

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Review of
VA's Compliance with the
Improper Payments
Elimination and Recovery Act
for FY 2012*

March 15, 2013
12-04241-138

ACRONYMS AND ABBREVIATIONS

CHAMPVA	Civilian Health and Medical Program of the Department of Veterans Affairs
IPERA	Improper Payments Elimination and Recovery Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
VA	Veterans Affairs
PAR	Performance and Accountability Report
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

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Report Highlights: Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012

Why We Did This Review

We conducted this annual review to determine whether VA complied with the Improper Payments Elimination and Recovery Act (IPERA) for FY 2012. VA reported about \$2.2 billion in improper payments in its FY 2012 Performance and Accountability Report (PAR).

What We Found

VA did not comply with four of seven IPERA requirements in FY 2012. The Veterans Health Administration (VHA) did not report a gross improper payment rate less than 10 percent or meet a reduction target for one program. The Veterans Benefits Administration (VBA) did not use statistically valid methodologies to calculate improper payment estimates for some programs or report recapture amounts.

VBA corrected its statistical methodology for the Education program. While not a matter of noncompliance, VHA could improve its estimation methodology to achieve the required statistical precision.

VA met the requirements to publish a PAR, perform risk assessments, and provide information on its corrective action plans.

What We Recommend

We recommended the Under Secretary for Health take action to reduce improper payments and develop achievable reduction targets for the Non-VA Care Fee program. The Under Secretary for Health should also

implement an estimation methodology to achieve statistical precision for all VHA programs.

Further, we recommended the Under Secretary for Benefits implement a statistically valid estimation methodology for the Compensation, Pension, and Vocational Rehabilitation and Employment programs. The Under Secretary for Benefits should also provide the required recapture information for all reported VBA programs. Lastly, we recommended the Executive in Charge for the Office of Management and Chief Financial Officer complete planned actions to improve compliance with IPERA.

Agency Comments

The Under Secretary for Health, Under Secretary for Benefits, and Executive in Charge for the Office of Management and Chief Financial Officer agreed with our recommendations and provided appropriate action plans.

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

We conducted this review to determine whether VA complied with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for FY 2012.

OMB Requirements

The Office of Management and Budget (OMB) Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, specifies that each agency's Inspector General review improper payment reporting in the agency's annual Performance and Accountability Report (PAR). The purpose of the review is to determine if an agency complies with IPERA. According to OMB guidance, compliance with IPERA means that the agency completed the following.

- Published a PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency Web site
- Conducted a specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 of the United States Code (if required)
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required)
- Published programmatic corrective action plans in the PAR (if required)
- Published and met annual reduction targets for each program assessed to be at risk and measured for improper payments
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR
- Reported information on its efforts to recapture improper payments

OMB requires that the Office of Inspector General (OIG) issue a report annually assessing Department compliance with IPERA within 120 days of VA's issuance of the PAR.

Improper Payment Definition

OMB Circular A-123, Appendix C defines an improper payment as follows.

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an

ineligible recipient or for an ineligible good or service or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

Prior Reviews

The OIG's report, *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act* (Report No. 12-00849-120, March 14, 2012), concluded that VA was not in full compliance with IPERA and needed to improve its improper payment estimation methodology. Appendix C provides a summary of VA's areas of noncompliance with IPERA in FY 2011.

Further, our *Audit of VA's Implementation of Executive Order 13520, "Reducing Improper Payments"* (Report No. 10-02892-251, August 12, 2011) concluded that the Veterans Benefits Administration (VBA) did not have an adequate process to ensure compliance with the Administration's reporting requirements. In addition, the Veterans Health Administration's (VHA's) FY 2009 risk assessment did not adequately assess the level of risk associated with its programs, and the results were not valid. VA took the following corrective actions to address improper payment challenges identified in our August 2011 report.

- VBA reviewed a statistically valid sample of debts exceeding \$1,667 and reported high-dollar overpayments.
- VHA conducted formal risk assessments and a review of all programs to establish a new baseline and accurately assess susceptibility to improper payments.

Other Information

- Appendix A provides additional background information.
- Appendix B outlines the scope and methodology for this review.
- Appendix C compares VA's performance in complying with IPERA requirements in FYs 2011 and 2012.
- Appendix D lists VA programs reported in the FY 2012 PAR.
- Appendixes E through G provide management's comments on a draft of this report.

RESULTS AND RECOMMENDATIONS

Finding

VA Programs Need To Comply Fully With IPERA

VA did not comply with four of seven IPERA requirements in FY 2012. Specifically:

- VHA did not report gross improper payment rates less than 10 percent for all reportable programs as required. VHA also did not meet a reduction target for one program. Both of these are repeated exceptions from our prior FY 2011 review. While not a matter of noncompliance, VHA could improve its estimation methodology to achieve the required statistical precision for all of its reported programs.
- VBA did not use statistically valid methodologies to calculate some published improper payment estimates. Recapture amounts for VBA programs also were not reported as required. We confirmed that in FY 2012, VBA corrected its statistical methodology for the Education program.

VA complied with requirements to publish a PAR on VA's Web site, perform risk assessments to identify programs susceptible to significant improper payments, and provide information on its corrective action plans.

**Improper
Payment Rate
Exceeds
10 Percent**

For FY 2012, the number of programs with improper payment rates over 10 percent declined from four programs to one. VHA's Non-VA Care Fee was the remaining program with an improper payment rate greater than 10 percent. OMB Circular A-123, Appendix C requires a gross improper payment rate of less than 10 percent for each program susceptible to significant improper payments and published in the PAR. According to VHA, a primary cause for the program's improper payments was the manual nature and the current decentralized system used for Non-VA Care Fee claims processing. VA reported improper payment rates based on FY 2011 data.

VHA reported that improper payment rates had declined to under 10 percent for two programs, the State Home Per Diem Grants program and the Supplies and Materials program, which it had reported as noncompliant for FY 2011. In last year's OIG report, we also identified another program, Other Contractual Services, as noncompliant by using a method of calculation that gave a more accurate improper payment rate than VHA's method. In the FY 2012 PAR and after completion of our FY 2011 review, VA said that it should not have reported the program because VHA incorrectly reported coding errors as payment errors. VA asserted that those payments were valid and made to the proper recipients in the correct amounts.

**Reduction
Target Not Met**

VA published improper payment rates and reduction targets in the FY 2012 PAR as required. However, the Non-VA Care Fee program did not meet its reduction target, which is a repeated exception from our FY 2011 review. The program's improper payment rate as calculated by VA was about 12 percent while the reduction target was 10 percent. VHA said that it did not meet its target because of time lags between identifying improper payment issues and developing and implementing corrective action plans. OMB's requirement is for agencies to publish and meet annual reduction targets for each program determined to be at risk and measured for improper payments.

For FY 2011, we reported that the Pension program did not meet its reduction target. We were not able to determine whether the Pension program met its reduction target for FY 2012 because VBA combined the Compensation and Pension programs in reporting on improper payment rates. VBA said that it combined the reporting because it could not segregate improper payments between the two programs due to a lack of detail in the supporting system records.

**VBA Estimates
Not Supported
by Approved
Methodologies**

VBA used methodologies that were not statistically valid to estimate improper payments for two of its three reported programs. VBA was unable to provide documentation of OMB's approval to use the methodologies. OMB Circular A-123, Appendix C requires that VA's methodology for estimating improper payments be statistically valid unless OMB approves a different methodology.

First, for the combined Compensation and Pension programs, VA's FY 2012 PAR stated that VBA based its estimate on the following two sources—VBA's Systematic Technical Accuracy Review (a quality assurance program) and debt referred to VA's Debt Management Center. A VBA official said that a VBA analysis in July 2012 raised concerns about using a methodology for IPERA purposes based on the Systematic Technical Accuracy Review. The official said VBA was not able to make the necessary changes in response to these concerns in time for the FY 2012 PAR but would do so for future reporting periods.

Second, for the Vocational Rehabilitation and Employment program, VBA said that it based its improper payment estimate on accounts receivable and amended awards for subsistence. This methodology was not statistically based and did not include a sample of payments. OMB also did not approve the methodology.

For FY 2011, the OIG reported that we could not replicate the Compensation and Pension programs' improper payment rates using data provided us. For FY 2012, we noted that VBA used a methodology that was not statistically valid for both years. We have elevated this issue to noncompliance with the

requirement to publish improper payment estimates because of its direct impact on published estimates. Further, we previously reported that for the Education program, VBA did not measure the margins of error as required by OMB, use sampling weights, or consult with a statistician. We confirmed that in FY 2012, VBA corrected its statistical methodology for the Education program.

**VHA's
Estimating
Methodology
Could Be
Improved**

VHA could improve its estimation methodologies to achieve the required statistical precision for its reported programs. This is a repeat exception. VHA reported improper payments for the following five programs this year—Beneficiary Travel, Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA), Non-VA Care Fee, State Home Per Diem Grants, and Supplies and Materials. OMB Circular A123, Appendix C requires agencies to calculate improper payment estimates using certain statistical parameters, namely, a 2.5 percent margin of error for a 90 percent confidence interval or a 3 percent margin for a 95 percent confidence interval.

The level of precision in developing VHA's improper payment estimates did not meet this standard. The margins of error for VHA's programs ranged from about 3.4 percent to 5.6 percent for the 90 percent confidence interval that VHA used. The lack of precision in the estimates for the Beneficiary Travel and Supplies and Materials programs also does not give the Department assurance that the improper payment rates for these two programs are less than 10 percent.

VHA provided evidence that OMB approved its overall statistical methodologies; therefore, we have not categorized this exception as noncompliance with IPERA. However, VHA should obtain clarification from OMB on the duration of the waiver if VHA anticipates continued noncompliance with OMB Circular A-123, Appendix C's precision requirements. VHA said that it is working towards achieving compliance with the statistical precision requirements for FY 2013.

Two other issues that we cited last year are no longer exceptions. We reported that VHA needed to improve its estimation methodology for the Other Contractual Services and State Home Per Diem Grants programs. Our report cited a technical matter in statistical calculations for these programs. In FY 2012, VHA made the necessary corrections to resolve these issues.

**Recapture
Amounts
Omitted**

VBA did not report amounts collected through its activities to recapture improper payments. VBA lacked a process to identify and report the amounts recaptured in the correct categories as specified by OMB Circular A-136, *Financial Reporting Requirements*. OMB requires agencies to report the amounts collected from recapture audits, develop recapture audit targets, provide an aging of outstanding overpayments, and report overpayments

recaptured outside of payment recapture audits. However, VBA said its computer systems did not have the ability to distinguish among categories of recapture amounts. As such, VBA did not report amounts on any of the required activity.

In the FY 2011 PAR, VA published information on its recapture activities but noted it was unable to collect and make available all required data due to the late issuance of OMB Circular A-136 in October 2011. For the FY 2012 PAR, VA published the required amounts for VHA programs but still did not do so for VBA programs. We have identified this condition as a new exception to compliance with IPERA in this year's report.

**Other
Matters**

The improper payment section of VA's PAR, published on November 15, 2012, omitted the Education program. Management officials said this error occurred due to the incorporation of an incorrect version of the section in the PAR. VA corrected the PAR on January 4, 2013. We noted that VA also corrected a labeling error in the Improper Payment Reduction Outlook table that we had reported as an exception for FY 2011.

VA was late in providing two other IPERA-related reports to Congress and OMB. OMB Circular A-123, Appendix C requires an agency to provide a corrective action plan to Congress and OMB within 90 days of a determination of noncompliance with IPERA. Although we concluded in March 2012 that VA was not fully compliant with IPERA, VA did not submit a report on this noncompliance until August 2012. OMB Circular A-123, Appendix C also requires an agency to report to Congress and OMB regarding any recommendations identified by payment recapture auditors by November 1 of the reporting year. For FY 2012, VA submitted its report on November 30, 2012.

Further, in reviewing VA's policy and guidance, we noted the following areas where additional guidance from VA's Office of Management to VHA and VBA could better ensure IPERA compliance.

- Milestones and goals for reducing program-related improper payments
- Improper payment estimation methodologies that are compliant with OMB guidance
- Processes to track recapture activity
- A quality assurance process to ensure IPERA compliance for all reportable programs

Officials in VA's Office of Management responded that they have several activities planned or underway that could support the development of additional guidance. For example, they said that a contractor would assist VA in FY 2013 with statistical sampling and identifying best practices for

reducing improper payments. The officials said that they plan to analyze VA's payment activities to help in prioritizing resources. Further, they plan to implement a quarterly process to monitor progress in meeting reduction targets. The officials believed performing such activities first would help in the development of additional guidance.

Conclusion

VA needs to strengthen its efforts to reduce improper payments to meet IPERA requirements and report statistically valid estimates. For FY 2012, the number of programs with improper payment rates over 10 percent declined from four programs to one. However, VA did not comply with four of seven IPERA requirements in FY 2012. Specifically, VHA did not report gross improper payment rates less than 10 percent for all reportable programs and did not meet all reduction targets, which were repeated exceptions from our prior review.

While not a matter of noncompliance, VHA could also improve its estimation methodologies to achieve the required statistical precision for all its reported programs. VBA did not use statistically valid methodologies to calculate some of the published improper payment estimates or report information on its recapture activity as required. VBA corrected its statistical methodology for the Education program.

Recommendations

1. We recommended the Under Secretary for Health implement its corrective action plan, as described in the Performance and Accountability Report, for reducing improper payments in the Non-VA Care Fee program.
2. We recommended the Under Secretary for Health develop achievable reduction targets for the Non-VA Care Fee program.
3. We recommended the Under Secretary for Health implement an improper payments estimation methodology that will achieve the required statistical precision for reporting on performance in meeting requirements of the Improper Payments Elimination and Recovery Act.
4. We recommended the Under Secretary for Benefits develop and implement a statistically valid estimation methodology for the Compensation, Pension, and Vocational Rehabilitation and Employment programs for reporting on performance in meeting requirements of the Improper Payments Elimination and Recovery Act.
5. We recommended the Under Secretary for Benefits develop a process to collect and report the required improper payments recapture information.

6. We recommended the Executive in Charge for the Office of Management and Chief Financial Officer complete planned activities to improve compliance with the Improper Payments Elimination and Recovery Act and use this information to develop and issue additional guidance.

***Management
Comments and
OIG Response***

The Under Secretary for Health, the Under Secretary for Benefits, and Executive in Charge for the Office of Management and Chief Financial Officer agreed with our recommendations and provided appropriate action plans. We will follow up on their implementation. Their complete responses and action plans are in Appendixes E, F and G of this report.

Appendix A Background

IPERA and OMB Requirements

IPERA significantly amended the Improper Payments Information Act of 2002 and repealed the Recovery Auditing Act. OMB Circular A-123, Appendix C provided requirements for implementing IPERA.

Under IPERA, each agency must periodically review and identify its programs and activities that may be susceptible to significant improper payments. OMB defined significant improper payments as gross annual improper payments exceeding both 2.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or \$100 million in gross improper payments.

Agencies are to identify susceptible programs through periodic risk assessments performed on all programs. VA conducted risk assessments of its programs in FY 2011 and established a 3-year periodic review cycle for VHA. VBA and the National Cemetery Administration reviewed their programs again in FY 2012. VA reported the programs identified as susceptible in its annual PAR.

For each program identified as susceptible, the agency generally is required to report the following in its PAR.

- A statistically valid estimate, or an estimate approved by OMB, of the improper payments
- Actions taken to reduce improper payments for programs or activities with significant improper payments
- A description of the causes of improper payments, actions planned or taken to correct those causes, and planned or actual completion dates
- Program-specific targets for reducing improper payments that have been approved by OMB

Overall, VA reported approximately \$2.2 billion in improper payments in its FY 2012 PAR. VA chose to report improper payment data based on the prior year, as OMB Circular A-123, Appendix C allowed, and therefore presented FY 2011 improper payment data in the FY 2012 PAR.

Appendix B Scope and Methodology

Scope

We conducted our review work from September 2012 through February 2013 at VA Central Office located in Washington, DC. Our review focused on improper payment information reported in VA's FY 2012 PAR as required by IPERA.

Methodology

To assess VA's compliance with IPERA, we reviewed the relevant portion of VA's FY 2012 PAR, Section IV, "Other Accompanying Information," as published on VA's Web site, for compliance with OMB's seven compliance requirements. We also reviewed VA policy and interviewed VHA, VBA, National Cemetery Administration, and VA Office of Management officials to gain an understanding of VA's IPERA reporting controls. We reviewed for reasonableness VA's FY 2012 risk assessments and VHA's rotation cycle but did not validate management's conclusions. Our statistician reviewed the statistical validity of sampling methodologies for the programs reported in the PAR. We also reviewed for reasonableness VA corrective action plans reported in the PAR.

We assessed fraud risks such as non-reporting or understatements of improper rates and payments. We did not identify any occurrences or potential instances of fraud during our review.

Data Reliability

Information published by VA in the FY 2012 PAR provided the primary basis for our evaluation of VA's compliance with IPERA. To assess the reliability of VA's published information, we reviewed the statistical methodologies that VA applied to payment data and identified appropriate data sources. We observed that VBA did not use statistical estimation methodologies for the Compensation, Pension, and Vocational Rehabilitation and Employment programs. VHA's procedures did not achieve the required statistical precision. We reported these conditions as issues in this report.

Management reported that payment data for VHA's statistical estimates came from VA's Financial Management System and the Central Fee system. Statistical estimates for VBA's Education program were derived from the Benefits Delivery Network, the Long Term Solution system, and the Corporate Database.

Our procedures did not include performing our own independent risk assessments of VA's programs, reevaluation of VA's sample transactions to determine if VA correctly identified improper payments, development of independent statistical estimates, or verification of recapture data. We designed our procedures to determine whether VA complied with IPERA according to OMB's seven compliance criteria and not to attest to the accuracy of VA's reporting. We believe our procedures to assess data reliability were sufficient to support our review objective.

**Government
Standards**

Our assessment of internal controls focused on those related to our review objectives. We completed our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection*.

Appendix C Summary of VA's FY 2011 and FY 2012 IPERA Compliance

Table 1 provides a comparison of VA's performance in complying with IPERA requirements in FYs 2011 and 2012.

Table 1

Exceptions to Complying With IPERA	
FY 2011	FY 2012
Requirement: Publish a PAR	
No exceptions	No exceptions
Requirement: Conduct a specific risk assessment for each program	
No exceptions	No exceptions
Requirement: Publish improper payment estimates as appropriate	
No exceptions	VBA methodologies were not statistically valid for the Compensation, Pension, and Vocational Rehabilitation and Employment programs
Requirement: Publish corrective action plans	
No exceptions	No exceptions
Requirement: Publish and meet reduction targets	
<ul style="list-style-type: none"> • Non-VA Care Fee (reduction target not met) • Pension (reduction target not met) 	<ul style="list-style-type: none"> • Non-VA Care Fee (reduction target not met) • Pension (unable to determine if program met reduction target because VA combined the Compensation and Pension programs for FY 2012)
Requirement: Report a gross improper payment rate of less than 10 percent	
<ul style="list-style-type: none"> • Non-VA Care Fee (12.4%) • State Home Per Diem Grants (13.7%) • Supplies and Materials (13.6%) • Other Contractual Services (24%)² 	Non-VA Care Fee (12.0%)
Requirement: Report information on recapture efforts	
No exceptions reported	VBA did not report amounts for recapture audit activity

Source: VA OIG based on VA's FY 2011 and FY2012 PARs and OIG determinations of IPERA compliance

Notes:

1. The OIG could not replicate some VBA estimates but did not cite this as noncompliance.

2. The OIG reported an improper payment rate of 24 percent for Other Contractual Services by using a better method of calculation than VHA's method.

Appendix D VA Programs Reported in FY 2012 PAR

Table 2 shows the outlays and gross improper payment rates and amounts that VA reported in the PAR. Improper payment totals include both over and under payments and are not netted against each other.

Table 2

Improper Payment Reporting—VA FY 2012 PAR (Based on 2011 Actual Data) (in millions)			
Program	Outlays	Improper Payment (%)	Improper Payments
Compensation and Pension	\$ 53,737	2.58	\$ 1,385
Education	10,001	0.00	0
Vocational Rehabilitation and Employment	768	3.22	25
Beneficiary Travel ¹	828	8.72	72
CHAMPVA	849	3.42	29
Non-VA Care Fee ²	4,290	12.03	516
State Home Per Diem Grants	787	4.75	37
Supplies and Materials	2,052	5.49	113
Total VA	\$ 73,312		\$ 2,177

Source: VA's FY 2012 PAR

Notes:

1. The OIG recently reported that for unexplained reasons VA medical facilities paid approximately \$42.5 million more in beneficiary travel than the facilities approved during the period of January 2010 through March 2011. See *Audit of the Beneficiary Travel Program* (Report No. 11-00336-292, February 6, 2013).

2. The OIG identified improper payment rates of 37 percent for a 6-month period in FY 2008 and 28 percent for a 6-month period in FY 2009 for outpatient and inpatient fee claims, respectively. See *Audit of Veterans Health Administration's Non-VA Outpatient Fee Care Program* (Report No. 08-02901-185, August 3, 2009) and *Audit of Non-VA Inpatient Fee Care Program* (Report No. 09-03408-227, August 18, 2010). VHA recently reviewed pricing for a small, nonstatistical sample of claims. The results indicated potentially greater improper payments than those reported for the program in Table 2.

Appendix E Under Secretary for Health Comments

Department of Veterans Affairs

Memorandum

Date: March 8, 2013

From: Under Secretary for Health (10)

Subj: OIG Draft Report, Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012 (VAIQ 7334352)

To: Assistant Inspector General for Audits and Evaluations (52)

1. I have reviewed the draft report and concur with the three recommendations assigned to the Veterans Health Administration (VHA). Attached is VHA's corrective action plan for the report's recommendations.
2. If you have any questions, please contact Dr. Karen M. Rasmussen, Acting Director, Management Review Service (10AR) at (202) 461-6643



Robert A. Petzel, M.D.

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan**

**OIG Draft Report, Review of VA's Compliance with the Improper Payments
Elimination and Recovery Act FY 2012(VAIQ 7334352)**

Date of Draft Report: March 1, 2013

Recommendations/ Actions	Status	Completion Date
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Recommendation 1: We recommend the Under Secretary for Health implement its corrective action plan, as described in the Performance and Accountability Report, for reducing improper payments in the Non-VA Care Fee program.

VHA Comments

Concur

The Veterans Health Administration (VHA), Chief Business Office Purchased Care (CBOPC) has completed 100 percent of the action items as described in the 2012 Performance and Accountability Report (PAR) to reduce improper payments in the Non-VA Medical Care Program.

Completed

Recommendation 2: We recommend the Under Secretary for Health develop achievable reduction targets for the Non-VA Care Fee program.

VHA Comments

Concur

VHA has established a target of 9.9 percent for improper payments in the Non-VA Medical Care (NVC) Program. This target performance is anticipated to be achievable based on deployment of a critical Fee Basis Claim System (FBCS) Patch and through implementation of enhanced and more frequent audits. CBOPC has recently introduced a Virtual Audit Team that will perform audits of the NVC program at all facilities and Veterans Integrated Service Networks (VISNs) to reduce error rates and meet the assigned achievable goal. The Virtual Audit Team will continue to perform near real-time audits of all facilities and VISNs throughout the balance of the fiscal year to assess improvement towards the established target of 9.9 percent as stated in the 2012 PAR.

In process

September 30, 2013

Recommendation 3: We recommend the Under Secretary for Health implement an improper payments estimation methodology that will achieve the required statistical precision for reporting on performance in meeting requirements of the Improper Payments Elimination and Recovery Act.

VHA Comments

Concur

VHA worked with the Department of Veterans Affairs and Grant Thornton, LLP, to establish VHA's 2013 Sampling Methodology. This sampling methodology has been developed to achieve the statistical precision of 90 percent confidence interval and 2.5 percent margin of error required by IPERA. VHA briefed the OIG and submitted the Sampling Methodology to the Office of Management and Budget (OMB) on February 11, 2013. Currently pending approval by OMB.

In process

Pending OMB Approval

Veterans Health Administration

March 2013

Appendix F Under Secretary for Benefits Comments

Department of Veterans Affairs

Memorandum

Date: March 8, 2013
From: Under Secretary for Benefits (20)
Subj: OIG Draft Report—Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012 [Project No. 2012-04241-AF-0207]
To: Assistant Inspector General for Audits and Evaluations (52)

1. Attached is VBA's response to the OIG's Draft Report: Review of VA's Compliance With the Improper Payments Elimination and Recovery Act for FY 2012.
2. Questions may be referred to Lori Washington, Program Analyst, at 461-1445.



Allison A. Hickey

Attachment

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Review of VA's Compliance With the Improper Payments Elimination
and Recovery Act (IPERA) for FY 2012**

VBA concurs with the findings in OIG's draft report and submits the following comments in response to the recommendations:

Recommendation 4: We recommend the Under Secretary for Benefits develop and implement a statistically valid estimation methodology for the Compensation, Pension, and Vocational Rehabilitation and Employment programs for reporting on performance in meeting requirements of the Improper Payments Elimination and Recovery Act.

VBA Response: Concur. In December 2012, VA awarded a contract for IPERA support, which included a task for the contractor to provide assistance in selecting statistically valid samples. Working with the contractor, VBA has developed a stratified sampling method in accordance with IPERA. The following Sampling Plan was submitted to OMB on February 11, 2013 for their approval.

Milestone	Estimated/Completion Date
VA to award IPERA contract	December 2012 (Completed)
VBA and contractor to develop statistically valid sampling plan for programs deemed high risk and require additional testing	February 7, 2013 (Completed)
VBA and contractor to develop statistically valid sampling plan for non-high risk Education programs to be tested	February 7, 2013 (Completed)
VBA plan submitted to the VA Office of Management for submission to OMB	February 11, 2013 (Completed)
VA Office of Management to submit plan to OMB for approval	February 11, 2013 (Completed)
OMB response	February 22, 2013 (Open/Pending)

Recommendation 5: We recommend the Under Secretary for Benefits develop a process to collect and report the required improper payments recapture information.

VBA Response: Concur. In 2013, VBA plans to perform and report on recapture audits for all VBA programs with outlays of \$1 million or more by using a combination of full case quality reviews and, where feasible, also review payments for possible duplicates and overpayments. VBA employees will be used for our recapture audits in FY 2013. VBA developed the following action plan which has been submitted to the VA Office of Management for approval.

Recapture audits based on quality reviews:

Milestone	Estimated Completion Date
Develop and submit a VBA Recapture and Recovery Audit plan for FY 2013 to the VA Office of Management	1/31/2013 (Completed)
Collect findings from quality business line quality reviews	4/19/2013
Determine overpayments that are collectible or non-collectible due to administrative error	4/30/2013
Verify debts that are collectible have been established in VA system and transferred to DMC	5/31/2013
Monitor debt status for reporting	6/30/2013

Recapture audit based on payment reviews:

Milestone/Task	Estimated Completion Date
Collection of payment data	2/28/2013 (Completed)
Specially Adapted Housing or Automobile Grant payments	3/29/2013
LGY and VR&E payments made in FMS	4/30/2013

Determine overpayments that are collectible or non-collectible due to administrative error	5/15/2013
Verify the debts that are deemed collectible have been established in VA system and transferred to DMC	5/31/2013
Monitor debt status for reporting	6/30/2013

Appendix G Executive in Charge for the Office of Management and Chief Financial Officer Comments

Department of Veterans Affairs

Memorandum

Date: March 8, 2013


From: Executive in Charge, Office of Management, and Chief Financial Officer (004)

Subj: OIG Draft Report, Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012

To: Assistant Inspector General for Audits and Evaluations (52)

1. I appreciate the opportunity to respond to the recommendation made to my office in the draft Office of Inspector General report, "Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012."
2. I concur with the recommendation that the Executive in Charge, Office of Management, and Chief Financial Officer (CFO) implement planned actions to improve compliance with the Improper Payments Elimination and Recovery Act (IPERA). The Office of Management has been implementing such actions in concert with the Department's Administrations, as stated below, and will continue to take all necessary actions to improve VA compliance.
3. In FY 2012, VA established the CFO IPERA Governing Board with the Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration. The CFOs are identifying root causes of improper payments and developing corrective actions to achieve IPERA compliance.
4. In FY 2013, VA made "improper payments" the Department's number one financial management priority. A contract was awarded to focus solely on assisting VA in conducting IPERA compliance activities. VA subsequently developed a standardized risk assessment template for identifying high-risk programs. The IPERA Governing Board members used the template to evaluate their programs and disbursements. Additionally in FY 2013, VA strengthened its methodology on program sampling plans to ensure compliance with OMB requirements.
5. Additional goals for FY 2013 include establishing improper payment reduction goals and appropriate action plans to achieve the goals; obtaining a Best Practices Recommendation Study; identifying improper payments that can be stopped and ones that cannot (for example, statutory reasons); and establishing a quarterly monitoring and reporting process to ensure annual reduction targets for VA programs are met.

6. If you have any questions, please call me or have a member of your staff contact Katherine Palmer, ADAS for Financial Policy, at 461-6507.

A handwritten signature in black ink, appearing to read "W. Todd Grams". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

W. Todd Grams

Appendix H Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Sue Schwendiman, Director Alex Biggs Lee Giesbrecht Marie Orlofski Wilfredo Romero John Weaver
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