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0901 OVERVIEW

This chapter establishes the Department of Veterans Affairs’ (VA) policies and procedures relating to erroneous and improper payment risk assessment, testing, projecting, reporting, prevention, and recovery activities under Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments. A schedule of activities outlining the requirements and notional relevant deadlines is listed in Appendix 1. Deadlines vary yearly depending on Departmental activities. To improve the integrity of the Federal Government’s payments and the efficiency of its programs and activities, Congress enacted the Improper Payments Information Act (IPIA) of 2002 (Public Law (P.L.) 107-300), dated November 26, 2002, and Section 831 of the Defense Authorization Act of Fiscal Year 2002 (P.L.107-107), dated December 28, 2001, also known as the Recovery Auditing Act. These acts require agency heads to annually review programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in susceptible programs and activities, and report the results of their improper payment activities. VA’s goal is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. VA will also focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments; and coordinated Federal, State and local government action in identifying and eliminating improper payments.

The IPIA and the Defense Authorization Act were amended on July 22, 2010 by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (P.L. 111-204), which generally repealed the Recovery Auditing Act (Section 831, Defense Authorization Act, for FY2002: P.L. 107-107). Subsequently, the Office of Management and Budget (OMB) issued Memorandum M-11-16 (Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123) modifying OMB Circular A-123, Appendix C (herein after referred to as Appendix C), Part I and Part II. Additionally, OMB issued Memorandum M-12-11 (Reducing Improper Payments through the "Do Not Pay List") on April 12, 2012 which directed Executive Agencies to take immediate steps to use the centralized solutions that are already in place for pre-payment eligibility reviews.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), P.L. 112-248, became law on January 10, 2013 and was designed to amend and improve on IPERA. IPERIA requires agencies to estimate improper payments, improve recovery of improper payments, and reinforces and accelerates the President’s Do Not Pay initiative. Effective December 18, 2015, Federal Improper Payment Coordination Act of 2015 (P.L. 114-109) amended this Act which requires the use of the death records maintained by the Commissioner of Social Security.

On October 20, 2014, OMB issued Memorandum M-15-02 (Requirements for Effective Estimation and Remediation of Improper Payments), Appendix C, Parts I, II, and III, to assist agencies with IPERA implementation and further clarify M-11-16. This
supersedes OMB’s previous promulgations on improper payments.

In addition to the guidance prescribed under Appendix C, Parts I, II, and III, OMB has prescribed changes to IPERA reporting format under its revised Circular A-136, \textit{Financial Reporting Requirements} (herein after referred to as A-136).

The Department of the Treasury also issued Treasury Financial Manual (TFM), Volume I, Part 4, and Chapter 2100 on procedures for publication of improper payments data and related information on the PaymentAccuracy.gov website.

\textbf{0902 REVISIONS}

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<td>Targeted updated</td>
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## Definitions

The following terms are used throughout this policy document and the appendices.

**Cost-Effective Payment Recapture and Recovery Audit Program.** A program in which the benefits (i.e., recaptured amounts) exceed the costs (e.g., staff time and resources, or payments for the payment recapture audit contractor) associated with implementing and overseeing the program.

**Improper Payment.** 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 and 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 and services not received (except for such payments authorized by law). In addition, when an agency’s review is unable to discern whether a payment is proper because of insufficient or lack of documentation, this payment must also be considered an improper payment.

When calculating improper payment amounts, only utilize the amount paid improperly. For example, if a $100 payment was due, but a $110 payment was made erroneously, then the amount applied to the annual estimated improper payment amount should be $10, rather than the payment amount of $110. However, if there is not sufficient documentation to support the appropriateness of the payment or if a duplicate payment was made, then the total payment must be considered improper.

### Table

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0903 DEFINITIONS

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Payment. A payment is any disbursement or transfer of Federal funds (including a commitment for future payment) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity. Payments made by a Federal agency to another Federal agency are not considered for IPERA purposes, unless directed by OMB.

Payment Recapture Audit. A review and analysis of VA’s program accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is not an audit in the traditional sense. Rather, it is a detective and corrective operational control activity designed to identify and recapture overpayments, and, as such, is a Senior Accountable Official (SAO) responsibility.

0904 ROLES AND RESPONSIBILITIES

The VA Secretary may delegate the Quarterly High-Dollar Overpayment Reporting responsibilities to the appropriate personnel and the Improper Payments Remediation Oversight (IPRO) Office will submit the report to the Office of Inspector General (OIG) and the Council of Inspectors General on Integrity and Efficiency (CIGIE). The VA Secretary is also responsible for reviewing and approving the Agency Financial Report (AFR).

The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the VA’s programs and operations as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance, and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities, provides guidance on all aspects of financial management, and directs and manages the VA’s financial operations and systems support. The VA’s CFO chairs the Department’s IPERA Governing Board and is the designated Agency Accountable Official. In addition, the CFO will oversee efforts by SAOs when identifying and eliminating the highest improper payments, reducing improper payments, and coordinating Federal, State, and local government action in identifying and eliminating improper payments. The Department CFO will also review and concur on the Quarterly High-Dollar Overpayment Report and will submit one VA-wide coordinated response to the annual OIG audit of IPERA compliance.

Administration and Staff Office CFOs are responsible for accurate testing, projections and reporting and must coordinate activities with OM through the IPRO Office. The Administration and Staff Office CFOs are responsible for oversight of the SAOs in their Administrations and Staff Offices to ensure that corrective action plans are created and monitored and that recapture and recovery activities are performed – all in accordance with VA policy. Administration and Staff Office CFOs in collaboration with SAOs are
also responsible for providing oversight of progress made to implement supplemental measures and preparation of the request for relief from reporting high-risk programs. Administration and Staff Office CFOs in collaboration with SAOs are responsible for coordinating all data analytics activities with FSC and IPRO regarding the Fraud Reduction and Data Analytics Act of 2015 (herein after referred to as Fraud Act) as well as identifying any fraud risk within their respective programs. Administration and Staff Office CFOs will ensure that test plans include attributes designed to identify potential fraud and ensure any risks identified during testing are properly addressed by the SAO in the program CAPs.

**Under Secretaries, Assistant Secretaries, and other key officials** must stay abreast of all IPERA review activities to include ensuring that the appropriate SAO for each program and activity in the Department performs a risk assessment at a minimum every three years or as otherwise required. All heads of VA offices have the responsibility to implement financial policies and procedures established by the CFO, including compliance with the policies and procedures set forth in this chapter.

**Applicable Under Secretaries, Assistant Secretaries, and other key officials** will ensure that for each IPERA Reportable Program a SAO will be designated as responsible for reducing improper payments and obtaining and maintaining compliance with IPERA. In addition, these officials will ensure responses to the annual OIG audit of IPERA compliance are provided to the IPRO Office for submission as one VA-wide coordinated response and be accountable for rectifying any non-compliance with IPERA requirements identified by the OIG.

**SAOs** are responsible for remediating improper payments and overseeing payment recapture audits, development and implementation of CAPs, and development of supplemental measures when the program or activity is deemed high-priority as well as quality of testing reviews. Additionally, SAOs are responsible for focusing on identifying and eliminating the highest improper payments, reducing improper payments, and coordinating Federal, State, and local government action in identifying and eliminating improper payments. SAOs are also responsible for notifying and coordinating with the IPRO Office and their Administration or Staff Office CFO on any reviews or audits that are associated with improper payments. SAOs, in conjunction with responsible Administration or Staff Office CFOs, are responsible for preparing the request for relief from reporting high-risk programs. SAOs, in collaboration with Administration and Staff Office CFOs, are responsible for coordinating all data analytics activities with FSC and IPRO regarding the Fraud Act, identifying any fraud risk within their respective programs, testing for potential fraud, and ensuring CAPs address any identified fraud risk.

**The Deputy Assistant Secretary (DAS) for Finance** is responsible for issuing Department-wide guidance for implementing IPERA and for providing oversight on related Departmental activities to include input on risk assessments, testing plans, and CAPs. In addition, the DAS for Finance will review and concur on the Quarterly High-
Dollar Overpayment Report. The DAS for Finance is also responsible for reviewing and approving the IPERA portion of the AFR.

The IPRO Office manages IPERA compliance for VA. As such, the IPRO Office is responsible for issuing IPERA policy and guidance; setting target due dates and providing extensions when appropriate; reviewing/providing oversight of all completed risk assessments, testing plans, and CAPs; completing all data collection and reporting requirements in compliance with OMB timelines for reporting on IPERA activities; and meeting the reporting requirements of Presidential management mandates unless appropriate waivers are obtained. After risk assessments, testing plans, and CAPs are reviewed, the Director, IPRO Office will report results to the IPERA Governing Board or through another identified venue as directed by the DAS for Finance. In addition, the Director, IPRO Office coordinates all formal requests to OIG and OMB to remove qualified programs from the IPERA annual review process and reporting requirements. The Director, IPRO Office, also reviews, consolidates, and submits the Quarterly High-Dollar Overpayment Report to the VA Secretary through the DAS for Finance and the Department CFO. Once approved, IPRO ensures the report is provided to the OIG and CIGIE. In addition, IPRO Office will work closely with SAOs and relevant Administration and Staff Office CFOs on any OMB-designated high-priority programs to ensure requirements are being addressed and consistently keep the DAS for Finance abreast of status as well as any risks or concerns. In addition, IPRO leads the Department’s efforts in implementation of the Fraud Act requirements and in ensuring VA’s IPERA activities are reported in the AFR.

The Office of Internal Controls, Internal Controls over Reporting Office (ICR) is responsible for the annual reporting in the AFR related to internal controls over improper payments, including any required tables. Any testing or reviews of IPERA Reportable Programs will be coordinated with the IPRO Office. OIC may also perform additional reviews of internal controls for OMB-designated high priority programs as requested by the IPRO Office. In addition, OIC ensures Fraud Act requirements are incorporated into internal control policy as appropriate, to include requiring all CAPs developed as a result of the annual entity level internal controls assessment address any identified potential fraud risk areas, if identified during the assessment.

Led by the Department CFO, the IPERA Governing Board is comprised of Department CFO, Administrations CFOs, Chief Acquisition Officer, DAS for Resource Management and SAOs for IPERA reportable programs. For noncompliant programs, the SAO or their designee will provide briefings, as requested, by the Governing Board regarding progress made towards obtaining compliance with IPERA. The Board will regularly receive updates on the current status of testing and corrective actions in programs, and ensure that all programs are responsive to requests and actions led by the Director, IPRO Office.

VA Financial Services Center (FSC) is the operational lead and responsible for ensuring that all databases required in Section 5 of IPERA are available and being
used. To ensure efficiency, FSC will ensure maximized VA use of the Do Not Pay Portal when practical and then coordinate with Administrations and Staff Offices to ensure remaining databases are being used. FSC ensures VA’s compliance with DNP through review and oversight activities. Specific responsibilities include:

- Coordinating with Administrations and Staff Offices to ensure centralized knowledge of all VA activities that support VA’s compliance with IPERA
- Maintaining DNP SharePoint files on the FSC’s Collaboration SharePoint site,
- Chair VA’s DNP Working Group and co-ordinate activities with Treasury’s Do Not Pay Business Center,
- Review and submit all access request forms and user rosters to the Treasury DNP Coordinator,
- Provide Administrations and Staff Offices with operational guidance on DNP Portal activities,
- Lead Administration and Staff Office efforts to assess which phase in the payment process (i.e. pre or post payment review, or both) and the appropriate DNP data sources their payments should be matched,
- Coordinating systems of record Data Sharing Agreements in collaboration with DNP points of contact and The Department of Treasury

FSC will track Administration and Staff Office progress in resolving payments identified as possibly improper through the DNP portal and elevate any concerns regarding timeliness to the DAS for Finance and the IPRO Office for inclusion in future IPERA Governing Board discussions. In addition, FSC will make available Fraud Act service offering under their Data Analytics product line. Level of Effort will be contained in each Customer’s FSC Agreement. FSC will provide a representative to serve as a member of the Fraud Act Workgroup.

0905 POLICIES

090501 Programs or activities susceptible to significant improper payments

Through a comprehensive program analysis, VA will identify those programs or activities that are susceptible to significant improper payments (high-risk). Programs or activities susceptible to significant improper payments are those having error rates meeting the threshold of $10M and 1.5 percent of program outlays or $100M in improper payments. For programs or activities that are deemed to be low risk of significant improper payments, risk assessments must be performed at least once every three years. However, if low risk programs or activities are affected by a significant change in legislation and/or a significant increase in funding level they will reassess their risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment. If the program or activity is already measuring and reporting improper payments, or will measure by an established date, or if the program or activity has already been identified through risk assessments as susceptible to
significant improper payments, then VA does not need to conduct a risk assessment the following year unless the program has been deemed high priority. High priority programs will reassess their risk during the annual risk assessment period.

090502 Programs or activities deemed susceptible to significant improper payments

Programs or activities deemed susceptible to significant improper payments will design, document and implement statistical sampling and testing on that program or activity to obtain a statistically valid estimate of the annual amount of improper payments. Statistical sampling plan methodology must be prepared by a statistician and certified by the SAO of the program or activity as well as a representative of the VA CFO.

090503 Corrective action plans (CAP) and reduction targets

For all high-risk programs, VA shall identify the reasons these programs are at risk of improper payments and implement a CAP to reduce them. VA must also identify reduction targets for future improper payment levels and a timeline within which the targets will be reached. Reduction targets must be approved by the Director of OMB during the annual review and approval process of the Agency Financial Report (AFR).

090504 Annual reporting

VA will report annually in the AFR an estimate of the annual amount and rate of improper payments for all programs determined to be high-risk. High-risk programs must follow all improper payment reporting requirements delineated in OMB Circular A-136. Each program office that reports programs susceptible to significant improper payments in the AFR is responsible for designating a SAO. AFR reporting requirements related to accountability are detailed in OMB Circular A-136 and VA OFP Volume VII Chapter 10 Financial Reporting: Agency Financial Report Preparation.

090505 Payment Recapture Audits

VA is required to conduct payment recapture audits for each program and activity that expends $1 million or more annually if conducting such audits would be cost-effective. Improper payments identified and amounts recovered are reported in the AFR. If a Program uses an external contractor, additional reporting requirements may be triggered under Appendix C, Part I D.16. Administration and Staff Office CFOs are required to alert IPRO if an external contractor is retained to perform payment recapture audits in any of their programs or activities in order to coordinate any additional reporting requirements.

090506 High-priority programs
Programs with the most serious cases of improper payments (high-priority) will be determined by OMB based on improper payment reporting in VA’s AFR. High-priority programs are required to develop semi-annual or more frequent supplemental measures for reducing improper payments that focus on higher risk areas within the high-priority programs and report on root causes of improper payments. Agencies with high-priority programs are required to name accountable officials to oversee efforts to reduce program improper payments. VA is required to post supplemental measures to PaymentAccuracy.gov. OMB’s classification conditions for high-priority programs can be located in Appendix C.

090507 High-Dollar Overpayment

VA will comply with High-Dollar Overpayment requirements. At least once every quarter, the VA Secretary will submit to the VA’s OIG, OMB, and the CIGIE and make available to the public, a report on any high-dollar improper payments identified by VA, subject to Federal privacy policies and to the extent permitted by law. The report will describe any actions VA has taken or plans to take to recover improper payments, as well as any actions VA intends to take to prevent improper payments from occurring in the future. The program office for programs with significant improper payments reported in the AFR must also review, identify, and report any high-dollar overpayments every quarter, unless a waiver is received.

090508 Prepayment and preaward procedures

VA will review prepayment and preaward procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs to determine program or award eligibility and prevent improper payments before the release of any Federal funds. Section 5 of the IPERIA lists the minimum review requirements that must be completed before issuing any payment or award. VA will follow the Do Not Pay Initiative policies outlined in P.L. 112-248 (IPERIA) and applicable OMB Memorandums.

090509 Fraud Reduction and Data Analytics Act of 2015

VA will implement the requirements of the Fraud Reduction and Data Analytics Act of 2015 (P.L. 114-186).

Once fully implemented, the financial and administrative controls shall include:

- conducting an evaluation of fraud risks and using a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks;
- collecting and analyzing data from reporting mechanisms on detected fraud to monitor fraud trends and using that data and information to continuously improve fraud prevention controls; and
• using the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response.

VA shall submit as part of its annual financial report a report on its progress in:

• implementing such financial and administrative controls, the fraud risk principle in the Standards for Internal Control in the Federal Government, and OMB Circular A-123 leading practices for managing fraud risk;
• identifying risks and vulnerabilities to fraud; and
• establishing steps to curb fraud.

090510 Coordinated response to OIG

VA will submit one coordinated response through the Office of Management (OM) to the annual OIG audit of IPERA compliance. This process will be managed by the IPRO Office.

0906 PROCEDURES¹

090601 Program Analysis.

Each year, VA will perform a program analysis to identify all programs within VA, and to ensure that the total VA fiscal year outlays or disbursements are accounted for by appropriation fund code. A suggested Program Analysis template is located in Appendix 2. Completed templates are to be submitted to the IPRO Office by dates established on the annual IPERA calendar. Administrations and Staff Offices may adapt their own Program Analysis templates, with approval on the final template from the IPRO Office prior to performing program analysis to ensure consistency within the agency. IPRO Office will complete the program analysis for Staff Offices.

090602 Pre-Risk Assessments and Risk Assessments².

Using the results of the program analysis process, program offices responsible for IPERA activities will review all programs to compile an annual comprehensive program inventory and provide to the IPRO Office.

A. All programs not already deemed high-risk will perform an annual pre-risk assessment to determine which programs require a full risk assessment. The

¹ These procedures are high-level in nature and are not intended to be desk procedures.
² For additional information on VA's internal control program, including OMB Circular No. A-123, Appendix A, Internal Controls over Financial Reporting, refer to Volume I, Chapter 5, Management Accountability and Control Program.
program offices responsible for IPERA activities will provide the IPRO Office results of the pre-risk assessments annually. For programs that are low risk, risk assessments must be performed at least once every three years.

a. To assist reporting entities with determining when a risk assessment is required refer to Table 1. Table 1 reflects OMB’s guidance on risk assessments. This is subject to change based on new requirements.

b. A Pre-Risk Assessment Questionnaire (See Appendix 3 – Pre-Risk Assessment Questionnaire) shall be used to help program offices determine the need for conducting a risk assessment. When the questionnaire indicates that a risk assessment is required in the current year, program offices shall use the Risk Assessment Questionnaire (See Appendix 4 – Risk Assessment Questionnaire) to determine whether or not their program is highly susceptible to improper payments (high-risk). Management

Table 1: Decision Table on Risk Assessments

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<td>has never completed a risk assessment before</td>
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<td>was low or medium risk in a prior year and had a significant change in legislation</td>
<td>is required</td>
<td>may be required</td>
</tr>
<tr>
<td>was low or medium risk in a prior year and had a significant increase in its funding level</td>
<td>is required</td>
<td>may be required</td>
</tr>
<tr>
<td>had a change that resulted in a substantial program impact</td>
<td>is required</td>
<td>may be required</td>
</tr>
<tr>
<td>was low or medium risk in a prior year</td>
<td>is required once every three years (unless otherwise directed by OM)</td>
<td>may be required</td>
</tr>
<tr>
<td>is susceptible to improper payments as reported in the prior fiscal year</td>
<td>is not required</td>
<td>is required</td>
</tr>
<tr>
<td>is designated as High-Priority by OMB</td>
<td>required</td>
<td>is required</td>
</tr>
<tr>
<td>has a waiver from OMB</td>
<td>is not required</td>
<td>is not required</td>
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B. Program offices will perform risk assessments using the approved Risk Assessment template (see Appendix C) and submit, through their responsible Administration IPERA activity office and, if applicable, to the Director, IPRO Office for review. The CFO can direct all programs or activities under their jurisdiction to complete risk assessments as needed.

The Risk Assessment template provides a systematic method of reviewing a program and identifying if the program is susceptible to significant improper payments. This systematic method takes into account the following risk factors likely to contribute to significant improper payments:

a. Whether the program or activity reviewed is new to VA;
b. The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
c. The volume of payments made annually;
d. Whether payments or payment eligibility decisions are made outside of VA, for example, by a State or local government, or a regional Federal office;
e. Recent major changes in program funding, authorities, practices, or procedures;
f. Inherent risks of improper payments due to the nature of VA programs or operations;
g. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;
h. Significant deficiencies in audit reports of VA including, but not limited to the VA OIG or the Government Accountability Office (GAO) report audit findings, or other relevant management findings that might hinder accurate payment certification; and
i. Results from prior improper payment work.

Completed inventories of programs and activities, Pre-Risk Assessment Questionnaires, and risk assessments are due on the dates established in the IPERA calendar and must be submitted to the IPRO Office for review. The Director, IPRO Office briefs the DAS for Finance on the status of risk assessments and coordinates briefings on status to the IPERA Governing Board as needed.

C. Other Risk Susceptible Programs: OMB may determine on a case-by-case basis (e.g., if an audit report raises questions about a VA risk assessment or improper payments results) that certain programs that do not meet the threshold requirements described above may still be subject to the annual AFR reporting requirement.
090603 Statistically Valid Sample Design

A. All high-risk programs must work with a statistician to design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates. Changes in the statistical sample, including changes in sample size, shall result in the submission of a new sampling plan to the IPRO Office. Sampling plans must be signed by: a statistician; a representative from the program office that is a member of the SES or SES equivalent SAO level from CFO within the Administration and Staff Office; and the Director, IPRO, as the OM designated official. Additional requirements for the plan are outlined in Appendix 5.

B. Programs reporting improper payments for the first time and programs revising their current methodology shall conform to the process and content described in Appendix 5 of the policy document. Each element within Appendix 5 must be clearly addressed. Any Programs currently using methodologies approved by OMB under the previous version of Appendix C do not need to resubmit a methodology plan unless an update to the plan is warranted. Programs should consider updating their plan if the program undergoes any significant changes such as legislative, funding, structural, etc. SAOs must consider results of any OIG or GAO audit identifying improper payments or potential fraud in their programs or activities to ensure the sampling plan appropriately accounts for any systemic issues.

C. Programs shall clearly and concisely describe the statistical methods that will be used to design and draw the sample and produce an improper payment estimate for the program in question. The plans shall explain and justify why the proposed methodology is appropriate for the program in question. Accurate statistical formulas, tables, any additional materials to demonstrate how the sampling and estimation will be conducted, and the appropriateness of those statistical methods for the program must support this explanation. Program sampling and estimation plans must be complete and consistent. The IPRO Office must be notified timely via VACO0471@va.gov if any changes are made to the sampling and estimation plans to ensure changes are provided to OMB by the annual deadline.

090604 Development of Test Plans and Testing

All high-risk programs must be tested to adequately estimate the amount of improper payments the program may issue within a given period. VA Administrations and Staff Offices will develop test plans that appropriately identify attributes needed to determine the appropriateness of payments in accordance with Appendix C and VA direction. Administration and Staff Office CFOs need to ensure program testing, in accordance with the OMB definitions, was accurate to ensure projected results truly represent the improper payments in programs and activities.

A. At a minimum, test plans should contain criteria to be applied in determining whether
a payment is proper and should be catered by program to detail the necessary attributes under each of the high-level topics:

a. Eligibility.
b. Correct Vendor, Veteran or Beneficiary.
c. Correct Amount.
d. Valid supporting documentation.

B. VA Administration and Staff Office CFOs, in coordination with the IPRO Office will develop and review test plans for each program. The test plan provides a list of compliance factors to be tested. Instructions for developing a Test Plan are outlined in Appendix 6.

C. Annually, program offices and staff review and update the electronic review checklists (test plans) used for sample testing prior to submitting to the IPRO Office for review. Submissions will ensure the SAO and responsible Administration and Staff Office CFO carefully reviewed the results of any OIG or GAO report identifying improper payments in their programs or activities and updated testing, as appropriate, to ensure an accurate estimation of improper payments.

D. Program offices will notify the IPRO Office no less than annually that testing procedures have not been updated or provide updated tools, including documentation, to the IPRO Office.

090605 Statistical Extrapolation and Analysis

A. VA relies on a qualified statistician to develop the estimation methodology and perform the extrapolation and analysis of test results. VA Administrations and Staff Offices extract all data and sends testing results to its statistician for estimation of annual improper payments. Detailed results, including extensive calculations, are submitted to VA Administrations, Staff Offices, and the IPRO Office by the statistician to demonstrate the statistical validity.

090606 Corrective Action Plans (CAP)

A. Offices with programs or activities reporting improper payments in the AFR will develop a CAP that identifies corrective actions that will resolve the root cause for improper payments identified through IPERA testing or systemic issues causing improper payments identified via other internal or external reviews. Each corrective action must have an owner and a due date. The CAP template can be found in Appendix 7.
B. Program Offices will submit the CAP, through their responsible Administration IPERA activity office, if applicable, to the IPRO Office Director for review. CAPs will contain the following elements:

<table>
<thead>
<tr>
<th>CAP Elements</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Root Cause Category Identified</td>
<td>This is an overall category that a CAP is addressing. VA reporting entities must utilize the results of their statistical sampling testing to identify the root causes and implement corrective actions to prevent and reduce associated improper payments. For internal and external reviews that identify improper payments, SAOs must identify the root cause as described in the review.</td>
</tr>
<tr>
<td>Root Cause is Clearly Defined</td>
<td>In order to build a plan to address a root cause, it is important that the root cause is defined to a level of detail that clearly indicates what is happening in the business process causing this improper payment to occur. This will require additional detail beyond just identifying the root cause category.</td>
</tr>
<tr>
<td>Initiation Date</td>
<td>Each corrective action should have a clearly defined start date.</td>
</tr>
<tr>
<td>Estimated Completion Date</td>
<td>Each corrective action should have a clearly defined completion date.</td>
</tr>
<tr>
<td>Primary Owner</td>
<td>There should be an owner for each corrective action included in the plan so that there is accountability.</td>
</tr>
<tr>
<td>Quantitative Measure Clearly Defined</td>
<td>The measure must be something that can be tracked and measured.</td>
</tr>
<tr>
<td>Task</td>
<td>The task that is proposed describes the overall action that will be taken to directly address the root cause identified.</td>
</tr>
<tr>
<td>Sub-task Addresses Task</td>
<td>Sub-tasks should clearly show that if they are completed they will meet the overarching task.</td>
</tr>
<tr>
<td>Impact to Improper Payments</td>
<td>This should show the percentage of improper payments that when, the corrective action is completed, the expected impact to improper payments would be met.</td>
</tr>
</tbody>
</table>

A deep dive into the testing results is necessary in order to understand what is causing the improper payments and what steps are necessary to address the
weakness or weaknesses allowing these improper payments to occur. Root causes may be due to anomalies, random events, or due to process vulnerabilities and other systemic factors (e.g., failure to obtain documentation or failure to update recipient eligibility).

It is important that corrective actions VA anticipates taking are measurable and quantifiable. The connection to how the steps proposed and the ultimate impact to VA’s improper payment rate must be clear. These tasks and sub-tasks should clearly show this connection. For example, if “no documentation available” was the reason and accounted for 10 percent of the errors identified, then a target may be to reduce errors due to “no documentation available” by 50 percent in the next year.

SAOs will initiate and monitor the corrective actions through completion as well as evaluating effectiveness of corrective actions after implemented, providing updates as required, through their responsible Administration IPERA activity office and, if applicable, to the IPERA Governing Board through the Director, IPRO Office. Instructions for completing the CAP Template are outlined in Appendix 7.

SAOs submit their completed CAP to their Administration or Staff Office CFO for oversight review. Once reviewed, the responsible Administration or Staff Office CFO submits to the IPRO Office for review annually. The DAS for Finance as well as the IPERA Governing Board will receive updates on the status of corrective actions in all programs reporting improper payments no less than annually.

090607 High-Priority Programs

A. High-priority programs, as identified by OMB, will coordinate with the IPRO Office to develop and implement supplemental measures (or actions) for reducing improper payments. Administration and Staff Office CFOs, in collaboration with SAOs, are responsible for providing oversight of progress made to implement supplemental measures.

B. The Director of OMB must receive the name and position of both the proposed Agency Accountable Official and SAO within 30 calendar days from the date of a newly designated high-priority program or if either of the accountable official’s position becomes vacant. Programs will notify the IPRO Office of SAOs and the IPRO Office will compile and provide to the Director of OMB.

C. Within designated high-priority programs, supplemental measures should focus on higher risk areas and report on root causes of improper payments that agencies can resolve through corrective actions. Supplemental measures should use available and accessible information (e.g., claims, payments, files) for the current year rather than previous years to the extent possible. OMB’s criteria for determining high-
priority programs are outlined in Appendix C.

a. For high-priority programs that already report an annual estimate, Administrations and Staff Offices will develop semi-annual or more frequent supplemental measurements within 180 days of a program being deemed high-priority; or

b. For high-priority programs that are establishing or revising their estimation methodology, Administration and Staff Office CFOs and program SAOs will, in coordination with the IPRO Office, work with OMB to establish a plan for meeting the Executive Order 13520 within 180 days of being deemed high-priority. IPRO provides high-priority programs with the detailed template for reporting supplemental measures within the AFR.

D. When identifying areas within the high-priority program that should be part of the supplemental measures requirement, programs should focus on areas that will provide the greatest rate of return on investment to the program and ones they have the most control over. To identify such areas where programs could achieve optimal impact on improper payment prevention and reduction, SAOs should analyze their programs and root causes of improper payments.

E. SAOs shall tailor their corrective actions for programs deemed high-priority to better reflect the unique processes, procedures, and risks involved in each specific program. This information is reported in the AFR annually. Program SAO’s will submit this information to the IPRO Office for review.

F. SAOs for high-priority programs shall submit current or future supplemental measure actions to the IPRO Office for review and submission to OMB. Supplemental measures must include a summary of the program, Agency Accountable Official, SAO, current outlays, current improper payments, current improper payment rate, current year improper payment rate target, current measure, and a description of the supplemental measure. Once approved, OMB will post the aforementioned information on PaymentAccuracy.gov for public awareness.

090608 VA Reduction Targets

SAOs shall calculate reduction targets for future improper payment levels (i.e. future estimated error rate) and a timeline within which the targets will be reached for their programs and activities reporting improper payments in the AFR. The discussion below presents a standard methodology to develop reduction targets.

A. Upon obtaining the final, approved error rate for a program in the current year, the improper payments identified during testing must be analyzed to determine the root
cause of the errors. Reduction targets must be reviewed and approved by OMB through the annual AFR review process. When establishing reduction targets, program offices should consider the following:

a. Identification of the error type and its root cause.
b. The effect of each error type identified on the most recent error rate calculation for that program. How much lower would the error rate have been if errors from this source were eliminated?
c. A measurable target reduction for each error type identified (this information is identified when corrective actions for the CAP are developed).
d. Estimated effect on the current error rate if all reduction targets were achieved.

B. The future estimated error rate is calculated for each of the next three years. It is based on the most recent testing data for the program and other external factors.

C. Programs reporting for the first year, will not have a reduction target rate. The program will report prior year estimates as zero and footnote in the annual report explaining there is no prior year data for the program. The three succeeding year estimated error rates will be calculated as outlined above.

090609 Improper Payment Reporting

A. For the annual IPERA report in the AFR, VA must follow current IPERA reporting as prescribed under A-136. The IPRO Office will provide direction on reporting required information to ensure plans are in alignment with A-136 and OMB requirements. VA has some discretion as to how it chooses to report some of the required information while other information structures are strictly laid out in A-136. The IPRO Office will work with the Administration and Staff Office CFOs and SAOs to refine overall AFR messaging, as appropriate. VA will report all Improper Payments information in a separate section of AFR, which VA’s OIG will use to determine if VA is in compliance with IPERA requirements. The IPERA section of the AFR consists of an introduction and multiple sections. Descriptions of each section and the information sources are detailed in A-136. VA recently published Financial Policy, Volume VII, Financial Reporting: Agency Financial Report Preparation, which outlines internal AFR reporting requirements.

B. If VA is not compliant under IPERA, the IPRO Office will provide additional guidance to VA offices in completing the additional reporting actions described below:

a. If a VA program is not compliant for one fiscal year, within 90 calendar
days of the determination of non-compliance, VA shall submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB, describing the actions that VA will take to become compliant. The plan shall include:

i. Measurable CAPs to be accomplished in order to achieve compliance for each program or activity. These corrective actions must clearly identify a timeline for completion and the percentage of improper payments that should be reduced as a direct result;

ii. The designation of a SAO, a member of the SES, who shall be accountable for the progress of the program coming into compliance. As such, the SAO must have the span of control necessary to affect change in the program or activity determined to be noncompliant; and

The establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the SAO in leading efforts to achieve compliance for the program or activity. VA interprets this requirement to mean a performance measure that provides transparency into whether the measure was met and when incentives/consequences are enforced.

b. If a VA program is not compliant for two consecutive fiscal years, the Director of OMB will review the program and determine if additional funding would help VA come into compliance. This process may unfold as part of the annual development of the President's Budget or otherwise at the direction of OMB. IPRO will work with the SAO and other VA offices, as appropriate, to respond to requests from OMB. If the Director of OMB determines that additional funding would help VA become compliant, the CFO will work with the responsible Administration or Staff Office to ensure VA obligates an amount of additional funding determined by the Director of OMB to intensify compliance efforts. When providing additional funding for compliance efforts, VA shall:

i. Exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the Director
of OMB; and

ii. Submit a request to Congress for additional reprogramming or transfer authority if additional funding is needed to meet the full level of funding determined by the Director of OMB.

c. If a VA program is not compliant for three consecutive fiscal years for the same program of activity, within 30 days of the determination of non-compliance, the SAO will work with the IPRO Office to ensure VA submits to Congress the following, in order to bring the program or activity in question into compliance:

i. Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years; or

ii. Proposed statutory changes necessary to bring the program or activity into compliance.

C. In addition, OMB may require a VA program that is not compliant with the law (for one, two, or three years in a row) to complete additional requirements beyond those requirements listed above. For example, if a program is not compliant with the law, OMB may determine that VA must re-evaluate or re-prioritize its corrective actions, intensify and expand existing corrective action plans, or implement or pilot new tools and methods to prevent improper payments. OMB will notify VA of additional required actions as needed. The SAOs and responsible Administrations or Staff Office CFOs will work closely with the IPRO Office to ensure all requirements are met fully and timely. Lastly, the IPRO Office will share any plans or proposals required by this section with its OIG once fully coordinated with OMB.

D. If a program or activity that was risk assessed as highly susceptible has documented a minimum of two consecutive years of improper payments that are below the statutory thresholds, then the SAO, in conjunction with the responsible Administration or Staff Office CFO, may prepare a request for relief from the annual reporting requirements (See Appendix 8: Relief from Reporting High-Risk Program). These activities must be coordinated with the IPRO Office and notification provided to the IPRO Office prior to April 1 in the year the request for relief is to be submitted.

This request must be submitted in writing to OIG for concurrence. If OIG provides a concurrence, the IPRO Office will submit the request to OMB no later than June 30
in the fiscal year for which VA is requesting to halt reporting. If OMB approves the request, VA must still incorporate that program or activity into its risk assessment cycle for future years.

E. High-Dollar Overpayment Reporting. OMB guidance located in Part III, Appendix C and Executive Order 13520 require agencies with programs susceptible to significant improper payments to report quarterly on high-dollar overpayments to the agency’s OIG, to the CIGIE, and to make the information available to the public. If VA finds the high-dollar report is duplicative of other reports performed, the IPRO Office may submit a written request to OMB for an alternative reporting structure. Included in the request should be a listing of the other report(s) and a detailed description of how those reports provide the same information as the high-dollar report. After reviewing any such request, OMB may permit VA to use existing reporting mechanisms in lieu of separate quarterly high-dollar reports. After reviewing each report, OIG and CIGIE shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency’s plans.

OMB guidelines define high-dollar overpayments as those that exceed 50 percent of the correct amount of the intended payment and where the overpayment(s) within the quarter exceeded a single or cumulative payment of $25,000 to an individual or $100,000 to an entity. VA has further defined the reporting requirements and payment threshold to $8,333 to an individual and $33,000 to an entity. If VA has corrected the overpayment within the quarter in which the payment was made, it does not need to be reported as a high-dollar overpayment.

a. Based on OMB guidelines, VA is permitted to leverage existing reporting mechanisms in lieu of reporting on the quarterly high-dollar overpayment report. Sources to consider when reporting high-dollar overpayments include:

   i. Annual improper payment testing samples conducted under the IPERA guidelines;
   ii. Payment Recapture/Recovery audits;
   iii. VA post-payment reviews;
   iv. VA OIG reviews;
   v. Self-reports; or
   vi. Reports from the public through Internet and telephone hotlines and other referrals.

b. At a minimum the following information will be provided in the report:

   i. Any actions VA has taken or plans to take to recover high-dollar
overpayments (the report should address overall actions and strategies); and

ii. Any actions VA will make to prevent overpayments from occurring in the future (the report should address overall actions and strategies).

c. For the Quarterly High-Dollar Overpayments Report, reporting organizations will submit reports to the IPRO Office. Refer to Appendix 12, High-Dollar Overpayments Reporting, for the high-dollar overpayment template that should be used. The report will be initially received and approved by the DAS for Finance. Once concurrences are obtained, the report will be submitted to the Department CFO, prior to submission to the Office of the Secretary. Once approved by the Secretary, the IPRO Office will submit to the OIG and CIGIE.

090610 Payment Recapture Audits

A. IPERA requires:

a. A cost-effective payment recapture audit program as part of a system of internal controls to prevent, detect, and recover overpayments.
b. A payment recapture audit program for programs that expend more than $1 million in a fiscal year, if conducting such audits is cost-effective.
c. Program audits to be performed by employees of VA, by another department or agency of the Federal government acting on behalf of the VA, by non-Federal entities expending awards, by contractors performing services under contracts awarded by VA, or any combination thereof.
d. Establishment of payment recapture targets that drive annual performance.
e. Information from program audits be used to ensure actions are taken to improve VA’s internal controls to address problems that directly contribute to the issuance of improper payments.

B. FSC will offer payment recapture audit program services for the agency in compliance with IPERA. FSC, as a Franchise Fund (fee for service organization), conducts payment recapture audits for programs via service-level agreements (SLAs). FSC will report their activities to the IPERA Governing Board, as requested. Responsible officials within the Administrations or Staff Offices may elect to perform the payment recapture audit “in house,” use another Federal Organization, or use an external contractor instead of using FSC’s services. If FSC services are not utilized, responsible officials must coordinate reporting through their CFO Office to IPRO. As noted in 090205, Administration and Staff Office CFOs are required to alert IPRO if they retain an external contractor to perform their payment recapture audits. SAOs without FSC SLAs will report their payment recapture audit program to the IPERA Governing Board, as requested.

C. FSC or individual Administrations and Staff Offices shall create and then review their Payment Recapture Audit Programs annually and submit updates to the IPRO Office
once completed. The Payment Recapture Audit Program will identify roles and responsibilities, to include identifying responsible officials responsible, at a minimum, for requirements in this policy, and specifically identify the responsible official for conducting a cost-benefit analysis. See Appendix 9 for instructions for conducting a cost-benefit analysis to determine if a payment recapture audit program is cost effective.

D. Responsible officials shall establish annual program-specific payment recapture targets to drive their performance. These targets should be developed as an essential component of the Payment Recapture Audit Program. The targets shall be based on the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). Current year (CY) amounts and rates, as well as recovery rate targets for the next three years (CY +1, +2, and +3) will be reported in the AFR.

E. When planning a Payment Recapture Audit Program, responsible officials should ensure that activities do not duplicate the work of other audits or reviews of the same set of records, or for the same recipient, when those other audits are designed to specifically employ payment recapture and recovery audit techniques or the same evaluation criteria is used to identify and recapture overpayments. For example, a payment recapture audit that was designed to identify overpayments that only evaluated beneficiary eligibility would not be duplicative of a payment recapture audit that evaluated whether payments were made in the correct amount, since different techniques will be used to identify potential overpayments. However, if both audits evaluated beneficiary eligibility to find overpayments, and they both examined the same set of records, then they would be duplicative to the extent they used the same techniques to identify the same overpayments in the same files. Responsible officials in conjunction with Administration and Staff Office CFOs will coordinate with the OIG and other organizations with audit jurisdiction over VA programs to ensure against such duplication of effort.

Instances of credible evidence of fraud discovered through payment recapture audits and recovery activities shall be reported immediately to the VA Inspector General and responsible officials (Appendix C). Additionally, instances must be handled in accordance with VA DIRECTIVE 0701 - Office of Inspector General Hotline Complaint Referrals.

F. Responsible officials, in conjunction with Administration and Staff Office CFO’s, shall review different types of programs and prioritize conducting payment recapture audits on those categories that have a higher potential for overpayments and recoveries. In addition, VA will use known sources of improper payment information and give priority to recent payments made in programs identified as susceptible to significant improper payments. Possible sources of improper payment information include:
a. Statistical samples and risk analysis that are an essential element of the improper payments reporting and elimination life cycle, and are conducted on an ongoing basis to identify programs at risk for improper payments.
b. The results of ongoing pre-payment and post payment reviews and audits can also be successfully leveraged to prioritize payment recapture audit efforts.
c. VA Inspector General reviews, GAO reports, self-reported errors, reports from the public, audit reports, and the results of VA audit resolution and follow-up process, can all serve as useful sources of information when prioritizing payment recapture audits and developing payment recapture audit program plans.

G. Payment recapture audits should be implemented in a manner designed to ensure the greatest financial benefit to the Federal government (Appendix C). A key element of the audit program planning process is the execution of a cost-benefit analysis to determine if a payment recapture audit is cost effective for each program. When conducting a cost-benefit analysis, program offices will consider the following criteria (see Appendix 9 for the suggested cost-benefit analysis template to use when completing this step):

a. The likelihood that identified overpayments will be recaptured. For example, whether the:
   i. Laws or regulations allow recovery;
   ii. Recipient of the overpayment is likely to have resources to repay overpayments from non-Federal funds;
   iii. Evidence of overpayment is clear and convincing (e.g., the same exact invoice was paid twice), as opposed to whether the recipient of an apparent overpayment has grounds to contest; and
   iv. Overpayment is truly an improper payment, which can be recovered, rather than a failure to properly document compliance.

b. The likelihood that the expected recoveries will be greater than the costs incurred to identify the overpayments. For example:
   i. Can efficient techniques such as sophisticated software and matches be used to identify significant overpayments at a low cost per overpayment or will labor-intensive manual reviews of paper documentation be required?
   ii. Are tools available to efficiently perform the payment recapture audit and minimize payment recapture audit costs? Payment recapture audits are generally most efficient and effective where there is a central electronic database (e.g., a database that contains information on transactions and eligibility information) where sophisticated software can be used to perform matches and analysis to identify recoverable overpayments (e.g., duplicate payments).
   iii. For each discrete segment of the payment population, based on an estimate of the amount to be recaptured and an estimate of the costs
of identifying the estimated amount to be recaptured, is the estimate of
the amount to be recaptured greater than or equal to the estimate of
the costs to be incurred?

H. If a responsible official determines that conducting a cost-effective payment recapture audit program for certain programs that expend more than $1 million is not feasible, then the programs Administration or Staff Office CFO will coordinate through the IPRO Office to notify OMB and OIG of this decision and include any analysis used by VA to reach this decision when requesting a waiver. OMB may review these materials and determine that VA should conduct a payment recapture audit to review these programs.

As such, program management may work in collaboration with the IPRO Office to seek a waiver if it can clearly document that conducting a payment recapture audit would not be cost-effective. Each waiver request should have specific details around the rationale for exempting the program from a payment recapture audit. At a minimum, the waiver should include documentation that clearly details what options were explored during the cost-benefit analysis phase. More specifically, the documentation should show:

a. Both the internal and external audit resources that were considered;
b. The reasons for not pursuing these resources;
c. To the extent possible, a breakdown of how the costs associated with executing an audit would exceed the potential benefits (i.e., net recovered overpayments vs. costs); and
d. The signature and approval of both program management and administration financial management leadership to demonstrate their concurrence with the decision not to pursue a recapture and recovery audit.

Waivers are reviewed on a triennial basis by the OM and program management will be prepared to submit the results of their cost-benefit analyses for review every three years. Each waiver request must be supported by a completed Cost Benefit Analysis.

Responsible officials will review the results of payment recapture audits to ensure the findings are adequately substantiated and supported to validate and verify that an improper payment does exist. Part of this review will be to determine the source of the funding from which the overpayment was made (e.g., pre-IPERA vs. post-IPERA, discretionary vs. mandatory), and will conclude with all of the actual recoverable overpayments being timely entered as accounts receivables in a manner that makes the recoverable amounts, and the amounts subsequently recovered, easily traceable in the accounting system as a recoverable amount from a payment recapture and recovery audit. To the extent possible, any underpayments identified through the payment recapture and recovery audit process should also be corrected by responsible officials. Requirements related to the
proposed use of recovered amounts are listed in Appendix 10.

I. If external contractors are used for payment recapture auditing, an annual report must be submitted to OMB and Congress by November 1 of each year describing VA actions pursued in the prior fiscal year, recommendations to mitigate conditions to overpayments, and the result of corrective actions employed. The template that should be used when preparing the Annual Report to Congress can be found in Appendix 11.

090611 Do Not Pay Solution

A. Each Administration or Staff Office CFO shall review prepayment and pre-award procedures, and ensure that a thorough review of available databases with relevant information on eligibility occurs, in order to determine program or award eligibility and prevent improper payments before the release of any Federal funds. At a minimum and before issuing any payment and award, Administration and Staff Office CFOs shall review, as appropriate, the following databases to verify eligibility of the payment and award:

   a. The death records maintained by the Commissioner of Social Security.
   c. The Debt Check Database of the Department of the Treasury.
   d. The Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development.
   f. Information regarding incarcerated individuals maintained by the Commissioner of Social Security.

Refer to IPERIA of 2012, P.L. 112–248—JAN. 10, 2013 Section 5, for more info about Do Not Pay process and initiative. Additional information and material for each program is located on the Do Not Pay SharePoint and outlined in Appendix 13. In addition, information on roles and responsibilities associated with Do Not Pay and the adjudication process are listed in Appendices 14 and 15.

0907 AUTHORITIES AND REFERENCES


Public Law 114-109, Federal Improper Payment Coordination Act of 2015

Public Law 114-186, Fraud Reduction and Data Analytics Act of 2015, dated June 30, 2016


OMB Circular A-123, Appendix C Requirements for Effective Estimation and Remediation of Improper Payments, dated October 20, 2014.

OMB Circular A-136, Financial Reporting Requirements – Revised August 4, 2015, Section II.5.8, IPIA (as amended by IPERA and IPERIA) Reporting Details. (This circular is revised annually by OMB. The current version is available on OMB Website: OMB Circular The White House.)


Presidential Memorandum--Enhancing Payment Accuracy Through a "Do Not Pay List" issued June 18, 2010

OMB Memorandum M-07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information

OMB Memorandum M-12-11, Reducing Improper Payments through the "Do Not Pay List", dated April 12, 2012

OMB Memorandum M-13-20, Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative, dated August 16, 2013

Federal Acquisition Regulations

VA Directive 0701 – Office of Inspector General Hotline Complaint Referrals

VA Financial Policy, Volume XII – Debt Management

0908 RESCISSIONS

0909 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VA IPRO: VACO 047I (Outlook)
VHA: VHA CFO Accounting Policy (10A3A) (Outlook)
VBA: VAVBAWAS/CO/FINREP (Outlook)
All Others: OFP Accounting Policy (Outlook)
## APPENDIX 1: SCHEDULE OF ACTIVITIES WITH ESTIMATED TIMELINES

<table>
<thead>
<tr>
<th>Mandated Activities</th>
<th>Authority</th>
<th>Action</th>
<th>From</th>
<th>To</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery Auditing</td>
<td>OMB Circular A-123, Appendix C</td>
<td>Payment Recovery Audit (separate report from AFR reporting)</td>
<td>VA Secretary</td>
<td>OMB, Congress, and OIG</td>
<td>Annually (AFR)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payment Recapture Auditors Recommendations (ONLY required if external contractors conduct payment recapture audits)</td>
<td>VA Secretary</td>
<td>OMB, House Committee on Oversight and Government Reform, and Senate Committee on Homeland Security and Government Affairs</td>
<td>November 1st</td>
</tr>
<tr>
<td>Do Not Pay</td>
<td>IPERIA and Federal Improper Payment Coordination Act of 2015</td>
<td>Do Not Pay (DNP) Initiative</td>
<td>VA Secretary</td>
<td>OMB</td>
<td>Annually (AFR)</td>
</tr>
<tr>
<td>High Dollar Overpayments</td>
<td>OMB Circular A-123, Appendix C</td>
<td>Report high-dollar overpayments (HDOP)</td>
<td>Administrati or Staff Office</td>
<td>IPRO</td>
<td>Quarterly: Q1 – February, Q2 – May, Q3 – August, Q4 – November</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Report high-dollar overpayments (HDOP)</td>
<td>IPRO</td>
<td>VA Deputy Assistant Secretary for Finance</td>
<td>Quarterly: Q1 - March, Q2 – June, Q3 – September, Q4 – December</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Report high-dollar overpayments (HDOP)</td>
<td>VA Deputy Assistant Secretary for Finance</td>
<td>VA OIG and Public</td>
<td>Quarterly: Q1 - April, Q1 – July, Q3 – October, Q4 – January</td>
</tr>
<tr>
<td>Mandated Activities</td>
<td>Authority</td>
<td>Action</td>
<td>From</td>
<td>To</td>
<td>Due</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>----------------------------</td>
<td>------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>High-Risk Program Testing</td>
<td>OMB Circular A-123, Appendix C; OMB Circular A-136</td>
<td>Submission of final AFR (includes reporting on the following tasks)</td>
<td>VA Secretary</td>
<td>OMB, GAO, and the Congress</td>
<td>Annually: November 15, 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Risk Assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Testing Results</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Estimated improper payment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Corrective Action Plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reduction Targets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recovery Efforts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Initiate request for relief from High-Risk Program Reporting</td>
<td>Administrati on or Staff Office</td>
<td>OM/IPRO</td>
<td>Annually: April 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Request for relief from High-Risk Program Reporting</td>
<td>Administrati on or Staff Office with approval from OIG</td>
<td>OMB</td>
<td>Annually: June 30</td>
</tr>
</tbody>
</table>
APPENDIX 2: PROGRAM ANALYSIS

Instructions:

1. Obtain VA SF-133 MinX FY Reports (Line 3020 – Outlays) by Fund Code from the Financial Service Center (FSC), the Office of Financial Reporting (047GB), or other appropriate reporting authority.

2. Obtain Financial Management System (FMS) or system of record extracts for transactions recorded in standard general ledger accounts 480N, 480P, 490N, and 480P associated with each fund code consisting of Undelivered Orders (Obligations, Prepaid/Advanced) and Delivered Orders (Obligations, Paid), respectively (less inter-governmental transactions). The extract should include:
   a. Treasury Account Symbol (TAS);
   b. Fund Code (6-Digit);
   c. Budget Object Code;
   d. Cost Center;
   e. Program Number (if applicable);
   f. Program Name (if applicable);
   g. Authorization Code or Transaction Code; and
   h. Total Dollars (outlays).

3. Tab 1: 480*, 490* Crosswalk, enter the extract information from the Program Analysis template.

4. Tab 2: Program Template, enter group extract data by transaction type and program name. This tab will provide a list of all programs and all outlays by payment type.

5. Tab 3: SF133 Recon by Tas, enter SF-133 information into this template. This tab will provide a reconciliation of the Crosswalk to the SF-133 data and separate transactions that may be in-scope from journal entry adjustments that are out of scope.

6. Tab 4: Recon by Program Totals, will support completeness and accuracy of the program analysis and aid in reconciling the SF-133 to the extract.3

---

3 For most of VBA programs, transactions are interfaced into FMS at the TAS or sub TAS level and a program level break out from FMS or MINX is not available.
7. Tab 5: SBR Template, add the data to accomplish the checklist. VA entity-level SF-133 submitted to Treasury should match the Statement of Budgetary Resources (SBR) published in the agencies annual PAR or AFR. An optional reconciliation has been built into the template and provides for a comparison of the SF-133 to the SBR.

8. Tab 6: Program Checklist should have a variance of no more than 2 percent. All variances should be explained before submitting the Program Analysis template to the Program Office for review.

9. Tabs 7: Adjustments (in scope) and 8: Sampling Universe respectively, outline the sampling universe and in-scope adjustments.

Tools:

- SF-133 – Report on Budget Execution and Budget Resources.
- VA Statement of Budgetary Resources (SBR).
- GL 480* – FMS General Ledger Account: Undelivered Orders (Obligations, Prepaid/Advanced).
- GL 490* – FMS General Ledger Account: Delivered Orders (Obligations, Paid).

**Tab 1: 480*, 490* Crosswalk**

<table>
<thead>
<tr>
<th>VA Totals by Fiscal Year</th>
<th>Summary of Activity by Total Dollars</th>
<th>GL Account (480*/490*)</th>
<th>Fund Code</th>
<th>BOC</th>
<th>Cost Center</th>
<th>Program No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Fund Symbol (TAFS)</td>
<td>Total By TAFS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grand Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*VBA: Include Prior Year Recovery

Note to user:
Fill out the template in the order the TABS are laid out.
The template is formula-driven. Please ensure you do not overwrite formulae.
### Tab 2: Program Template

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
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<td></td>
</tr>
<tr>
<td>Program 1</td>
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<tr>
<td>Program 2</td>
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<td></td>
</tr>
<tr>
<td>Misc - Programs</td>
<td></td>
<td></td>
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<tr>
<td>Grand Total</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Journal Entries or Adjustments</th>
<th>0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Tab 3: SF-133 Recon by TAS

<table>
<thead>
<tr>
<th>SF-133</th>
<th>SGL 480*</th>
<th>SGL 490*</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAFS SYMBOL</td>
<td>Gross outlays</td>
<td>TAFS SYMBOL Total Disbursements</td>
</tr>
<tr>
<td>---------</td>
<td>------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TIERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursements control total</td>
</tr>
<tr>
<td>Difference</td>
</tr>
</tbody>
</table>
Tab 4: Recon by Program Totals

VA Totals by Fiscal Year

<table>
<thead>
<tr>
<th>PROGRAM TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROG 1 - PROG Name</td>
</tr>
<tr>
<td>PROG 2 - PROG Name</td>
</tr>
<tr>
<td>MISC - PROGRAMS</td>
</tr>
<tr>
<td>Program Totals</td>
</tr>
<tr>
<td>Journal Entries and Adjustments</td>
</tr>
<tr>
<td>Total Disbursements</td>
</tr>
<tr>
<td>CROSSWALK TOTAL</td>
</tr>
<tr>
<td>JE Adjustments</td>
</tr>
<tr>
<td>Total SF-133 Totals</td>
</tr>
<tr>
<td>DIFFERENCE</td>
</tr>
</tbody>
</table>

Notes:

Tab 5: SBR Template

<table>
<thead>
<tr>
<th>VA Statement of Budgetary Resources</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepared as of:</td>
<td></td>
</tr>
<tr>
<td>Period 12, September ****</td>
<td></td>
</tr>
<tr>
<td>14. Gross Outlays</td>
<td></td>
</tr>
</tbody>
</table>
Tab 6: Program Checklist

<table>
<thead>
<tr>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
</tr>
<tr>
<td>Point of Contact:</td>
</tr>
<tr>
<td>Contact Phone Number:</td>
</tr>
<tr>
<td>Program Checklist Completed by:</td>
</tr>
</tbody>
</table>

### Template Disbursement Amounts Comparison to Supporting Documentation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Disbursement Amount Reported on Template</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Gross Disbursement Amount Reported on SF-133</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Gross Disbursement Amount Difference</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Gross Disbursement Percentage Difference</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Is the difference material (2% or more)?</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

### Template Disbursement Amounts Comparison to VA SBR

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Disbursement Amount Reported on Template</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>SBR line 19a or 14 Gross Outlays from OFP: Financial Reporting</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Gross Disbursement Amount Difference</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Gross Disbursement Percentage Difference</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Is the difference material (2% or more)?</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

* The Program checklist is to be completed and submitted along with the Program template.

* The Program template is to be reconciled to the SBR and/or SF-133. The Program template should not be submitted to IPRO until the material difference between the Program Amount Reported and Supporting Documentation is 2% or less.

*The Program template should include Program name, responsible point of contact, and contact phone number.

* Any questions should be addressed to IPRO
Tab 7: Adjustments (In Scope)

<table>
<thead>
<tr>
<th>Program ID</th>
<th>Program Name</th>
<th>FY2016 Q1 Adjustments</th>
<th>FY2016 Q2 Adjustments</th>
<th>FY2016 Q3 Adjustments</th>
<th>FY2016 Q4 Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Dollars</td>
<td>Number of Records</td>
<td>Total Dollars</td>
<td>Number of Records</td>
</tr>
<tr>
<td>1</td>
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<td>$0.00</td>
<td>0</td>
<td>$0.00</td>
<td>0</td>
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<tr>
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<td>Total</td>
<td></td>
<td>$0.00</td>
<td>0</td>
<td>$0.00</td>
<td>0</td>
</tr>
</tbody>
</table>

* Results are for FY2016 AFR using FY2015 payments.

Tab 8: Sampling Universe

<table>
<thead>
<tr>
<th>Program ID</th>
<th>Program Name</th>
<th>FY2016 Q1 Sampling Universe</th>
<th>FY2016 Q2 Sampling Universe</th>
<th>FY2016 Q3 Sampling Universe</th>
<th>FY2016 Q4 Sampling Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Dollars</td>
<td>Number of Records</td>
<td>Total Dollars</td>
<td>Number of Records</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>$0.00</td>
<td>0</td>
<td>$0.00</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$0.00</td>
<td>0</td>
<td>$0.00</td>
<td>0</td>
</tr>
</tbody>
</table>

* Results are for FY2016 AFR using FY2015 payments.
APPENDIX 3: PRE-RISK ASSESSMENT QUESTIONNAIRE

All programs must be evaluated every year to determine whether a risk assessment needs to be performed.

If a low-risk baseline has been determined for a program, then the program may be assessed on a three year cycle, unless other changes to the program require a risk assessment or other direction is provided (e.g., significant changes in legislation and/or significant increase in program funding). If Administration or Staff Office CFO concurs with the assessment that a risk assessment is not required for IPERA, submit the completed and official SAO signed version of the pre-assessment questionnaire to Director, IPRO Office. To ensure every program has been considered, the IPRO Office will include all pre-risk assessments in a central repository.

Instructions for Section I

Enter the annual dollar amounts of payments made by the program under review by Vendor, Purchase Cards, Travel, Intra-governmental, Payroll, Benefits, and Miscellaneous Other. The annual dollar amounts included in the pre-risk assessment should tie to the amounts identified during the program analysis process (outlined in the procedures section of the policy). As shown in the template below, amounts entered in the Miscellaneous Other box should include a description of the payments. Ensure the Total Disbursements made by the program equal the sum total of the payment types listed above. If the totals do not match, reconcile the difference and provide an explanation for the difference in the last line of Section I.

Instructions for Section II

To determine whether an IPERA risk assessment is required for this program for the current year, answer each question with a "Yes" or a "No." If the answer to all four questions is "No," then a risk assessment of this program may not be necessary for the current year. IPRO may review a pre-risk assessment determination if they feel a full risk assessment is needed to support the determination. All pre-risk assessments must be submitted to the IPRO Office.
Pre-Risk Assessment Questionnaire
Section I

| Administration: |
| Fund Group: |
| Program Name: |
| Total Disbursements: |

| Payment Type: | Dollar Amount |
| Vendor | |
| Purchase Cards | |
| Travel | |
| Intra-governmental | |
| Payroll | |
| Benefits | |
| Misc. Other (Please specify) | |

| Total Disbursements | $ |
| Reconciliation difference of Total disbursements to Total payments: | 0.00 |

Section II

| Question: | Answer: |
| Has it been more than 2 years since your last IPERA risk assessment? | □ Yes □ No |
| Has funding for this program increased significantly since last year? | □ Yes □ No |
| Has there been significant changes in the legislation governing this program since last year? | □ Yes □ No |
| Has there been any other change that has had a substantial impact to the program since last year? | □ Yes □ No |

Please provide an explanation for concluding that a risk assessment does / does not need to be done, and sign below.
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

Signed: _________________________________  Date: ______________
VA Senior Accountable Official
APPENDIX 4: RISK ASSESSMENT QUESTIONNAIRE

IPERA Risk Assessment Instructions:

For all programs that meet the pre-risk assessment criteria to be assessed, use the VA Risk Assessment Scoring Tool to complete the qualitative and quantitative risk assessment template. The program will need to assign a SAO to complete the template and act as the liaison between the program and the Administration’s IPERA leadership. The risk assessments must be signed by a SAO. Some program officials will be from Administration or Staff Office program offices (e.g., Pharmacy, Geriatrics and Extended Care). In cases where a program office does not exist (e.g., Insurance Claims and Interest), facility level Point of Contacts (POC) should be identified to complete the risk assessment. The form should include complete and accurate responses to the questions and documentation should be submitted to support the response.

Once the templates have been reviewed internally, a final report (either in excel or PDF format) can be obtained from the Risk Assessment Scoring Tool. The template must be signed by the SAO and submitted to IPRO.

The Consolidation worksheet within the risk assessment workbook should be populated with data from the Risk Assessment Scoring Tool for reporting purposes. If after completing the risk scoring questions the program’s overall risk score is high (greater than or equal to 3.6), test the program to determine the program's improper payment rate and estimated amount for the following year reporting. If the program is deemed high-risk, the Administrations and Staff Offices along with the IPRO Office will provide support and guidance on testing and reporting requirements.
### Risk Assessment Scoring Tool

#### FY 2017 Veterans Affairs Programs Risk Assessment Scoring

<table>
<thead>
<tr>
<th>Administration:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Group:</td>
<td></td>
</tr>
<tr>
<td>Program Name:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor</td>
<td></td>
</tr>
<tr>
<td>Purchase Cards</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td></td>
</tr>
<tr>
<td>Intra-governmental</td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td></td>
</tr>
<tr>
<td>Misc. Other (Please specify below)</td>
<td>$</td>
</tr>
</tbody>
</table>

**Qualitative Risk Rating:** Not Rated  
**Quantitative Risk Rating:** Not Rated  
**Qualitative Risk Score:** 0  
**Quantitative Risk Score:** 0

[Qualitative Risk Questionnaires (Section I – VII)]

---

**Internal Control Environment Addressing Inherent Risk Due to the Nature of the Program:**

- **A.** Are procurement, eligibility determinations, payment, and collection policies and procedures well documented and accessible to staff?  
  - Yes  
  - Mostly  
  - Partially  
  - No  
  - N/A

- **B.** Does management play an active role in establishing, implementing, and monitoring internal controls? Are program management and staff held accountable for adhering to internal controls?  
  - Yes  
  - Mostly  
  - Partially  
  - No  
  - N/A

- **C.** Do segregation of duties exist in the process to payment cycle?  
  - Yes  
  - Mostly  
  - Partially  
  - No  
  - N/A

- **D.** Do personnel responsible for making eligibility determinations or certifying payment accuracy have adequate experience and receive training?  
  - Yes  
  - Mostly  
  - Partially  
  - No  
  - N/A
Risk Assessment: Quantitative Risk Scoring Questionnaires (Section I –V)
## Risk Assessment: Qualitative Risk Scoring Template (Section I –VII)

### Administration:

<table>
<thead>
<tr>
<th>Fund Group:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Name:</td>
</tr>
</tbody>
</table>

### QUALITATIVE RISK RATING

| RISK SCORE | Not Rated |

### SECTION I

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Yes</th>
<th>Mostly</th>
<th>Partially</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</thead>
<tbody>
<tr>
<td>1.8</td>
<td>Are procurement, eligibility determinations, payment, and collection policies and procedures well documented and accessible to staff?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>Are internal controls for payments in place and monitored? Are program management and staff held accountable for adhering to internal controls?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Do segregation of duties exist in the procure to payment cycle?</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>Do personnel responsible for making payment eligibility determinations or certifying payment accuracy have adequate experience and receive training?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.7</td>
<td>Are pre-payment reviews performed to ensure that the payment is accurate prior to its issuance?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.1</td>
<td>Are post-payment reviews performed after the issuance of the payment to ensure accuracy or detection of an improper payment?</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.12</td>
<td>Does the program have recapture or collection activities to recoup improper payments?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.15</td>
<td>Does the program have internal audit/review activities that validate payment accuracy and address any inherent risks in the program?</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
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</table>

### SECTION II

<table>
<thead>
<tr>
<th>Program History Assessment</th>
<th>Yes</th>
<th>Mostly</th>
<th>Partially</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Length - Has this program existed in the VA for more than 2 years?</td>
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<tr>
<td>Program Complexity - Is the program free from significant legislative or regulatory complexity in determining correct payment amounts?</td>
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<tr>
<td>Payment Volume - Are the volume of payments processed expected to remain constant or decrease for the next year?</td>
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<tr>
<td>Payment Volume - Does the current annual volume of payments processed present a low risk to the program?</td>
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<tr>
<td>Payment Eligibility decisions made exclusively within the Department of Veterans Affairs?</td>
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<td>Eligibility - Are all levels of supporting documentation been created, approved, and retained to support payment eligibility determinations?</td>
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<td>Program Changes - Was the program free from recent major changes in program funding, authorities, practices, or procedures?</td>
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<td>History - Do the results from prior improper payment work indicate a lower risk for this program?</td>
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**Notes:**
- Provide policies and procedures documentation or location including web address or detailed citation.
- Provide policy documenting management involvement and evidence of monitoring internal controls supporting choice. Provide evidence of accountability supporting choice.
- Provide documentary evidence of segregation of duties, including policies and procedures documentation, references and/or SOPs.
- Provide evidence of review results supporting choice, including policies and procedures, SOPs and/or narrative references.
- Provide evidence of review results supporting choice, including policies and procedures, SOPs and/or narrative references.
- Provide evidence of review results supporting choice, including test plans and frequency of reviews, policies and procedures, SOPs and/or narrative references.
- If risk assessment was completed in the past, provide a copy.
- Provide copies of key legislative or regulatory requirements for determining correct payment amounts in the program.
- Please provide total number of payments for FY15 and projected number of payments FY16.
- Please provide total number of payments for FY15.
- Provide copies of policies/procedures for program’s payment eligibility determinations.
- Provide copies of policies/procedures for program’s payment eligibility determinations.
- Please provide program budget and signed organization charts for FY14-current year.
- Please provide any prior improper payment studies (i.e., OIG, GAO, or internal/external).
## SECTION III

### Are the program's total payments to vendors less than 90% of total program outlays?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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Please provide calculation of total contractor payment amounts as a percent of total program outlays.

### Are all contractor submitted invoices, from Federal Acquisition Regulation (FAR) based contracts and agreements, certified by cognizant VA personnel to be in compliance with contract terms, FAR, and VA Acquisition Regulations before being submitted for payment?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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Please indicate the contractor compliance requirements specific to the program (i.e., FAR, VAR, and/or contract terms). Please provide copies of policies and procedures guiding contractor invoice compliance.

### If invoices were paid pursuant to a contract, was that contract authorized/signed by the contracting officer?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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Please provide copies of policies and procedures guiding contract authorization/issuance requirements for the program. If applicable, provide any OIG or GAO findings related to contracting officer authorization.

### Have payments for contracts free from ratifications of unauthorized commitments?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</table>

Check with Procurement Official to validate no ratification has occurred for the program.

## SECTION IV

### Are system controls in place for funds control, obligations, and payment processing?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</table>

Provide inventory of systems, and listing of latest reviews and copies of the related reports, if available.

### Do program employees obtain management approval for system access?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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Within the last year, provide listing of new IT/IS programs. Provide listing of who maintains each IT/IS program.

### Are user roles properly segregated for payment processing (i.e., data entry, reviewer, and approver)?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</table>

Provide dates of last reviews, including if they were FISCAM and/or FISMA reviews.

## SECTION V

### Are program employees obtaining adequate results from payment reviews?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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Please provide number of open issues during FY14 and current year.

### Do personnel have adequate time to complete and review work related to payments? Have program staffing levels remained constant?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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Describe how fraud monitoring is performed. Provide policies and procedures, narratives, and/or SOPs if they cover these controls.

### Do program management and staff monitor against fraudulent activity?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</table>

Describe results, amounts and frequency. When was the last time the program was subjected to IPERIA testing? If your program is not undergoing payment reviews, choose yes.

### Performance or Financial Statement Audit Findings - Has OIG, GAO or other internal or external audit organizations reviewed your program within the last 2 years and issued no findings or recommendations related to improper payments?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</table>

Provide internal/external audit report. If your program is not undergoing Performance or Financial Statement Audit, choose yes.

### Audit Findings - Have all improper payment recommendations made by OIG, GAO or other internal/external audit organizations been closed?

<table>
<thead>
<tr>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partly No</th>
<th>No</th>
<th>N/A</th>
<th>Explain Choice</th>
<th>Documentation required</th>
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</tbody>
</table>

Memo from auditing organization confirming recommendation has been closed. If "N/A" - choose yes.

## SECTION VI

### Totals

<table>
<thead>
<tr>
<th>Totals</th>
<th>Yes</th>
<th>Mostly Yes</th>
<th>Partially</th>
<th>No</th>
<th>N/A</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
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</tbody>
</table>

**Subtotals (Question x Point Score)**

<table>
<thead>
<tr>
<th>Totals</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
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</table>

**Total of Questions**

<table>
<thead>
<tr>
<th>28</th>
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</table>

**Weighting Calculation**

<table>
<thead>
<tr>
<th>Total Point Score</th>
</tr>
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<tbody>
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</tbody>
</table>

**Risk Rating (1,3,5) per Rating Category**

| Low Risk Score=1, If Point Score is less than or equal to 2 |
| Medium Risk Score=3, If Point Score is greater than 2 and less than 3.653 |
| High Risk Score=5, If Point Score greater than or equal to 3.653 |

<table>
<thead>
<tr>
<th>Risk Rating</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

## SECTION VII

### Reviewed by:

| <= 2 | 1 |
| > 2 and < 3 | 3 |
| >= 2.653 | 5 |

**Certification**

**Reviewed by:**

**Signature:**

**Dated:**
Risk Assessment: Quantitative Risk Scoring (Section I – V)

<table>
<thead>
<tr>
<th>Scoring</th>
<th>Total Point Score Sections I - III</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Rated</td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

**Rating Category:**
- High Risk=5, if Total Point Score is greater than or equal to 7
- Medium Risk=3, if Total Point Score is greater than 4 and less than 7
- Low Risk=1, if Total Point Score less than or equal to 4

**SECTION V**

Reviewed by:

Signature:

Office:

Title:

Dated:

Risk Assessment: Sample Consolidation Worksheet

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<thead>
<tr>
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<tbody>
<tr>
<td>Program</td>
<td>Fund Code</td>
<td>Description</td>
</tr>
<tr>
<td>2015 IPEIA</td>
<td>Last RA Due</td>
<td>Next RA Due</td>
</tr>
<tr>
<td>Error rate to meet greater than 0.1% and $10M</td>
<td>Total Disbursements</td>
<td>Total In-Scope Disbursements</td>
</tr>
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</table>
APPENDIX 5: STATISTICALLY VALID SAMPLE PLAN

The requirements for the statistically valid sample plan, as outlined in Appendix C, are outlined below.

Step 1: All programs and activities susceptible to significant improper payments shall design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates. In doing so, agencies shall conform to the following process:

a. For all programs and activities susceptible to significant improper payments, agencies shall determine an annual estimated amount of improper payments made in those programs and activities. When calculating a program’s annual improper payment amount, agencies should only utilize the amount paid improperly. Note the process for determining the annual estimated amount should be clearly outlined in the Statistical Sampling and Estimation Plans (see step 1.b below).

For example, if a $100 payment was due, but a $110 payment was made erroneously, then the amount applied to the annual estimated improper payment amount should be $10, rather than the payment amount of $110. Similarly, if a $100 payment was due, but a $90 payment was made erroneously, then the amount applied to the annual estimated improper payment amount should be $10, rather than the payment amount of $90. However, if a $100 payment was due and made, but there is insufficient documentation to support the appropriateness of the payment or if a duplicate payment was made, then the amount applied to the annual estimated improper payment amount should be $100. VA is required to determine an annual estimate that is a gross total of both over and underpayments (i.e., overpayments plus underpayments). However, in addition to the gross total, VA is also allowed to calculate and disclose in the AFR the net total (i.e., overpayments minus underpayments).

VA Administrations and Staff Offices will provide testing detail to the program's statistician. The statistician will determine the annual estimated amount of improper payments based on the testing results. The annual estimated amount and detailed analysis of the testing results are submitted to VA Administrations and Staff Offices supervisors and to IPRO Office for review.

b. VA is responsible for designing and documenting their sampling and estimation plan. Each plan shall be prepared by a statistician and submitted to OMB no later than June 30 of the fiscal year for which the estimate is being produced (e.g., the sampling methodology to be used for FY 2016 reporting cycle must be submitted by June 30, 2016). The Administrations and Staff Offices shall also include a summary of their sampling methodology plan in the AFR. The sampling and estimation plan shall be accompanied by a document.
certifying that the methodology will yield a statistically valid improper payment estimate (see below).

The Administrations and Staff Offices will submit the approved sampling and estimation plan with certification to IPRO Office for review prior to submission to OMB.

c. IPERA requires agencies to produce statistically valid estimates of improper payments, and therefore each plan shall be accompanied by a certification stating that the methodology will produce a statistically valid estimate. The certification shall be signed by a VA official of VA's choosing (e.g., this could be the CFO, his/her Deputy, a program official, etc.). Upon receipt, OMB will review the documents (i.e., the proposed statistical sampling plan and the accompanying signed certification) to verify they are complete and include all the requisite components listed in Step 2 below. OMB will not issue a formal approval to the Administration or Staff Office for the sampling plan. Rather, it is VA's responsibility to produce a statistically valid methodology. The signed certification will serve as evidence that VA believes the methodology is statistically sound. OMB does reserve the right to raise questions about the particular methodology, should the need arise.

d. Administrations and Staff Offices should consider working with entities—such as grant recipients—that are subject to Single Audits to leverage ongoing audits to assist in the process to estimate an improper payment rate and amount.

e. Whenever possible, Administrations and Staff Offices should incorporate refinements to their improper payment methodologies based on recommendations. Recommendations should come from individuals with training and experience designing statistical samples and using statistical methods to calculate population estimates and sampling errors from a probability sample.

The Administrations and Staff Offices will submit updates or changes to the sampling and estimation plans to IPRO Office for review.

f. OMB will make available to Administrations and Staff Offices examples of statistical sampling and estimation plans submitted by other federal agencies. Administrations and Staff Offices are encouraged to review these examples and consult with other agencies when preparing their sampling plans. While each plan will likely be slightly different given the unique nature of each program, there are some characteristics that are common across many programs, and agencies should benefit from each other's work. However, each Administration and Staff Office is responsible for designing and executing an appropriate sample to statistically estimate improperly paid dollars that meets the requirements outlined in Appendix C.
Step 2: Administrations and Staff Offices shall clearly and concisely describe the statistical methods that will be used to design and draw the sample and produce an improper payment estimate for the program in question. The plans shall explain and justify why the proposed methodology is appropriate for the program in question. This explanation must be supported by accurate statistical formulas, tables, and any additional materials to demonstrate how the sampling and estimation will be conducted and the appropriateness of those statistical methods for the program. Agency sampling and estimation plans must be complete and internally consistent. The following aspects must be clearly addressed:

a. Improper payment estimates shall generally be based on probability samples and shall provide estimates of the sampling error for the amount of the improper payments. Administrations and Staff Offices may use simple random samples if those are appropriate, but many agencies have employed more complex stratified or multi-stage or clustered samples in order to obtain estimates of different components of the program that are more actionable than can be afforded by simpler sample designs. Depending on the nature and distribution of the payments made by a program, many agencies also use unequal probabilities of selection to capture larger payments with higher probability (i.e., probability proportionate to size). If the universe of payments for a program or a component/stratum of the program is small, agencies may review a complete census of payments in those cases and would not have any sampling errors for that component or stratum, assuming a statistician is consulted on this approach.

b. The Administrations and Staff Offices may use their initial determination of the potential improper payment to aid in determining the sample size. They should utilize results from previous years and make appropriate adjustments to the sample size and even the sample design in order to obtain a more efficient sample and obtain more useful estimates of improper payments by program components.

c. Administrations and Staff Offices should ensure they select a sample that will meet the minimum precision requirements in Step 2.d below. For new programs or where no historical information is available, Administrations and Staff Offices should take a conservative approach and use a larger value for the assumed underlying improper payments in their sample size calculations to ensure that they will meet the precision targets. Since most agencies have been conducting ongoing reviews of their improper payments for some time, they should utilize results from previous years and make appropriate adjustments to the sample size.

d. Administrations and Staff Offices should design the sample and select a sample size sufficient to yield an estimate of improper payments with a 90 percent confidence interval of plus or minus 2.5 percent of the total amount of all payments for a program around the estimate of the dollars of improper payments.
Administrations and Staff Offices may alternatively use a 95 percent confidence interval of plus or minus 3 percent around the estimate of the dollar amount of improper payments. For example, if the total amount of all payments for a program was $1,000,000,000 and the estimated total of improper payments based upon the statistical sample was $80,000,000, the 90 percent confidence interval around the estimate should be no more than plus or minus $25,000,000-i.e., $55,000,000 to $105,000,000. These guidelines for precision shall be taken as the minimum, and Administrations and Staff Offices are encouraged to increase samples above the minimum to achieve greater precision in their estimates as well as for agencies to better understand underlying causes of improper payments and creating action plans. Administrations and Staff Offices shall maintain documentation to support the calculation of these estimates.

e. Administrations and Staff Offices sampling and estimation plans shall generally provide sufficient documentation of the sample design so that a qualified statistician would be able to replicate what was done or so OMB, VA OIG, or GAO personnel can evaluate the design. Administrations and Staff Offices shall clearly identify the frame or source for sampling payments and document its accuracy and completeness. All stages of selection, any stratification, and/or any clustering shall be clearly described. Explicit strata shall be clearly defined, as should any variables used for implicit stratification. Tables shall generally be provided showing the size of the universe and sample by strata (if applicable). Sampling plans shall also specify whether cases are selected with equal or unequal probabilities and how the probabilities of selection are determined when they are unequal.

f. Administrations and Staff Offices sampling and estimation plans shall include documentation of the statistical formulas that will be used to estimate the amount of improper payments (and the associated confidence intervals for the sample) and to project those results to the entire program. Documentation should include appropriate citations for these formulas. Administrations and Staff Offices sampling and estimation plans must be complete and consistent (for instance, estimation formulas must appropriately reflect the complexity of the sample design).

g. Administrations and Staff Offices should update their sampling and estimation plans, as needed, to reflect the current design and methods being used and incorporate refinements based on previous results, consultations with others, and/or recommendations from VA OIG, GAO, or OMB. Any updated plans will need to be submitted to OMB no later than June 30 of the fiscal year for which the estimate is being produced (e.g., the sampling methodology to be used for FY 2016 reporting cycle must be submitted by June 30, 2016). The plans shall include all the components described in Steps 1 and 2 above. A plan that is being updated or changed should include some language explaining why the plan is changing and how the plan is different from the one previously submitted.
The Administrations and Staff Offices will submit updates or changes to the sampling and estimation plan to the IPRO Office for review.

Administrations and Staff Offices, in coordination with the IPRO Office shall submit an explanation and justification to OMB for any instances where a program is not able to fulfill the requirements described in Steps 1 and 2. OMB will review requests for deviation from these requirements and must approve any alternative methods (see section I.A.14 in Appendix C). The Administrations and Staff Offices CFOs will notify and provide supporting documentation to IPRO Office if a program is unable to fulfill the requirement described in Steps 1 and 2.
APPENDIX 6: INSTRUCTIONS FOR DEVELOPING TEST PLAN

Objective: Describe the objective of the procedure. What is the compliance component being tested? Generally this should incorporate a requirement documented in policy, procedure, contract, or other agreement.

Scope: Define scope of area being tested. What is the universe being tested including time period and type of transactions?

Procedures: Document the steps the evaluator/tester should perform to determine if the objective is achieved. For detailed testing, this would include specific attributes to be tested.

Root Cause: Using the legend at the bottom of the worksheet, provide the cause of improper payment. This column will be used for AFR reporting purposes.

Population and Timeframe: Provide a population description, including time period, total population size (number), full report names, and report sources.

Sample Size and Methodology: Provide a sample size description, including control frequency (or approximate frequency, if applicable) and sample size methodology of random, judgmental, or haphazard. Include a clear explanation when extending sample size due to minimal exceptions noted or when sample size is restricted due to prior exceptions noted.

Results: Document at a high level what was reviewed during testing and the results of testing. Explain any testing exceptions or recommendations. If a Testing Attribute Sheet is used, refer to the work paper number of the Testing Attribute Sheet. A high-level explanation of results is required in this section even if a Testing Attribute Sheet is used.

All work papers should be cross-referenced in the document.

Determine requirements for maintaining supporting documentation in the work papers. Support for any finding noted must be maintained. Documentation must be sufficient to allow another individual not involved in the current process to understand and re-perform the procedures.

Conclusion: State the final conclusion: No exceptions noted or exceptions noted. Conclude whether the objective tested was achieved. For compliance testing, any finding should include the following:

- Criteria: This should be established in the objective above.
- Condition: This is the finding (e.g., 5 of 30 payments were processed to ineligible vendors).
• **Cause:** This should state the cause of the finding (e.g., vouchers are not reviewed against eligible vendors as required by company policy and procedure document).

• **Effect:** What is the risk associated with the finding (e.g., payments were made for services not reimbursable under the contract).

**Recommendations:** Provide the recommendation(s) for addressing the finding in the future.
APPENDIX 7: INSTRUCTIONS FOR COMPLETING CORRECTIVE ACTION PLAN TEMPLATE

A. PURPOSE

A Corrective Action Plans (CAP) is a mechanism used by management that documents the procedures the agency will use to resolve an identified deficiency. The purpose of the CAP Template is to document and track a CAP’s current tasks/sub-tasks status, respectively. This document provides instructions to complete the CAP Template.

B. BACKGROUND

VA requires all programs reporting improper payments in the Agency Financial Report to prepare CAPs.

C. PROCEDURES

Part A: CAP Template

The following steps are taken to prepare the CAP Template Summary Information section displayed below:

1. Date – Enter the date the CAP was created or updated. Format: MM/DD/YYYY

2. Fiscal Year – Enter the fiscal year the deficiency needing correction by the CAP was identified.

3. Administration/Staff Office - Program – Enter the Administration/Staff Office (e.g. VHA) and Program (e.g. CHAMPVA).

4. Senior Accountable Official – Enter the name of the individual responsible for the program where the deficiency was identified.

5. Point of Contact – Enter the name of the individual responsible for the day-to-day management of the CAP.

6. Reduction Target – Errors VA can address using current year data analysis and set reduction targets for future years. Example: Reduce insufficient documentation by 50 percent for a program in one year and reduce by 85 percent by second year; or reduce backlog by 30 percent that will reduce insufficient documentation by 25 percent. Enter the percentage target for future improper payment levels.

7. Error Rate – Enter the percentage rate of improper payments associated with the deficiency.
8. **Error amount** – Enter the dollar amount of improper payments associated with the deficiency.

9. **Recoverable amount** – Enter the amount recoverable through payment recapture and recovery.

10. **Effect** – Enter an explanation on why the root cause would create an improper payment and state if the payment can or cannot be stopped.

The following steps are taken to prepare the CAP Template tasks and sub-tasks section displayed below.

<table>
<thead>
<tr>
<th>Task No.</th>
<th>Root Cause</th>
<th>OMB Error Category</th>
<th>Exp. % of IP to be Remediated</th>
<th>Task Description</th>
<th>Est. Compl. Date</th>
<th>Sub-Task No.</th>
<th>Sub-Task Description</th>
<th>Owner (Office, Title)</th>
<th>Est. Completion Date</th>
<th>Actual Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
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<td></td>
<td>3.1</td>
<td></td>
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</tr>
</tbody>
</table>

11. **Task Number** – Enter number to identify each task.

12. **Root Cause** – Enter a brief description of the underlying cause that will be corrected by the CAP.

13. **OMB Error Category** – Enter OMB established categories of error: Documentation and Administrative, Authentication and Medical Necessity, or Verification errors.

14. **Expected Percentage of Improper Payments to be Remediated** – Enter the percentage of improper payments expected to be remediated by the corrective action.

15. **Task Description** – Enter a measurable event/task that can be divided into smaller measurable events.

16. **Estimated Completion Date** – Enter the estimated completion date for each task. The estimated completion date for a task is the latest estimated completion date associated with a sub-task within a task.

17. **Sub-task Description** – Enter the description of the task to be accomplished. Be descriptive.
18. **Owner (Office, Title)** – Enter the name of the office and the individual responsible for completing each task.

19. **Estimated Completion Date** – Enter the estimated completion date.

20. **Actual Completion Date** – Enter the date the task is completed.

21. **Open/Closed** – Enter Open for tasks yet to be completed and that are ongoing. Enter closed for tasks that have been completed or have been stopped because they were deemed unnecessary.

22. **Corrective Action Taken** – Enter the action taken that completed the task listed.
Corrective Action Plan Template

## Corrective Action Plan (CAP)

**Date:**

<table>
<thead>
<tr>
<th>Summary Information:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
</tr>
<tr>
<td>Administration/Office - Program</td>
</tr>
<tr>
<td>Senior Accountable Official</td>
</tr>
<tr>
<td>Root of Origin</td>
</tr>
<tr>
<td>Error Date</td>
</tr>
<tr>
<td>Error Amount</td>
</tr>
<tr>
<td>Recoverable Amount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Task No.</th>
<th>Root Cause</th>
<th>OMB Error Category</th>
<th>Exp. % of IP to be Remediated</th>
<th>Task Description</th>
<th>Est. Compl. Date</th>
<th>Sub-Task No.</th>
<th>Sub-Task Description</th>
<th>Owner (Office, Title)</th>
<th>Est. Completion Date</th>
<th>Actual Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td></td>
<td>3</td>
<td>3</td>
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<td></td>
</tr>
</tbody>
</table>
APPENDIX 8: RELIEF FROM REPORTING HIGH-RISK PROGRAMS

OMB Appropriate Representative
Office of Management and Budget
725 17th Street, N.W.
Washington, DC  20503

Dear ___:

The Department of Veterans Affairs (VA), in accordance with Appendix C, Part I, requests relief from the annual reporting requirements for the insert Administration – Program Name. The request for relief is allowed for agency programs with a minimum of two consecutive years of documented improper payments below 1.5 percent and $10 million, or $100 million of annual estimated erroneous payments.

The insert Program Name has been below the reporting thresholds for two consecutive years. The program’s estimated annual improper payments for the last two fiscal years are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Outlays</th>
<th>Estimated Annual Improper Payments</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Insert information</td>
<td></td>
</tr>
</tbody>
</table>

VA’s Inspector General concurs with this request (enclosed). Should OMB approve this request, VA shall continue to include the insert Program name in its risk assessment cycle.

Sincerely,

Enclosures: OIG Concurrence with Request for Relief

cc: Chief Financial Officer, insert Administration (XX)
APPENDIX 9: INSTRUCTIONS FOR COMPLETING THE COST-BENEFIT ANALYSIS

A. PROCEDURES

Qualitative Analysis – Template 1

The following steps are taken to prepare the Qualitative Analysis:

1. Enter the following information at the top of the worksheet, which will automatically populate on the remaining worksheets:
   - Administration
   - Fund group
   - Program Name

2. Answer the questions by using the drop down box, which appears when the cursor is placed in the specific cell of the worksheet. Mark “X” in either the “Yes” or “No” column. The definition of the responses are as follows:
   a. Yes – criteria exists in all required cases; and
   b. No – criteria exists in none of the required cases.

   It is necessary to use yes/no answers in order to calculate the score for the qualitative section of the analysis. For example, the answer would be “yes” in situations where the program office believes the majority of overpayments for the program are recoverable. The answer would be “no” in situations where the program office believes the majority of overpayments for the program are not recoverable.

3. Be sure to answer every question for a total of sixteen responses. All questions should be answered as they apply to the entire population of overpayments for the program rather than individual payments. In addition, comments are mandatory to support the reviewer’s response.

The template will automatically calculate a score between one [1] and zero [0].

Quantitative Analysis – Template 2

The following steps are taken to prepare the Quantitative Analysis:

1. Obtain a copy of the Program Analysis template for total disbursements and total in scope disbursements [absolute values].

2. Open the “Program Analysis” worksheet in the Cost-Benefit Analysis workbook. For
each program under review, copy the program amounts for total disbursements and total in scope disbursements [absolute value] from the Program Analysis template to the same columns in the "Program Analysis" worksheet.

3. Obtain a copy of the Total Amounts Reviewed and the Total Costs Incurred by the program for services performed by other organizations (such as the Financial Services Center (FSC), the Chief Business Office (CBO), the Debt Management Center (DMC), or any other shared service organization). Based on the Total Amounts Reviewed, determine a percentage to allocate costs incurred by the service organization to each program.

4. Update the Rate worksheet with the following:
   a. For the Growth Rate percentage, use the most current consumer price index as the percentage.
   b. For the Total Costs, enter the Total Costs Incurred for FSC services in the “Total Costs/Allocations for FSC” box, the Total Costs Incurred for CBO services in the “Total Costs/Allocations for CBO” box, the Total Costs Incurred for DMC services in the “Total Costs/Allocations for DMC” box, and Total Costs Incurred for Other Services in the “Total Costs/Allocations for Other” box.
   c. For the allocation percentage for FSC, CBO, DMC, or Other Services, use the allocation percentage from the Total Amounts Reviewed template for the specific program for services performed by other organizations. The Direct Costs of Collection will automatically populate once the total cost is multiplied by the allocation percentage. The Total Direct Costs of Collection will be the sum of the Direct Costs of Collection for FSC, CBO, DMC, and Other Services. This amount will carry forward to the direct cost of collections line on the quantitative analysis for the program.

Recommended Estimation Methodology for the Quantitative Analysis

For a given fiscal year of reporting, the applicable time period of relevant data will be from the prior fiscal year. For example, for FY2016 reporting, the recovery and cost amounts will be those improper payments identified and payment recapture activity costs incurred from October 1, 2014 through September 30, 2015. For a given program, multiple offices may conduct payment recapture activities. A program may have payment recapture and recovery audit activities conducted by its program office and/or a shared service provider (ex. FSC, CBO, DMC). The total improper payments identified for a program is the sum of the improper payments identified by all of the offices that conduct payment recapture activities for the program. The following instructions are to provide examples of the type of information that could be used to complete the quantitative analysis. These are examples only, and each program should
use information specific to the program. For each of the line items for recovery and cost categories, use the following computations:

1. Program annual outlays – Obtain from the Program Analysis tab the absolute value of total in scope disbursements for each program under review.

2. Number of improper payments found – use the actual count of improper payments identified during the year (e.g., transactions log).

3. Amount of improper payments reported:
   - Use the estimate of the amount of improper payments identified by multiplying the program annual outlays by an estimated error rate.
   - For IPERA high-risk programs, the estimated error rate is the prior year improper payment recoverable percentage as reported in the AFR.
   - For non-IPERA high-risk programs, the estimated error rate is calculated by dividing the total improper payments identified by the total amounts reviewed of all the payment recapture and recovery audit activities conducted for the program.

4. Amount of recoveries disallowed:
   - Obtain the estimate of the non-recoverable amount of improper payments reported by multiplying the amount of improper payments reported by an estimated recoveries disallowed percentage.
   - For IPERA high-risk programs, the estimated recoveries disallowed percentage is calculated by dividing the ‘Amount Determined Not To Be Collectible’ field by the ‘Amount Identified for Recovery’ from the AFR.
   - For non-IPERA high-risk programs, the percentage is calculated by dividing any data of recoveries disallowed from the program office or service providers by the amount of improper payments reported.

5. Amount of improper payments cancelled – obtain the estimate of the total amount of improper payments cancelled or prevented from pre-payment edits and checks. Some of the improper payments cancelled may be supported by a shared service provider. If this occurs, the amount of improper payments cancelled or prevented will be added to total amount of improper payments cancelled identified by the program office.

6. Amount of improper payments recoverable – the amount of improper payments reported minus the amount of recoveries disallowed plus the amount of improper
payments cancelled.

7. Amount of improper payments recovered – obtain the estimate of the total amounts recovered by multiplying a recovery percentage by the amount of improper payments reported, added to the total amount of improper payments cancelled.

- For IPERA high-risk programs, the recovery percentage is the percent of Amount Recovered out of ‘Amount Identified’ field from the prior year’s AFR.
- For non-IPERA high-risk programs, the recovery percentage is calculated by dividing the total amount of improper payments recovered by the total amount of improper payments reported for the program.

8. Procurement costs – costs of having a data store, networks to service the receivable database, purchases of systems, software, hardware, etc. (e.g. $10,000 for the cost of Statistical Analysis System (SAS®) analytical tools). The Department may contact vendors to price potential purchases.

9. Cost related to assigned staff – costs for program staff assigned to conduct payment recapture and recovery activities and assigned tasks. For example, an estimate based on two FTEs (one GS-13 and one GS-12) whose duties include processing receivables.

10. Contractor cost – costs of contract related activities. For example, using a contingency fee of 25 percent of improper payments recovered. As applicable, the Department may contact potential contractors or use information from other agencies to estimate these costs.

11. Supplies and materials – costs for supplies and materials, and systems usage associated with reporting on the amount of improper payments. These costs are based on professional judgment. The organization may estimate these costs by tracking the inventory of supplies and materials, and by reviewing system allocation reports.

12. Direct costs of collection – obtain the costs or allocations for payment recapture activities, including identification of improper payments, collection of improper payments, and reporting of improper payments performed by shared service providers. Use total amounts reviewed to allocate a portion of these costs to each program.

13. Programs incentives – costs of rewarding recipients, sub-recipients, state and local governments for their efforts in recovering improper payments. These costs are based on professional judgment. The estimated incentive rate is approximately 3 percent. The Department may obtain their estimate for incentive fees by researching other agencies agreements with the recipients, sub-recipient, state
and local governments.

14. Legal costs – costs for internal and external legal activities such as services performed by the Department of Justice, VA/Office of General Counsel or private attorneys. Legal services were excluded since these estimates are generally based upon specific incidences. The Department may obtain an estimate for legal costs by assessing historical data.

15. Other costs – costs that would not reasonably reside in the other cost categories above. The Department may use this category if an identified cost does not align with the above categories.

Completing the Summary of Results – Template 3

The following steps are taken to complete the overall cost effectiveness analysis:

1. The Summary of Results template automatically populates a decision of “Yes” or “No” after all required information has been populated into the qualitative and quantitative worksheets.

2. The qualitative and quantitative scores are assigned weights by VA management. The qualitative analysis score is 20 percent of the overall qualitative score. The quantitative analysis score is 80 percent of the benefit-cost coefficient.

3. If the combined weighted qualitative and quantitative score is equal to or greater than 1.5, then a payment recapture audit should be performed.

B. Templates

1. Qualitative Analysis Template
2. Quantitative Analysis Template
3. Summary of Results Template
Department of Veterans Affairs  
IPERA Program- Qualitative Cost Benefit Analysis Template

<table>
<thead>
<tr>
<th>Qualitative Cost Benefit Factors</th>
<th>Insert choice “X” in cell using drop down list</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION (a) The likelihood that identified overpayments will be recaptured</td>
<td>Yes</td>
</tr>
<tr>
<td>1. Are there laws or regulations in place that would allow for recovery of overpayments?</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Does the recipient of the overpayment have the ability to repay overpayment(s) from non-Federal funds?</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Is the evidence supporting overpayments clear and convincing?</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Is the overpayment recoverable?</td>
<td>Yes</td>
</tr>
<tr>
<td>SECTION (b) The likelihood that the expected recoveries will be greater than the costs incurred to identify overpayments</td>
<td>Yes</td>
</tr>
<tr>
<td>1. Are there techniques available to recover overpayments at a low cost? (e.g. predictive modeling, data matching and data analytics)</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Will the use of manual reviews of paper documentation be minimized?</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Are tools available to perform the payment recapture audit at low cost?</td>
<td>Yes</td>
</tr>
<tr>
<td>SECTION (c) The degree to which the information systems and other infrastructure contribute to the cost effectiveness of overpayment recoveries</td>
<td>Yes</td>
</tr>
<tr>
<td>1. Are information systems and other infrastructures used to recapture overpayments available, reliable and up-to-date?</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Are there key management reports to support the progress of recapturing overpayments?</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Is the staff adequately skilled and trained to recapture overpayments?</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Are there controls in place to recover overpayments?</td>
<td>Yes</td>
</tr>
<tr>
<td>5. Are internal systems and processes used to reduce procurement and contract costs?</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Are records centrally located?</td>
<td>Yes</td>
</tr>
<tr>
<td>7. Are the records remotely available?</td>
<td>Yes</td>
</tr>
<tr>
<td>SECTION (d) Other considerations that may impact the cost effectiveness of overpayment recoveries</td>
<td>Yes</td>
</tr>
<tr>
<td>1. Is the program subject to low public, regulatory or stakeholder interest?</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Is the program subject to low occurrence of fraud, waste and abuse?</td>
<td>Yes</td>
</tr>
<tr>
<td>SECTION (e) Qualitative Cost Benefit Results</td>
<td>Yes</td>
</tr>
<tr>
<td>Total Score (Yes=1 and No=0)</td>
<td>0</td>
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<tr>
<td>Subtotals (Question x Point Score)</td>
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<tr>
<td>Total Responses</td>
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<td>Weighting Calculation</td>
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<tr>
<td>Qualitative Score</td>
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SECTION (f) Approvals
### Quantitative Cost Benefit Analysis

<table>
<thead>
<tr>
<th>Administration:</th>
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<tbody>
<tr>
<td>Fund Group:</td>
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<tr>
<td>Program Name:</td>
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</table>

<table>
<thead>
<tr>
<th>FY13 (based on estimated FY 12 data)</th>
<th>FY14 (based on estimated FY 13 data)</th>
<th>FY15 (based on estimated FY 14 data)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Annual Outlays (Covered Payments)</strong></td>
<td><strong>Program Annual Outlays (Covered Payments)</strong></td>
<td><strong>Program Annual Outlays (Covered Payments)</strong></td>
</tr>
<tr>
<td>Number of improper payments found</td>
<td>Number of improper payments found</td>
<td>Number of improper payments found</td>
</tr>
<tr>
<td><strong>Recovery Categories</strong></td>
<td><strong>Recovery Categories</strong></td>
<td><strong>Recovery Categories</strong></td>
</tr>
<tr>
<td>Amount of improper payments reported</td>
<td>Amount of improper payments reported</td>
<td>Amount of improper payments reported</td>
</tr>
<tr>
<td>Amount of recoveries disallowed</td>
<td>Amount of recoveries disallowed</td>
<td>Amount of recoveries disallowed</td>
</tr>
<tr>
<td>Amount of improper payments cancelled</td>
<td>Amount of improper payments cancelled</td>
<td>Amount of improper payments cancelled</td>
</tr>
<tr>
<td>Amount of improper payments recoverable</td>
<td>Amount of improper payments recoverable</td>
<td>Amount of improper payments recoverable</td>
</tr>
<tr>
<td>Improper payments recovered</td>
<td>Improper payments recovered</td>
<td>Improper payments recovered</td>
</tr>
<tr>
<td><strong>Cost Categories</strong></td>
<td><strong>Cost Categories</strong></td>
<td><strong>Cost Categories</strong></td>
</tr>
<tr>
<td>Procurement costs [software, equipment, etc.]</td>
<td>Procurement costs [software, equipment, etc.]</td>
<td>Procurement costs [software, equipment, etc.]</td>
</tr>
<tr>
<td>Cost related to assigned staff</td>
<td>Cost related to assigned staff</td>
<td>Cost related to assigned staff</td>
</tr>
<tr>
<td>Contractors costs [audits, fees and/or incentives]</td>
<td>Contractors costs [audits, fees and/or incentives]</td>
<td>Contractors costs [audits, fees and/or incentives]</td>
</tr>
<tr>
<td>Costs of reporting improper payments</td>
<td>Costs of reporting improper payments</td>
<td>Costs of reporting improper payments</td>
</tr>
<tr>
<td>Direct costs of collection [see 'Rates' tab]</td>
<td>Direct costs of collection [see 'Rates' tab]</td>
<td>Direct costs of collection [see 'Rates' tab]</td>
</tr>
<tr>
<td>Program incentives [recipients, sub recipients, and, state and local governments]</td>
<td>Program incentives [recipients, sub recipients, and, state and local governments]</td>
<td>Program incentives [recipients, sub recipients, and, state and local governments]</td>
</tr>
<tr>
<td>Legal Costs</td>
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<td>Legal Costs</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
<td>Other</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>Total Cost</strong></td>
<td><strong>Total Cost</strong></td>
</tr>
<tr>
<td><strong>Net Benefit (Cost)</strong></td>
<td><strong>Net Benefit (Cost)</strong></td>
<td><strong>Net Benefit (Cost)</strong></td>
</tr>
<tr>
<td>(improper payments recovered less total cost)</td>
<td>(improper payments recovered less total cost)</td>
<td>(improper payments recovered less total cost)</td>
</tr>
<tr>
<td><strong>Benefit-Cost Coefficient [Benefit/Cost]-See Footnote</strong></td>
<td><strong>Benefit-Cost Coefficient [Benefit/Cost]-See Footnote</strong></td>
<td><strong>Benefit-Cost Coefficient [Benefit/Cost]-See Footnote</strong></td>
</tr>
</tbody>
</table>

Footnote: The Benefit-Cost Coefficient equals the improper payments recovered divided by total cost. A coefficient greater than 1.0 means the benefits of establishing a payment recapture audit program exceed costs associated with recovery of overpayments for the respective programs.

### Additional Notes:

Based on _______, the following is the estimated percentage for improper payments reported as a percent of annual outlays; estimated percentage for disallowed recoveries as a percent of improper payments reported; and estimated percentage for improper payments recovered as a percent of improper payments reported.

<table>
<thead>
<tr>
<th>Improper payments reported:</th>
<th>0.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recoveries disallowed:</td>
<td>0.00%</td>
</tr>
<tr>
<td>Improper payments recovered:</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
**Department of Veterans Affairs**  
**IPERA Program - Summary of Cost Benefit Analysis**

<table>
<thead>
<tr>
<th>Administration:</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Group:</td>
<td>0</td>
</tr>
<tr>
<td>Program Name:</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Qualitative Score</th>
<th>Quantitative Benefit-Cost Coefficient</th>
<th>Cost Effective Yes/No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weights</td>
<td>20% 80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Summary of Results:** 0.00 0.10

**Conclusion:**

**If the combined weighted qualitative and quantitative score is equal to or greater than 1.5, then a payment recapture audit should be performed.**
APPENDIX 10: PROPER DISPOSITION OF RECOVERED AMOUNTS

A. VA may include provisions that authorize payments to payment recapture auditors for identifying underpayments and overpayments. Appendix C, outlines the purposes for which post-IPERA (i.e., after July 22, 2010) recaptured funds may be used. The actual expenses incurred by recovery audits may be reimbursed using overpayments recovered from discretionary accounts that were appropriated after enactment of IPERA and that have expired. Contractors may also be paid for recapture and recovery audit services with recovered overpayments from expired, discretionary accounts. Unless otherwise specified in legislation that overrides IPERA, once the costs associated with payment recapture and recovery audits have been recaptured, the remaining post-IPERA funds may be allocated using the following guidance below.

B. For expired discretionary fund accounts that were appropriated after enactment of IPERA, VA shall determine the actual percentage of recovered overpayments used for the purposes outlined in Appendix C, up to the maximum amount allowed in the law and the guidance. Specifically:

   a. Up to 25 percent of the recaptured funds may be used for the financial management improvement program (see Appendix C). This funding shall be credited, if applicable, for that purpose identified by VA Secretary to any appropriations and funds that are available for obligation at the time of collection. These funds shall be used to supplement and not supplant any other amounts available for that purpose, and shall remain available until expended. Such funds can go to non-Federal entities, such as state and local governments, if VA determines that is the best disposition of the funds to support its financial management improvement program.

   b. Up to 25 percent of the recaptured funds may be used for the original purpose. This funding shall be credited to the appropriation or fund, if any, available for obligation at the time of collection. The funds will be available for the same general purposes as the appropriation or fund from which the overpayment was made. If the appropriation from which the overpayment was made has expired, the funds shall be newly available for the same time period as the funds were originally available for obligation. However, any funds that are recovered more than five fiscal years after the last fiscal year in which the funds were available for obligation shall be deposited in the Treasury as miscellaneous receipts.

   c. Up to 5 percent of the recaptured funds shall be available to the VA Inspector General. The VA Inspector General may use this funding to carry out the law’s requirements, and perform other activities relating to investigating improper payments or auditing internal controls associated with payments. However, the funding shall remain available for the same period of availability and purposes as the appropriation or fund to which it is credited.

   d. The remainder of the recaptured, expired discretionary funds that were
appropriated after enactment of IPERA shall be credited to the expired account from which the overpayment was made.

C. Recaptured overpayments from unexpired discretionary fund accounts that were appropriated after enactment of IPERA shall be credited to the account from which the overpayments were made without using it for any purposes outlined above in Appendix 10.B.

D. Recaptured overpayments from mandatory fund accounts shall be credited to the account from which the overpayments were made without using it for any purposes outlined above in Appendix 10.B.

E. In the case of closed accounts, the budgetary resources are cancelled, and all recaptured overpayments shall be deposited in the Treasury as miscellaneous receipts.
APPENDIX 11: TEMPLATE FOR PREPARING THE IMPROPER PAYMENT ANNUAL REPORT TO CONGRESS

**Background:** This template provides each Department of Veterans Affairs’ (VA) reporting entity a structured template to report on actions taken to conduct recapture and recovery audit activities. This report shall describe agency efforts during the previous fiscal year. A copy of this report will also be provided to the OIG and OMB.

**Reporting Entity:** Name of Reporting Entity

**Fiscal Year of Reporting:** FY20XX

**Executive Summary:** High-level summary to discuss the reporting entities efforts surrounding recapture and recovery audit activities in accordance with the Improper Payments Elimination and Recovery Act (IPERA, P.L. 111-204) and Appendix C, Part I.

**Section I: Overview**

This section addresses:
1. Evaluation of the steps taken to carry out a Recapture and Recovery Audit Program;
2. Programs in scope for recapture and recovery audit activities;
3. The methods used by the reporting entity to identify and recapture overpayments;
4. Any cost/benefit analysis performed and any 2-year waiver requests of OMB;
5. Types of reviews performed (i.e., general or focused auditing activities, contracting, etc.);
6. Corrective actions taken during the current fiscal year to address recommendations from the preceding fiscal year; and
7. Any trends, causes of improper payments, and lessons learned.

**Section II: Audit Results**

In accordance with OMB Circular A-136, *Financial Reporting Requirements*, VA is required to provide an annual submission for the AFR on recapture and recovery audit activity efforts. The information reported in this section will highlight (summarize) the detailed data reported in the AFR. The data reported in this section should reconcile to the data reported in the current fiscal year AFR. If the information does not reconcile, the reporting entity will need to clearly explain the differences in this report.
Section III: Audit Recommendations

This section addresses recommendations on how to mitigate improper payments identified through recapture and recovery audit activities.

Section IV: Corrective Actions Taken or Planned

This section addresses corrective actions the reporting entity took to address current fiscal year auditor recommendations.
APPENDIX 12: HIGH-DOLLAR OVERPAYMENT REPORTING

Completing the Template:

A template (see appendix below) has been provided to facilitate the reporting of HDOP’s. The following is required for the HDOP report:

1. High-dollar Submission Input Template:
   • Name of the Administration and Staff Office
   • Name of the Program
   • Total Payments Amount
   • Fiscal Year
   • Quarter

2. A table listing of each overpayment with the following column headers:
   a. Administration and Staff Office
   b. Program
   c. Amount of Actual Payment
   d. Intended Amount (Correct Amount)
   e. Amount of Overpayment
   f. Entity or Individual
   g. OMB IP Error Cat
   h. Overall Actions/Plans to Prevent Recurrence
   i. Station Number (optional)
   j. Payee Code/Unique
   k. Documentation/Transaction Number
   l. Overpayment Identifying Source (optional)
   m. Recoverable (Y/N)
   n. Accounts Receivable Establishment Date (optional)
   o. Amount Recovered
   p. Date Recovered in Full
   q. CAP Identifier
   r. HDOP (True/False)
   s. Overpayment Amount & OMB IP Error Cat Correct (YES/NO)

3. A summary should be included listing:
   • HDOP Entries Count
   • HDOP Total Amount
   • HDOP Total Amount as percent of All Payments
HDOP Report Notional Schedule to Ensure Timely Reporting

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Deliverable</th>
</tr>
</thead>
</table>
| 1. Fiscal Year First Quarter High-Dollar Overpayments Report (October – December) | - For six weeks after December 31, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
  - February 15, VA offices report high-dollar overpayments to the IPRO Office;  
  - March 15, the IPRO Office consolidates reports and forwards to the VA Secretary; and  
  - April 30, the Secretary submits report to the OIG and posts it to the Internet. |
| 2. Fiscal Year Second Quarter High-Dollar Overpayments Report (January - March) | - For six weeks after March 31, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
  - May 15, VA offices report high-dollar overpayments to the IPRO Office;  
  - June 15, the IPRO Office consolidates reports and forwards to the Secretary; and  
  - July 31, the Secretary submits report to the OIG and posts it to the Internet. |
| 3. Fiscal Year Third Quarter High-Dollar Overpayments Report (April – June) | - For six weeks after June 30, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
  - August 15, VA offices report high-dollar overpayments to the IPRO Office;  
  - September 15, the IPRO Office consolidates reports and forwards to the Secretary; and  
  - October 30, the Secretary submits report to OIG and posts it to the Internet. |
| 4. Fiscal Year Fourth Quarter High-Dollar Overpayments Report (July – September) | - For six weeks after September 30, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
  - November 15, VA offices report high-dollar overpayments to the IPRO Office;  
  - December 15, the IPRO Office consolidates reports and forwards to the Secretary; and  
  - January 31, the Secretary submits report to OIG and posts it to the Internet. |
# High-Dollar Overpayment Reporting Template

<table>
<thead>
<tr>
<th>Amount of Overpayment</th>
<th>Intended Amount (Correct Amount)</th>
<th>Amount of Overpayment</th>
<th>Entity or Individual</th>
<th>Root Cause of Overpayment</th>
<th>OMB IP Error</th>
<th>Payee Information</th>
<th>Correct Action</th>
<th>Recovery Amount</th>
<th>Recoverable (Y/N)</th>
<th>Accounts Receivable Establishment Date (optional)</th>
<th>Amount Recovered</th>
<th>Date Recovered in Full</th>
<th>CAP Identifier (optional)</th>
<th>OMB IP Error Category</th>
<th>Correct (YES/NO)</th>
<th>Error Count/Amount Percentage of Total Error Count/Amount Percentage of Total Error Count/Amount Percentage of Total Error Count/Amount Percentage of Total Error Count/Amount Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-</td>
<td>0</td>
<td>Prisoner Data</td>
<td>Failure to Verify: Prisoner Data</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Failure to Verify: Prisoner Data</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Formula Driven Cells

- Cells Requiring User Inputs

### Notes

- Failure to Verify: Other Eligibility
- Data
- Program Design or Structural Issue
- Administrative or Process Error
- Inability to Authenticate Eligibility
- Medical Necessity
- Failure to Verify: Excluded Party Data
- Formula Driven Cells
- Cells Requiring User Inputs
7.0 Begin Corrective Action Process

7.1 Identify systematic errors that cause HDOPs from Quarterly Reprot

7.2 Group together common systematic errors

7.3 Determine whether there is a financial resource entity component to corrective action

7.3.1 If there is a financial resource entity component, provide input for corrective action plan

7.4 Draft corrective action plan

7.5 Review and approve corrective action plan

7.6 Perform corrective action as required

7.7 Resume HDOP Reporting Process
APPENDIX 13: DO NOT PAY SOLUTION: IMPLEMENTATION AND UTILIZATION

Overview

This appendix establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding the implementation and utilization of the "Do Not Pay (DNP)" Solution.

On June 18, 2010, the President issued an Executive Memorandum that directed all Federal Government agencies to "review current pre-payment and pre-award procedures and ensure a thorough review of applicable databases occurs before the release of any Federal funds." So as, "to ensure that only eligible recipients receive Government benefits or payments," the President directed OMB to establish a "single point of entry" through which agencies would access relevant data in a network of databases to be collectively known as "DNP" before determining eligibility for a benefit, grant or contract award, or other federal funding. Shortly thereafter, the Federal Government’s desire to improve the integrity of its payments and the efficiency of its programs and activities was achieved through the enactment of the Improper Payments Elimination and Recovery Act (IPERA), July 22, 2010.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) based on IPERA, July 22, 2010, was passed into law on December 13, 2012 to intensify efforts to identify, prevent, and recover payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries.

Treasury’s DNP Portal is only a part of the DNP Solution. VA may have incorporated Pre-Award and Pre-Payment activities into existing processes. These tools are part of the overall DNP Solution and are reportable in the DNP section of the AFR

1. DNP Portal Data Sources - The DNP Portal is a proactive tool, currently consisting of the following data sources used to identify potential improper payment sources relevant to both Pre-Award and Pre-Payment activities:

The following DNP data sources are currently used by VA:

- **Excluded Party List System (EPLS)** – an electronic, web-based system that identifies those parties excluded from Federal contracts, certain sub contracts, and certain types of Federal financial and non-financial assistance and benefits. The EPLS keeps its user community aware of administrative and statutory exclusions across the entire government, and individuals barred from entering the United States. EPLS has been replaced by the **System for Award Management (SAM)**. SAM.gov is the primary system of record for vendors to do business with the federal government. GSA currently maintains this database.

- **Death Master File (DMF)** – list of decedent individuals reported to the Social
Security Administration (SSA). The file is divided into DMF Public and Private. The DMF Private file includes 32 states, New York City, and Washington DC. The data is provided to DNP by the Department of Commerce’s National Technical Information Service (NTIS) on behalf of SSA. DNP matches the payments against the Public DMF.

The following DNP data sources are also required under IPERA:

- **Social Security Death Master File** – The full file contains all death records extracted from the Social Security Administration NUMIDENT database, including death data received from the States and is shared only with certain Federal and State agencies pursuant to section 205(r) of the Social Security Act. It is available as an online search application or as raw data files, and is important for death verification. This file is updated weekly.

- **List of Excluded Individuals /Entities (LEIE)** – Department of Health and Human Services, OIG, has the authority to exclude individuals and entities from Federally funded healthcare programs pursuant to sections 1128 and 1156 of the Social Security Act and maintains a list of all currently excluded individuals and entities called the List of Excluded Individuals and Entities (LEIE). Anyone who hires an individual or entity on the LEIE may be subject to civil monetary penalties (CMP).

- **Debt Check** - allows agencies and outside lenders to obtain information regarding whether applicants for federal loans, loan insurance or loan guarantees, owe delinquent child support or delinquent non-tax debt to the Federal government. The database is maintained by Department of Treasury, Bureau of the Fiscal Service.

- **Central Contractor Registration (CCR)** - a highly secure, single repository of vendor data used Government-wide. Vendor registration provides common data in one central location. CCR is now part of SAM.

- **Prisoner Update Processing System (PUPS)** - listing of confined individuals excluded from receiving payment of Retirement, Survivors, or Disability Insurance (RSDI) and Supplemental Security Income (SSI) benefits. These individuals may be excluded from other types of Federal payments, dependent on agency regulations.

The following DNP functions are currently used by VA:

2. **Single Online Search** – One single entry can be searched and matching records will be returned. Currently, users can search by TIN, SSN, Business or Individual Name.
3. **Payment Matching** – DNP matches the participating Agency’s Treasury PACER files to DMF Public and EPLS Public and transmits the results once each month. The results are sent via secured email to the VA DNP Coordinator. VA programs must review and report on match results on a monthly basis.

The following DNP functions are also suggested under IPERA:

4. **Batch Processing** – Agency sends in large files before or after payments are made. DNP matches the files to data sources available and returns the results to the user via the online portal.

5. **Continuous Monitoring** – Agency sends in large files. DNP stores the file within the portal and provides the agencies with notifications when matches are found against currently available data sources.

6. **Treasury Data Analytics Services** – Treasury Data Analytics Services are being offered to the agencies to help reduce fraud, errors, and payments being made to ineligible recipients applicable to Post-Payment activities.

**Business Process Integration and Application**

1. **Agreements** – The initialization of the DNP Solution will require the establishment of proper Data Sharing Agreements with the owning agency/organization. VA shall work with the Department of Treasury to establish Data Sharing Agreements to access the databases listed above. Contact VA DNP Coordinator if a new data source or matching activity is required for the program.

2. **Administration and Staff Office Instruction** – Each Administration and Staff Office shall review pre-payment and pre-award procedures, and ensure that a thorough review of available databases with relevant information on eligibility occurs, in order to determine program or award eligibility and prevent improper payments before the release of any Federal funds.

**Pre-Award:**

- Contracting officers shall continue to use the Federal Awardee Performance and Integrity Information System (FAPIIS) to establish whether a contractor has the integrity and business ethics to receive a federal contract, in accordance with applicable Federal Acquisition Regulation (FAR), excluding micro-purchases, and regulations. Contracting officers are encouraged (but not required) to review the DNP solution, given that the additional information provided may be helpful to contracting officers in their efforts to ensure that the Federal government does business with responsible parties. Pre-Award reviews for all other grants, agreements, or other awards are to incorporate...
utilization of the DNP Solution in the process for performing those reviews.

**Pre-Payment:**

- VA’s entity-wide DNP Solution currently focuses on the payments made by VA’s three Administrations and Staff Offices, accounting for all disbursed payments and several billions of dollars in outlays annually.

- Payment types not in scope relative to IPERA will be excluded from DNP matching.

- The focus of this process is to proactively provide prevention of improper payments prior to the disbursement of funds. However, due to the regulation of Federal law, the suspension, termination, or reduction of some benefit payments cannot be impacted prior to payment. Specifically, the ability to prevent improper payments of this type will be most effective prior to any new award of benefits is made (and possibly before any increased award is made).

- The consistency of data, effective communication, and interface with the DNP Solution portal and its systems, precursors to the implementation and success of this effort.

- The scheduled and efficient exchange of related pre-payment information must occur together with the cash disbursement process to ensure that improper payments are not made.

**3. Application of DNP Solution Findings** – Each VA Administration and Staff Office must determine an adjudication process for handling DNP findings on a continual basis.

**Documentation/System Flag**

- To refine matching methodology, VA will provide business requirements to Treasury. VA will document, share, and refine requirements in a uniform way. VA will adopt, as appropriate, common requirements shared by other agencies.

- Timely documentation must be made in the payment generation system, based on system capabilities. If the findings show the status of the pending payment is deemed improper, the record should be flagged within the system noting that it is a confirmed improper payment. If the Administration’s and Staff Office’s payment system is unable to electronically flag confirmed improper payments, a manual procedure must be put into place.

- If there is no statute or regulation that would prohibit the withholding or termination of payment, this action should be administered promptly to prevent
the improper disbursement of funds.

- Should any improper payment be identified and no remedy is available to prevent the disbursement of funds, a process must be put in place to establish a receivable, and record it within the applicable financial management system, in accordance with VA Financial Policy, Volume XII - Debt Management.

4. References

- **Volume VIII Chapter 1A - Invoice Review and Certification**

- **Office of General Counsel Memorandum**
APPENDIX 14: DO NOT PAY SOLUTION: ROLES AND RESPONSIBILITIES

Treasury DNP POC
- Addresses Technical Questions
- Reviews forms and provides access

VA DNP Coordinator
- Reviews all access requests
- Coordinates access groups with administrations
- Coordinates data sharing agreements
- Maintains master list of VA users

Administration DNP POCs
- Coordinates access
- Coordinates data sharing
- Coordinates and facilitates DNP Policy with VA DNP Coordinator

DNP End Users:
- Reviews and accepts Rules of Behavior
- Submit Access Requests
- Conducts Pre and Post Payment Eligibility Review
DNP Roles and Responsibilities Hierarchy

The roles and responsibilities, as documented in this section, are to provide VA Administrations and Staff Offices, program offices, and end users a clear depiction of their involvement in implementing Treasury and OMB’s DNP Solution at VA.

1. The End User is responsible for:
   a. Reviewing the policy guidance for the user access process.
   b. Completing the required access forms and submitting them to their Administration and/or Staff Office (referenced as DNP POC), including:
      • Do Not Pay Rules of Behavior;
      • Do Not Pay User Enrollment Form; and
      • Do Not Pay User Group Access Form (may include multiple individuals on a single form).
   c. Contacting the VAFSC DNP mail group for any questions on enrollment process.

2. The Administrations and Staff Offices DNP POCs are responsible for:
   a. Responding to requests for DNP Solution information, specifically:
      • Requests for access;
      • Identifying the specific databases end users will require to conduct pre- and post-payment reviews within their organization;
      • Inquiries about the portal’s capabilities and databases; and
      • Assistance with establishment of Data Sharing Agreements between the systems of record and the databases in the portal.
   b. Establishing access groups for their Administrations and programs.
   c. Maintaining user lists to monitor active users and remove inactive users.
   d. Communicating any issues or problems with the system to the DNP Coordinator.
   e. Distributing DNP policy guidance, in collaboration with the DNP Coordinator to:
      • Address when payments can be stopped or withheld based on search results from the DNP Portal;
      • Determine when to apply the DNP Portal to the payment process (i.e., pre- or post-payment review, or both);
      • Identify Administration/Program needs for Continuous Monitoring and Batch Processing; and
      • Complete Data Sharing Agreements in collaboration with the DNP
Coordinator, and secure leadership approval.

f. Providing data to the DNP Coordinator using the template and guidance from Treasury.

g. Coordinating feedback and troubleshooting technical issues in collaboration with the DNP Coordinator.

3. The DNP Coordinator is responsible for:

a. Maintaining DNP SharePoint files on the FSC’s Collaboration SharePoint site.

b. Reviewing and submitting all access request forms and user rosters to the DNP Coordinator.

c. Relay any functionality concerns or requests about the portal from the Administration POCs to Treasury.

d. Facilitating the DNP policy formulation process, in collaboration with the Administration Points of Contact to:
   • Address when payments can be stopped or withheld based on search results from the DNP Portal; and
   • Determine when the DNP Portal should be applied to the payment process (i.e., pre or post payment review, or both).

e. Coordinating systems of record Data Sharing Agreements in collaboration with DNP POC’s and Treasury.

DNP Individual Access Instructions

Overview:

This document will provide instructions to individual end users seeking to access the Treasury’s DNP Solution. All of the required information can be found on the FSC’s DNP SharePoint site, including:

- DNP Rules of Behavior
- DNP User Enrollment Form
- PKI User Enrollment Help Guide
- DNP User Roster Spreadsheet

Process:

Contact your DNP POC prior to completing the forms:
Your DNP POC will communicate with you about the nature of your request and answer any questions you may have about the portal and its capabilities. The Administration and Staff Office POCs must authorize your access to ensure it is aligned with VA’s overall DNP Implementation Plan.

Once you receive the authorized access from your Administration POC, complete each of the following forms (located on FSC’s DNP SharePoint Site) and submit them directly to your Administration POC:

1. **DNP User Enrollment Form**: Before completing this form, review the DNP Rules of Behavior and indicate your acceptance by checking the box in the upper right hand of the form. If you are unsure of your DNP Access Group, contact your DNP POC to determine if you fall into an existing access group or if you and your office will require a new access group to be established with Treasury.

2. **DNP User Roster Spreadsheet**: Create a copy of this spreadsheet with each individual user’s information. If you are submitting multiple requests as an office or as a group, include all of the users on one spreadsheet. VA is responsible for maintaining a master list of all users and this spreadsheet will enable tracking each authorized user for reporting on enrollment to OMB and Treasury.

Submit the required forms electronically to your DNP POC. The DNP POC will review and forward the documents to the DNP Coordinator, located in the Financial Services Center (FSC) Enterprise Oversight Division (104/0471B). The documents will then be reviewed and signed by the VA’s Authorizing Official as designated in the Treasury DNP Portal and transmitted to Treasury.
APPENDIX 15: ADJUDICATION REPORT PROCESS

Overview:

VA has access to the DNP Portal. VA offices should be adjudicating matches inside the DNP Portal. They may need to extract data in order to send to proper individual to review match to determine if it is proper or improper. Each VA office will develop its own procedures on methodology for determining validity of the matches. VA DNP End Users will follow their office policy and update match status in the DNP Portal. Users should take appropriate action in accordance with Department’s Debt Collect Standards for items identified as improper. Questions on DNP Portal and Adjudication process should be directed to VAFSC DNP group.

Safeguarding of Personally Identifiable Information (PII):

Adjudication of DNP Results requires the transmission of PII. Always follow the guidelines below to safeguard PII:

1. Always encrypt files containing PII.
2. Do not store files containing PII on shared servers.
3. Only send files containing PII to those required to use it.
4. Files used for examples or any other purpose that does not require PII should be scrubbed.
5. Follow all guidelines in OMB Memorandum M-07-16 or successor documents.