

STATEMENT OF

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SUBMITTED TO

THE SUBCOMMITTEE ON HEALTH AND
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

THE DEPARTMENT OF VETERANS AFFAIRS' AFFILIATED NONPROFIT
RESEARCH CORPORATIONS AND EDUCATION FOUNDATIONS

WASHINGTON, DC

MAY 16, 2002

MESSRS. CHAIRMEN AND MEMBERS OF THE SUBCOMMITTEES:

On behalf of the 2.7 million members of the Veterans of Foreign Wars of the United States (VFW) and our Ladies Auxiliary, I would like to thank you for the opportunity to present our views on this issue that is of vital importance to improved medical care not only for veterans but for all people.

The *Independent Budget* (IB), of which the VFW is proud to coauthor along with AMVETS, Disabled American Veterans and Paralyzed Veterans of America, subscribes to a guiding principle that the Department of Veterans Affairs' (VA) "mission to conduct medical and prosthetics research... is critical to the integrity of the veterans health-care system and to the advancement of American medicine."

Undeniably, the VA has established itself as a world leader in medical and prosthetic research. Along with its Nobel prize-winning research, VA has developed special centers nationwide that focus on rehabilitation, environmental hazards, aging, and mental illnesses such as Post-traumatic Stress Disorder, to list a few. In 1988, Congress passed the *Veterans' Benefits and Services Act*, which expanded the VA research program by granting the Veterans Health Administration (VHA) the right to establish nonprofit corporations (NPCs) in order to compete for non-appropriated research funds, primarily from the National Institutes of Health and other foundations, combined with supporting funds from pharmaceutical companies. Congress expanded the NPC role in 1999 to include education in addition to research.

The VFW believes that the partnership between VHA and NPCs is effective and has played an instrumental role in attracting hundreds of millions of non-appropriated dollars that have served to directly impact the state of VHA research programs. Dollars, that otherwise would never have been available had it not been for the existence of NPCs. Currently there are 85 active corporations who attracted nearly \$174 million in funds in fiscal year (FY) 2001.

Therefore, it is clear to the VFW that NPCs are accomplishing their mission of providing a flexible funding mechanism for VA research. Past and current investigations, however, by the VA Office of Inspector General reported the need to improve accountability and oversight related to the administration of NPC funds to ensure they are used for research. Currently, NPCs, as state-chartered tax-exempt corporations, must comply with all federal, state and local reporting requirements. In addition to independent annual auditing for corporations with revenues exceeding \$300,000 per year

they are subject to the scrutiny of the Internal Revenue Service (IRS), the Department of Labor, VHA guidelines, VA Inspector General and General Counsel, a Board of Directors, and of course, Congress.

In addition to official oversight, the mission of the National Association of Veterans' Research and Education Foundations (NAVREF), a membership organization of VA affiliated nonprofit research and education foundations, was established to promote the highest standards of fiscal and operational management; assure appropriate, but not overly burdensome, oversight and regulation; and educate the general public and Congress about VA research and advocating improved federal support for the program.

Given the numerous organizations that directly or indirectly impact the operation of NPCs, it is our contention that significant oversight authority currently exists. Further, we believe that the result of having so many layers of regulations and oversight has improved the management and accountability of NPCs. This oversight should continue and NPCs should strive to implement oversight recommendations that progress their ability to prove that research funds are used as intended.

This concludes my statement and I would be happy to respond to any questions the Subcommittees may have.