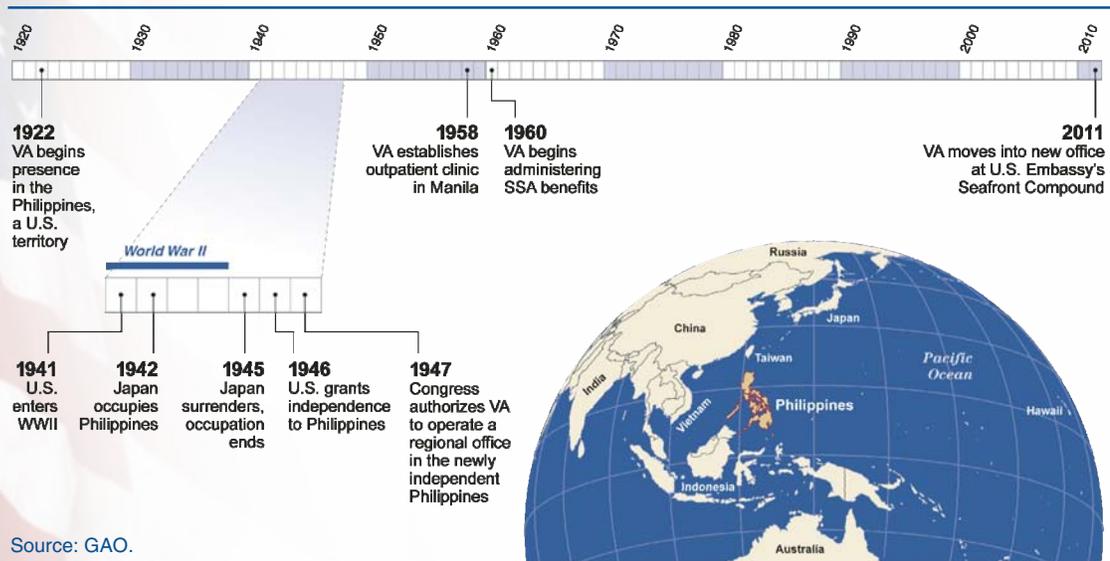
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## Scope and Methodology

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- Reviewed VA's historical, current, and projected office workloads
- Visited the Philippines office and observed its activities
- Reviewed relevant reports from VA, the Social Security Administration (SSA), and the U.S. Department of State (State)
- Interviewed officials from VA, SSA, and State in the Philippines and the U.S.
- Reviewed VA's actual costs for operating the Philippines office, and its estimated costs for conducting some of the office's activities in the U.S.
- We determined these data were sufficiently reliable for the purposes of this report
- We were unable to obtain data on the estimated costs of conducting all of the Philippines office's activities in the U.S. because VA has not developed this information

# History of VA in the Philippines



Source: GAO.

## Major Groups of Veterans and Dependents in the Philippines

- **Filipino WWII veterans** (estimated 18,000) who served under the command of the U.S. during WWII in one of the following Philippine military groups:
  - Commonwealth Army of the Philippines
  - Recognized Guerrilla Forces
  - New Philippine Scouts
- **U.S. veterans** (unknown number living in the Philippines) who served in the U.S. Armed Forces:
  - Regular Philippine Scouts<sup>a</sup>
  - Filipinos recruited from the Philippines since WWII and Filipino-Americans who moved to the Philippines
  - Veterans from the U.S. who moved to the Philippines for reasons such as its low cost of living, English-speaking population, warm climate, and U.S. presence
- **Dependents of Filipino WWII and U.S. veterans** (unknown number)
  - Surviving spouses
  - Dependent children
  - Dependent parents

<sup>a</sup>The Regular Philippine Scouts were members of a small, regular component of the U.S. Army that was considered to be in regular active service.

## Finding 1



### **VA Philippines Office Processes VA Benefits, Delivers Outpatient Health Services, and Processes SSA Benefits**

- Processes VA benefits (7 U.S. officials and 106 local staff)
  - Disability compensation, survivor, pension, and other benefits
  - Anti-fraud activities
- Delivers health care (2 U.S. officials and 79 local staff)
  - Outpatient services
  - Pharmacy services
- Processes SSA benefits and serves as liaison for other federal agencies (1 U.S. official and 31 local staff)<sup>a</sup>
  - SSA retirement, disability, and survivor benefits
  - Covers 42 countries through East Asia Pacific region

<sup>a</sup>VA provides staff for SSA pursuant to a memorandum of understanding between the agencies.

## Finding 1



# VA Philippines Office Has Specialized Workload

- **Filipino WWII veterans' claims:** Office has sole jurisdiction over these claims, including administering a one-time, lump-sum Filipino Veterans Equity Compensation (FVEC) benefit established in 2009 for about 18,000 Filipino WWII veterans<sup>a</sup>
- **Payments for disabled Filipino WWII veterans and dependents:** Office processes monthly VA benefit claims. The total number of these beneficiaries has declined from almost 34,000 in 1976 to about 16,000 in 1992, and to slightly more than 6,000 in 2011
- **Pension and certain education claims:** Office processes these benefits, which are not typically processed by VA regional offices in U.S.
- **Languages and dialects:** Services are provided in multiple languages and dialects spoken by veterans and dependents

<sup>a</sup>The FVEC benefit was established as part of the American Recovery and Reinvestment Act of 2009, § 1002, Pub. L. No. 111-5, 123 Stat. 115, 200. All Filipino WWII veterans were eligible for this benefit, including disabled and nondisabled veterans.

## Finding 1



# VA Philippines Office Has Specialized Workload (cont.)

**Fraud prevention, detection, and investigation:** Office conducts these activities to combat high levels of fraud, which occur primarily with claims associated with Filipino WWII veterans and dependents, according to VA officials

- VA benefits represent significant income in a country with extreme poverty and limited economic opportunity, giving rise to potentially fraudulent claims
- Staff verify claims using WWII Japanese records<sup>a</sup>, forensic analysis of documents, handwriting analysis, fingerprints, photographs, and field investigations

<sup>a</sup>According to VA, staff use confiscated Japanese WWII records to determine whether a person claiming benefits based on Filipino WWII service collaborated with the enemy during the war.

**Finding 1**



**Office Processes Multiple VA Benefits for Two Major Groups of Veterans and Dependents**

Beneficiaries and expenditures as of February 2011 (dollars in millions)

Benefit	Filipino WWII veterans and dependents <sup>a</sup>		U.S. veterans and dependents in the Philippines	
	Beneficiaries	Monthly expenditures	Beneficiaries	Monthly expenditures
Dependency and Indemnity Compensation (survivors)	4,123	\$2.7	1,500	\$1.8
Compensation for service-connected disability	2,024	\$2.0	3,721	\$6.6
Death pension (survivors)	not eligible	n/a	2,706	\$1.6
Non-service-connected pension	not eligible	n/a	612	\$0.7
	<b>Beneficiaries</b>	<b>Total program expenditures</b>	<b>Beneficiaries</b>	<b>Total program expenditures</b>
Filipino Veterans Equity Compensation <sup>b</sup>	17,949	\$216.0 <sup>c</sup>	not eligible	n/a

Source: VA.

<sup>a</sup>All beneficiaries are paid in U.S. dollars. Filipino WWII veterans and dependents are paid at the rate of \$0.50 for each dollar authorized. 38 U.S.C. § 107(a).

<sup>b</sup>Filipino WWII veterans were eligible to apply between February 2009 and February 2010 for a one-time, lump sum benefit payment of \$9,000 (if not a U.S. citizen) or \$15,000 (if a U.S. citizen).

<sup>c</sup>This represents the total expenditures for the program as of January 2011 when about 99 percent of claims had been processed.

## Finding 1

# Outpatient Clinic Delivers Services to Veterans for Service-connected Conditions and Other Needs

- Clinic provides:
  - compensation and pension exams to support disability claims processing
  - primary and specialty care for veterans with service-connected conditions
  - care for non-service-connected conditions for veterans with service-connected conditions, within available clinic resources
  - prescription drugs at no cost to veterans
- About 4,600 veterans visited the clinic a total of almost 24,000 times in fiscal year (FY) 2010
- The clinic serves primarily U.S. veterans with service-connected conditions; Filipino WWII veterans are not eligible for clinic services other than C&P exams
- No dependents are eligible for these services



Source: GAO.

**Finding 1**



**Philippines Office Provides On-Site Services and Benefits That VA Does Not Provide in Other Foreign Countries**

Claims processing	Veterans living in...	
	the Philippines	all other foreign countries
Communication with benefits processing office	Face-to-face, phone, mail, or Internet	Phone, mail, or Internet with VA offices in U.S. that handle claims from veterans living abroad
Compensation and pension exams to determine extent of veteran's disability	On-site at VA clinic	Arranged with local medical facility and reimbursed through VA's Foreign Medical Program <sup>a</sup>
Health services (U.S. veterans with service-connected conditions only)	the Philippines	all other foreign countries
Outpatient treatment for service-connected conditions	On-site at VA clinic	Arranged with local medical facility and reimbursed through VA's Foreign Medical Program
Outpatient treatment for non-service-connected conditions	On-site at VA clinic at no cost, if resources available	Not provided
Prescription drugs	On-site at VA clinic (for service-connected and other conditions)	Arranged with local pharmacy and reimbursed through Foreign Medical Program, for service-connected conditions only

Source: VA.

<sup>a</sup>The Foreign Medical Program assumes payment responsibility for necessary exams and treatment of service-connected conditions for U.S. veterans in all foreign countries except the Philippines.

## Finding 1



# Office Processes Social Security Benefits and Serves as Liaison for Other Programs

- VA staff process SSA retirement, disability, and survivor benefits for individuals living in the Philippines and 41 other countries throughout the East Asia Pacific region, which could include veterans.
  - In FY 2010, the Philippines office processed claims for more than \$200 million in Social Security benefits to about 29,000 beneficiaries.
  - Of this total, about \$11 million was for special benefit payments for about 1,800 Filipino WWII veterans and U.S. veterans.<sup>a</sup>
- The VA clinic performs exams to determine eligibility for Social Security Disability Insurance.
- VA staff serve as liaison for other federal benefit programs, including those administered by the Railroad Retirement Board and the Office of Personnel Management.
- SSA reimburses VA for the operating costs of conducting these activities (\$1.1 million in FY 2010).

<sup>a</sup>42 U.S.C. § 1001 et seq. This amount includes California Veterans Cash Benefit payments.

## Finding 2



### **Currently, Benefits of the Philippines Office Likely Outweigh Costs, but More Information Is Needed to Decide Its Future Status**

- Some of the office's operating costs are currently lower than or offset by financial savings from lower estimated personnel expenses and fraud prevention and detection activities.
- Benefits, such as positive foreign relations with the Philippines, on-site fraud prevention, and timely compensation and pension exams, currently suggest a continued need for the Philippines office.
- More comprehensive information is needed to decide the status of the office in the future, such as projections of the number of Filipino WWII veterans, U.S. veterans, and dependents in the Philippines, and the estimated costs for processing benefits in the U.S.

## Finding 2



### Some of the Philippines Office's Operating Costs Are Offset by Financial Savings

- While the operating cost of processing VA benefits in the Philippines office was about \$5.1 million in FY 2010, VA estimates that its annual personnel costs for these activities is about \$5.5 million less than if these activities were performed in the U.S.<sup>a</sup>
  - Most of the employees in the Philippines office are local staff who are paid substantially less than staff would be paid in the U.S.
- VA estimated it recently prevented about \$4.3 million in fraudulent payments using its expertise in fraud prevention and investigation:
  - \$400,000 in disability and survivor compensation claims in FY 2010;<sup>b</sup> and
  - \$3.9 million for FVEC claims.

<sup>a</sup>VA compared payroll costs in the Philippines to payroll costs in San Diego, the regional office in the continental United States that is geographically closest to the Philippines.

<sup>b</sup>If these fraudulent claims had not been detected, according to VA, the amount of these fraudulent payments could have run into millions of dollars over time.

## Finding 2



### Some of the Philippines Office's Operating Costs Are Offset by Financial Savings (cont.)

- The operating cost for the outpatient clinic was about \$10.1 million in FY 2010.
- VA has not estimated the costs or savings that would occur if the outpatient clinic were closed and/or some of its health services were administered from the U.S., such as through the Foreign Medical Program.

## Finding 2



### Benefits of the Office's Presence Support Its Need in the Short-Term

- According to State officials, the VA office plays an important role in U.S. foreign relations with the Republic of the Philippines.
  - The Philippines is an important ally in Asia and a strategic partner in fighting terrorism.
  - The people of the Philippines are cognizant of how the U.S. treats Filipino WWII veterans.
  - Closing the VA office could adversely affect relations between the two countries.
- According to VA officials, local staff are adept at preventing and detecting fraudulent claims.
  - Most VA benefits fraud in the Philippines occur with Filipino WWII veterans' and dependents' claims, such as forged medical evidence and assumed identity.
  - The savings from fraud prevention and investigation activities might not have been achieved if the claims had been processed in the U.S. and staff did not have face-to-face contact with claimants.
- The outpatient clinic provides timely and reliable compensation and pension exams. According to VA officials, these exams generally take longer in foreign countries that do not have VA outpatient clinics.

## Finding 2



### More Information Is Needed to Assess the Costs and Benefits of Maintaining the Philippines Office in the Future

- Except for its estimate of annual payroll savings for processing VA benefits in the Philippines, VA has not developed comprehensive information that would help decide the status of the office in the future, such as:
  - projections of the number of Filipino WWII veterans, U.S. veterans, and dependents in the Philippines and their potential future impact on office workloads;
  - cost of any additional office space in the U.S. needed to handle Philippines-related claims;
  - cost to train U.S. benefits-processing staff to handle claims for Filipino WWII veterans and dependents;
  - costs of State assuming SSA benefits processing responsibilities;
  - costs or savings from services furnished by the Foreign Medical Program if the clinic were closed; and
  - savings from consolidating other functions, such as human resources and call center services in the U.S.
- Other factors to consider in maintaining or closing the office include the capacity to investigate fraud, the impact on services to veterans in the Philippines (such as health services in an outpatient clinic), and geopolitical considerations, given the country's strategic position as a U.S. ally in Asia.

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## Conclusions

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- VA has a unique history and role in the Philippines because it was a U.S. territory and a military ally during WWII.
- The VA presence continues to foster positive U.S. relations with this strategic ally in Asia.
- Currently, maintaining the VA Philippines office could be justified, given its lower payroll costs, specialized workload, and other factors.
- As the number of Filipino WWII veterans' and dependents' claims declines, so should the need for specialized staff and extensive fraud investigation activities. Determining the continuing need for this office will also provide an opportunity for reexamining VA service delivery to U.S. veterans in the Philippines.

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## Conclusions (cont.)

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- Without the insight provided by a full array of information on the veteran population and comparative costs, a decision to either maintain or close the office could have adverse effects, such as higher overall costs to VA or reduced program integrity.
- Congress has granted limited extensions averaging 3 years over the last two decades. A similar extension appears reasonable given the current environment, and it would allow VA to do a more thorough analysis of longer-term feasibility.

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## Matters for Congressional Consideration

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- Congress should consider extending authority for VA's regional office in the Philippines, but require VA to assess and report to Congress on the feasibility of maintaining a future presence in the Philippines. As a part of this assessment, VA should be required to consult with SSA and State to develop information on:
  - projections of the number of Filipino WWII veterans, U.S. veterans, and dependents in the Philippines, and the potential future workload of the office;
  - the costs and benefits of alternative ways to provide services to veterans in the Philippines, such as delivering medical services through the Foreign Medical program, processing benefits from the U.S., and/or maintaining some fraud investigation staff in the Philippines; and
  - the foreign policy implications of maintaining or closing the VA office in the Philippines.

Enclosure II

Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS  
Washington DC 20420

October 3, 2011

Mr. Daniel B. Bertoni  
Director, Education, Workforce  
and Income Security Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Bertoni:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, "**VA Philippines Office: Maintain Operations but More Information Needed to Determine Future Presence**" (GAO-12-20R) and is providing comments in the enclosure.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

  
John R. Gingrich  
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report:  
***VA Philippines Office: Maintain Operations but More Information  
Needed to Determine Future Presence***  
(GAO-12-20R)

**VA comments:**

VA agrees with GAO's conclusion recommending Congress consider extending authority for VA's Manila Regional Office (RO) in the Republic of the Philippines. If requested by Congress, VA will reassess the costs and benefits of maintaining operations in the Philippines.

The GAO assessment discussed the decrease in the World War II (WWII) Filipino population. However, VA notes there has been a 12 percent increase in the number of Gulf War-era Veterans on the Manila RO's rolls since January 2011, and a 23 percent increase in annual disability claim receipts when comparing fiscal year (FY) 2010 receipts through August 2010 to FY 2011 receipts through August 2011.

There is significant work performed at the Manila RO that is not performed at most stateside ROs. Specifically, pension, education, fiduciary, survivor benefits, and telephone service are all elements of VA work that are performed by the Manila RO that were not mentioned in the GAO report, but represent significant workload in addition to disability claims.

The GAO report mentions using Japanese WWII records to verify wartime service. This needs to be clarified, as the records are not used to verify service. The confiscated Japanese WWII records are used to fulfill the legal requirements to determine whether a person claiming benefits based on Filipino WWII service collaborated with the enemy during the war.

VA does not believe that footnote 4 on page 2 accurately portrays the level of savings and potential savings from fraud prevention and detection efforts. Since most of the RO's anti-fraud resources were dedicated to Filipino Veterans Equity Compensation (FVEC) claims in 2010, this is where most of the fraud savings were found. The Manila RO has other significant fraud detection and prevention measures that were not mentioned. In 2010, the Manila RO detected over \$4.2 million in overpayments. The Manila RO conducts education benefit oversight and compliance reviews at universities and colleges in the Philippines. This oversight has resulted in de-certifying multiple schools and universities for VA education benefit programs because they were found to be non-compliant in reporting when students stopped attending school. The key point is that footnote 4 seems to indicate that fraud detection was critical during only the FVEC year, which is not the case.

Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report:  
***VA Philippines Office: Maintain Operations but More Information  
Needed to Determine Future Presence***  
(GAO-12-20R)

The area of fraud prevention is also a critical aspect of the Outpatient Clinic's function. In the discussion of clinic costs, it should be noted that there are cost savings associated with completing the compensation and pension exams in-house by VA, rather than having the exams completed by Philippine private-sector physicians. This sector is known for pervasive fraud, as evidenced by the recent TRICARE fraud scandal in the Philippines.

## Enclosure III

### GAO Contact and Staff Acknowledgments

#### GAO Contact

Daniel Bertoni, (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov)

#### Staff Acknowledgments

In addition to the contact named above, Brett Fallavollita (Assistant Director), Paul Schearf (Analyst-in-Charge), Dana Hopings, and Jill Yost made key contributions to this product. We also acknowledge the contributions made by James Bennett, Hal Brumm, Jean McSween, James Rebbe, Kathleen van Gelder, and Margaret Weber.

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