

**Department of
Veterans Affairs**

Memorandum

Date: **JUL 28 2016**
From: Secretary (00)
Subj: Fiscal Year 2016 Second Quarter Report on High-Dollar Overpayments (VAIQ 7710332)
To: Inspector General (50)

1. In accordance with the revised Office of Management and Budget (OMB) Circular A-123, Appendix C, agencies with programs susceptible to significant improper payments under the Improper Payments Information Act are required to report quarterly the high-dollar overpayments that occurred within those specific programs to the agency's Inspector General and the Council of Inspectors General on Integrity and Efficiency, and to make this report available to the public. A high-dollar overpayment is any overpayment meeting the threshold that is in excess of 50 percent of the correct amount of the intended payment. The threshold for individuals is \$25,000 and for entities it is \$100,000. VA uses the results of statistically valid sampling for annual Improper Payments Elimination and Recovery Act reporting purposes to identify high-dollar overpayments.

2. During the second quarter, VA identified \$1.40 million in high-dollar overpayments. While testing for the quarter was statistically valid, some programs, which are highly complex and subject to significant improper payments, did not identify a substantial amount of overpayments meeting the new higher reporting threshold. To ensure transparency, VA is also reporting that during the second quarter approximately \$158 million in established debt was reported from Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA) programs that may meet high-dollar overpayment criteria; however, they have not been verified as improper payments. This debt represents about 0.25 percent of the total payments issued collectively by VHA and VBA in the second quarter.

3. The attached report provides the total amount of reportable high-dollar overpayments made from VA's high-risk programs, actions taken or planned to recover identified overpayments, and actions taken or planned to prevent re-occurrence.

4. If you have any questions, please have a member of your staff contact Ms. Laurie Park, Deputy Assistant Secretary for Finance, at (202) 461-6180.



Robert A. McDonald

cc: Council of Inspectors General on Integrity and Efficiency

Attachment

**Executive Order 13520 – Reducing Improper Payments
Department of Veterans Affairs
Fiscal Year 2016 Second Quarter High-Dollar Overpayments Report**

Total High-Dollar Overpayments Identified in Quarter: \$1,407,112

To ensure transparency, the Department of Veterans Affairs (VA) is reporting that during the second quarter \$158 million in established debt was reported from Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA) programs that may meet high-dollar overpayment criteria; however, they have not been verified as improper payments. For these programs, the established debt is approximately 0.25 percent of the total payments issued collectively by VHA and VBA in the second quarter. As reported in VA's Office of Inspector General's "Audit of VA's Implementation of Executive Order 13520 "Reducing Improper Payments," dated August 12, 2011, VA must consider debts established below the threshold because these debts may stem from payments that are over 50 percent of the intended payment amount. However, these debts cannot be reported as high-dollar overpayments for this reporting period because, as stated above, they have not been verified as improper payments.

Actions/Plans to Recover Overpayments:

VA will provide a Notice of Indebtedness to debtors informing them of VA's intent to recover the debt, remedies, and the consequences of failure to cooperate with collection efforts. VA will aggressively pursue the collection of delinquent debts through all means necessary, including but not limited to internal offset from current or future benefit payments, installment agreements, or the use of the Treasury Offset Program.

Overall Actions/Plans to Prevent Re-occurrence of Improper Payments:

VA is working to prevent re-occurrence of improper payments in its high-risk programs by implementing corrective action plans (CAPs). Key overall actions to prevent future overpayments, as well as milestones from the published CAPs are provided below:

Veterans Health Administration:

- o VHA's Chief Business Office (CBO) will increase awareness of Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) eligibility and claims issues identified through internal audits by tracking and correcting claims, as well as providing training to staff where and when errors are identified.
- o CBO will implement a system modification to the Fee Basis Claims System that addresses compliance with VA Community Care claims processing standards, decreases improper payments, increases productivity, and enhances ease of use by integrating a module for Eligibility and Enrollment.

- CBO State Home Per Diem program staff will provide training to VA Medical Center staff on improper payment errors, CAPs, and the CBO database.
- VHA CBO's Field Assistance Program will further develop the national VA Community Care training program, which includes guidance and training through *The Bulletin* (a publication for the VA Community Care community), monthly calls, developing curriculum on claims processing, and focused trainings targeting identified areas of concern, such as determining correct payment authority and correct payment amount.
- VHA will conduct CHAMPVA eligibility data matches, improve electronic processing systems to reduce manual errors, and develop and implement a tracking plan that will monitor the status of overpayments.
- VHA will provide ongoing training to staff to ensure that payments are processed properly and conduct audits to identify, reduce, and recapture improper payments.

Veterans Benefits Administration:

- Identify ways to process dependency claims more timely, including continued use of contractors to process these claims.
- Increase quality accuracy rates through implementation of improvements to skill certification and training on administrative actions.
- Reduce errors associated with separation pay withholdings by providing training to increase understanding for processing rules involving separation procedures.
- Develop and conduct consistency studies targeted to error trends found in test reviews.
- In November 2013, implemented Veteran upfront income verification with Internal Revenue Service and Social Security Administration. In November 2015, VBA extended upfront income verification to claims for special monthly pension, dependency, and medical adjustments. The expansion of upfront verification has a production release date of August 14, 2016; capturing display enhancements and beginning field utilization of the functionality. Training will be disseminated to the field following the successful production release of the functionality.
- Establish Pension Management Centers (PMCs) timeliness standards for completing incarceration/fugitive felon adjustments and prepare and provide written and oral guidance.
- Provide refresher training on the VBA fugitive felon program.
- Investigate whether VBA can improve data matching with the Bureau of Prisons or other sources to identify benefit awards that require adjustments.
- Perform accuracy reviews to identify deficiencies and IPERA errors and disseminate findings to the PMCs on a monthly basis. Increase the frequency of site visits at the PMCs and incorporate IPERA awareness training and compliance into site-visit protocol.

- Update School Certifying Official Handbook to include updated Improper Payments Elimination and Recovery Act policies and procedures. This handbook provides processes and procedures to Certifying Officials and other school staff involved with certification of beneficiaries for VA education benefits.

Disaster Relief Act – Hurricane Sandy:

- VA implemented an action plan to prevent the recurrence of lack of documentation for Holdback and Retention payments and included additional training to Construction and Facilities Management (CFM) project staff and greater communication with the VA's Financial Services Center.
- An action plan to prevent the recurrence of payments made outside the period of performance (PoP) was implemented and includes extending the PoP where applicable, and monitoring the Construction and Architect/Engineer contracts with greater scrutiny by CFM Contracting Officers.

Payments to Federal Employees:

- Leverage data analytics to: (1) better identify and categorize the root cause of recurring errors that could potentially cause improper payments, as well as (2) develop strategies to reduce improper payments.
- Establish collaborative efforts between Office of Human Resources Management and the Office of Finance to develop a communications plan that facilitates better sharing of information with station human resources (HR) and payroll offices as it relates to audit findings, CAPs, and strategies to reduce improper payments. Establish reoccurring meeting with stations susceptible to processing, systems, or coding errors that generate improper payments.
- May 2015, VA began deployment to a new human resources information system (HRSmart) that is expected to increase operational efficiencies and improve controls of managing processing HR actions. Full deployment from VA's legacy system, PAID, to HRSmart is tentatively scheduled to be completed in calendar year 2016.