Chairman Luttrell, Ranking Member Pappas, and members of the Subcommittee, thank you for the opportunity to testify on the Office of Inspector General’s (OIG) oversight of the Veterans Benefits Administration’s (VBA) compensation and pension programs, which provide critical support to veterans, their survivors, and family members. The OIG is dedicated to making meaningful findings and practical recommendations that help improve these programs, knowing how errors can risk the well-being of recipients—particularly the most vulnerable among them—or make ineffective use of taxpayer dollars.

The OIG’s body of work on VA’s compensation and pension programs has found that the causes of overpayments, underpayments, or other improper payments (such as those that lack support or documentation) are often a lack of effective internal controls, inadequate technology, or human error resulting from complicated and unclear policies and guidance. Claims processing is tremendously complex. Internal controls are, therefore, vital to quality assurance and help ensure the integrity of systems and processes. Minimizing improper payments also requires strong leadership, effective supervision, clear procedures, and adequate staff training. Many of the weaknesses identified in OIG oversight reports have also been the result of poor planning and implementation of information technology that is meant to support the work of VBA personnel. The OIG recognizes that VBA staff face these and other challenges daily to keep pace with tremendous workloads while attempting to

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1 Although the hearing is focused on illegal spending, the OIG recognizes that underpayments—the failure to pay eligible individuals the benefits for which they are eligible—is often rooted in the same weaknesses that result in overpayments and therefore discusses those impacts as well. It should also be noted that the OIG coordinates with its law enforcement partners and VA personnel to identify and address fraud, identity theft, and other crimes targeting the compensation and benefits program.
ensure eligible beneficiaries are given the compensation and pensions they are due while preventing waste.

This statement highlights OIG reports that demonstrate how poor systems and controls can contribute to incorrect payments to VBA beneficiaries, focusing first on publications that spotlight poor processes and then on reports that have disclosed problems with information technology systems. Finally, the statement will discuss VBA’s compliance with the Payment Integrity Information Act of 2022.

**VBA’S PROBLEMATIC PROCESSES AND POLICIES WEAKENED ITS CONTROLS**

OIG examinations of VBA’s compensation and pension programs have often found problems with processes and policy implementation. For example, one OIG review found VBA’s process design for stopping benefits for fugitive felons during periods of ineligibility left it vulnerable to failures that could be caused by a single individual’s error or missed alert. VBA stopped processing fugitive felon cases for over two years and never revisited the cases, failing to adjust payments to fugitive felons as required by law. Another OIG examination found the strategy for VBA Office of Field Operations’ workload distributions was inadequate to minimize delays and excessive payments to veterans. The failures also contributed to the stress veterans experienced while waiting for a final decision on proposals to reduce or discontinue their benefits. A third OIG review substantiated allegations that VBA’s automated process for pension reductions due to Social Security cost-of-living adjustments did not adequately notify beneficiaries or consider related evidence, ultimately resulting in improper reductions of benefits.

**The Fugitive Felon Benefits Adjustment Process Needs Better Monitoring**

When a veteran no longer meets the requirements to receive benefits, VBA must adjust payments for the duration of ineligibility. Federal law prohibits veterans who are considered fugitive felons from receiving VBA benefits. A fugitive felon is defined as a person who is

- *fleeing* to avoid prosecution, or custody or confinement after conviction, for an offense, or an attempt to commit an offense, which is a felony under the laws of the place from which the person flees; or
- violating a condition of probation or parole imposed for commission of a felony under federal or state law.

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3 VA OIG, *VBA Overpaid Veterans Due to Delays in Reducing Compensation Benefits*, July 8, 2021.
The OIG conducted this review to determine whether VBA accurately adjusted compensation and pension benefit payments for fugitive felons. The OIG, in its capacity as a federal entity with full law enforcement authority, has access to warrant information maintained by the National Crime Information Center (NCIC), the federal government’s central crime-tracking database. The OIG routinely sends VBA a list of veterans with outstanding felony arrest warrants and offense codes (felony referrals) to facilitate VA’s obligations under the fugitive felon act.\(^6\)

After the 2001 passage of the fugitive felon act and continuing through June 2014, VBA interpreted this law to presume that all veterans for whom a felony arrest warrant had been issued were fugitives in a flight status for the purpose of benefit adjustments. During this period, VBA did not distinguish between the various offense codes used by the NCIC—some of which did not include the requisite indicators of fleeing.\(^7\) However, in June 2014, VBA updated its definition of a fugitive felon to include only seven specific NCIC offense codes—those indicating escape, flight, or violation of the conditions of probation or parole (flight codes). With this updated definition, VBA revised its process to determine whether benefits should be suspended only for veterans with felony referrals containing at least one of the flight codes. That meant VBA no longer required a benefit adjustment determination to be made for felony referrals that did not include at least one of the seven flight codes.\(^8\)

**VBA Did Not Process 46 Percent of Cases in 2019 and 2020**

The OIG found that VBA leaders needed to better monitor the fugitive felon benefits adjustment process. During the two-year review period, the OIG sent five lists to VBA containing felony referrals.\(^9\) The lists included a total of 4,575 referrals related to veterans with outstanding felony arrest warrants containing at least one of the seven flight codes. Due to inadequate monitoring, VBA did not process two of these five lists—sent in July 2019 and October 2020—that together contained 2,088 felony referrals. Of those 2,088 referrals, about 46 percent of the cases contained at least one of the seven flight codes referred by the OIG to VBA, requiring additional action. In those cases, VBA failed to determine whether adjustments to compensation and pension payments were needed. VBA, in response to the report recommendations, has since submitted to the OIG a standard operating procedure and monitoring plan to sustain improvements.

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\(^6\) The OIG undertakes this activity consistent with its authority to conduct, supervise, or coordinate matters relating to the prevention and detection of fraud, waste, and abuse in VA programs and operations, as well as identification and prosecution of participants in such fraud. The OIG sends the felony referrals to VBA; however, it is VBA’s responsibility to carry out and oversee its fugitive felon benefits adjustment process.

\(^7\) The NCIC’s four-digit uniform offense classification codes identify the category of each criminal offense, such as robbery (1299), assault (1301), and dangerous drugs (3599).


\(^9\) The total number of felony referrals was 8,870.
Adequate Monitoring Was Not in Place

VBA’s workflow process and monitoring were inadequate for ensuring the processing of fugitive felon benefits adjustments.\(^\text{10}\) The workflow procedure involves several offices that have roles and responsibilities within VA’s fugitive felon office: Compensation Service, Pension and Fiduciary Service, Regional Offices, Hines Information Center, and Office of General Counsel.

Although VBA had a process, interviews with VBA staff revealed they were unclear as to which individuals were responsible for specific actions. Staff also stated no one was responsible for the entire program to ensure processing. The missed referrals in 2019 and 2020 were the result of reliance on a process that was inadequately monitored. As a result, the OIG recommended the under secretary for benefits improve monitoring procedures and demonstrate progress toward ensuring all felony referrals are processed. The recommendation was implemented and closed.

Due Process Letters Did Not Comply with VBA Policy and Procedures

Before adjusting benefits, VBA must send the veteran a letter providing notice of the proposed action and the veteran’s right to a hearing. These letters are commonly referred to within VBA as “pre-determination letters” or “due process letters.” The OIG team found that VBA’s due process letters did not always provide the required information, such as the law enforcement agency issuing the warrant, the warrant number, the date of the warrant, the warrant offense code, and the warrant reason.\(^\text{11}\) For this report, the OIG determined that VBA failed to include all the required information in due process letters for an estimated 1,883 of 2,487 completed felony referrals (76 percent).\(^\text{12}\) Most commonly, VBA failed to include the reason for the issuance of the arrest warrant in the due process letter. The OIG provided VBA leaders with examples of due process letters missing the required language. VBA acknowledged that the majority of its due process letters were inadequate, and the related recommendation for corrective action was closed as implemented after VA provided a copy of an updated standard fugitive felon due process letter.

VBA Did Not Process Fugitive Felon Cases in 2012 and 2013

While reviewing internal VBA correspondence from 2016 related to fugitive felon due process letters, the review team identified a statement indicating that fugitive felon cases had not been processed since 2011. After further work, the team found that in April 2012, VBA postponed decisions on fugitive felon cases while it prepared new guidance; however, the guidance was not issued until June 2014, and VBA did not process referrals during this period. Moreover, staff did not revisit these fugitive felon cases even after benefit adjustment work resumed.

\(^{10}\) Managers from the Compensation Service informed the review team that VBA took action in October 2014 to create a SharePoint site as an historical digital repository to store fugitive felon data from the OIG.

\(^{11}\) VBA Letter 20-14-09.

\(^{12}\) Of the 4,575 referrals, 2,088 were not processed; 2,487 referrals were completed.
The OIG determined VBA leaders needed to improve monitoring for the fugitive felon benefits adjustment process. Due to VBA’s process design, failures could be caused by a single individual’s error or missed alert. Lack of VBA oversight of the fugitive felon benefits adjustment processes resulted in some veterans receiving funds to which they were not entitled, while others were not given critical due process information.

Although VBA implemented the recommendations for updating its standard operating procedure on OIG felony referrals and addressing due process letters, the last recommendation remains open. That recommendation was for VBA to review unprocessed felony referrals identified in the report and take corrective action for those referrals from 2012 to 2013, and the OIG also will be following up for more detail on actions taken by VBA regarding the 2019 and 2020 referral lists.

**VBA Overpaid Veterans Due to Delays in Reducing Compensation Benefits**

For this second example, the OIG assessed whether VBA’s Office of Field Operations managed proposals to reduce benefits in a manner that minimizes processing delays and excessive payments. At times, evidence is received that requires a downward adjustment to a veteran’s disability compensation benefits. However, before an adjustment can be made, the veteran must be notified of the proposed action and given time to respond. During this period, the veteran’s benefits continue unchanged. It is important to note that it can be stressful, however, for veterans who wait extended periods for a final decision following notice of a proposal to reduce or discontinue their benefits. VBA managers responsible for ensuring strong fiscal stewardship of taxpayer funds are also hindered when experiencing delays in final decisions.

The OIG team found that the Office of Field Operations did not manage proposed reductions in a manner that minimized processing delays and excessive payments. The team examined the number of delayed claims in the review period (February 1, 2019, through January 31, 2020) and the excessive payments to beneficiaries that resulted from delays, and estimated that 45,300 of 51,700 claims (88 percent) completed during the review period had processing delays. In examining the financial

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13 VA OIG, VBA Overpaid Veterans Due to Delays in Reducing Compensation Benefits.

14 VA Manual 21-1, part 3, subpart 4, chap. 8, sec. B, topic 1.e, “Preparing a Rating and Providing Notice Under the Proper Regulations,” January 22, 2020. The effective date for changes to a veteran’s payment is the first day of the month following expiration of a 60-day period from the date the veteran is notified of the final rating decision. Every month that passes until final action is taken results in excessive payments that cannot be recouped.

15 A claim was considered delayed if it remained idle beyond the time required for the Office of Field Operations to act at each step in the claims process. The review team gave each claim 65 days for due process and 10 days for processing a rating decision. In addition, if development was needed before a final rating decision could be made, four days were given per development action. When calculating the total delay of each claim, the team did not include delays beyond field operations staff control. For example, the team did not consider the time VBA waited for a medical exam to be completed as a delay. Office of Field Operations leaders concurred with these calculations.

16 All projected numbers in the report were rounded.
impact on VA, the review team estimated that about 16,000 of the 47,400 claims with a potential reduction in payment had related excessive payments, resulting in about $116 million in excessive payments to veterans.

The processing delays occurred because the Office of Field Operations’ workload distribution strategy prioritized the completion of rating claims—those associated with original and reopened claims or claims for increased evaluation—above proposals to reduce benefits. The OIG understands and acknowledges this strategy helps ensure that claims involving the granting of benefits are given priority over those that reduce or remove benefits. However, the strategy should include a plan to process proposals to reduce benefits in a way that minimizes delays and excessive payments.

These problems did not persist to the same extent during the COVID-19 pandemic. VBA canceled all in-person exams on April 3, 2020, and veterans were given the option to wait for in-person exams to resume before a decision would be made on their claims. This significantly reduced the number of actionable rating claims for granting or increasing benefits, which freed up capacity for regional offices to process proposals to reduce benefits. VBA staff confirmed that, due to the lower number of actionable rating claims, the availability to assign proposals to reduce benefits to regional offices increased. However, there was no assurance these changes could be sustained once the actionable rating workload increased to prepandemic levels.

Accordingly, the OIG recommended the under secretary for benefits require the Office of Field Operations to establish, document, and implement a workload management strategy to distribute and process proposals to reduce benefits that minimizes delays and excessive payments. This recommendation has been closed as implemented based on information received from VBA. Also closed is a recommendation to develop, document, and implement a formal procedure to routinely monitor the workload management strategy.

**Improper Processing of Automated Pension Reductions Based on Social Security Cost of Living Adjustment**

In the third example, the OIG received two allegations in 2020 involving multiple veterans and their dependents claiming that VBA did not provide proper notification before reducing or terminating pensions. Both of the VBA-generated notices of proposed adverse action and the final decision letters were sent using an automated process.

A VA pension is a need-based benefit designed to provide a minimum income to certain wartime veterans and their survivors. Wartime veterans who are age 65 or older or who have a permanent and

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17 The purpose of a medical exam is to obtain medical evidence relevant to establishing entitlement to benefits, such as information about diagnosis, onset, or cause. Exams also provide information to assist decision-makers in determining the severity of veterans’ illnesses or injuries. The determinations are reflected in the amount of monthly disability benefits that eligible veterans receive.
total disability may be eligible for a pension if they have limited income and net worth. Surviving spouses and dependent children of deceased wartime veterans are also eligible if they meet the net worth and income requirements. The pension program served more than 299,709 veterans and survivors who received an estimated $3.5 billion in VA benefits in fiscal year (FY) 2022.\(^\text{18}\)

The amount beneficiaries receive is based on the difference between their countable annual income and a limit that Congress sets.\(^\text{19}\) Countable income is how much the beneficiary earns, including Social Security benefits, investment and retirement payments, and any income received by the beneficiary’s dependents. Countable income can be reduced based on nonreimbursed medical expenses, such as when those expenses are affected by changes in the Supplementary Medical Insurance Benefit premium.\(^\text{20}\) The beneficiary’s countable annual income can also increase, such as when Social Security payments increase due to a cost-of-living adjustment. In either case, VBA determines whether and by how much the VA pension should be adjusted.\(^\text{21}\)

If a beneficiary’s pension is to be reduced, similar to other benefits adjustments, VBA’s Pension & Fiduciary Service (the service) sends two letters to beneficiaries. First, in the notice of proposed adverse action, VBA is required to set forth all material facts and detailed reasons for the proposed reduction.\(^\text{22}\) The beneficiary receives a 60-day due process period to submit evidence that the reduction should not be made.\(^\text{23}\) Then, in the final decision letter, VBA must include the new pension amount and the information relied on in making the decision.\(^\text{24}\)

In regard to the initial allegations, the OIG substantiated that VBA’s automated process for pension reductions due to Social Security cost-of-living adjustments did not adequately notify beneficiaries or consider evidence as required, ultimately resulting in improper reductions of benefits. The review team determined that VBA’s automated process incorrectly processed an estimated 13,100 pension reductions. The automated process violated VA regulatory and procedural requirements governing due process by not including the required information in notifications, considering evidence, or taking Supplementary Medical Insurance Benefit premiums into account.

\(^{18}\) VBA, Veterans Benefits Administration Annual Benefits Report, Fiscal Year 2022.

\(^{19}\) For 2020, that annual limit for VA pensions was $13,752 for a single veteran without dependents or special circumstances. For a similarly situated surviving spouse, that limit was $9,224.

\(^{20}\) The Supplementary Medical Insurance Benefit is a Medicare Part B premium that beneficiaries may pay to the Social Security Administration. This premium is a medical expense that can be used to offset beneficiaries’ incomes without requiring a submitted medical expense form.

\(^{21}\) The purpose of the cost-of-living adjustment is to ensure that the purchasing power of Social Security and Supplemental Security Income benefits is not eroded by inflation.

\(^{22}\) 38 C.F.R. § 3.105(h).


The errors the review team identified were the result of inadequate planning and implementation of the automated pension reduction process. Specifically, the Pension & Fiduciary Service did not follow regulations or procedures to ensure beneficiaries received due process to which they were entitled. The service failed to consult VA’s Office of General Counsel or relevant departments during the planning and implementation of the automated process. The review team also found that the service’s automated pension-reduction process was not fully tested, communicated to Pension Management Center staff, or adequately monitored. As a result, the service improperly reduced benefits, created unnecessary debts, increased the burden on beneficiaries, and failed to uphold VA’s established core values, characteristics, and customer service principles.

The Pension & Fiduciary Service discontinued the fully automated pension-reduction process starting with FY 2021 Social Security Administration cost-of-living adjustments. VBA also submitted information sufficient for the OIG to close its recommendations that the VBA Adjudication Procedures Manual section be updated related to notices of proposed adverse action. The updates help ensure automated notices align with VA regulations, including amending the language of the automated notices of proposed adverse action that require material facts and detailed reasons for the adjustment. A responsive VBA review was also conducted of pension reductions with cost-of-living adjustments that were automatically completed in FY 2020 to ensure regulations and procedures were followed. The review included the consideration of supplementary medical insurance premiums and all evidence submitted by the beneficiary. The OIG remains vigilant to deficiencies in processes and guidance that can lead to improper payments, recognizing that overpayments can result in the spending of taxpayer funds that can be put to better use in serving veterans and their families, as well as helping to prevent fraud and the underpaying of eligible beneficiaries.

**VBA’S INTERNAL CONTROLS ARE IMPEDED BY WEAKNESSES IN TECHNOLOGY**

A common theme across the OIG’s reports on VBA’s compensation and pension programs is the insufficient development and execution of technology solutions. In the examples that follow, the OIG found that in an effort to use automation to minimize unnecessary medical examinations for assessing the disabilities of beneficiaries, VBA’s systems canceled required examinations, potentially causing veterans to receive monthly compensation benefits that were inconsistent with their levels of disability. The OIG also found failures in VBA’s automated process for matching death records from the Social Security Administration with its own benefits records, which resulted in VA payments being sent to veterans after their deaths.

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VBA Incorrectly Canceled Required Disability Medical Examinations

For a potentially eligible veteran to receive disability compensation benefits, the veteran may be required to undergo medical examinations to determine the severity of their conditions. Because some conditions may change or improve over time, veterans may be required to undergo reexamination. For example, after treatment, certain cancers may go into remission, lessening the severity of a veteran’s condition and therefore their related disability rating.

When a claims processor decides a veteran’s claim, they also determine whether reexamination may be required in the future. If so, they input the future date into the electronic system, and when that date arrives, a notification is sent to a claims processor to determine whether reexamination is still needed. The OIG had found in a 2018 audit that claims processors were not consistently following VBA policy that requires reexaminations of veterans be requested only when necessary.

Accordingly, VBA took steps to reduce the number of unwarranted reexaminations. It did so by creating “batch jobs” within its information technology systems to automatically cancel reexaminations that met certain parameters. However, the OIG found in a follow-up report that VBA carried out two batch cancellation jobs that mistakenly excluded reexaminations that by law needed to occur to ensure proper payments are made. After the OIG raised concerns, VBA suspended a scheduled batch cancellation job and reestablished workload controls to determine if reexaminations were necessary. The OIG recognizes VBA’s efforts to be responsive to prior OIG recommendations and to use automation when appropriate to minimize unnecessary medical reexamination requests. The OIG issued a management advisory memorandum conveying the information necessary for VBA leaders to further research the matter and determine if additional actions were warranted.

Additional Actions Can Help Prevent Benefits Payments from Being Sent to Deceased Veterans

With improved oversight and communication, VBA’s death match process can help prevent improper benefits payments from continuing to be sent to veterans after they have passed away. Improper payments may result in the creation of a debt that can cause an unnecessary financial and emotional

27 The claims processor referred to here is a veteran’s service representative, rating veterans service representative, decision review officer, or locally designated employee with expertise in reexamination ordering.

28 VA OIG, Unwarranted Medical Reexaminations for Disability Benefits, July 17, 2018.

burden on surviving family members and create additional work for VBA personnel to address.\textsuperscript{30} Given the potential for fraud and waste, as well as trying to minimize any issues that may affect a veteran’s survivors, the OIG assessed VBA’s processes for discontinuing compensation and pension benefits payments made to veterans after their deaths.\textsuperscript{31} Although VBA receives notifications of veterans’ deaths directly from third parties, it primarily relies on information provided through an exchange agreement with the Social Security Administration.\textsuperscript{32} The Social Security Administration aggregates the reports into a system of records called the death master file.

VBA’s Pension and Fiduciary Service receives the death master file from the Social Security Administration weekly and is responsible for matching a veteran’s name, date of birth, and Social Security number in an automated process against its own records. If there’s a match, any recurring benefits payments to the possibly deceased veteran are suspended, and VBA initiates actions to verify the death and discontinue the monthly benefit payment effective back to the first day of the month in which the death occurred.\textsuperscript{33}

For its 2022 report, the OIG reviewed three samples to help assess processes and identify ways that VBA can improve its death match process to minimize overpayments and made these findings:

1. VBA was unaware its systems failed to complete one automated weekly death match in December 2020, resulting in payments continuing to 43 deceased veterans. Of those, 29 payments were made for seven months until those veterans’ deaths were discovered by the OIG. The overpayments went undetected because each weekly match included only those deaths reported to the Social Security Administration since the last data pull.

2. The team reviewed a judgmental sample of 140 veterans in June 2021 and determined that 87 of the records had incorrect Social Security numbers in VBA’s electronic systems. Without

\textsuperscript{30} VA Manual 21-1, part 6, sub. 3, chap. 2, sec. C, topic 1.a, “General Information About Requests for Waiver of Debt,” June 18, 2015. When the creation of an overpayment or debt occurs, beneficiaries have the right to request a waiver of the debt. VBA’s Committee on Waivers and Compromises is responsible for deciding whether to deny the request or waive all or part of the debt.

\textsuperscript{31} Compensation and pension benefits payments made to veterans after their deaths were identified by the OIG as a high-risk category. Fraud and identity theft related to the improper receipt of benefits intended for a veteran who is now deceased are investigated by the OIG’s Office of Investigations. Those criminal investigations are summarized in the OIG’s published monthly highlights found at \url{www.vaog.gov/report/monthly-highlights}.

\textsuperscript{32} VBA receives notices of death from third parties such as family members, funeral homes, veterans service organizations, or from returned checks indicating a veteran is deceased. A third-party notice of death is accepted by VBA if the notice furnishes sufficient information about the veteran to allow definitive identification of the veteran’s record and identifies the source of the report of death. These third-party notifications are separate from the death match process but may allow VBA to identify a deceased veteran whose death was not reported to the Social Security Administration.

accurate data, the death match process cannot operate as intended and VBA will continue to pay compensation or pension benefits to veterans after their deaths.

3. An examination of a random sample of 121 veterans with dates of death between January 2017 and February 2021 revealed that VBA could have minimized improper compensation or pension payments to deceased veterans if death notification data had been obtained from VA’s own Veterans Health Administration.\footnote{VA OIG, \textit{Additional Actions Can Help Prevent Benefits Payments from Being Sent to Deceased Veterans}. Like VBA, the Veterans Health Administration receives a Social Security Administration death match. However, the Veterans Health Administration compiles additional death notifications through various sources including the Department of Defense and VA’s National Cemetery Administration.}

VBA has now provided documentation that it has implemented the OIG’s recommendations to put procedures in place that identify and process failed weekly death matches. It also has established a process to review the Social Security number verification program and help ensure their accuracy in VBA’s systems. Finally, VBA has instituted an intra-agency data-sharing process with the Veterans Health Administration to assist with obtaining information on veterans’ deaths.

**REVIEW OF VA’S COMPLIANCE WITH THE PAYMENT INTEGRITY INFORMATION ACT OF FISCAL YEAR 2022**

According to OMB, an improper payment is any payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.\(^{39}\)

An improper payment includes any payment that

- was made to an ineligible recipient;
- was made for an ineligible good or service;
- was a duplicate;
- was made for goods or services not received, except for those payments where authorized by law; or
- did not account for credit for applicable discounts.

An improper payment may be an overpayment, underpayment, or technically improper. In addition, when an agency’s review is unable to discern whether a payment was proper because of missing or insufficient documentation, the payment should be considered an unknown payment.

**VA Reported Improper Payments of $492 Million for the Pension Program**

In FY 2022, VA reported improper and unknown payment estimates totaling $3.5 billion for seven programs. Of that amount, about $1.4 billion (around 40 percent) represented a monetary loss, and the remaining approximately $2.1 billion (about 60 percent) was considered either a nonmonetary loss that cannot be recovered or an unknown payment.\(^{40}\) The FY 2022 estimate is a decrease from the previous two years. VA reported improper payments and unknown payments totaling $5.12 billion in FY 2021 and $11.37 billion in FY 2020. While VA reduced the monetary loss from $1.97 billion in FY 2021 to $1.4 billion in FY 2022, it is still higher than the $892 million reported in FY 2020. In addition, VA reported a decrease in its overall improper payment and unknown payment rates for six other programs.\(^{41}\)

VA satisfied nine of the 10 requirements under the PIIA; however, it is not considered to be in compliance with PIIA as it failed to report an improper and unknown payment rate of less than 10 percent for two VA programs that had estimates in the accompanying materials to their financial statements. With regard to its pension program, VBA is in the process of implementing a mitigation strategy to decrease improper payments further, and according to a VBA official, the changes are

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\(^{40}\) OMB Circular A-123 states that improper payments are classified as monetary loss (overpayment) and nonmonetary loss. A nonmonetary loss is either an underpayment or a technically improper payment (a payment to the right recipient for the correct amount that fails to meet applicable regulatory or statutory requirements). App. C in OMB Circular A-123 defines an “unknown payment” as one that a program cannot discern whether it is proper or improper.

\(^{41}\) The six programs with decreased improper and unknown payment rates are (1) beneficiary travel; (2) communication, utilities, and other rent; (3) medical care contracts and agreements; (4) purchased long-term services and supports; (5) supplies and materials; and (6) VA community care.
expected to impact compliance in FY 2024. Therefore, the OIG team determined that VA met OMB guidance criteria for compliance. VA satisfied the additional reporting requirements for three high-priority programs with prior-year monetary losses from improper payments of more than $100 million reported in FY 2022, including the pension program.\(^\text{42}\) The OIG continued to recommend the under secretary for benefits reduce improper and unknown payments to below 10 percent for the pension program.

**CONCLUSION**

VBA needs to ensure it continuously monitors internal controls to prevent procedural, technology, or process failures that result in improper payments—not only as stewards of taxpayer funds but also to protect veterans and their families from related hardships. The problems the OIG identified with VBA’s compensation and pension programs are, in many cases, the result of established and new mechanisms that are insufficient in preventing and detecting errors caused by information management systems and compliance with processes. Recognizing that VBA personnel work in a fast-paced environment on often complex processes, the OIG will continue to make recommendations for improvement that support their efforts to serve veterans, their families, and other survivors. Mr. Chairman, this concludes my statement. I would be happy to answer the Subcommittee’s questions.

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\(^{42}\) The three high-priority programs were pension, purchased long-term services and supports, and VA community care.