US DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

Review of VA's Compliance with the Payment Integrity Information Act for Fiscal Year 2025

Review	25-04241-151	July 16, 2026

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Executive Summary

As part of ongoing oversight work to combat fraud, waste, and abuse, the VA Office of Inspector General (OIG) reviewed VA's compliance with the requirements of the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2025.[1] The PIIA took effect in March 2020 and requires federal agencies to identify, test, report, and remediate risk in programs they administer that may be susceptible to significant improper payments.

The Office of Management and Budget (OMB) defines an improper payment as one "made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements."[2] A program is determined to have significant improper payments if the annual improper or unknown payments in the program exceed 1.5 percent of program outlays and $10 million of all program payments made during the fiscal year or exceed $100 million regardless of the outlay percentage. When an agency's review cannot discern whether a payment was proper, OMB considers it an unknown payment.

In compliance with the PIIA and by using guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency, each agency's inspector general must review the published improper payment information from the agency's annual financial report, along with accompanying material, to ensure accuracy. The effort to assess and reduce improper payments is a critical internal control that mitigates the likelihood and impact of risks—including fraud, waste, and abuse—while promoting a more efficient use of resources.

What the Review Found

In FY 2025, VA reported an overall improper and unknown payment estimate of about $3.9 billion based on payments made from seven programs: Beneficiary Travel, Compensation, Medical Care Contracts and Agreements, Pension, Purchased Long-Term Services and Supports, Supplies and Materials, and VA Community Care. About 38 percent ($1.5 billion) represented a monetary loss and the remaining 62 percent (about $2.4 billion) was considered either a nonmonetary loss that cannot be recovered or an unknown payment.

VA reported that the FY 2025 improper payment estimate was about $1.8 billion more than the FY 2024 estimate due to the large increase (amounting to an overall estimated total of about $160.6 billion) in payments now subject to review since VA incorporated its largest program, Compensation, into its improper payment estimated amount. VA reported an approximate

[1] Payment Integrity Information Act of 2019, Pub. L. No 116-117, 134 Stat. 113 (2020).

[2] OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, March 5, 2021; OMB Circular A-136, *Financial Reporting Requirements*, part II, July 14, 2025; OMB, "OMB FY 2025 Payment Integrity Annual Data Call Instructions," November 2025; Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, November 2025.

3.4 percent overall reduction of its improper and unknown payment rate in FY 2025.[3] This overall reduction was a result of decreases from the FY 2024 unknown and improper payment rate target estimates in four of seven programs: Beneficiary Travel, Pension, Purchased Long-Term Services and Supports, and Supplies and Materials. Two programs, Medical Care Contracts and Agreements and VA Community Care, reported an increase. The remaining program, Compensation, reported neither an increase nor decrease since it did not report in FY 2024.

The OIG reviewed the improper payment information accuracy in VA's Agency Financial Report and accompanying material, and concluded that VA complied with all six PIIA requirements. The OIG found that all seven programs identified as at risk had an improper payment rate of less than 10 percent for the reporting cycle. The Supplies and Materials program reported a rate well below the statutory reporting threshold and is no longer considered high risk or required to be tested for improper and unknown payments. It will now undergo risk assessments at least every three years, as required by the PIIA. The OIG determined that VA satisfied the additional reporting requirement for three high-priority programs: Pension, VA Community Care, and Purchased Long-Term Services and Supports by providing quarterly updates to OMB that included plans to prevent and recover monetary losses from improper payments. The OIG found that VA programs were compliant with the PIIA for FY 2025 and considers the testing, reporting, and remediation responsive to continued reductions in improper payments; the OIG therefore made no recommendations in this report.

VA's Technical Comments and OIG Response

Following a review of the draft report, the assistant secretary provided two technical comments (see appendix C for the assistant secretary's full response). Where noted in this report, the OIG made changes responsive to the technical comments and incorporated clarifying language for improper and unknown payment amounts and rates as reported for FY 2025.

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

[3] The assistant secretary for management, who also serves as chief financial officer, in response to the report, asked the OIG to revise this phrasing for clarity and consistency and suggested wording (see technical comment 1a in appendix C, which contains the assistant secretary's full response). The OIG incorporated responsive clarifying language in this paragraph regarding the overall improper and unknown payment estimated amount and improper and unknown payment rate as reported for FY 2025.

Contents

Abbreviations

FY	fiscal year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019

Introduction

As part of ongoing oversight work to combat fraud, waste, and abuse, the VA Office of Inspector General (OIG) reviewed VA's compliance with the six requirements of the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2025.[4]

The PIIA, enacted on March 2, 2020, sets forth improper payment reporting requirements for federal agencies to identify, test, report, and remediate risk in programs they administer that may be susceptible to significant improper payments. According to Office of Management and Budget (OMB) guidance in appendix C of Circular A-123, an improper payment is any payment "made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements."[5] This includes payments to an ineligible recipient or for an ineligible good or service not received or a payment that did not account for credit for applicable discounts.

An improper payment can be an overpayment, an underpayment, or technically improper. A program is determined to have significant improper payments if its annual improper or unknown payments exceed 1.5 percent of program outlays and $10 million of all program payments made during the fiscal year, or otherwise exceed $100 million regardless of the percentage of outlays. When an agency's review cannot discern whether a payment was proper because of missing or insufficient documentation, OMB considers it an unknown payment.

In accordance with guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency, each agency is required to publish its improper payment report annually, along with accompanying material. Each agency's inspector general is then required to review the publication to ensure its accuracy. Such continued efforts to assess and reduce improper payments are critical internal controls, which support the reduction of improper payments and ensure the efficient use of funding resources.

OMB Guidance for FY 2025 Review

OMB instructs VA to assess all its programs each year for the risk of improper payments.[6] Programs identified as being at significant risk for improper payments—and, therefore, subject to additional testing and mitigation of those risks—have additional reporting requirements based on the previous fiscal year's activity.

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[4] Payment Integrity Information Act of 2019, Pub. L. No. 116-117, 134 Stat. 113 (2020).

[5] OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, March 5, 2021; OMB Circular A-136, *Financial Reporting Requirements*, part II, July 14, 2025; OMB, "OMB FY 2025 Payment Integrity Annual Data Call Instructions," November 2025; Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, November 2025.

[6] OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123; OMB Circular A-136, *Financial Reporting Requirements*, part II; OMB, "OMB FY 2025 Payment Integrity Annual Data Call Instructions."

The OIG based this compliance review on VA's FY 2025 reporting of the following six PIIA requirements as published in VA's Agency Financial Report:

- **Requirement 1a:** Publish payment integrity information with the annual financial statement; **1b:** post the annual statement and accompanying materials on the agency website.
- **Requirement 2a:** Conduct improper payment risk assessments for each program with 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year or that exceed $100 million regardless of the percentage of program outlays at least once in the last three years; **2b:** adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.
- **Requirement 3:** Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual statement.
- **Requirement 4:** Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual statement.
- **Requirement 5a:** Publish improper payment and unknown payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual statement; **5b:** demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate; **5c:** develop a plan to meet the improper payment and unknown payment reduction target.
- **Requirement 6:** Report an improper and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual statement.

Appendix C of OMB Circular A-123 provides the guidance for the additional PIIA requirement for greater oversight and reporting related to any agency's high-priority programs. These are identified as any programs with an annual improper payment estimate for reported monetary loss greater than or equal to $100 million, regardless of the improper payment and unknown payment rate.[7] For this requirement, the agency must disclose actions or plans to prevent improper and unknown payments in that high-priority program, as well as efforts to recover related monetary losses. These programs are also required to complete a quarterly payment integrity scorecard on PaymentAccuracy.gov.

[7] OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

The PIIA requires the OIG to assess the improper payment information that VA reports. For each requirement, the OIG evaluates for accuracy and for whether VA followed the requirement properly. If, following the OIG's review, a particular criterion is found to be noncompliant, then the final OIG report must provide concrete recommendations to the program or another part of the agency regarding the specific actions the program must take to achieve compliance.

VA's Reported Improper Payments

In FY 2025, VA reported an overall improper and unknown payment estimate totaling about $3.9 billion for seven programs: Beneficiary Travel, Compensation, Medical Care Contracts and Agreements, Pension, Purchased Long-Term Services and Supports, Supplies and Materials, and VA Community Care. Appendix A provides background information about these programs. Of the $3.9 billion, about 38 percent ($1.5 billion) represented a monetary loss and about 62 percent ($2.4 billion) was considered either a nonmonetary loss that cannot be recovered or an unknown payment.

VA reported the FY 2025 improper payment estimated amount was about $1.8 billion more than the FY 2024 estimate due to the large increase (amounting to an overall estimated total of about $160.6 billion) in payments that are now subject to review since VA incorporated its largest program, Compensation, into its improper payment estimated amount. VA also reported an approximate 3.4 percent overall reduction of its improper and unknown payment rate in FY 2025.[8] This overall reduction was a result of decreases, from FY 2024 unknown and improper payment rate target estimates, in four of seven programs: Beneficiary Travel, Pension, Purchased Long-Term Services and Supports, and Supplies and Materials. Two programs, Medical Care Contracts and Agreements and VA Community Care reported an increase. The remaining program, Compensation, reported neither an increase nor a decrease in improper and unknown payment rates and amounts since it did not report in FY 2024.

The Supplies and Materials program reported an overall reduced improper and unknown payment rate in FY 2025 well below the statutory reporting threshold. As a result, the program is no longer considered high risk and will not have to be tested for improper and unknown payments in FY2026. Instead, it will undergo risk assessments at least every three years, as the PIIA requires. This improvement saves VA time, effort, and money that can be reallocated for other priorities.

[8] The assistant secretary for management, who also serves as chief financial officer, in response to the report, asked the OIG to revise this phrasing for clarity and consistency and suggested wording (see technical comment 1b in appendix C, which contains the assistant secretary's full response). The OIG incorporated responsive clarifying language in this paragraph regarding the overall improper and unknown payment estimated amount and improper and unknown payment rate as reported for FY 2025.

Results and Recommendations

Finding: VA Satisfied PIIA Requirements for Fiscal Year 2025

VA met the PIIA requirement to publish improper and unknown payment rates for all of its programs for FY 2025. VA was also compliant with each of the remaining requirements that are mandated for any program susceptible to significant improper payments; seven programs were determined as such in the VA Agency Financial Report. The review team concluded that VA's payment determinations and corrective action plans contained necessary elements as required by OMB. Finally, the team affirmed that VA met additional reporting requirements regarding high-priority programs.

What the OIG Did

The review team assessed VA's FY 2025 Agency Financial Report and accompanying materials to determine compliance with reporting requirements.[9] The team reviewed relevant federal laws, regulations, and VA policies and followed up with individuals from VA's Office of Management, the Veterans Health Administration, and the Veterans Benefits Administration to obtain updates on VA's improper payment reporting.

The OIG also evaluated the data published in the financial report and accompanying materials, assessed the statistical validity of VA's sampling methodologies, and reviewed risk assessments and corrective action plans. Appendix B provides full information on this review's scope and methodology.

Requirements 1a and 1b: Publication of Payment Integrity Information with Annual Financial Statement and Posting of Statement with Accompanying Materials

VA published an Agency Financial Report for FY 2025 along with accompanying materials, consistent with requirement 1a.[10] The accompanying materials included improper payment estimates, the causes, and critical internal controls such as corrective action plans that are needed to reduce improper payments. These plans are also intended to mitigate risks, including fraud, waste, and abuse.

[9] "Payment Accuracy" (website), February 6, 2026, https://www.paymentaccuracy.gov/; "U.S. Department of Veterans Affairs Fiscal Year 2025 Agency Financial Report" (website), VA Office of Finance, January 16, 2026, https://department.va.gov/wp-content/uploads/2025/11/2025-va-afr-full-report.pdf.

[10] "Payment Accuracy" (website); "U.S. Department of Veterans Affairs Fiscal Year 2025 Agency Financial Report" (website), VA Office of Finance.

VA also posted the financial report and accompanying materials to the VA website and a link to PaymentAccuracy.gov, in accordance with requirement 1b.[11]

Requirements 2a and 2b: Risk Assessments for Applicable Programs and Determination of Risk of Improper Payments

In addressing requirement 2a, the OIG found that VA assessed 64 programs for FY 2025 and conducted 28 risk assessments (either as part of its three-year cycle or due to significant changes in legislation or funding). VA reported that each of the 28 programs were unlikely to be at significant risk of improper and unknown payments. Efforts to assess and reduce improper payments are critical internal controls that mitigate the likelihood and impact to risks, including fraud, waste, and abuse.

The OIG found that VA met this risk assessment requirement and made efforts to further mitigate risk through surveys that sought to identify fraud among programs at significant risk for improper and unknown payments. The review team selected four programs' risk assessments—Burial, Prosthetics, Supply Fund, and Service-Disabled Veterans Insurance—and verified that VA's risk assessment process incorporated the risk factors identified by OMB and met frequency requirements.

The team also determined that VA met requirement 2b by adequately concluding whether the programs were likely to make improper and unknown payments above the statutory threshold.

Requirement 3: Improper Payment Estimates

The OIG found that VA met requirement 3 by publishing statistically valid estimates for all seven programs identified as susceptible to significant improper payments. For each estimate, the review team verified that VA developed a sampling plan, tested sample payments, and submitted those sampling plans to OMB in a timely manner. VA identified the sample payments as either proper or improper and calculated the corresponding monetary value. VA projected the totals derived from its testing for each of the seven programs and reported these totals in the accompanying materials to the Agency Financial Report. The review team selected and examined a sample of 15 payments for each of the seven programs that VA tested and generally agreed with VA's testing methodology.

The PIIA requires an agency to produce statistically valid improper payment estimates. An improper payment estimate is considered statistically valid if there is an associated point estimate—the improper payment estimates—and confidence intervals around that estimate. OIG statisticians confirmed the validity of VA's point estimates and associated confidence intervals.

[11] OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

Requirement 4: Corrective Action Plans

VA met requirement 4 by reporting corrective action plans for six programs in its FY 2025 accompanying materials. Those six programs are Beneficiary Travel, Compensation, Medical Care Contracts and Agreements, Pension, Purchased Long-Term Services and Supports, and VA Community Care. Because Supplies and Materials reported improper and unknown payment rates below the statutory threshold, a published corrective action was not required.

OMB guidance says inspectors general should assess whether financial controls are in place to identify and prevent improper payments and evaluate whether corrective action plans are focused on the true root causes of these improper payments.[12] The review team determined VA's proposed corrective action plans have the potential to reduce improper payments for the programs reviewed, once effectively implemented. The review team also found that VA's corrective actions were reasonable to address the root causes, as required for compliance with the PIIA.

VA further demonstrated efforts to overall reduce improper payments with fraud risk surveys that seek to proactively identify vulnerabilities in its programs. These surveys are distributed among the reporting programs and serve as a key oversight tool, informing corrective action planning.

Requirements 5a, 5b, and 5c: Reduction Targets, Demonstrable Improvement, and Action Plans to Meet Targets

Fulfilling requirement 5a, VA published FY 2026 reduction targets for all seven applicable programs in its FY 2025 accompanying materials to the Agency Financial Report. The review team validated the reduction targets as appropriately aggressive and realistic by comparing prior years' improper payment rates with proposed reduction targets.

Furthermore, meeting requirement 5b, VA showed improvement for programs with estimates above the statutory threshold in three of the seven programs. OMB provides examples of such improvements—like reducing improper and unknown payment estimates, meeting reduction targets, and expanding sampling and estimation methods for a program or activity. For another three of the seven programs, the reported improper and unknown payment amounts showed an increase beyond the FY 2025 target reduction rate; however, VA attributed this to an increase in spending. The remaining program, Compensation, reported neither an increase nor decrease because it did not report in FY 2024. Table 1 shows this comparison along with the FY 2026 reduction target rates VA established for each program.

[12] OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

Table 1. Reduction Targets Versus Actual Improper and Unknown Payment Rates

Program name	FY 2025 reduction target	FY 2025 actual improper and unknown payment rate	FY 2026 reduction target
Beneficiary Travel	7.75%	7.58%	**7.50%**
Compensation	—	1.49%	**1.4%**
Medical Care Contracts and Agreements	2.25%	6.37%	**6.00%**
Pension	9.54%	9.99%	**9.54%**
Purchased Long-Term Services and Supports	13.00%	4.74%	**4.50%**
Supplies and Materials	7.00%	0.62%	**0%**
VA Community Care	1.80%	2.39%	**2.25%**

Source: VA’s FY 2025 accompanying materials to its Agency Financial Report.

Finally, VA developed a corrective action plan for each program to meet the improper and unknown payment reduction targets for FY 2026, in alignment with requirement 5c. The review team assessed these plans and verified that they focused on actions to further reduce improper and unknown payment rates—a critical control to support mitigating the risk for fraud, waste, and abuse.

Requirement 6: Improper and Unknown Payment Rate Threshold

Amounts reported by VA, and reviewed by the OIG team, in the accompanying materials to the Agency Financial Report show that no programs exceeded the 10 percent threshold for improper and unknown payment rates in FY 2025. This reporting meets requirement 6. VA also reported that FY 2025 was the first time since FY 2014 that it reported all programs under the 10 percent error rate.

Actions to Prevent and Recover Improper Payments for High-Priority Programs

OMB designates programs as high priority if they have $100 million or more in annual reported estimated monetary losses from improper payments. OMB requires agencies to provide information on high-priority programs so it can be published quarterly in an OMB Payment Integrity Scorecard.[13] The scorecard includes actions an agency has taken or plans to take to recover monetary losses from improper payments and intended steps to prevent improper

[13] OMB, “Requirements for Payment Integrity Improvement,” app. C in OMB Circular A-123; OMB Circular A-136, *Financial Reporting Requirements*, part II; OMB, “OMB FY 2025 Payment Integrity Annual Data Call Instructions.”

payments from occurring. This includes highlighting past and future efforts to mitigate root causes of improper payments.

The VA Community Care, Pension, and Purchased Long-Term Services and Supports programs were considered high-priority programs by VA for FY 2025 with prior year monetary losses from improper payments estimated at $416.6 million, $381.8 million, and $218.3 million, respectively. VA met the reporting requirement by providing quarterly updates to OMB’s scorecards that included goals, accomplishments, and strategies aimed at preventing improper payments. The team reviewed the scorecards for these three programs—including VA’s plans to recover and prevent future improper payments—and determined the plans complied with PIIA requirements.

Conclusion

VA met the six reporting requirements for PIIA compliance in FY 2025; therefore, the OIG made no recommendations in this report. None of the seven applicable programs had estimates above the 10 percent threshold for improper and unknown payments reported in the accompanying materials to VA’s Agency Financial Report. The review team also determined that VA met additional requirements for high-priority programs by providing quarterly updates to OMB that included plans to prevent and recover monetary losses from improper payments.

VA’s Technical Comments and OIG Response

The assistant secretary for management, who also serves as chief financial officer, provided two technical comments (see appendix C for the assistant secretary’s full response). For both comments, the assistant secretary requested revision to paragraphs that explained the improper and unknown payment estimated amounts and the improper and unknown payment estimated rates, as reported for FY 2025, in comparison to FY 2024. The OIG made changes responsive to these requests and incorporated clarifying language where noted in this report.

Appendix A: Background

Within VA's Office of Management, the Improper Payments Remediation and Oversight Office provides oversight and coordination of compliance activities under the Payment Integrity Information Act of 2019 (PIIA). Individual administrations and staff offices are responsible for complying with PIIA requirements applicable to their programs.

VA considered the following seven programs at risk for significant improper payments in fiscal year 2025.

Beneficiary Travel

The Beneficiary Travel Program is organizationally aligned under the Veterans Health Administration's Member Services. It provides eligible veterans and other beneficiaries with mileage reimbursement or common carrier or special mode transportation to help them access VA-authorized health care.

Compensation

The Compensation program is organizationally aligned under the Veterans Benefits Administration. It consists of various financial benefits paid to veterans with disabilities related to disease or injury incurred during or aggravated by active military service. Compensation may also be paid for post-service disabilities that are considered secondary to disabilities occurring in service and for disabilities presumed to be related to military service.

Medical Care Contracts and Agreements

The Medical Care Contracts and Agreements program is organizationally aligned under the Veterans Health Administration's Procurement Logistics Office. The program includes contracts for research as well as medical and educational data or services such as pathology and laboratory medicine, primary care, and telehealth.

Pension

The Pension program is organizationally aligned under the Veterans Benefits Administration's Pension and Fiduciary Office and helps eligible veterans and their survivors cope with financial challenges by providing supplemental income through veterans and survivors pension benefits.

Purchased Long-Term Services and Supports

The Purchased Long-Term Services and Supports Program is under the Veterans Health Administration's Geriatrics and Extended Care Office, which helps veterans with challenges related to aging, disability, or serious and chronic illnesses.

Supplies and Materials

The Supplies and Materials program is organizationally aligned under the Veterans Health Administration's Procurement Logistics Office. This program provides supplies and materials, whether acquired by formal contract or other form of purchase, that are ordinarily consumed or expended within one year after they are put into use, converted in the process of construction or manufacture, or used to form a minor part of equipment or fixed property or other property not separately identified in the asset accounts.

VA Community Care

VA established the Community Care Program to provide timely specialized care to eligible veterans by authorizing them to receive care in the community if needed services are not available through VA within established timelines. Changes to VA Community Care regulations took effect June 6, 2018, with implementation of the VA MISSION Act of 2018.[14]

[14] VA Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act of 2018, Pub. L. No. 115-182, 132 Stat. 1393.

Appendix B: Scope and Methodology

Scope

The review team conducted its work from February 2026 through June 2026. The team focused on improper payment information reported in VA's Fiscal Year (FY) 2025 Agency Financial Report and accompanying materials. Programs identified as being at significant risk for improper payments—and, therefore, subject to additional testing and mitigation of those risks—have additional reporting requirements based on the previous fiscal year's activity, FY 2024.

Methodology

To assess VA's compliance with Payment Integrity Information Act of 2019 requirements, the team reviewed relevant federal laws, regulations, and VA policies related to improper payment reporting. The team also assessed VA's FY 2025 Agency Financial Report and accompanying materials, including VA's improper payment error and reduction rate targets.[15]

OIG statisticians evaluated the sampling methodologies VA used to determine likelihood of improper payment rates. The statisticians performed independent calculations to verify the accuracy of VA's sample estimates, projections, and margins of error among seven programs: Beneficiary Travel, Medical Care Contracts and Agreements, Purchased Long-Term Services and Supports, Supplies and Materials, VA Community Care, Pension, and Compensation. They then matched VA's calculations and concluded that VA's methodology was adequate to determine the likelihood of improper payments. The review team assessed whether VA accurately reported improper payment estimates by verifying that VA developed a sampling plan, tested sample payments, and submitted those sampling plans to OMB in a timely manner. The review team did not recreate VA's sampling efforts to determine improper payments—but the team did judgmentally select 15 transactions per program to determine whether VA made accurate payment determinations among proper, improper, or unknown classifications.

In addition, the team reviewed risk assessments that VA completed for FY 2025 to determine whether risks were properly evaluated and whether corrective action plans were designed to mitigate risks, including fraud, waste, and abuse. The team examined VA's corrective action plans to ensure that root-cause determinations and subsequent action plans were effective.

Throughout the project, the review team followed up with individuals from VA's Office of Management, the Veterans Benefits Administration, and the Veterans Health Administration to obtain updates on VA's improper payment reporting.

[15] "U.S. Department of Veterans Affairs Fiscal Year 2025 Agency Financial Report" (website), VA Office of Finance, January 16, 2026, https://department.va.gov/wp-content/uploads/2026/01/2025-Department-of-Veterans-Affairs-FY-2025-Agency-Financial-Report-AFR-Final.pdf.

Internal Controls

The team assessed internal controls to determine whether they were significant to the review objective. This included consideration of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[16] In addition, the team reviewed the principles of internal controls as associated with the objective and identified four components and four principles as significant, as shown in table A.1. However, the team's assessment did not find significant deficiencies.[17]

Table B.1. VA OIG Analysis of Internal Control Components and Principles Identified as Significant

Component	Principle
Control environment	2. Exercise oversight responsibility
Control activities	11. Design activities for the information system
Information and communication	13. Use quality information
Monitoring	17. Evaluate issues and remediate deficiencies

Source: VA OIG analysis of internal control components and principles listed in the Government Accountability Office's Standards for Internal Control in the Federal Government.

Data Reliability

To evaluate VA's compliance with requirements, the review team primarily used information VA published in its FY 2025 Agency Financial Report and accompanying materials. To assess the reliability of VA's published information, the team reviewed the statistical methodologies that VA applied to payment data for all programs and identified data sources from VA's sampling plans. According to those plans, the Veterans Health Administration obtained data for its programs from VA's Financial Management System. The data for Veterans Benefits Administration programs came from the Veterans Service Network Database.

The review team did not

- perform independent risk assessments of VA's programs, or
- evaluate all of VA's sample transactions to determine whether VA correctly identified improper payments (except as previously discussed in the overall methodology section).

[16] Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-25-107721, May 2025.

[17] Because the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that may have existed at the time of this review.

The review team designed its procedures to determine whether VA complied with OMB’s six requirements (including subrequirements) and whether VA met 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*.[18]

[18] Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*, December 2020.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: June 24, 2026

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

Subj: Office of Inspector General's Draft Report – Review of VA's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2025 (VIEWS 14830639)

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

1. Thank you for the opportunity to review and respond to the draft subject report. VA has the following technical comments to provide clarity and consistency on the messaging regarding the increase in reported improper payments:

a. On page ii, following "The FY 2025 estimate is about $1.8 billion more than the FY 2024 estimate" add, the following "due to the large increase (amounting to an overall estimated total of about $160.6 billion in payments that are now subject to review since VA incorporated its largest program, Compensation, into its improper payment estimates. Still, VA reported an approximate 3.4 percent reduction of improper payments in FY 2025". Delete "VA attributes the majority of this increase to incorporating its largest program, Compensation, into its improper payment estimates".

b. On page 3, replace the paragraph beginning "VA reported an overall increase…" with "The FY 2025 estimate is about $1.8 billion more than the FY 2024 estimate due to the large increase (amounting to an overall estimated total of about $160.6 billion in payments that are now subject to review since VA incorporated its largest program, Compensation into its improper payment estimates. Still VA reported an approximate 3.4 percent reduction of improper payments in FY 2025." Also, in the paragraph beginning "Due to the large increase…" delete "Due to the large increase (amounting to an overall estimated total of about $160.6 billion in payments that are now subject to review), VA reported challenges comparing progress between FYs 2024 and 2025. Still, VA reported an approximate 3.4 percent reduction of improper payments in FY 2025".

2. We appreciate the work completed by your staff evaluating the Veterans Affairs' efforts to comply with the Payment Integrity Information Act of 2019 requirements and corrective actions to reduce improper payments. OM will continue implementing corrective actions for remaining errors and prepare materials for the upcoming reporting cycle.

The OIG removed point of contact information prior to publication.

(Original signed by)

Richard F. Topping

The text of VA's management comments is reprinted verbatim as received from the department. For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

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