

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*FY 2013 Review of
VA's Compliance With
the Improper Payments
Elimination and Recovery Act*

April 15, 2014
13-02926-112

ACRONYMS

FY	Fiscal Year
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
PAR	Performance and Accountability Report
OIG	Office of Inspector General
OMB	Office of Management and Budget
VA	Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

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Report Highlights: FY 2013 Review of VA's Compliance With the Improper Payments Elimination and Recovery Act

Why We Did This Review

We conducted this fiscal year (FY) 2013 review to determine whether VA complied with the Improper Payments Elimination and Recovery Act (IPERA). VA reported \$1.1 billion in improper payments in its FY 2013 Performance and Accountability Report (PAR). The OIG's assessment of VA's compliance with IPERA for FY 2013 is based on FY 2012 data as reported by VA.

What We Found

VA met five IPERA requirements for FY 2013 by publishing a PAR, performing risk assessments, publishing improper payment estimates, providing information on corrective action plans, and reporting on its payment recapture efforts. VA also implemented a new risk assessment process in FY 2013 across all of its programs.

VA did not comply with two of seven IPERA requirements for FY 2013. The Veterans Health Administration reported a gross improper payment rate of greater than 10 percent for one program and did not meet reduction targets for two programs. This represents an improvement over FY 2012 when VA did not comply with four of the seven IPERA requirements.

Nonetheless, we identified areas for improvement in the Veterans Benefits Administration's (VBA) IPERA reporting. VBA underreported improper payments for its Compensation program. Test procedures for the Compensation program and one Education program also did not include

steps needed to identify all types of improper payments.

What We Recommended

We recommended the Under Secretary for Health implement the corrective action plan included in the PAR to reduce improper payments for the State Home Per Diem program, and develop achievable reduction targets for that and Beneficiary Travel programs. We also recommended the Under Secretary for Benefits ensure thorough procedures for testing sample items used to estimate improper payments for the Compensation and Post 9/11 G.I. Bill programs.

Agency Comments

The Under Secretary for Health concurred with Recommendations 1 and 2. We closed Recommendation 2 based on the actions already completed.

The Under Secretary for Benefits partially concurred with Recommendation 3, citing completed actions to enhance Compensation program testing. The Under Secretary did not agree with a need to change the current Education test plan, but proposed an acceptable alternative analysis to determine risk in Education payments. We will follow up on implementation of this action during our next annual IPERA review.

A handwritten signature in blue ink that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

We conducted this fiscal year (FY) 2013 review to determine whether VA complied with requirements of the Improper Payments Elimination and Recovery Act (IPERA).

OMB Requirements

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

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

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

**Improper
Payment
Definition**

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

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

**Data Reported
for FY 2013
Report**

VA reported improper payment data based on the previous fiscal year activity, as permitted by OMB Circular A-123, Appendix C. As such, VA presented FY 2012 improper payment data in the FY 2013 PAR. The OIG's assessment of VA's compliance with IPERA for FY 2013 is based on the reported FY 2012 data.

Prior Reviews

The OIG has reported on VA's prior compliance with IPERA. Specifically, our *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012* (Report No. 12-04241-138, March 15, 2013) concluded that VA did not comply with four of seven IPERA requirements and the Veterans Health Administration's (VHA) estimation methodology could be improved. Appendix C provides a summary of VA's areas of compliance with IPERA for FY 2012.

For FY 2011 we also reported that VA did not comply with two of seven requirements and needed to improve its improper payment estimation methodology for five programs. See our report, *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act* (Report No. 12-00849-120, March 14, 2012).

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

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

***Other
Information***

- Appendix A provides additional background information.
- Appendix B outlines the scope and methodology for this review.
- Appendix C compares VA's performance in complying with IPERA requirements in FYs 2012 and 2013.
- Appendix D lists VA programs reported in the FY 2013 PAR.
- Appendixes E and F provide management comments on a draft of this report.

RESULTS AND RECOMMENDATIONS

Finding 1 VA Programs Need To Comply Fully With IPERA

VA did not comply with two of seven IPERA requirements for FY 2013. Specifically,

- VHA reported a gross improper payment rate greater than 10 percent for one reportable program. VHA also did not meet reduction targets for two programs. Further, two VHA programs missed their reduction targets for FY 2013, in comparison with one program last year.
- VBA became compliant in FY 2013 with payment recapture reporting requirements and provided statistically based estimates of improper payments as required. VHA also implemented our prior recommendation to improve its estimation methodologies.

In total, VA met five of the seven IPERA requirements by publishing a PAR on VA's Web site, performing risk assessments to identify programs susceptible to significant improper payments, publishing improper payment estimates, providing information on corrective action plans, and reporting on its payment recapture efforts.

***Improper
Payment Rate
Exceeded
10 Percent***

For FY 2013, VHA's State Home Per Diem program was the only program with an improper payment rate greater than 10 percent reported by VA. OMB Circular A-123, Appendix C requires a gross improper payment rate of less than 10 percent for each program susceptible to significant improper payments and published in the PAR.

The improper payment rate for the State Home Per Diem program has fluctuated over the last 3 years. The PARs for FYs 2011, 2012, and 2013 reported rates of 13.69, 4.75, and 15.94 percent, respectively. VHA attributed the high rate for FY 2011 to a large number of exceptions identified at one site. For FY 2013, VHA credited the high rate to changes in a medical certification form that required new fields to be completed. In contrast, VHA reported that the Non-VA Care Fee program became compliant with a 9.64 percent improper payment rate for FY 2013—just below the 10 percent threshold.

***Reduction
Targets Not
Met***

VA published improper payment rates and reduction targets in the FY 2013 PAR as required. However, the State Home Per Diem and Beneficiary Travel programs did not meet their reduction targets. Specifically, their reduction targets were 9.00 and 8.50 percent, respectively, and their reported improper payment rates were 15.94 and 9.32 percent. VHA said that it missed its target for the State Home Per Diem program because of a greater number of errors than expected resulting from changes

in a medical certification form. VHA reported that the Beneficiary Travel program did not meet its reduction target because of a change in its sampling methodology and a higher than expected error rate for special mode transportation claims. OMB requires agencies to publish and meet annual reduction targets for each program determined to be at risk and measured for improper payments.

Last year, we reported that the Non-VA Care Fee program did not meet its reduction target. However, the program's published improper payment rate of 9.64 percent met the reduction target of 9.90 percent for FY 2013. VHA attributed this improvement to system enhancements.

For FY 2012, we could not follow up on whether the Pension program met its reduction target, which it had missed for FY 2011, because VBA combined the Pension and Compensation programs into one program for reporting improper payment rates. For FY 2013, VBA again separated the programs, so the reduction target reported in the FY 2012 PAR for the combined program was no longer applicable.

Areas of Compliance

VA implemented a new agency-wide process for reporting payment recapture activity for FY 2013. OMB requires agencies to report the amounts collected from recapture audits, develop recapture audit targets, provide an aging of outstanding overpayments, and report overpayments recaptured outside of payment recapture audits. For FY 2012, we noted that VBA did not report amounts collected through its activities to recapture improper payments. For FY 2013, VBA provided payment recapture data for all the required categories and these actions brought VA into compliance with this requirement.

VA took significant action to improve improper payment estimation methodologies for all reported programs. OMB Circular A-123, Appendix C requires that VA's methodology for estimating improper payments be statistically valid unless OMB approves a different methodology. For FY 2012 reporting, VBA did not use statistically valid methodologies for two of its three reported programs, and VHA did not achieve the required statistical precision although it used approved methodologies. For FY 2013 reporting, VA hired a contractor to develop a statistically valid approach that complied with OMB Circular A-123, Appendix C requirements, according to management. Our review of those methodologies confirmed they were statistically valid and in line with OMB guidance.

VA also implemented a new risk assessment process in FY 2013 across all of its programs. VA used a systematic process to identify all programs to be assessed for risk, reconciled the related disbursements with the Statement of Budgetary Resources, and then performed risk assessments for each program.

In total, VA met five of seven IPERA requirements. VA published a PAR, performed risk assessments, published improper payment estimates, provided information on its corrective action plans, and reported on its payment recapture efforts. VA's reported improper payments also decreased significantly in comparison with FY 2012—from \$2.2 billion to \$1.1 billion—which VA attributed to implementing statistically valid estimation methodologies for all programs and other corrective actions.

Conclusion

VA made significant progress in improving its IPERA compliance by meeting five of seven compliance criteria for FY 2013 compared with only three for FY 2012. VA needs to strengthen its efforts to meet the remaining two IPERA requirements to ensure all programs have improper payment rates below 10 percent and to meet their reduction targets.

Recommendations

1. We recommended the Under Secretary for Health implement the corrective action plan included in the Performance and Accountability Report to reduce improper payments for the State Home Per Diem program.
2. We recommended the Under Secretary for Health develop achievable reduction targets for the State Home Per Diem and Beneficiary Travel programs.

**Management
Comments
and OIG
Response**

The Under Secretary for Health concurred with our recommendations, indicating that VHA has started implementing its corrective action plan to reduce improper payments for the State Home Per Diem program. The Under Secretary stated that actions to establish achievable reduction targets for the State Home Per Diem and Beneficiary Travel programs have already been completed. As such, we have closed Recommendation 2, and will follow up on VA's performance related to both recommendations during our next annual IPERA review. The Under Secretary for Health's complete response is included in Appendix E of this report.

Finding 2 Areas for Improvement in VBA's IPERA Reporting

VBA's test procedures for the Compensation program and one Education program did not include some steps necessary to identify all types of improper payments. As a result, the reported improper payments for the Compensation program were understated, but still remained well below the 10 percent threshold for IPERA compliance. For the one Education program, VBA reported no improper payments in the FY 2013 PAR, but more complete test procedures would help increase the reliability of these results.

Accuracy in VBA Reporting Could Be Improved

VBA underreported improper payments for its Compensation program. From VBA's sample of 400 Compensation payments, the OIG reviewed 21 payments related to temporary 100 percent disability evaluations or traumatic brain injury claims. Of the 21 payments reviewed, we identified two related to temporary 100 percent disability evaluations that lacked routine medical examinations required to support veterans' benefits.

Specifically, VBA policy requires a temporary 100 percent disability evaluation for a service-connected disability following a veteran's surgery or when specific treatment is needed. At the end of a mandated period of convalescence or treatment, VA Regional Office staff must request a follow-up medical examination to help determine whether to continue the veteran's 100 percent disability evaluation. VBA did not count the two payments discussed above as improper payments. However, according to OMB Circular A-123, Appendix C, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or a lack of documentation, this payment must be considered an improper payment.

Better Test Procedures Needed

VBA's test procedures for the Compensation program did not include a step to check for the medical examinations required to support temporary 100 percent disability evaluations. We recalculated VBA's improper payment estimate for the Compensation program to include the two additional improper payments. Consequently, the estimate increased from approximately \$321 million to \$565 million. The improper payment rate also increased from 0.67 percent to 1.17 percent. By the time of our review, a subsequent examination had been completed but a decision was still pending for one claim. An examination had not been completed for the other claim.

Additionally, we reviewed the procedures that VBA used to evaluate its sample for the Post 9/11 G.I. Bill program. VBA reported no improper payments for this program in the FY 2013 PAR. However, we noted that VBA's procedures did not include verification of information provided by education institutions. VBA responded that it conducts routine compliance surveys at schools and training establishments, during which time it reviews documentation supporting education benefit payments. VBA considers the

surveys to be a compensating control that it can also rely on to estimate improper payments under IPERA. However, we believe this process may not be adequate for VBA to fully identify improper payments as part of its statistical sample.

Other Matters

VA addressed other matters we mentioned in last year's report. Specifically, we did not note any exceptions this year concerning VA's version control processes for IPERA reporting. VA also used updated comprehensive procedures for FY 2013 to comply with IPERA requirements, which addressed our recommendation to improve policy.

Conclusion

VBA needs to strengthen its test plans for the Compensation and Post 9/11 G.I. Bill programs. Although VBA used statistical methodologies to support its IPERA reporting, thorough evaluation of the underlying sample is necessary in order for users to rely on the results.

Recommendation

3. We recommended the Under Secretary for Benefits ensure thorough procedures for testing sample items used to estimate improper payments for the Compensation and Post 9/11 G.I. Bill programs.

**Management
Comments
and OIG
Response**

The Under Secretary for Benefits partially concurred with this recommendation, indicating that VBA had already enhanced the Compensation program's improper payment test plan for FY 2014. However, as related to the Education program, the Under Secretary believed our report did not offer empirical evidence or findings that school-reported enrollment data had a high risk of error. The Under Secretary also indicated that OMB Circular A-123, Appendix C allowed VBA to focus testing on individual high-risk transaction points in the payment life cycle. Based on the results from such testing, the Under Secretary believed that school reporting was not a high-risk transaction in the education payment life cycle.

Although the Under Secretary did not believe changes to the Education program testing approach were necessary, the Under Secretary stated that VBA will conduct additional analysis of available data on the accuracy of school-reported information. The analyses will be used to determine whether changes are needed in Education's improper payment test plan. The Under Secretary's complete response and action plans are included in Appendix F of this report.

We consider the Under Secretary's proposed risk-based approach to be an acceptable alternative in response to our recommendation, provided that VBA obtain OMB's approval prior to implementation and document the decision and subsequent actions in VA's PAR, in accordance with OMB Circular A-123, Appendix C. We will follow up on VBA's corrective actions during our next annual IPERA review.

Appendix A Background

IPERA and OMB Requirements

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

Under IPERA, each agency must periodically review and identify its programs and activities that may be susceptible to significant improper payments. OMB defined significant improper payments as gross annual improper payments exceeding both 2.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported, or \$100 million in gross improper payments. OMB delayed the implementation of a 1.5 percent threshold until FY 2014.

Agencies are to identify susceptible programs through periodic risk assessments performed on all programs. VA conducted risk assessments for all of its identified programs in FY 2013. VA reported the programs identified as susceptible in its annual PAR.

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

- A statistically valid estimate, or an estimate approved by OMB, of the improper payments
- Corrective action plans for reducing estimated improper payments, including a discussion of the causes of those improper payments, for programs with improper payment estimates greater than \$10 million
- Program-specific targets for reducing improper payments that have been approved by OMB

Overall, VA reported \$1.1 billion in improper payments in its FY 2013 PAR. As allowed by OMB Circular A-123, Appendix C, VA opted to report improper payment data based on the prior year, and therefore presented FY 2012 improper payment data in its FY 2013 PAR.

Appendix B Scope and Methodology

Scope

We conducted our review work from August 2013 through March 2014 at the VA Central Office located in Washington, DC. Our review focused on improper payment information reported in VA's FY 2013 PAR, as required by IPERA.

Methodology

To assess VA's compliance with IPERA, we reviewed the relevant portion of VA's FY 2013 PAR, Part IV, "Other Accompanying Information," as published on VA's Web site, for compliance with OMB's seven compliance requirements. We also reviewed VA policy and interviewed VHA, VBA, and Office of Management officials to gain an understanding of VA's IPERA reporting controls. We reviewed for reasonableness VA's FY 2013 risk assessments but did not validate management's conclusions. Our statistician reviewed the statistical validity of sampling methodologies for the programs reported in the PAR and performed independent calculations to verify the reported sample estimates and associated margins of error were correct. We reviewed a small number of payments from VBA's sample for the Compensation program, as well as test plans for the Compensation program and one Education program. We also reviewed for reasonableness VA's corrective action plans reported in the PAR.

Fraud Assessment

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

Data Reliability

Information published by VA in the FY 2013 PAR provided the primary basis for our evaluation of VA's compliance with IPERA. To assess the reliability of VA's published information, we reviewed the statistical methodologies that VA applied to payment data and identified appropriate data sources. Management reported that payment data for VHA's statistical estimates came from VA's Financial Management System. VBA officials said they obtained payment data from their Enterprise Data Warehouse for the Compensation, Pension, and Education programs. They reported using the Enterprise Data Warehouse and Financial Management System to obtain payment data for the Vocational Rehabilitation and Employment program.

We did not perform our own independent risk assessments of VA's programs. We did not reevaluate VA's sample transactions to determine if VA correctly identified improper payments, except for a small nonstatistical selection from VBA's sample for the Compensation program. We also did not develop independent statistical estimates or verify payment recapture data. We designed our procedures to determine whether VA complied with IPERA according to OMB's seven compliance criteria—not to attest to the accuracy of VA's reporting. We believe our procedures to assess data reliability were sufficient to support our review objective.

**Government
Standards**

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

Appendix C Summary of FY 2012 and FY 2013 IPERA Compliance

Table 1 provides a comparison of VA's performance in complying with IPERA requirements for FYs 2012 and 2013.

Table 1. Exceptions To Complying With IPERA

Requirement	FY 2012	FY 2013
Publish a PAR	No exceptions	No exceptions
Conduct a specific risk assessment for each program	No exceptions	No exceptions
Publish improper payment estimates as appropriate	VBA methodologies were not statistically valid for the Compensation, Pension, and Vocational Rehabilitation and Employment programs	No exceptions
Publish corrective action plans	No exceptions	No exceptions
Publish and meet reduction targets	Non-VA Care Fee (reduction target not met) Pension (unable to determine if program met reduction target because VA combined the Compensation and Pension programs for FY 2012)	State Home Per Diem program target not met Beneficiary Travel program target not met
Report a gross improper payment rate of less than 10 percent	Non-VA Care Fee (12.0 %)	State Home Per Diem (15.94%)
Report information on recapture efforts	VBA did not report amounts for recapture audit activity	No exceptions

Source: VA OIG based on VA's FY 2012 and FY 2013 PARs and OIG determinations of IPERA compliance

Appendix D VA Programs Reported in the FY 2013 PAR

Table 2 shows the outlays and gross improper payment rates and amounts that VA reported in the FY 2013 PAR. Improper payment totals include both overpayments and underpayments.

Table 2. Improper Payment Reporting—VA FY 2013 PAR
(Based on FY 2012 Actual Data)
(in millions)

Program	Outlays	Improper Payment Percentage	Improper Payments
Beneficiary Travel	\$749	9.32	\$69.74
CHAMPVA	\$924	2.26	\$20.92
Non-VA Care Fee	\$4,447	9.64	\$429.07
State Home Per Diem	\$848	15.94	\$135.23
Supplies and Materials	\$2,230	0.11	\$2.53
Compensation	\$48,181	0.67	\$321.10
Pension	\$5,268	1.75	\$92.43
Vocational Rehabilitation and Employment	\$786	0.27	\$2.15
Education Chapter 33	\$8,769	0	0
Education Chapter 1606	\$146	0.33	\$0.48
Education Chapter 1607	\$88	0.44	\$0.39
Total VA	\$72,436		\$1,074

Source: VA's FY 2013 PAR

Appendix E Under Secretary for Health Comments

Department of Veterans Affairs

Memorandum

Date: March 24, 2014
From: Under Secretary for Health (10)
Subj: OIG Draft Report, FY 2013 Review of VA's Compliance With the Improper Payments Elimination and Recovery Act (VAIQ 7451938)
To: Assistant Inspector General for Audits and Evaluations (52)

1. I have reviewed the draft report and concur with the recommendations. Attached is the Veterans Health Administration's corrective action plan for the report's recommendations.
2. If you have any questions, please contact Karen Rasmussen, M.D., Director Management Review Service (10AR) at (202) 461-6643, or by email at VHA10ARMRS2@va.gov.



Robert A. Petzel, M.D.

Attachment

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

OIG Draft Report, Department of Veterans Affairs, FY 2013 Review of VA's Compliance With the Improper Payments Elimination and Recovery Act (VAIQ 7451938)

Date of Draft Report: March 10, 2014

Recommendations/ Actions	Status	Completion Date
-------------------------------------	---------------	----------------------------

Recommendation 1. We recommend the Under Secretary for Health implement the corrective action plan included in the Performance and Accountability Report to reduce improper payments for the State Home Per Diem program.

VHA Comments

Concur

VHA's Chief Business Office (CBO) has started to implement the corrective action plan included in the Performance Accountability Report to reduce improper payments for the State Home Per Diem program (See *2013 VA Performance and Accountability Report Published December 16, 2013, Part IV-12*).

In Progress December 2016

Recommendation 2 We recommend the Under Secretary for Health develop achievable reduction targets for the State Home Per Diem and Beneficiary Travel programs.

VHA Comments

Concur

Achievable reduction targets for the State Home Per Diem Program have been developed for Fiscal Year 2014. In addition, VHA has established a target of 9.3 percent for improper payments in the Beneficiary Travel (BT) Program. This target performance is anticipated to be achievable based on deployment of the BT Dashboard, through implementation of BT Veterans Health Information Systems and Technology Architecture enhancements and with the introduction of internal controls such as the BT Eligibility Review and BT Data Analytic tools.

Completed

Veterans Health Administration
March 2014

Appendix F Under Secretary for Benefits Comments

**Department of
Veterans Affairs**

Memorandum

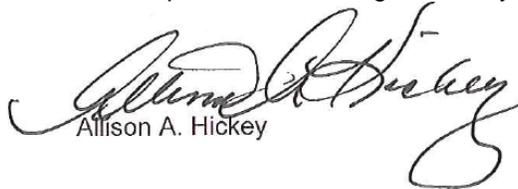
Date: March 26, 2014

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report—FY 2013 Review of VA's Compliance With the Improper Payments Elimination and Recovery Act VAIQ 7451770)

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

1. Attached is VBA's response to the OIG's Draft Report FY 2013 Review of VA's Compliance With the Improper Payments Elimination and Recovery Act.
2. Questions may be referred to Christopher Denno, Program Analyst, at 461-9125.



Allison A. Hickey

Attachments

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
FY 2013 Review of VA's Compliance With the Improper Payments Elimination and
Recovery Act (IPERA)**

The Veterans Benefits Administration provides the following comments:

VBA concurs with OIG's finding regarding areas for improvement in VBA's IPERA reporting for the Compensation program. However, regarding the Education program, the OIG draft report does not offer empirical evidence or findings that indicate school-reported enrollment data has a high risk of error. VBA conducts oversight of school-reported enrollment information through the compliance survey program that measures compliance with VA reporting requirements. Additionally, VBA conducts quarterly high-dollar overpayment reviews that detect instances of improper school reporting of enrollment information.

OMB Circular A-123, Appendix C, Part I. G., authorizes agencies to focus testing on individual high-risk transaction points in the payment lifecycle. In the Fiscal Year (FY) 2012 High-Dollar Overpayment Reports, VBA projected 4,052 high-dollar overpayments to be improper due to incorrect reporting of enrollment information by schools. The 4,052 high-dollar overpayments represent less than 0.1 percent of all education payments made in FY 2012. Based on this information, VBA feels that school reporting is not a high-risk transaction in the education payment lifecycle.

The following comments are submitted in response to the recommendation in the OIG Draft Report:

Recommendation 3: We recommend the Under Secretary for Benefits ensure thorough procedures for testing sample items used to estimate improper payments.

VBA Response: Concur in part. In March 2014, VBA enhanced the Compensation improper payment test plan for FY 2014. A copy of the enhanced test plan is attached (Attachment A). The test plan is a modified version of the checklist that is currently being utilized by Compensation Service, Systematic Technical Accuracy Review staff when reviewing cases for accuracy. In addition, to ensure accuracy improvement, only employees with a rating background will review cases for improper payments involving rating determinations. VBA requests closure of this recommendation as related to the Compensation program.

As related to the Education program and referenced in the comments above, VBA does not agree that the evidence supports changes in the current Education test plan. However, Education Service will conduct additional analysis of available data on the accuracy of school-reported information to determine if it is a high-risk transaction in the education payment lifecycle. This analysis will be used to determine if changes are needed in the Education improper payment test plan. This analysis will be completed by August 31, 2014.

**Compensation Service
Improper Payments Elimination and Recovery Improvement Act (IPERIA)
FY 2014 SAMPLING METHODOLOGY**

Purpose:

To document the sampling methodology used to select the Department of Veterans Affairs (VA) Veterans Compensation Program improper payments sample for Fiscal Year (FY) 2014.

Background:

In 2013, the Veterans Benefits Administration (VBA) performed a risk assessment (RA) for all its programs and identified Compensation as a high-risk program to sample and review for FY 2014 IPERIA compliance.

A program is considered high-risk if the improper payments activity from the prior year exceeds (1) \$10,000,000 of all program or activity payments and 1.5 percent of program outlays; or (2) \$100,000,000. The improper payment amount from the FY 2013 PAR for the Compensation Program was \$321,100,000, thus making the program high risk for FY 2014.

The table below shows the total “IPERIA in-scope” payments for the high-risk program as reported in the RA testing.

VBA Program	Payment Universe
Compensation	\$ 48,174,492,820

Compensation’s Sample Design for 2013

For Compensation, irregular or one-time payments were not included for IPERA testing in previous fiscal years. Beginning in FY 2013, all payments made were included. Typically, Compensation payments are consistent, following a standard schedule. Analysis of the universe of payments for Compensation showed that stratifying by payment size into five strata reduces the payment variability significantly. The design will ensure a proper representation of the payment universe.

Sampling Methodology

Systematic random sampling technique will be used to select samples within each strata for the Compensation Program. For this technique, the payments within a stratum are ordered in size of payment and a random number assigned to the payment. The use of a random number ensures a random sort of the payments having the same payment amount. Each stratum has a skip factor, which is calculated as the total number of payments for the strata divided by the number of payments to be sampled. Once the skip factor has been determined for a stratum, a random start value is chosen between 1 and the skip factor(s). Then every 5th payment is selected. This technique of sampling ensures a consistent representation of the payment distribution for the stratum.

Review

Compensation Service will request the cases from regional offices. The review will be conducted by Compensation Service Central Office employees in Washington, D.C. The reviewers will also be given a template to track each case reviewed. After the review, the results will be analyzed by the Procedures Assistant Director and briefed to the Compensation Service Director.

Test Plan

The attached Excel Sheet lists the attributes the reviewer seeks to determine if a payment is improper or not.

IPERIA REVIEW CHECKLIST

Regional Office Number _____

Claim Number _____

Name of Recipient _____

Amount of Payment _____

SSN of Recipient _____

Date of Payment _____

	YES	NO	N/A
CLAIM ELIGIBILITY			
A1) Was an application or claim submitted? Method: Review VA Form 21-526, 21-526EZ or other informal claim documentation. Was the form properly completed and appropriately signed/executed by applicant?			
MILITARY ELIGIBILITY			
B1) Was Active Duty Status Confirmed? Method: Review Form DD214 Certification of Release or Discharge from Activity Duty Status. Provide comment if form is unavailable or status unable to be confirmed. Note: Veterans with a dishonorable discharge are not permitted to receive Compensation benefits.			
MEDICAL ELIGIBILITY			
C1) Were all medical disability claimed issues addressed based upon review of VA 21-526 or equivalent documentation?			
C2) Were all inferred and/or ancillary issues addressed?			
C3) Was the grant or denial of all issues correct based upon review of rating decision, deferral forms and/or notes?			
C4) Does each approved medical disability claim listed have supporting evidence? (Please list supporting documentation in the WP/Ref Column)			
C5) Was the percentage evaluation assigned correct (including combined evaluation)?			

C6) Was the claim based upon manual documentation that predates the Evaluation Builder? If so, was the appropriate support available and was it properly authorized?			
C7) Was the percentage of disability rating assigned to the Veteran available? If an Evaluation Builder print out was in the case file, did that percentage match the percentage the Veteran is currently being awarded?			
C8) Did the RVSR override the rating percentage from the Evaluation Builder?			
C9) If so, did the RVSR provide appropriate reason and approved rationale (bases)?			
C9) Was this case a "special claim" that required a secondary review, and was a second signature present?			
C10) Did the beneficiary receive any form of "Special Monthly Compensation"?			
Method: Review the medical documentation to ensure the approved disability evaluations match the criteria for increased benefits due to the need for A&A or being housebound and that correct SMC codes were used.			
AWARD ACTIONS			
D1) Are all effective dates affecting payment correct?			
Method: Review the date stamp from the VA Form 21-526, 21-526EZ or other equivalent application documentation.			
D2) Were partial benefits granted and were they granted promptly, while developing other issues?			
Method: Review rating decision, deferral forms, notes or other equivalent application documentation.			
D3) Were all payment rates and withholdings correct and payments adjusted in accordance with the payment rate tables?			
D4) Were all payment dates correct?			
D5) Was the appropriate second signature documented?			
DEPENDENCY ISSUES			
E1) Did beneficiary claim dependents?			
Method: Review Form 21-686c Declaration of Status of Dependents on file. Provide comment if other source was used to verify dependents.			
E2) Was a dependent spouse correctly established or removed?			
Method: Review documentation such as, but not limited to, marriage certificates, divorce decrees, disability documentation or equivalent.			
E3) Were dependent children correctly established or removed?			
Method: Review documentation such as but not limited to birth certificates, divorce agreements, disability documentation or equivalent.			
E4) Did beneficiary claim a child in school between the ages of 18 and 23?			

Method: Review VA Form 21-674, Request for Approval of School Attendance. Provide comment if other source was used to verify dependents.			
E5) Were dependent parents correctly established or removed, taking into account, documentation of parental status to the Veteran and their current income situation?			
E6) Was a surviving spouse correctly established or removed? Method: Review documentation such as, but not limited to, marriage certificates, death certificates or equivalent.			
E7) Were surviving children correctly established or removed? Method: Review documentation such as, but not limited to, birth certificates, divorce decrees or equivalent.			
ADJUSTMENTS			
F1) Were required adjustments accomplished and correct? Method: Review documentation such as, but not limited to, hospital admittance and /or discharge, or arrest/incarceration and/or release/parole, or active duty.			
F2) Was restoration of benefits correct? Were rates correct and entitlement correct based upon effective dates? Method: Review documentation such as, but not limited to, hospital discharge, or release/parole.			
F3) Was the beneficiary on Drill Pay at the time of payment? Was a future payment adjusted to account for the beneficiary's time on Drill Pay? Was the beneficiary listed on the file received from DMDC for March and/or September?			
F4) Was the beneficiary being hospitalized at the expense of VA at the time of payment?			
POST DETERMINATION – APPROVAL OF CLAIM			
G1) Was the claim approved in VBMS, VETSNET, or other manual documentation as appropriate?			
G2) Was the award document authorized?			
G3) Was the award/payment over \$25,000 dollars? If so, did the payment have the three approvals required.			
MATCHING PROGRAMS			
H1A) Was the beneficiary on the SSA Death Match list at time of payment? This would be identified by a work item in the system. If yes, was a monetary adjustment made at the correct date?			

H1B) Was the claim listed on the VETSNET "800 Series Work Item Report" under categories 833a (SSA Death DOB Mismatch), 833b (SSA Death Mismatch), or 833c (SSA Death C&P Matched)? If a monetary adjustment was required, did it occur at the correct date? Was the adjustment for the correct amount?			
H2) Was the beneficiary on the Duplicate Payments list at time of payment? This would be identified by a work item in the system. If yes, was a monetary adjustment made at the correct date?			
H3) Was the beneficiary on the Veterans on Active Duty in Receipt of VA Benefits list at time of payment? This would be identified by a work item in the system. If yes, was a monetary adjustment made at the correct date?			
H4) Was the beneficiary on the Bureau of Prisons Match list at time of payment? This would be identified by a work item in the system. If yes, was a monetary adjustment made at the correct date?			
H5) Was the beneficiary on the SSA Prison Match list at time of payment? This would be identified by a work item in the system. If yes, was a monetary adjustment made at the correct date?			
H6) Was the beneficiary on the 100-Year-Old Review list at the time of payment? This would be identified by a work item in the system. If yes, was a monetary adjustment made at the correct date?			
PAYMENTS			
I1) Was the beneficiary an eligible recipient for the benefit award?			
I2) Was there a duplicate payment made to the beneficiary?			
Method: Review award screen within SHARE.			
I3) Was the claim approved, but the payment has not yet received by the beneficiary?			
I4) Was all the appropriate documentation provided to support the payment made?			
I5) Was the payment amount correct based upon supporting documentation?			
I6) Was the payment proper at time of disbursement, but later become improper (e.g., death of beneficiary in the month)? Was overpayment/underpayment that resulted from legislative action/program design?			
I7) Was the payment proper at time of disbursement, but recorded or accounted for inaccurately or inappropriately (i.e. right amount but wrong process)?			
POST PAYMENT RECOUPMENT/OVERSIGHT			
J1) Was claim payment tested subject to post payment review by STAR Team?			
J2) Was that payment deemed to have had any errors?			
J3) Was RO notified of the corrective action taken for that payment? J3a) Did RO take corrective action?			
J4) Was the payment subject to any adverse action by the VA? Were the beneficiary's payments later reduced or terminated?			

ROOT CAUSES			
K1) Effective Date? (Training)			
K2) Evaluation Error? (Training)			
K3) Eligibility Error? (Training)			
K4) Proper Notification from Veteran/Payee Error? (i.e. delay in notification of changed status)			
Describe the root causes(s) noted and note whether referred to management.			
IMPROPER PAYMENT			
L1) Overpayment incurred?			
L2) Underpayment incurred?			
L3) Other			

Appendix G Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Sue Schwendiman, Director Nora Stokes, Director Alex Biggs Steven Cucina Kyle Flannery Lee Giesbrecht Sunday Okurume Marie Orlofski Michelle Santos-Rodriguez Nelvy M. Viguera Butler Mark Ward John Weaver
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Appendix H Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
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Non-VA Distribution

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