DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

VA's Compliance with the Improper Payments Elimination and Recovery Act for Fiscal Year 2019

REVIEW | REPORT #19-09563-142 | MAY 14, 2020

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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether VA complied with the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for fiscal year (FY) 2019.

Each agency's inspector general is required to determine whether the agency complies with IPERA. Office of Management and Budget (OMB) Circular A-123 specifies that each agency's inspector general annually review improper payment reporting in the agency's Performance and Accountability Report or the Agency Financial Report (AFR) and issue a report on the agency's compliance with IPERA.[1] Compliance with IPERA means that the agency has completed the following:

1. Published an AFR or a Performance and Accountability Report for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website
2. Conducted a program-specific risk assessment for each program or activity that conforms to title 31, United States Code (U.S.C.), section 3321 note (if required)[2]
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required)
4. Published programmatic corrective action plans in the AFR or the Performance and Accountability Report (if required)
5. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable)
6. 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 AFR or the Performance and Accountability Report[3]

[1] Office of Management and Budget (OMB) Circular A-123, app. C, "Requirements for Payment Integrity Improvement," June 26, 2018.

[2] The Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. No. 111-204, § 2 (codified at 31 U.S.C. § 3321 note) requires agencies to identify programs and activities susceptible to significant improper payments.

[3] IPERA, § 3.

VA's Reported Improper Payments

In its FY 2019 AFR, VA reported improper payment estimates totaling $11.99 billion for 14 programs and activities, a decrease of $2.74 billion from the $14.73 billion reported in FY 2018 for 12 programs and activities.

In FY 2019, VA reported on a new program (Dependency and Indemnity Compensation) and activity (Disaster Relief Funding). While adding the new program and activity, VA reported a decrease in its overall improper payments rates for 11 programs and activities: eight in the Veterans Health Administration (VHA) and three in the Veterans Benefits Administration (VBA).[4]

What the Review Found

VA did not comply with IPERA because it did not satisfy the last two of the six requirements set forth in OMB Circular A-123, appendix C.

Specifically, VA did not

5. Meet annual reduction targets for one VHA activity—Medical Care Contracts and Agreements—assessed to be at risk for improper payments; and
6. Report a gross improper payment rate of less than 10 percent for six VA programs and activities that had improper payment estimates in its FY 2019 AFR.[5]

VA satisfied the other four IPERA requirements:

1. Published the FY 2019 AFR on VA's website
2. Conducted program-specific risk assessments that conformed with section 3321 note of title 31 U.S.C.
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments
4. Published corrective action plans where appropriate

[4] The eight VHA programs and activities with lower improper payments are (1) Beneficiary Travel; (2) Communications, Utilities, and Other Rent; (3) Civilian Health and Medical Program of the Department of Veterans Affairs; (4) Prosthetics; (5) Purchased Long-Term Services and Supports; (6) State Home Per Diem; (7) Supplies and Materials; and (8) VA Community Care. The three VBA programs with lower improper payments were Compensation, Education–Chapter 33, and Pension.

[5] Six programs and activities had improper payment rates greater than 10 percent: (1) Beneficiary Travel; (2) Communications, 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.

Examining Requirements 3 and 4 above, although VA published improper payment estimates as required, the review team determined that VHA understated the estimate for the Purchased Long-Term Services and Supports program due to insufficient documentation to establish that services were received. With regard to corrective action plans, one corrective action, applicable to three activities, was not adequate to address the root cause (lack of written delegation to an ordering officer).

In addition, the review team identified four programs and activities as noncompliant for five consecutive fiscal years, and two activities as noncompliant for three years. According to VA's AFR, the primary causes of the FY 2019 improper payments for these six programs and activities were administrative or process errors, insufficient documentation, and program design and structure errors. VA is required to submit plans to Congress on the actions it would take for these programs and activities to become compliant.

The team also found that VA satisfied the additional reporting requirements for two high-priority programs and two other programs with a monetary loss of more than $100 million, as reported in FY 2018.[6] Monetary loss for one of the two programs reported in the FY 2019 AFR was less than the $100 million threshold.

What the OIG Recommended

The OIG recommended the executive in charge, Veterans Health Administration, implement appropriate IPERA testing procedures to ensure evidence is sufficient to verify that services were received for the Purchased Long-Term Services and Supports program.

Additionally, three OIG recommendations remained open from the OIG's FY 2017 and FY 2018 IPERA reports due to repeat findings or ongoing issues.

Two open recommendations to the under secretary for health were as follows:[7]

1. Implement steps to achieve stated reduction targets for the Medical Care Contracts and Agreements (FY 2018 report recommendation).
2. Develop a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts

[6] According to Office of Management and Budget Circular A-123, app. C, "Requirements for Payment Integrity Improvement," June 26, 2018, a monetary loss is an overpayment that must be recovered unless the recovery is specifically prevented by legislation. The two programs are (1) Compensation and (2) Pension.

[7] Recommendations directed to the under secretary for health were submitted to the executive in charge, who has the authority to perform the functions and duties of the under secretary for health.

and Agreements; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities (FY 2017 report recommendation).

One open recommendation to the under secretary for benefits was as follows:[8]

3. Continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly (FY 2017 report recommendation).

Management Comments

VA management concurred with the recommendations and provided plans for corrective actions. The OIG considers the planned actions responsive and will follow up on VA's implementation of the recommendations. VA management also requested the OIG close the two FY 2017 report recommendations. Based on information provided, the OIG now considers these recommendations (2 and 3, above) closed. The assistant secretary for management also provided some technical comments and appropriate changes were incorporated into the report. The full text of VA management comments to this report can be found in Appendix G.

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[8] The under secretary for benefits was confirmed by the Senate on April 26, 2018. Therefore, previous recommendations have been updated from the executive in charge, Veterans Benefits Administration, to the under secretary for benefits.

Contents

Abbreviations

AFR	Agency Financial Report
CHAMPVA	Civilian Health and Medical Program of the Department of Veterans Affairs
DoD	Department of Defense
FAR	Federal Acquisition Regulation
FY	fiscal year
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

Introduction

The VA Office of Inspector General (OIG) conducted this review to determine whether VA complied with the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for fiscal year (FY) 2019.[9]

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, according to Office of Management and Budget (OMB) Circular A-123, appendix C.

This OMB circular states that an improper payment includes any payment that

- Should not have been made,
- Was made in an incorrect amount,
- Was made to an ineligible recipient,
- Was made for an ineligible good or service, or
- Was made for goods or services not received.

In addition, when an agency's review is unable to discern whether a payment was proper because of insufficient or lack of documentation, the payment should also be considered an improper payment. An improper payment may be an overpayment, an underpayment, technically improper, or unknown.[10]

[9] The Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. 111-204 (2010). The Payment Integrity Information Act of 2019 (Pub. L. No. 116-117) was enacted in March 2020. The act repealed the Improper Payments Information Act of 2002 (IPIA) (Pub, L. 107-300), IPERA of 2010, and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (Pub. L. 112-248). The Payment Integrity Information Act of 2019 was not applied to this review as the date VA published the FY 2019 AFR (November 2019) predated the effective date of the act.

[10] Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, part II, June 28, 2019, classifies improper payments as monetary loss (overpayment), non-monetary loss, and unknown. According to the FY 2019 OMB Paymentaccuracy.gov Data Call Instructions, a non-monetary loss is either an underpayment or a technically improper payment (a payment to the right recipient for the correct amount where the process fails to follow applicable regulations and/or statutes).

Under IPERA, each agency must periodically review and identify programs and activities that may be susceptible to significant improper payments.[11] In addition, IPERA requires the agency's inspector general to determine whether the agency complies with the act.

IPERA

By passing IPERA in 2010, Congress significantly amended the Improper Payments Information Act of 2002. Agency requirements for implementing IPERA are provided in OMB Circular A-123.[12] Each agency's inspector general will annually review improper payment reporting in the agency's Performance and Accountability Report or Agency Financial Report (AFR) and issue a report of the agency's compliance with IPERA, according to the circular. Compliance with IPERA means the agency has completed each of the following:[13]

1. Published an AFR or a Performance and Accountability Report for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website
2. Conducted a program-specific risk assessment for each program or activity that conforms to title 31, United States Code (U.S.C.), section 3321 note (if required)[14]
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required)
4. Published programmatic corrective action plans in the AFR or the Performance and Accountability Report (if required)
5. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable)
6. 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 AFR or the Performance and Accountability Report

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[11] Significant improper payments are gross annual improper payments in the program that exceed (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million (regardless of the percentage of program outlays), according to OMB Circular A-123, appendix C. Gross improper payments refer to the total of all improper payments, regardless of whether the payment was an underpayment or overpayment. Gross improper payments are divided by the agency's total outlays to determine the gross improper payment rate. Therefore, the gross improper payment rate reflects the total improper payments compared with total outlays.

[12] OMB Circular A-123, app. C, *Requirements for Payment Integrity Improvement*, June 26, 2018.

[13] IPERA, § 3.

[14] IPERA, § 2 (codified at 31 U.S.C. § 3321 note) requires agencies to identify programs and activities susceptible to significant improper payments.

If an agency does not meet one or more of these six requirements, it is not compliant with IPERA.

Improper Payments Elimination and Recovery Improvement Act of 2012

Congress added reporting requirements to IPERA with the enactment of the Improper Payments Elimination and Recovery Improvement Act of 2012. This act requires OMB to designate high-priority programs for greater levels of oversight and review.[15] The high-priority threshold is $2 billion in estimated improper payments starting in FY 2018.[16] There are additional reporting requirements for high-priority programs.[17] For any reported high-priority program, agencies must also establish actions to reduce improper payments. The agency's inspector general is also required to review the assessment of the level of risk, evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments for each high-priority program.[18]

President's Management Agenda

The President's Management Agenda provides additional guidance for agencies with programs that have over $100 million in monetary losses.[19] Agencies must complete a quarterly scorecard for these programs, as well as for high-priority programs, and the scorecard's results are made available on paymentaccuracy.gov. The President's Management Agenda identifies Cross-Agency Priority Goals to target areas where multiple agencies must collaborate to effect change. The agenda's Cross-Agency Priority Goal 9 (Getting Payments Right) states agencies should

- Reduce the amount of cash lost to the taxpayer through incorrect payments,
- Clarify and streamline reporting and compliance requirements to focus on actions that make a difference, and
- Partner with states to address improper payments in programs that they administer using federal funds.

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[15] IPERIA, § 3.

[16] OMB Circular A-123, app. C, part II.B(1).

[17] OMB Circular A-123, app. C, part II.B.

[18] OMB Circular A-123, app. C, part IV.A(4).

[19] "President's Management Agenda," Goal 9, White House website, accessed March 18, 2020, https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf. According to OMB Circular A-123, app. C, a monetary loss is an overpayment that must be recovered unless the recovery is prohibited by legislation.

VA's Reported Improper Payments

In its FY 2019 AFR, VA reported improper payment estimates totaling $11.99 billion for 14 programs and activities, a decrease of $2.74 billion from the $14.73 billion reported in FY 2018 for 12 programs and activities.

In FY 2019, VA reported on a new program (Dependency and Indemnity Compensation) and activity (Disaster Relief Funding). While adding the new program and activity, VA reported a decrease in its overall improper payments rates for 11 programs and activities: eight in the Veterans Health Administration (VHA) and three in the Veterans Benefits Administration (VBA).[20]

Additional Actions for IPERA Noncompliance

In accordance with IPERA, agencies found to be noncompliant for one fiscal year or more must complete several actions to achieve compliance. Additional requirements apply to programs and activities that are not compliant for three or more years.[21] VA is required to submit plans to Congress on the actions it would take for these programs and activities to become compliant.

[20] The eight VHA programs and activities with lower improper payments are Beneficiary Travel; Communications, Utilities, and Other Rent; Civilian Health and Medical Program of the Department of Veterans Affairs; Prosthetics; Purchased Long-Term Services and Supports; State Home Per Diem; Supplies and Materials; and VA Community Care. The three VBA programs with lower improper payments were Compensation, Education–Chapter 33, and Pension.

[21] IPERA, § 3(c). More information about relevant VA programs and activities and prior OIG reports can be found in Appendix A.

Results and Recommendations

Finding: VA Did Not Comply with Two of Six IPERA Requirements for FY 2019

VA did not comply with IPERA because it did not satisfy the last two of the six requirements set forth in OMB Circular A-123, appendix C. If one or more requirements are not met, VA is not compliant with IPERA, according to the circular. Specifically, VA did not meet the following requirements:

5. Meet the reduction target for one VHA activity, Medical Care Contracts and Agreements, assessed to be at risk and measured for improper payments (Requirement 5)
6. Report a gross improper payment rate of less than 10 percent for six VHA programs and activities: Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care (Requirement 6)

VA satisfied the following four of six IPERA requirements:

1. Published the FY 2019 AFR on VA's website as required (Requirement 1)
2. Conducted program-specific risk assessments for each program and activity that conforms with title 31, U.S.C., section 3321 note, if required[22] (Requirement 2)
3. Published improper payment estimates as required (Requirement 3)
4. Published corrective action plans where appropriate (Requirement 4)

For Requirement 3, although VA published improper payment estimates as required, the review team determined that VHA understated the estimate for the Purchased Long-Term Services and Supports program due to insufficient documentation to establish that services were received. For Requirement 4 related to publishing corrective action plans, VA complied with the requirement. However, one published corrective action was not adequate to address the root cause (lack of written delegation to an ordering officer) for three activities: Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; and Supplies and Materials.

Table 1 shows compliance with each IPERA requirement for the 14 programs and activities susceptible to significant improper payments and for which VA published improper payment estimates in its FY 2019 AFR. (Appendix B has the complete table.)

[22] IPERA, § 2 (codified at 31 U.S.C. § 3321 note) requires agencies to identify programs and activities susceptible to significant improper payments.

Table 1. IPERA Compliance Reporting for the 14 Programs and Activities Susceptible to Significant Improper Payments

Program/Activity	Published an AFR (1)	Conducted a risk assessment (2)	Published improper payment estimate (3)	Published corrective action plan (4)	Published and is meeting reduction target (5)	Reported an improper payment rate of less than 10 percent (6)
Beneficiary Travel	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
CHAMPVA*	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Communications, Utilities, and Other Rent	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
Compensation	Compliant	Compliant	Compliant	Not Applicable†	Compliant	Compliant
Dependency and Indemnity Compensation	Compliant	Compliant	Compliant	Not Applicable†	Not Applicable††	Compliant
Disaster Relief Funding	Compliant	Compliant	Compliant	Not Applicable†	Not Applicable††	Compliant
Education–Chapter 33	Compliant	Compliant	Compliant	Not Applicable†	Compliant	Compliant
Medical Care Contracts and Agreements	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Pension	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Prosthetics	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Purchased Long-Term Services and Supports	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
State Home Per Diem	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Supplies and Materials	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
VA Community Care	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant

Source: Review team analysis and VA AFR FY 2019

**Civilian Health and Medical Program of the Department of Veterans Affairs*

†A corrective action plan was not required because the improper payment estimate did not exceed the significant improper payment threshold.

††Dependency and Indemnity Compensation and Disaster Relief Funding were not required to meet reduction targets because FY 2019 was the first year these programs and activities reported an improper payment rate.

What the OIG Did

The review team assessed VA's FY 2019 AFR to determine compliance with IPERA reporting requirements. OMB allows VA to report improper payment data based on the previous fiscal year's activity. Because of this, the review team evaluated FY 2018 data published in VA's FY 2019 AFR. The team also reviewed federal laws and regulations and interviewed officials within VA's Improper Payments Remediation and Oversight Office, as well as VBA and VHA personnel. In addition, the team reviewed two risk assessments VA completed for FY 2019 to determine whether the risks were properly evaluated based on known deficiencies.

An OIG statistician reviewed the statistical validity of sampling methodologies for the programs and activities reported in the AFR and performed independent calculations to verify sample estimates and margins of error for all programs and activities.

The OIG review team also evaluated VA's corrective action plans for reasonableness and validated whether each corrective action plan contained the elements required by OMB. The team also selected and reviewed a sample of payments deemed improper by VA to determine whether each corrective action plan focused on the appropriate root cause. Further, the team evaluated whether VA accurately reported improper payments. For additional information on the review scope and methodology, see Appendix C.

IPERA Requirements Not Met by VA

As reflected in Table 1, the following two IPERA requirements were not met: Requirement 5 (one activity did not meet its reduction target) and Requirement 6 (six programs and activities exceeded the 10 percent threshold).

One VHA Activity Did Not Meet its Reduction Target (Requirement 5)

VA did not comply with the IPERA requirement to publish and meet the annual reduction target for one of the 14 programs and activities previously reported with improper payment rates (Medical Care Contracts and Agreements). VA's target reduction rates for FY 2019 were published in its FY 2018 AFR. Compliance with the requirement to publish and meet reduction targets is based on a comparison of the FY 2019 AFR improper payment rates to the FY 2018 published reduction targets. If a plan meets the guidance for a statistically valid sample, an agency is considered "as meeting its reduction target" if its point estimate is lower than or equal to its reduction target.[23]

In the FY 2019 AFR, the published improper payment estimate for Medical Care Contracts and Agreements is 65.87 percent. VA expected to reduce the Medical Care Contracts and

[23] OMB Circular A-123, app. C, part IV, A(5).

Agreements improper payment estimates by 1 percentage point from 63.96 to 62.96 percent in its FY 2018 AFR. Because the FY 2019 AFR point estimate (65.87 percent) was higher than the FY 2018 AFR reduction target rate (62.96 percent), VA did not meet the reduction target for this activity. According to a VHA official, the main reason why Medical Care Contracts and Agreements did not meet its reduction target was lack of ordering officer delegation.[24]

Six Programs and Activities Exceeded the 10 Percent Threshold (Requirement 6)

VA did not meet the improper payment rate threshold of less than 10 percent for six of 14 programs and activities. OMB Circular A-123 requires each agency to report a gross improper payment rate of less than 10 percent for each program and activity published in the AFR.

Table 2 shows the reported improper payment rates published in the FY 2018 and FY 2019 AFRs for programs and activities that exceeded the 10 percent threshold.

Table 2. Improper Payment Rates for Programs and Activities Exceeding the 10 Percent Threshold ($ in Millions)

Program/activity	FY 2018 improper payments	FY 2018 improper payment percentage	FY 2019 improper payments	FY 2019 improper payment percentage
Beneficiary Travel	$215.97	23.54	$180.22	18.79
Communications, Utilities, and Other Rent	$998.71	65.48	$683.15	43.41
Medical Care Contracts and Agreements	$635.91	63.96	$654.13	65.87
Purchased Long-Term Services and Supports	$2,059.14	100.00	$2,125.29	93.13
Supplies and Materials	$829.18	31.53	$629.13	22.26
VA Community Care	$7,998.14	100.50*	$7,212.92	92.33

Source: VA AFRs for FY 2018 and FY 2019

** According to OMB Circular A-123, app. C., part I D(1)a, agencies are required to determine an annual estimated improper payment amount that is a total of both over and underpayments (i.e., overpayments plus underpayments). The VA Community Care overpayment rate (95.07 percent) plus the underpayment rate (5.43 percent) equals 100.50 percent. Since an underpayment is a transaction that is reported below what it should have been, an underpayment could result in total improper payments more than the original payment total. This could result in an improper payment rate that is more than 100 percent.*

[24] Ordering officer delegations are discussed below in VA Published Corrective Action Plans (Requirement 4).

In its FY 2019 AFR, VA reported improper payment rates ranging from 18.79 to 93.13 percent for six programs and activities. However, improper payment estimates for five of the programs and activities (Beneficiary Travel; Communications, Utilities, and Other Rent; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care) reported a reduction in improper payments. Only one activity (Medical Care Contracts and Agreements) reported an increase from FY 2018. Similar to the causes of improper payments in FY 2018, the causes for FY 2019 were due to administrative or processing errors, insufficient documentation, or noncompliance with Federal Acquisition Regulation (FAR) requirements.

According to VA's FY 2019 AFR, VA continues to face challenges acquiring care in the community that complies with the FAR, which contributed to improper payments for the Purchased Long-Term Services and Supports and the VA Community Care programs. To correct this, VA plans to purchase care in the community using Veterans Care Agreements or the Community Care Network as allowed by the MISSION Act, which was signed into law in June 2018. However, VA reported that this process will take time and estimates it will not fully report the results of ongoing and planned corrective actions until the FY 2022 AFR.

IPERA Requirements Met by VA

VA Published an AFR (Requirement 1)

VA published an AFR for the most recent fiscal year along with accompanying materials as required. The accompanying materials included payment reporting, the results of recapture audits, and barriers that prevented VA from further reducing improper payments.

VA Conducted Risk Assessments (Requirement 2)

VA published risk assessments for three of 83 programs and activities in the FY 2019 AFR.[25] In FY 2018, VA conducted the remaining risk assessments as required by title 31, U.S.C., section 3321 note.[26] Appendix B lists all programs and activities for which VA conducted a risk assessment to identify the programs that were susceptible to significant improper payments. VA's risk assessment process incorporated the risk factors identified in OMB Circular A-123

[25] One risk assessment was for the OIG. The OIG performs this risk assessment and did not evaluate it for purposes of this review. In addition, the total number of programs decreased from 86 in FY 2018 as VA combined the In–House Provider Services activity with Professional Service Contracts; Human Resources Administration was combined with General Administration; and the burial flags program was removed (as VA concluded the disbursements are intra-governmental).

[26] IPERA, § 2 (codified at 31 U.S.C. § 3321 note) requires agencies to identify programs and activities susceptible to significant improper payments.

and met frequency requirements.[27] Based on the results of the FY 2018 risk assessments, VA identified the Dependency and Indemnity Compensation program as susceptible to significant improper payments; therefore, VA tested and reported the program's improper payments in its FY 2019 AFR.

VA Published Improper Payment Estimates (Requirement 3)

VA published statistically valid estimates for all 14 programs and activities identified as susceptible to significant improper payments. For each of the 14 programs and activities, VA developed a sampling plan, identified a sample for the program or activity, and tested payments for the corresponding samples. The sample transactions were identified as either proper or improper, and the corresponding monetary value was calculated. The totals derived from VA's testing were projected for each of the 14 programs and activities and reported in the AFR.

OMB requires an agency to use a statistically valid plan or a plan approved by OMB to obtain a statistically valid improper payment estimate. A statistically valid plan produces valid point estimates—here, the improper payment estimates—and confidence intervals around those estimates.[28] An OIG statistician confirmed that the point estimates (i.e., the improper payment estimates) and associated confidence intervals produced by VA were valid.

In addition, the review team selected and reviewed a sample of payments (10 transactions for each of the 14 programs and activities) that VA had tested and determined were proper payments. For the 10 sample transactions, the OIG agreed with VA's determination that the payments were proper for 13 of the 14 programs and activities.

The OIG did not agree with VA's determination for one program—Purchased Long-Term Services and Supports. The OIG did not consider the documentation that VHA relied on to determine that the 10 Purchased Long-Term Services and Supports payments in the OIG's sample sufficient to establish that the payments were proper. The documentation for all 10 payments did not contain evidence that services were actually received. A payment is improper if services are not received. OMB Circular A-123 states that, if an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, the payment should be considered an improper payment.

A VA official stated that testers relied on the reconciliation of the invoice to the preauthorization on file as evidence that services were received. However, the OIG does not consider the invoice evidence sufficient to establish that services were provided. As a result, the improper payment estimates for Purchased Long-Term Services and Supports were understated. VA reported

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[27] OMB Circular A-123, app. C, part I.C(2)b lists factors likely to contribute to a susceptibility of significant improper payments, including the age of the program; the complexity of the program, particularly in relation to determining correct payment amounts; volume of payments; and recent major program changes, among others.

[28] OMB Circular A-123, app. C, part I.D(1).

approximately $2.1 billion in improper payments and an improper payment rate of 93.13 percent in the FY 2019 AFR. When the OIG included the 10 improper payment samples, those figures rose to $2.2 billion and 97.48 percent.

VHA subsequently provided the review team with additional documentation and the OIG confirmed that five of the 10 payments were properly supported for the services rendered. The other five payments were improper based on insufficient documentation. Adding the five payments to VHA's improper payment sample results revises the OIG's estimate of improper payments for VHA's Purchased Long-Term Services and Supports to approximately $2.16 billion, which represents a 94.85 percent error rate.

Although VA's point estimates were understated, the updated OIG point estimates (which included the five additional unsupported payments) were not significantly greater than the original VA point estimates and VA's point estimates were still considered valid. The OIG recommends the VHA executive in charge implement appropriate IPERA testing procedures to ensure evidence is sufficient to verify that services were received for the Purchased Long-Term Services and Supports program.

VA Published Corrective Action Plans (Requirement 4)

VA reported corrective action plans for 10 of 14 programs and activities in its FY 2019 AFR as required.[29] A corrective action plan was not required for the other four programs and activities (Compensation, Dependency and Indemnity Compensation, Disaster Relief Funding, and Education–Chapter 33) because their improper payment estimates did not exceed the significant improper payment threshold.[30] VA reported that, in FY 2018, it was still required to comply with the FAR when purchasing care in the community; however, this remains a challenge because providers did not always agree to enter into FAR-compliant contracts. VA either moved forward with a non-FAR-compliant agreement, which resulted in improper payments, or declined the business opportunity with the provider. As mentioned earlier, VA anticipates the successful implementation of the MISSION Act will reduce these improper payments.[31]

OMB Circular A-123 requires the inspector general to evaluate whether corrective actions plans are focused on the true root causes of improper payments. The review team evaluated five improper payment samples for each of the 10 programs and activities and validated that VA appropriately classified the root cause of improper payments. The team noted that VA initially

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[29] OMB Circular A-123, app. C, part III.A(1).

[30] OMB Circular A-123, app. C, part I.B defines significant improper payments as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million.

[31] The VA MISSION Act (VA Maintaining Internal Systems and Strengthening Integrated Outside Networks Act) of 2018, Pub. L. 115-182 § 1703A. The VA MISSION Act allows VA to enter into contracts to purchase care in the community without complying with all FAR requirements.

determined one payment each for the Supplies and Materials activity and the Pension program were improper, but based on the team's review, the two payments were in fact proper.

The team further evaluated whether VA's reported corrective actions were focused on the identified root causes of improper payments and determined that VA's reported corrective actions were reasonable to address the root causes and reduce improper payments for seven of the 10 programs and activities. The team determined that one reported corrective action for three activities does not address the root cause of the improper payments. VA reported, as a corrective action, implementing a class deviation to the VA Acquisition Regulation that would remove the requirement for a written delegating authority to an ordering officer.

According to a VA official, the reason VA removed the requirement was to eliminate a burdensome internal agency documentation requirement consistent with OMB guidance.[32] In FY 2019 testing results, VA classified the root cause of over 200 improper payments for three VHA activities (Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; and Supplies and Materials) as ordering officer errors.

The review team determined that eliminating the requirement for a written delegated authority to an ordering officer from the VA Acquisition Regulation is not an appropriate corrective action. According to 48 CFR § 1.602-2, contracting officers shall delegate their authority in writing. Therefore, a written delegation of purchasing authority is required by federal regulations, not an internal agency policy. To be considered proper, payments should comply with legally applicable requirements, including federal regulations. Because VA identified other actions to address improper payments attributed to ordering officer errors, including identifying ways to improve oversight of ordering officers and conducting training to discuss FAR requirements, the team did not make a recommendation related to this issue.

A VA official stated that VA is still developing its testing plan for FY 2020. And, in coordination with VA, the review team will continue to assess the validity and necessity of testing for written delegating authority to ordering officers after VA finalizes its FY 2020 testing procedures.

Six VA Programs and Activities Were Identified as Noncompliant for Three or More Fiscal Years

In accordance with IPERA, agencies found to be noncompliant for one fiscal year or more must complete several actions to achieve compliance. Additional requirements apply to programs that are not compliant for three or more fiscal years.

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[32] OMB Circular A-123, app. C states that "agencies should ensure that all documentation requirements are necessary and refrain from imposing additional burdensome documentation requirements" and further OMB guidance has clarified a payment is not improper merely because it does comply with all agency policies, procedures, or documentation requirements.

For FY 2019, the review team identified six VA programs and activities, shown in Table 3, that did not satisfy IPERA requirements for either three or five consecutive fiscal years.

Table 3. VA OIG-Identified Noncompliant Programs for Consecutive Fiscal Years

Program/Activity	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Beneficiary Travel	X	X	X	X	X
Communications, Utilities, and Other Rent			X	X	X
Medical Care Contracts and Agreements			X	X	X
Purchased Long-Term Services and Supports	X	X	X	X	X
Supplies and Materials	X	X	X	X	X
VA Community Care	X	X	X	X	X

Source: Review team analysis of VA AFRs for FY 2015 through 2019

Two programs and activities (Communications, Utilities, and Other Rent; and Medical Care Contracts and Agreements) were noncompliant with IPERA for the third consecutive fiscal year. In addition, four programs and activities (Beneficiary Travel, Purchased Long-Term Services and Supports, Supplies and Materials, and VA Community Care) have been noncompliant for five consecutive fiscal years. The primary causes of improper payments for these six programs and activities in FY 2019 were administrative or process errors, insufficient documentation, and program design and structure errors according to VA's AFR. As a result of the OIG's FY 2018 IPERA review, VA submitted plans to Congress on the actions it would take for these programs and activities to become compliant.

Corrective actions are needed at the program level to reduce the number and monetary value of improper payments being identified during IPERA reviews. In response to the OIG's FY 2017 recommendation to develop a timeline to reduce improper payments under the 10 percent threshold, VHA stated it developed a corrective action plan to track errors as well as causes and laid out corrective actions with timelines to remediate the improper payment errors for each program and activity. In addition, VHA showed a reduction in improper payments and continues to implement corrective actions. Therefore, the OIG considered this recommendation closed. The OIG has kept open the FY 2018 recommendation related to meeting program reduction targets.

Additional Requirements for High-Priority Programs and Programs with over $100 million in Monetary Loss

OMB must designate the programs with the highest dollar value or rate of improper payments as high priority.[33] The high-priority threshold is $2 billion in estimated improper payments starting in FY 2018.[34] Requirements for high-priority programs include tailoring corrective actions, reporting actions to prevent and recover improper payments to the public, and developing actions to reduce improper payments.[35]

For FY 2019 reporting, OMB designated Purchased Long-Term Services and Supports and VA Community Care as high-priority programs with improper payments estimated at $2.13 billion and $7.21 billion, respectively.

VA met high-priority requirements by tailoring corrective actions, reporting actions to prevent and recover improper payments to the public, and developing corrective actions to reduce improper payments for the Purchased Long-Term Services and Supports and VA Community Care programs. The required information is also published on paymentaccuracy.gov.

The OIG is also required by OMB Circular A-123, appendix C, to review the assessment of the level of risk, evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments for high-priority programs.

- With respect to VA's assessment of the level of risk for the Purchased Long-Term Services and Supports and VA Community Care programs, VA assessed a high level of risk, which was consistent with the reported improper payments in its FY 2019 AFR.
- As to the quality of estimates, VA produced a statistically valid improper payment estimate for the Purchased Long-Term Services and Supports and the VA Community Care programs when compared with the OIG statistician's independent estimate.
- For the Purchased Long-Term Services and Supports and the VA Community Care programs, oversight and financial controls used to identify and prevent improper payments include the following:
    - VA's creation of the quarterly scorecard, approved by OMB, will support additional oversight and the progress VA is making to reduce improper payments. According to VA, after implementing the MISSION Act, improper payments will

[33] IPERIA, § 3.

[34] OMB Circular A-123, app. C, Part II.B(1).

[35] OMB Circular A-123, app. C, Part II.B(2).

decrease for the Purchased Long-Term Services and Supports and the VA Community Care programs.

- VA's AFR states that VHA uses the Financial Services Center to detect, prevent, and recover overpayments.
- VA also uses a program integrity tool using business rules to detect and prevent duplicate improper payments in a prepayment state (by canceling a transaction prior to releasing payment).
- VA concurs with or concurs in principle with the OIG's recent recommendations covering the VA Community Care Program pertaining to improving internal controls in the report, *Non-VA Emergency Care Claims Inappropriately Denied and Rejected* (18-00469-150, August 6, 2019).

In addition, the President's Management Agenda requires for programs with more than $100 million in monetary losses that agencies complete a quarterly scorecard and the results are published at paymentaccuracy.gov. In FY 2018, VA reported a monetary loss of more than $100 million for the Compensation and Pension programs and completed the scorecards, reporting corrective actions tailored to address processes and procedures for specific programs. For FY 2019, VA reported a $42.7 million monetary loss for the Compensation program, which is no longer above the $100 million threshold.

Update on VBA Concurrent Payments on Drill Pay

In the FY 2018 IPERA report, the OIG noted that VA could make further improvements in reducing improper payments for drill pay. Drill pay is military pay earned by Reserve and National Guard members while training on weekends and during full-time training events. Federal law prohibits participants from receiving Compensation and Pension program benefits while receiving drill pay.[36]

VBA's Compensation and Pension programs made improper payments that could not be avoided due to the concurrent payment design of the Department of Defense's (DoD) Drill Pay and VBA's Compensation and Pension programs. Currently, VBA cannot prevent Compensation and Pension program payments from being made concurrently with drill pay and must rely on data from DoD to identify and correct payments after the fact.

[36] 10 U.S.C. § 12316 and 38 U.S.C. § 5304(c).

In the FY 2018 IPERA report, the OIG recommended that VBA continue working with DoD to increase the frequency of drill pay adjustments from annually to monthly.[37] The following is an update on that recommendation:

- As of April 2019, VA proposed to amend its regulations to permit VA to suspend compensation payments upon receipt of notice from DoD. This proposal would allow adjustments to be made as close in time to receipt of military pay as possible, according to VA.
- In June 2019, after the comment period on the proposed amendment expired, VA addressed the comments received and the final amended regulation is pending the Office of General Counsel's approval. In addition, VA will continue to work on increasing the frequency of the adjustments until the automated monthly cycle is fully implemented. In its FY 2019 AFR, VA reported the barrier regarding Compensation improper payments for drill pay.
- In response to the OIG recommendation, VBA stated that OMB would not allow the final rule to move forward.[38] Therefore, VBA can take no further actions to increase the frequency of drill pay adjustments to eliminate overpayments and requested closure of this recommendation. The OIG considers this recommendation closed.

Conclusion

VA was noncompliant with IPERA for FY 2019 as one activity missed its reduction target (Requirement 5), and six programs and activities reported improper payment rates that exceeded the 10 percent improper payment rate threshold (Requirement 6). VA met four of the six IPERA requirements by publishing the AFR (Requirement 1), conducting risk assessments (Requirement 2), publishing improper payment estimates (Requirement 3), and publishing corrective action plans (Requirement 4).

Although VA published improper payment estimates as required, the review team determined the estimate for the Purchased Long-Term Services and Supports program was understated due to insufficient documentation to establish that services actually were received. In addition, one corrective action to implement a class deviation to the VA Acquisition Regulation to eliminate the need to test for written delegating authority to an ordering officer was not adequate to address a root cause of certain improper payments for three activities. The team identified two programs

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[37] VA Office of Inspector General, *VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2018*, 18-05864-127, June 3, 2019.

[38] Active Service final rule violates the Privacy Act, since it proposed to take adverse action based on the data received without providing at least 30-days advance notice. Despite the proposal to send initial due process covering repeated instances of the same, and final notices of action taken after each event, OMB found the final rule inconsistent.

as noncompliant with IPERA for three years, and four programs and activities as noncompliant for five fiscal years.

For two high-priority programs—Purchased Long-Term Services and Supports, and VA Community Care—VA satisfied additional reporting requirements. VA also published quarterly scorecards for those programs with monetary losses of $100 million or more in FY 2018.

Two closed OIG recommendations include FY 2017 IPERA review report recommendations to reduce improper payments below the 10 percent threshold for six programs and activities and to continue to work with DoD to increase the frequency of drill pay adjustments from annually to monthly. One OIG recommendation remains open from the FY 2018 IPERA review report to implement steps to achieve reduction targets for Medical Care Contracts and Agreements.

Recommendations 1–3

The OIG recommended the executive in charge for the Veterans Health Administration implement appropriate IPERA testing procedures to ensure evidence is sufficient to verify that services were received for the Purchased Long-Term Services and Supports program.

Additionally, three OIG recommendations remained open from the OIG's FY 2017 and FY 2018 IPERA reports due to repeat findings or ongoing issues (with recurring Recommendations 2 and 3 below subsequently closed based on VA management responses to this report).

Two open recommendations to the under secretary for health were as follows:[39]

1. Implement steps to achieve stated reduction targets for the Medical Care Contracts and Agreements (FY 2018 report recommendation).
2. Develop a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities (FY 2017 report recommendation).

One open recommendation to the under secretary for benefits was as follows:[40]

3. Continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly (FY 2017 report recommendation).

[39] Recommendations directed to the under secretary for health were submitted to the executive in charge, who has the authority to perform the functions and duties of the under secretary for health.

[40] The under secretary for benefits was confirmed by the Senate on April 26, 2018. Therefore, previous recommendations have been updated from the executive in charge, Veterans Benefits Administration, to the under secretary for benefits.

Management Comments

The assistant secretary for management and chief financial officer provided a department-wide action plan, with responses and target completion dates from the respective Administrations. VA concurred with the one new recommendation and provided updates on the open recommendations from the OIG’s FY 2017 and FY 2018 IPERA reports. The complete response from the assistant secretary for management and chief financial officer is included in Appendix G of this report. In response to the one new recommendation, VHA stated it will implement testing procedures to ensure evidence is sufficient to verify that services were received for the Purchased Long-Term Services and Supports program.

The assistant secretary for management and chief financial officer also provided a status of open recommendations from prior OIG reports.

Regarding open Recommendation 1, VHA stated the VHA chief financial officer is working closely with the Medical Care Contracts and Agreements’ senior accountable official to monitor corrective actions resulting in improved FAR compliance. VHA plans to achieve its reduction target and publish the results in the FY 2020 AFR.

Regarding open Recommendation 2, VHA stated it developed a corrective action plan to track errors as well as causes and laid out corrective actions with timelines to remediate the improper payment errors for each program and activity. In addition, VHA showed a reduction in improper payments for nine of 10 programs and continues to implement corrective actions. Therefore, VHA considered this recommendation implemented and requested closure.

Regarding open Recommendation 3, VBA stated that since OMB would not allow the final rule to move forward, VBA can take no further actions to increase the frequency of drill pay adjustments to eliminate overpayments. Therefore, VBA requested closure of this recommendation.

OIG Response

VHA’s planned corrective action in response to the new recommendation shown in this report is acceptable.

Recommendation 1 from the FY 2018 IPERA report remains open and the OIG will continue to follow up on VA’s implementation of planned corrective actions. In response to Recommendation 2 from the FY 2017 report, VA has developed a timeline to reduce improper payments and the OIG considers this recommendation closed. The OIG will, however, follow up on VA’s implementation of the corrective actions during the FY 2020 review of VA’s compliance with IPERA. Regarding Recommendation 3 from the FY 2017 report, the OIG considers this recommendation closed, as VBA stated it has exhausted all efforts to increase the frequency of drill pay adjustments. In response to the assistant secretary for management’s technical comments, appropriate changes were incorporated into the report.

Appendix A: Background

Program Office Responsibility

VA's Improper Payments Remediation and Oversight Office, within the Office of Management, provides oversight and coordination of IPERA compliance activities. Individual administrations and staff offices are responsible for complying with IPERA requirements applicable to their programs and activities, which are described below.

Beneficiary Travel

Provides eligible veterans and other beneficiaries mileage reimbursement or common carrier or special mode transportation to receive VA-authorized health care.

Civilian Health and Medical Program of the Department of Veterans Affairs

Referred to as CHAMPVA, this program shares the cost of covered healthcare services and supplies as a secondary payer or payer of last resort for certain eligible beneficiaries.

Communication, Utilities, and Other Rent

Communications, Utilities, and Other Rent includes payments for use of communications, utility services, and charges for possession and use of land, structures, or equipment owned by others.

Compensation

VA provides compensation to veterans who are at least 10 percent disabled because of injuries or diseases that occurred or were aggravated during active military service.

Dependency and Indemnity Compensation

Dependency and Indemnity Compensation is a benefit for the surviving spouse, child, or parent of a service member who died while on duty or from a service-related injury or illness.

Disaster Relief Funding

Funding is provided for disaster relief from Hurricanes Harvey, Irma, and Maria.

Education–Chapter 33 (Post-9/11 GI Bill)

Educational assistance and vocational training are provided to veterans who served on active duty on or after September 11, 2001. VA establishes an annual maximum tuition and fee amount for students attending private schools but has no limit for in-state students attending public schools.

Medical Care Contracts and Agreements

These contracts and agreements include payments for research, medical, and educational data or services; reimbursements at contract per diem rates for hospitalization; dialysis treatment furnished by non-VA facilities; and indirect charges added for research and demonstration projects.

Pension

This program provides supplemental income to eligible veterans and their families with financial challenges.

Prosthetics

Funds are used for the provision of medically prescribed prosthetics and sensory aids, devices, assistive aids, repairs, and services to eligible disabled veterans for the treatment of their medical conditions.

Purchased Long-Term Services and Supports

Purchased Long-Term Services and Supports is organizationally aligned under VHA’s Geriatrics and Extended Care and focuses on veterans with serious and chronic illnesses.

State Home Per Diem

Under the State Home Per Diem program, states may provide care for eligible veterans in need of care in three types of programs: nursing home, domiciliary, and adult day health care.

Supplies and Materials

Supplies and materials are acquired by formal contract or other form of purchase consumed or expended within one year.

VA Community Care

VA Community Care was established to provide timely and specialized care to eligible veterans by authorizing veterans for care in the community if needed services are not available through VA.

Prior Reviews

Since 2012, the OIG has issued annual reports on VA's compliance with IPERA as required by OMB. The three most recent reports are as follows:

- *VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2018* (18-05864-127, June 3, 2019). VA did not comply with two of six requirements.
- *VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2017* (17-05460-169, May 15, 2018). VA did not comply with two of six requirements.
- *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2016* (16-04416-231, May 15, 2017). VA did not comply with two of six requirements.

Appendix B: IPERA Reporting Compliance

Table B.1 illustrates compliance with each IPERA requirement for VA's programs and activities.

Table B.1 IPERA Reporting Compliance by Program or Activity

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan*	Published and is meeting reduction target**	Reported an improper payment rate of less than 10 percent
Beneficiary Travel	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
CHAMPVA†	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Communications, Utilities, and Other Rent	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
Compensation	Compliant	Compliant	Compliant	Not Applicable	Compliant	Compliant
Dependency and Indemnity Compensation	Compliant	Compliant	Compliant	Not Applicable	Not Applicable	Compliant
Disaster Relief Funding	Compliant	Compliant	Compliant	Not Applicable	Not Applicable	Compliant
Education–Chapter 33 (Post 9/11 GI Bill)	Compliant	Compliant	Compliant	Not Applicable	Compliant	Compliant
Medical Care Contracts and Agreements	Compliant	Compliant	Compliant	Compliant	Not Compliant	Not Compliant
Pension	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Prosthetics	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Purchased Long-Term Services and Supports	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
State Home Per Diem	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Supplies and Materials	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant
VA Community Care	Compliant	Compliant	Compliant	Compliant	Compliant	Not Compliant

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan*	Published and is meeting reduction target**	Reported an improper payment rate of less than 10 percent
Activities with Other Federal Agencies	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Alcohol & Drug Treatment Rehabilitation	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Automobile Grants	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Burial (NCA‡)	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Burial (VBA)	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Canteen Service	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Caregiver Stipend	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Clothing Allowance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Compensated Work Therapy–Incentive Therapy	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Department of Defense/VA Joint Incentive fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education–Chapter 1606	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education–Chapter 1607	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education–State Approving Agencies	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Education Reporting Fees	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Equal Access to Justice Act	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Equipment	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan*	Published and is meeting reduction target**	Reported an improper payment rate of less than 10 percent
Facility Maintenance Operations	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Foreign Medical Program	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Franchise Fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Administration	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Operating Expense	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Post Fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Grants–Highly Rural Transportation	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Grants–Homeless Per Diem	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Grants–Construction of State Extended Care Facilities	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Healthcare for Homeless Veterans	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Human Resources–Payroll	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Indian Health Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Information Technology Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Insurance Claims & Interest Expense	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Land and Structures	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan*	Published and is meeting reduction target**	Reported an improper payment rate of less than 10 percent
Loan Guaranty–Direct Loans	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty–Loan Production	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty–Loan Sales	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty–Loan Administration	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Loan Guaranty–Property Management	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Medical and Prosthetic Research	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Montgomery GI Bill–Chapter 30	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
National Service Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Non-Medical Contracts	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Non-VHA Special Adaptive Equipment and Maintenance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Office of Acquisition, Logistics, and Construction–Major/Minor Construction	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Office of Information & Technology	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Off-station Provider Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Other Contracts, Services, and Miscellaneous	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan*	Published and is meeting reduction target**	Reported an improper payment rate of less than 10 percent
Pharmacy–Consolidated Mail Outpatient Pharmacies	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Pharmacy–Medical Facilities	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Printing and Reproduction	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Professional Services Contracts	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Restored Entitlement Programs for Survivors	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Service-Disabled Veterans' Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Servicemembers' Group Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Shared Services	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Specially Adapted Housing	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Spina Bifida–Chapter 18	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Spina Bifida Health Care	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Supply Fund	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Support Services for Veteran Families	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Survivor and Dependents Education Assistance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Transportation of Things	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Program/Activity	Published an AFR	Conducted a risk assessment	Published an improper payment estimate	Published corrective action plan*	Published and is meeting reduction target**	Reported an improper payment rate of less than 10 percent
Travel	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
United States Government Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans Insurance and Indemnities	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans' Reopened Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans Special Life Insurance	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Veterans Retraining and Assistance Program	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Vocational Rehabilitation–Contract Counseling	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Vocational Rehabilitation Beneficiary Payment	Compliant	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Source: VA OIG, based on VA's FY 2018 and 2019 AFRs, and review team determination of IPERA compliance
**A corrective action plan was not required because the improper payment estimate did not exceed the significant improper payment threshold.*
***Dependency and Indemnity Compensation and Disaster Relief Funding were not required to meet reduction targets because FY 2019 was the first year these programs and activities reported an improper payment rate.*
†Civilian Health and Medical Program of the Department of Veterans Affairs
‡National Cemetery Administration

Appendix C: Scope and Methodology

Scope

The OIG review team conducted its work from September 2019 through April 2020. The team focused on improper payment information reported in VA’s FY 2019 AFR, as required by IPERA.

Methodology

To assess VA’s compliance with IPERA, the review team assessed VA’s FY 2019 AFR, Section III, “Other Information, Payment Integrity,” as published on VA’s website. The team obtained VA’s improper payment reduction targets from its FY 2018 AFR. The team also reviewed VA policies and interviewed individuals from VA’s Office of Management, VBA, and VHA to gain an understanding of VA’s IPERA reporting controls.

VA completed two risk assessments for FY 2019 as part of its three-year cycle, and the OIG review team reviewed them to determine whether the risks were properly assessed based on known deficiencies.[41]

An OIG statistician reviewed the statistical validity of sampling methodologies for the programs and activities reported in the AFR and performed independent calculations to verify sample estimates and margins of error for several programs and activities. Those programs included two designated as high priority by OMB (Purchased Long-Term Services and Supports, and VA Community Care) and 12 additional programs and activities ((1) Beneficiary Travel; (2) Compensation; (3) Dependency and Indemnity Compensation; (4) Disaster Relief Funding; (5) Education–Chapter 33; (6) Civilian Health and Medical Program of the Department of Veterans Affairs; (7) Communications, Utilities, and Other Rent; (8) Medical Care Contracts and Agreements; (9) Pension; (10) Prosthetics; (11) State Home Per Diem; and (12) Supplies and Materials) susceptible to significant improper payments.

In addition, the OIG statistician developed independent statistical estimates based on VA’s improper payment test results. The review team evaluated whether VA accurately reported improper payments; however, the team did not reevaluate VA’s sample transactions to determine if VA correctly identified all improper payments in its samples used to estimate improper payments. The team performed sample testing for all 14 programs and activities to verify if payments were proper by selecting and reviewing 10 payments for each program or activity that VA originally categorized as proper.

[41] VA published risk assessments for three of 83 programs and activities for the FY 2019 AFR. One risk assessment was for the OIG. The OIG performs this risk assessment and did not evaluate it for the purposes of this review.

The review team also examined VA's corrective action plans as reported in its AFR for reasonableness and validated whether each corrective action plan contained the necessary elements as required by OMB. Additionally, the team selected and reviewed five payments deemed improper by VA for each required program or activity to determine whether each of the corrective action plans focused on the true root causes.

Fraud Assessment

The OIG assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this review. The OIG exercised due diligence in staying alert to any fraud indicators and did not identify any instances of fraud or potential fraud during this review.

Data Reliability

Information published by VA in its FY 2019 AFR provided the primary basis for the OIG's evaluation of VA's compliance with IPERA. To assess the reliability of VA's published information, the OIG reviewed the statistical methodologies that VA applied to payment data for all programs and activities and identified data sources from VA's sampling plans. According to those plans, VHA obtained data for its programs and activities from VA's Financial Management System. The data for VBA's programs came from the Veterans Service Network Database, Benefits Delivery Network, and the Web Enabled Approval Management System.

The OIG did not

- Perform its own independent risk assessments of VA's programs and activities; or
- Evaluate all of VA's sample transactions to determine if VA correctly identified improper payments (except as previously discussed in the overall methodology section).

The OIG designed its procedures to determine whether VA complied with IPERA according to OMB's six compliance criteria and to meet requirements pertaining to high-priority programs—not to attest to the accuracy of VA's reporting. The OIG believes its procedures to assess data reliability were sufficient to support the review's objective.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation.*

Appendix D: Summary of FY 2018 and FY 2019 IPERA Compliance

Table D.1 shows VA's compliance with IPERA requirements for FYs 2018 and 2019.

Table D.1. Summary Comparison of IPERA Compliance by Fiscal Year

Requirement	FY 2018	FY 2019
Publish an AFR	Compliant	Compliant
Conduct a specific risk assessment for each program	Compliant	Compliant
Publish improper payment estimates as appropriate	Compliant	Compliant
Publish corrective action plans	Compliant	Compliant
Publish and meet reduction targets	Eight programs did not meet reduction targets: CHAMPVA* Communications, Utilities, and Other Rent Medical Contracts and Agreements Pension Purchased Long-Term Services and Supports State Home Per Diem Supplies and Materials VA Community Care	One activity did not meet reduction target: Medical Contracts and Agreements
Report a gross improper payment rate of less than 10 percent	Seven programs did not report a gross improper payment rate of less than 10 percent: Beneficiary Travel (23.54%) Communications, Utilities, and Other Rent (65.48%) Medical Care Contracts and Agreements (63.96%) Prosthetics (39.65%) Purchased Long-Term Services and Supports (100%) Supplies and Materials (31.53%) VA Community Care (100.50%)	Six programs and activities did not report a gross improper payment rate of less than 10 percent: Beneficiary Travel (18.79%) Communications, Utilities, and Other Rent (43.41%) Medical Care Contracts and Agreements (65.87%) Purchased Long-Term Services and Supports (93.13%) Supplies and Materials (22.26%) VA Community Care (92.33%)

Source: VA OIG, based on VA's FY 2018 and 2019 AFRs, and OIG determination of IPERA compliance

Civilian Health and Medical Program of the Department of Veterans Affairs

Appendix E: Report Recommendations

Table E.1 provides the status of the OIG's FY 2017 IPERA report recommendations.

Table E.1 Status of FY 2017 Recommendations

Previous recommendations and status
Recommendation 1: The OIG recommended the under secretary for health develop a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Prosthetics; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities. Status: Closed
Recommendation 2: The OIG recommended the under secretary for health implement steps to achieve stated reduction targets for the Beneficiary Travel, Civilian Health and Medical Program of the Department of Veterans Affairs; Purchased Long-Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities. Status: Closed
Recommendation 3: The OIG recommended the under secretary for benefits implement steps to achieve reduction targets for the Pension and Post-9/11 GI Bill programs.* Status: Closed
Recommendation 4: The OIG recommended the under secretary for health implement procedures to ensure thorough testing of sample items used to estimate improper payments for Supplies and Materials purchases under indefinite-delivery contracts. Status: Closed
Recommendation 5: The OIG recommended the under secretary for benefits continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly. Status: Closed
Recommendation 6: The OIG recommended the under secretary for benefits continue to report statutory barriers preventing complete resolution of drill pay improper payments in future Agency Financial Reports until resolved. Status: Closed

Source: VA Office of Inspector General, VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2017*, 17-05460-169, May 15, 2018*

**The under secretary for benefits was confirmed by the Senate on April 26, 2018. Therefore, previous recommendations have been updated from the VBA executive in charge to the under secretary for benefits.*

Table E.2 provides the status of the OIG's FY 2018 IPERA report recommendations.

Table E.2 Status of FY 2018 Recommendations

Previous recommendations and status
Recommendation 1: The under secretary for health implement steps to achieve stated reduction targets for the following programs and activities: Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; and State Home Per Diem.
Status: Closed for Communications, Utilities, and Other Rents; and State Home Per Diem. Open for Medical Care Contracts and Agreements.

Source: VA Office of Inspector General, VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2018, 18-05864-127, June 2019

Appendix F: VA Programs and Activities Reported in the FY 2018 and FY 2019 AFRs

Table F.1 shows the outlays, gross improper payment rates, and amounts that VA reported in its FY 2018 and FY 2019 AFRs. Improper payment totals include both overpayments and underpayments.

Table F.1 Improper Payments Reported in AFRs for FY 2018 and FY 2019 ($ in Millions)

Program/Activity	Payments reported in FY 2018 AFR	Improper payment percentage FY 2018 AFR	Improper payments FY 2018 AFR	Payments reported in FY 2019 AFR	Improper payment percentage FY 2019 AFR	Improper payments FY 2019 AFR
Beneficiary Travel	$917.31	23.54	$215.97	$958.99	18.79	$180.22
CHAMPVA	$1,230.11	6.93	$85.25	$1,270.36	1.62	$20.63
Communications, Utilities, and Other Rent	$1,525.23	65.48	$998.71	$1,573.62	43.41	$683.15
Compensation	$72,417.20	.55	$399.15	$78,909.20	.07	$53.83
Education–Chapter 33 (Post-9/11 GI Bill)	$11,146.32	.66	$73.97	$10,832.56	.53	$56.92
Dependency and Indemnity Compensation	N/A	N/A	N/A	$6,935.38	.01	$0.98
Disaster Relief Funding	N/A	N/A	N/A	$19.46	.39	$0.07
Medical Care Contracts and Agreements	$994.20	63.96	$635.91	$993.01	65.87	$654.13
Pension	$5,478.43	6.85	$375.50	$5,290.77	5.38	$284.64
Prosthetics	$2,574.17	39.65	$1,020.73	$2,859.38	2.11	$60.32
Purchased Long-Term Services and Supports	$2,059.14	100.00	$2,059.14	$2,282.18	93.13	$2,125.29
State Home Per Diem	$1,243.71	3.49	$43.43	$1,317.63	2.13	$28.11
Supplies and Materials	$2,629.44	31.53	$829.18	$2,826.44	22.26	$629.13

Program/Activity	Payments reported in FY 2018 AFR	Improper payment percentage FY 2018 AFR	Improper payments FY 2018 AFR	Payments reported in FY 2019 AFR	Improper payment percentage FY 2019 AFR	Improper payments FY 2019 AFR
VA Community Care	$7,958.21	100.50	$7,998.14	$7,811.81	92.33	$7,212.92
Total VA	$110,173.47		$14,735.08	$123,881.37		$11,990.34

Source: VA's FY 2018 and 2019 AFR; amounts reported in each AFR based on prior fiscal year's activity

Note: Due to rounding, the columns may not sum.

Appendix G: Management Comments

Department of Veterans Affairs Memorandum

Date: April 30, 2020

From: Assistant Secretary for Management and Chief Financial Officer (004)

Subj: Office of Inspector General (OIG) Draft Report, FY 2019 Review of VA's Compliance with the Improper Payments Elimination and Recovery Act (IPERA)

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

Thank you for the opportunity to comment on OIG's draft report on VA's FY 2019 compliance with IPERA. We appreciate the work your staff has conducted to strengthen VA’s efforts to comply with IPERA requirements and reduce improper payments. We have reviewed the draft report and concur with the findings and recommendations but ask for your consideration on the following edits.

To provide a more balanced presentation, we ask that the Executive Summary section of the report be updated to also include the discussion in the Reporting of Improper Payments section on page 4 that acknowledges the reduction of improper payments VA reported in the FY 2019 AFR when compared to the improper payments VA reported in the FY 2018 AFR. Specifically, request the following language be added, in the Executive Summary section on page ii as follows:

[Existing Language] In addition, the review team identified four programs and activities as noncompliant for five consecutive fiscal years, and two activities as noncompliant for three years. The primary causes of the FY 2019 improper payments for these six programs and activities were administrative or process errors, insufficient documentation, and program design and structure errors. As a result, VA is required to submit plans to Congress on the actions it would take for these programs and activities to become compliant.

[Add Next as Separate Paragraph] In its FY 2019 AFR, VA reported improper payment estimates totaling $11.99 billion for 14 programs and activities, a decrease of $2.74 billion from the $14.73 billion reported in FY 2018 for 12 programs and activities. In FY 2019, VA reported on a new program (Dependency and Indemnity Compensation) and activity (Disaster Relief Funding). While adding the new program and activity, VA reported a decrease in its overall improper payments rates for 11 programs and activities: eight in Veterans Health Administration (VHA) and three in VBA.

We also ask that the Introduction (page 1) section and footnote 8 be modified, as follows, to more accurately differentiate monetary and non-monetary loss as a result of Improper Payments.[42] We propose the following language for your consideration:

[Existing Language] In addition, when an agency’s review is unable to discern whether a payment was proper because of insufficient or lack of documentation, this payment should also be considered an improper payment. An improper payment may be [Change to] monetary loss, non-monetary loss, and unknown. [Add] In FY 2019, VA had approximately $11.99 billion in improper payments; however, only about 8 percent (less than $1 billion) represented a monetary loss. The remaining 92 percent or $11 billion must still be reported as improper even though it cannot be recovered.

[42] In accordance with Office of Management and Budget Circular A-136, Appendix C, Part II, 4.5, Section I, b, ii, and PaymentAccuracy.gov, https://paymentaccuracy.gov/the-numbers/ (Payment Accuracy 2019 Dataset, columns AG-AH).

[Existing Language] Office of Management and Budget (OMB) Circular A-136, app. C, “Financial Reporting Requirements,” June 28, 2019 [Add] and paymentaccuracy.gov [Change to] classifies improper payments to monetary loss (overpayments), non-monetary loss (underpayments or technically improper payments that fail to follow applicable regulations and/or statutes), and unknown.”

Attached is a Department-wide action plan, with a response and target completion date from the respective Administration.

The OIG removed point of contact information prior to publication.

(Original signed by)

Jon J. Rychalski

Attachment

Attachment

Department of Veterans Affairs Action Plan

Draft OIG Report – Review of VA's Compliance with the Improper Payments Elimination and Recovery Act (IPERA) for Fiscal Year (FY) 2019

Date of Draft Report: April 15, 2020

OIG Recommendation: The Executive in Charge, Veterans Health Administration, implement appropriate IPERA testing procedures to ensure evidence is sufficient to verify that services were received for the Purchased Long-Term Services and Supports program.

Veterans Health Administration (VHA) Comments: Concur

VHA will implement testing procedures to ensure evidence is sufficient to verify that services were received for the Purchased Long-Term Services and Supports (PLTSS) program and report results in the FY 2020 Agency Financial Report (AFR).

To complete this action, VHA will provide the following documentation:

Evidence used to verify that services were received for the PLTSS program during OIG's review of VA's FY 2020 improper payment activities.

Status: In process Target Completion: May 2021

Status of Prior Recommendations from Fiscal Year (FY) 2018 OIG IPERA Report:

Recommendation 1. The Executive in Charge, Veterans Health Administration, implement steps to achieve stated reduction targets for Medical Care Contracts and Agreements (FY 2018 report recommendation).

VHA Status Update May 2020:

The VHA Chief Financial Officer is working closely with the Medical Care Contracts and Agreements' (MCCA) Senior Accountable Official (SAO) to monitor corrective actions resulting in improved Federal Acquisition Regulation compliance. Based on the SAO's plans, it is expected that MCCA will achieve its reduction target, which will be published in the FY 2020 AFR.

Status: In process Target Completion Date: May 2021

Recommendation 2. The Executive in Charge, Veterans Health Administration, develop a timeline to reduce improper payments under the 10 percent threshold for the Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Purchased Long Term Services and Supports; Supplies and Materials; and VA Community Care programs and activities (FY 2017 report recommendation).

VHA Status Update May 2020:

In FY 2019, VHA developed an analysis to quantify whether program offices' existing corrective action plans would apply the proper amount of improper payment remediation to meet the 10 percent compliance threshold within three years. Program offices were required to develop additional corrective actions or explain and quantify any barriers that would prohibit Improper Payments Elimination and Recovery Act (IPERA) compliance. This analysis became a tool to help determine the amount of additional improper payment remediation needed either through additional corrective actions or reevaluating the amount of improper payment remediation expected from current corrective actions. Each corrective action plan includes the level of detail needed to track the errors that have occurred in testing, understand why the error is occurring, lay out the different steps needed to accomplish the overall corrective action with timelines, and the amount of errors that should be remediated at the completion of each. The ability to quantify the reduction, provided a "road map" to IPERA compliance.

Further, the Government Accountability Office (GAO) reviewed the corrective action plan for the Prosthetic's program to determine VA's ability to measure effectiveness and found no deviations from compliance and made no recommendations for improvement (https://www.gao.gov/assets/710/705649.pdf). GAO also recognized VA as the only Agency it reviewed that adhered to relative legislation and guidance. Although Prosthetics is not part of this recommendation, the corrective action plan and steps to measure effectiveness of that plan are the same as well as the level of oversight provided to these program's corrective action planning activities.

In the FY 2019 AFR, VHA showed reductions in improper payments for 9 of 10 programs and continues to implement corrective actions as reported in the AFR to achieve less than a 10 percent error rate for all programs by FY 2022. VHA considers this recommendation fully implemented and requests closure.

Status: Complete

Recommendation 3. The OIG recommended the Under Secretary for Benefits, continue working with the Department of Defense to increase the frequency of drill pay adjustments from annually to monthly (FY 2017 report recommendation).

Veterans Benefits Administration (VBA) Comments: Concur

VBA Status Update May 2020:

Regardless of collaborative efforts by VBA and the Office of General Counsel, the Office of Management and Budget (OMB) held to their decision that the Active Service final rule violates the Privacy Act, since it proposed to take adverse action based on the data received without providing at least 30-days advance notice. Despite the proposal to send initial due process covering repeated instances of the same, and final notices of action taken after each event, OMB found the final rule inconsistent. Based on a lack of standing against 5 USC § 552a(p), the final rule could not move forward.

This decision means that VA is required to continually issue due process prior to adjusting Veterans awards based on drill pay. As a result, drill pay adjustments, to include the due process notification period, will continue to incur improper payments. While VA will continue to strive to increase the frequency of which due process is issued, the activity remains an improper payment.

Therefore, due to VA's inability to move forward with the Active Service rule and the requirement for advanced notice per the Privacy Act, VBA can take no further action to increase the frequency of drill pay adjustments to eliminate overpayments. As all efforts have been exhausted, VBA requests closure of this recommendation and Recommendation 5 from OIG's FY 2017 IPERA report.

OIG Contact and Staff Acknowledgments

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