Financial Policy

Volume VII

Financial Reporting

Chapter 9

Payment Integrity and Fraud Reduction

Approved:

Jon J. Rychalski

Digitally signed by
Jon J. Rychalski
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 rebounds
Assistant Secretary for Management
and Chief Financial Officer
# CHAPTER 9

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>0901 OVERVIEW</td>
<td>3</td>
</tr>
<tr>
<td>0902 REVISIONS</td>
<td>3</td>
</tr>
<tr>
<td>0903 DEFINITIONS</td>
<td>5</td>
</tr>
<tr>
<td>0904 ROLES AND RESPONSIBILITIES</td>
<td>6</td>
</tr>
<tr>
<td>0905 POLICIES</td>
<td>7</td>
</tr>
<tr>
<td>0906 AUTHORITIES AND REFERENCES</td>
<td>12</td>
</tr>
<tr>
<td>0907 REVISIONS</td>
<td>13</td>
</tr>
<tr>
<td>0908 QUESTIONS</td>
<td>14</td>
</tr>
<tr>
<td>APPENDIX A: SCHEDULE OF ACTIVITIES WITH ESTIMATED TIMELINES</td>
<td>15</td>
</tr>
<tr>
<td>APPENDIX B: PROGRAM ANALYSIS</td>
<td>18</td>
</tr>
<tr>
<td>APPENDIX C: RISK ASSESSMENT</td>
<td>25</td>
</tr>
<tr>
<td>APPENDIX D: STATISTICALLY VALID SAMPLING AND ESTIMATION PLANS</td>
<td>30</td>
</tr>
<tr>
<td>APPENDIX E: NONSTATISTICALLY SAMPLING AND ESTIMATION PLANS</td>
<td>37</td>
</tr>
<tr>
<td>APPENDIX F: DEVELOPING TEST PLANS AND TESTING</td>
<td>39</td>
</tr>
<tr>
<td>APPENDIX G: STATISTICAL EXTRAPOLATION AND DEVELOPMENT</td>
<td>43</td>
</tr>
<tr>
<td>APPENDIX H: CORRECTIVE ACTION PLAN (CAP) AND TEMPLATE</td>
<td>44</td>
</tr>
<tr>
<td>APPENDIX I: HIGH PRIORITY PROGRAMS</td>
<td>51</td>
</tr>
<tr>
<td>APPENDIX J: REDUCTION TARGETS</td>
<td>53</td>
</tr>
<tr>
<td>APPENDIX</td>
<td>TITLE</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>K</td>
<td>AGENCY FINANCIAL REPORTING (AFR)</td>
</tr>
<tr>
<td>L</td>
<td>NON-COMPLIANT PROGRAM REPORTING</td>
</tr>
<tr>
<td>M</td>
<td>REQUEST FOR RELIEF FROM REPORTING</td>
</tr>
<tr>
<td>N</td>
<td>PAYMENT RECAPTURE AUDIT</td>
</tr>
<tr>
<td>O</td>
<td>RECAPTURE/RECOVERY COST-BENEFIT ANALYSIS (CBA)</td>
</tr>
<tr>
<td>P</td>
<td>PROPER DISPOSITION OF RECOVERED AMOUNTS</td>
</tr>
<tr>
<td>Q</td>
<td>RECAPTURE EXTERNAL AUDIT REPORT TO CONGRESS</td>
</tr>
<tr>
<td>R</td>
<td>HIGH-DOLLAR OVERPAYMENT REPORTING</td>
</tr>
<tr>
<td>S</td>
<td>DO NOT PAY: IMPLEMENTATION AND UTILIZATION</td>
</tr>
<tr>
<td>T</td>
<td>ADJUDICATION REPORT PROCESS</td>
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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 per the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), under Office of Management (OM) and Budget (OMB) Circular A-123, Appendix C, Requirements for Payment Integrity Improvement (herein after referred to as OMB Circular A-123, Appendix C) and OMB Circular A-136, Financial Reporting Requirements (herein after referred to as A-136) and the Fraud Reduction and Data Analytics Act of 2015 (herein after referred to as Fraud Act).

This policy provides guidance on all aspects of the Department’s compliance with the laws, regulations, and circulars listed above to include:

- Providing an annual timeline for IPERA compliance;
- Determining which programs will undergo IPERA review;
- Defining requirements for IPERA testing;
- Reducing improper payments by intensifying efforts to eliminate payment errors; and
- Identifying potential Fraud, Waste, and Abuse (FWA) in the major programs administered by VA.

Responsible program officials should continue to ensure that their programs serve and provide access to their intended beneficiaries while instituting strong FWA prevention and improper payment reduction activities.

0902 REVISIONS

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<tr>
<th>Section</th>
<th>Revision</th>
<th>Office</th>
<th>Reason for Change</th>
<th>Effective Date</th>
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<td>Various</td>
<td>Updated throughout to reflect changes in reporting structures.</td>
<td>OBO/IPRO (043)</td>
<td>Effective October 1, 2018, the Office of Internal Controls (OIC) became the Office of Business Oversight (OBO), and began</td>
<td>January 2019</td>
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<td>Various</td>
<td>Updated throughout to reflect changes to VA’s IPERA program</td>
<td>OBO/IPRO (043)</td>
<td>Updated guidance related to the revised OMB Circular A-123, Appendix C (effective 06/26/18), assessing risk, and executive oversight of activities to reduce FWA and improper payments</td>
<td>July 2018</td>
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<tr>
<td>Title</td>
<td>Re-titled chapter to “Payment Integrity and Fraud Reduction” from “Erroneous and Improper Payment Reporting”.</td>
<td>OBO/IPRO (047B)</td>
<td>To update chapter title to be more in line with subject matter.</td>
<td>February 2018</td>
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<td>Various</td>
<td>Reformatted to new policy format and 5-year policy review</td>
<td>OBO/IPRO (047B)</td>
<td>Reorganized chapter layout</td>
<td>February 2018</td>
</tr>
<tr>
<td>Various</td>
<td>Added Fraud Act references throughout the policy where necessary</td>
<td>OBO/IPRO (047B)</td>
<td>Fraud Reduction and Data Analytics Act of 2015</td>
<td>February 2018</td>
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<tr>
<td>Appendix F and M</td>
<td>Added appendices F and M to ensure compliance with IPERA</td>
<td>OBO/IPRO (047B)</td>
<td>To add guidance on alternate sampling and estimation approach and non-compliant</td>
<td>February 2018</td>
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0903 DEFINITIONS

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

**Abuse** - Involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational practice given the facts and circumstances.

**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.

**Fraud** - A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment; a misrepresentation made recklessly without belief in its truth to induce another person to act. Involves obtaining something of value through willful misrepresentation. Whether an act is in fact fraud is a determination to be made through the judicial or other adjudicative system and is beyond management’s professional responsibility for assessing risk.

**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 or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment should also be considered an improper payment. When establishing documentation requirements for payments, agencies should ensure that all documentation requirements are necessary and should refrain from imposing additional burdensome requirements. In September 2018, OMB clarified that if an agency is able to discern that the payment was made to the right recipient, for the right amount, and in accordance with applicable regulation and statute, despite failure to comply with all agency policies, procedures, or documentation requirements surrounding the payment, the payment may be considered proper.
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. The term “payment” includes disbursements made pursuant to prime contracts awarded under the Federal Acquisition Regulation (FAR) and Federal awards subject to the 2 C.F.R. Part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) that are expended by recipients.

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 covered by Government Auditing Standards. Rather, it is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility.

Waste - The act of using or expending resources carelessly, extravagantly, or to no purpose.

0904 ROLES AND RESPONSIBILITIES

The VA Secretary approves the Agency Financial Report (AFR) and delegates the Quarterly High-Dollar Overpayment responsibility to the appropriate personnel. The Assistant Secretary for Management (ASM) and Chief Financial Officer (CFO) oversees all financial management activities relating to the direction, management, and administration of the Department’s IPERA and Fraud Act reporting and compliance. Serves as the Agency Accountable Official. Chairs the VA CFO Council, which will address Seek to Prevent Fraud, Waste, and Abuse (herein after referred to as STOP FWA) and improper payment topics either as part of regular meetings or addressed as special sessions of the Council.

Under Secretaries, Assistant Secretaries, Fiscal Officers, Chief Accountants and Other Key Officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

The Executive Director, Office of Business Oversight (OBO) is responsible for reviewing and approving the Payment Integrity and Fraud Reduction reporting contained in the AFR and has been delegated the authority to sign the quarterly High Dollar Overpayments Report. Within OBO, IPRO manages IPERA compliance while PIO manages Fraud Act implementation requirements and the STOP FWA initiative for VA. As such, OBO is responsible for issuing policy and guidance and coordination of activities related to IPERA and the Fraud Act.
Administration and Staff Office CFOs are responsible for IPERA reporting and ensuring compliance with the policies and procedures set forth in this chapter and coordinate activities with Office of Management (OM) through the Improper Payments Remediation Oversight (IPRO) Office, and are accountable for working with programs to ensure remediation activities reduce improper payments.

Senior Accountable Officers (SAOs) are designated by each Administration for each IPERA program, and are responsible for all aspects of IPERA reporting and compliance with IPERA activities in their organization in conjunction with respective CFOs, and are accountable for reducing improper payments. SAOs will be at the Senior Executive Service (SES) level.

VA Financial Services Center (FSC), as of April 6, 2018, is the operational lead, also known as the Do Not Pay (DNP) Coordinator, for the management of Treasury’s DNP Portal, providing support, guidance, and troubleshooting for VA.

0905 POLICIES

VA’s goal is to reduce improper payments by intensifying efforts to eliminate payment errors and identify potential FWA in the major programs administered by the Department, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. VA will also complete all required reporting timely (See Appendices A, I, L, M, Q, and R).

VA will also focus on:

- Identifying and eliminating the highest improper payments;
- Accountability for reducing improper payments;
- Coordinating Federal, State and local government action in identifying and eliminating improper payments where applicable; and
  - Developing and implementing aggressive corrective actions that increase oversight and accountability to achieve compliance with IPERA and mitigate FWA.

A. Programs or activities that are determined to be at high risk of significant improper payments will be tested annually to determine each program’s improper payment error rates (See Appendices F and G). Administration or Staff Office Chief Financial Officers (CFOs), in coordination with SAOs, are responsible for accurate testing and reporting of high risk programs as required by IPERA.

Annually, VA will identify its programs via a program analysis, which provides programs or activities annual outlays from the previous fiscal year (See Appendix B). VA will then use a comprehensive FWA and IPERA risk assessment questionnaire completed annually by SAOs (See Appendix C) to meet risk assessment
requirements. The comprehensive assessment has been developed to reduce the administrative burden associated with different requirements for risk assessments while still ensuring compliance.

The annual comprehensive risk assessment will ensure compliance by calculating a risk rating when required by OMB Circular A-123, Appendix C guidance. This will include identifying, at a minimum every three years, programs or activities at risk of significant improper payments, defined as either $10M and 1.5 percent of program outlays or $100M in improper payments. It will also include calculating a risk rating during the next annual cycle for programs or activities if the annual comprehensive assessment determines that low risk programs or activities are affected by a significant change in legislation and/or a significant increase in funding level, even if it is less than three years from the last risk assessment. Further, a risk rating will be calculated for newly identified programs in the next annual cycle following the identification of the program.

B. VA CFO may provide guidance via Memo to ensure consistent testing and reporting of improper payments but due to the dynamic nature of addressing questions and VA’s programs, this guidance may not always be incorporated into financial policy. This allows increased flexibility for ensuring that guidance is current and updated as needed.

C. Programs or activities deemed susceptible to significant improper payments in one fiscal year, are required to obtain a statistically valid estimate of the annual amount of improper payments and develop a statistically valid sampling plan, as defined in OMB Circular A-123, Appendix C, the following fiscal year (See Appendix D). In rare instances, non-statistically valid sampling can be allowed (See Appendix E).

1. Programs or activities will design, document and implement statistical sampling and testing to obtain a statistically valid estimate of the annual amount of improper payments.

2. Statistical sampling plan methodology will be prepared and signed by a statistician, as well as the Administration or Staff Office CFO, or the program or activity SAO.

3. The Administration or Staff Office CFO will submit the sampling plan to IPRO, where the Executive Director of OBO, will review and sign the plan as the designated representative of the VA CFO and submit to OMB, if required. The purpose of this review is to determine whether the sampling plan needs to be provided to OMB.

D. Programs identified as high-risk will develop corrective actions and identify attainable reduction targets to reduce improper payments and document these within a Corrective Action Plan (CAP) (See Appendix F).
1. VA will identify the root causes of improper payments and develop and implement corrective actions that will effectively reduce improper payments, and monitor the effectiveness of each corrective action.

2. Additionally, programs will implement any corrective actions that will assist in reducing any instances of FWA prior to payment when possible.

3. SAOs are responsible for development and implementation of corrective actions with appropriate oversight from Administration or Staff Office CFOs to ensure effective corrective actions are developed, implemented, and monitored.

E. VA will also identify reduction targets for future improper payment levels (See Appendix J). Program SAOs, with appropriate oversight from Administration or Staff Office CFO, will identify reduction targets and submit to IPRO and other respective parties annually or more frequently if requested. Program reduction targets will be approved by the Director of OMB during the annual review and approval process of the AFR.

F. VA will report annually on IPERA activities and the Fraud Act in the AFR as required by A-136 (See Appendix K).

1. 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.

2. High-risk programs will follow all improper payment reporting requirements delineated in A-136 or otherwise required by OMB.

3. Each Administration and Staff Office CFO is responsible for ensuring an appropriate SAO is identified and designated for each program that reports improper payments in the AFR.

4. AFR reporting requirements related to accountability are detailed in A-136 and VA Financial Policy, Volume VII, Chapter 1.

5. VA will annually report on fraud reduction efforts in the AFR. The report will include information on VA’s progress in implementing:

   • Financial and administrative controls established pursuant to the Act;

   • The fraud risk principle in the Standards for Internal Control in the Government, and OMB Circular A-123, and the Government Accountability Office’s (GAO’s) Framework for Managing Fraud Risks in Federal Programs, with respect to leading practices for managing fraud risk; and
• Information on agency progress in identifying risks and vulnerabilities to fraud (including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards) and agency progress on establishing strategies, procedures, and other steps to curb fraud. Administration or Staff Office CFOs will provide progress, in conjunction with respective program SAOs regarding identification of fraud risk and vulnerabilities to OBO.

6. VA will report to Congress and other applicable parties as required on noncompliant programs and activities being completed to address findings from the Office of Inspector General (OIG).

• SAOs will prepare and sign official program responses and other required reporting for submission to their Administration or Staff Office CFO for final concurrence.

• Administrations or Staff Offices CFO will provide approved reports with appropriate concurrences to the IPRO office by the established deadline for formal coordination and routing to the appropriate office(s).

G. 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 (See Appendices N, O, P, and Q).

1. Improper payments identified and amounts recovered via payment recapture audits are reported in the AFR.

2. SAOs are responsible for overseeing payment recapture audits, with appropriate oversight from the Administration or Staff Office CFOs.

3. If a program uses an external contractor to perform payment recapture audits, additional reporting requirements may be generated in accordance with OMB Circular A-123, Appendix C, Part III C.16.

4. Administration or Staff Office CFOs and program SAOs will notify IPRO if an external contractor is retained to perform payment recapture audits in any of their programs or activities to coordinate any additional reporting requirements.

5. Administration or Staff Office CFOs will prepare and submit a consolidated report of all external contractor activities performed within their programs that meets reporting requirements to IPRO for consolidation and routing to Congress and other appropriate recipients as required.

H. OMB may categorize VA programs reporting high volumes of improper payments as high-priority programs and become subject to increased reporting requirements (See
Appendix I). OMB may require other programs that do not meet all requirements for “high-priority” to do additional reporting.

1. OMB will determine whether a program is considered high-priority based on the most serious cases of improper payments reported in VA’s AFR.

2. High-priority programs will tailor corrective actions, publicly report actions to prevent and recover improper payments, and develop semi-annual or quarterly actions to reduce improper payments that focus on higher risk areas within the high-priority programs and report on root causes of improper payments.

3. Administrations or Staff Offices CFOs with high-priority programs will designate SAOs to oversee efforts to reduce program improper payments.

4. SAOs will draw on their current corrective actions to determine the most reasonable action focusing on the areas that will provide the greatest rate of return on investment and submit to IPRO for timely submission to OMB for publication to PaymentAccuracy.gov.

5. SAOs, in collaboration with Administration or Staff Office CFOs, are responsible for providing oversight of progress made to implement corrective actions.

6. OMB Circular A-123, Appendix C provides OMB’s classification categories for high-priority programs.

I. VA is required to report on High-Dollar Overpayments that exceed the thresholds defined within OMB Circular A-123, Appendix C (See Appendix R).

1. VA will comply with High-Dollar Overpayment reporting requirements.

2. Administration or Staff Office CFOs will provide required reporting information to IPRO for compilation and submission to the Executive Director of OBO for coordination, signature, and submission as required per OMB Circular A-123, Appendix C.

J. VA will follow the pre-payment and pre-award procedures defined in IPERIA and OMB Circular A-123, Appendix C to minimize the issuance of improper payments prior to making a payment (See Appendix S).

1. VA programs will review pre-payment and pre-award 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.

2. Section 5 of IPERIA lists the minimum review requirements that will be
completed before issuing any payment or award.

3. VA will follow the Do Not Pay Initiative policies outlined in IPERIA and applicable OMB guidance.

K. Fraud Act provides guidance on fraud reporting.

1. VA will implement the requirements of the Fraud Act as a part of the overall STOP FWA initiative.

Administrations and Staff Offices will report and coordinate all data analytics activities with OBO through their designated Seek to Prevent FWA (STOP FWA) point of contact, as well as identify any FWA risks within their programs, testing for potential FWA, and ensure CAPs address significant fraud risks that require mitigation.

2. In an effort to embrace increased knowledge where FWA is concerned, VA will leverage partnerships, tools, and lessons learned from other Federal Agencies and the private sector. This will allow VA to:

   • Explore opportunities to partner with the audit community in an effort to prevent FWA;

   • Respond quickly to reported concerns, and improve corrective actions once issues are identified; and

   • Establish a consistent approach to address FWA risks and better prepare VA to identify and prevent FWA.

3. VA’s fraud act compliance does not change the duty to report suspected fraud. All VA employees have a responsibility to report suspected fraud to the VA OIG.

L. VA provides a coordinated response to OIG in relation to IPERA compliance.

1. VA will submit one coordinated response through OM to OIG regarding the annual audit of IPERA compliance. This process will be managed by IPRO.

0906 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

Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, dated November 23, 2009

OMB Circular A-123, Appendix C Requirements for Payment Integrity Improvement, dated June 26, 2018

OMB Circular A-136, Financial Reporting Requirements – Revised July 30, 2018, Section II.4.5. Payment Integrity

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-11-04, Increasing Efforts to Recapture Improper Payments by Intensifying and Expanding Payment Recapture Audits

Federal Acquisition Regulation

VA Financial Policy, Volume XII – Debt Management

GAO’s A Framework for Managing Fraud Risks in Federal Programs, July 2015

GAO’s Standards for Internal Control in the Federal Government, September 2014

0907 RECISSIONS


OMB Memorandum M-15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, dated October 20, 2014

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

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

0908 QUESTIONS

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

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<th>Department</th>
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<td>VA IPRO</td>
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<td>VA STOP FWA</td>
<td>043 PIO Senior Management (Outlook)</td>
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<td>VHA</td>
<td>VHA CFO Accounting Policy (10A3A) (Outlook)</td>
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<td>VBA</td>
<td>VAVBAWAS/CO/FINREP (Outlook)</td>
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<td>All Others</td>
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APPENDIX A: SCHEDULE OF ACTIVITIES WITH ESTIMATED TIMELINES

The below schedule of activities provides an outline of the annual requirements and mandated deadlines. Internal deadlines are created to ensure overall compliance with mandated deadlines but should be considered notional and will vary depending on Departmental activities.

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<thead>
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<th>Mandated Activities</th>
<th>Authority</th>
<th>Action</th>
<th>From</th>
<th>To</th>
<th>Due</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>Payment Recapture Auditors Recommendations (ONLY required if external contractors conduct payment recapture audits and make recommendations to VA)</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>
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<tr>
<td>Do Not Pay</td>
<td>Improper Payments Elimination and Recovery Improvement Act of 2012 (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>
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<tr>
<td>High Dollar Overpayments</td>
<td>OMB Circular A-123, Appendix C</td>
<td>Report high-dollar overpayments (HDOP)</td>
<td>Administration or Staff Office</td>
<td>Improper Payments Remediation Oversight (IPRO)</td>
<td>Quarterly: Q1 – February, Q2 – May, Q3 – August, Q4 – November</td>
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<td>Report high-dollar overpayments</td>
<td>IPRO</td>
<td>Executive Director of OBO</td>
<td>Quarterly: Q1 - March, Q2 – June, Q3 – September, Q4 – December</td>
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<td>Report high-dollar overpayments</td>
<td>Executive Director of OBO</td>
<td>VA Office of Inspector General (OIG) and Public</td>
<td>Quarterly: Q1 - April, Q1 – July, Q3 – October, Q4 – January</td>
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15
## Mandated Activities

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<td>- Estimated improper payment</td>
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<td>- Corrective Action Plan</td>
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<td>- Reduction Targets</td>
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<td>- Recovery Efforts</td>
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<td>VA Secretary</td>
<td>OMB, GAO, and the Congress</td>
<td>Annually: November 15</td>
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<tr>
<td></td>
<td>Initiate request for relief from High-Risk Program Reporting</td>
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<tr>
<td>Administration or Staff Office</td>
<td>IPRO</td>
<td>Annually: December 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Request for concurrence on the relief from High-Risk Program Reporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OIG</td>
<td>Annually: January 2</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>Request for relief from High-Risk Program Reporting</td>
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<tr>
<td></td>
<td>OMB</td>
<td>Annually: March 31</td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Authority</th>
<th>Action</th>
<th>From</th>
<th>To</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>OMB Circular A-123, Appendix C</td>
<td>High-Priority Reporting Requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Accountable Official (SAO) and Administration/Staff Office Chief Financial Officer (CFO)</td>
<td>IPRO (IPRO will submit to OMB)</td>
<td>Semi-Annually or Quarterly</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At a minimum, programs should be aware of the following potential requirements (note deadlines are final product, not interim drafts):

A. **January 30th or June 30th** - Sampling and estimation plan submission (See Part I.A.D)

B. **March 31st** - Relief from reporting request (See Part II.A.3)

C. **May 15th** - Agency Inspector General annual Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance audit reports (See Part IV.A)

D. **June 14th or August 13th** - Agency reports for IPERA non-compliance (See Part IV.B.1)
E. **November 1st** - Payment recapture audit contractor recommendation reporting (See Part III.C.16)

F. **November 15th** - Annual reporting in an agency AFR or Performance Accountability Report (PAR)

G. **Varies (Typically Mid-October)** - OMB data requests

H. **Quarterly or Semi-Annually** - High-priority program reporting requirements (See Part II.A.1)

I. **No Specific Due Date** - Recapture audit cost effectiveness (See Part II.C.6)
APPENDIX B: PROGRAM ANALYSIS

Annually, VA will perform a program analysis to identify all programs within VA and ensure VA’s total fiscal year outlays and disbursements are accounted for by appropriation fund code. Administrations will submit completed templates to the Improper Payments Remediation Oversight (IPRO) Office by the dates established on the Improper Payments Elimination and Recovery Act of 2010 (IPERA) Annual Memorandum. Administrations may adapt their own Program Analysis templates as long as overall Office of Management and Budget (OMB) guidance is met. Administrations will submit Program Analysis templates to IPRO for final approval to ensure consistency within the agency. IPRO will complete the program analysis for VA Central Office Staff Offices. New programs identified during the program analysis process will need to complete the annual comprehensive Fraud Waste and Abuse (FWA) and IPERA risk assessment (Appendix C) starting the following year.

Instructions:

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

2. Obtain FMS or system of record extracts for transactions recorded in standard general ledger accounts 480*, 490*, and 498* associated with each fund code consisting of Undelivered Orders (Obligations, Prepaid/Advanced) and Delivered Orders (Obligations, Paid). 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. Payroll, Travel and Disaster Relief Funds will be excluded from in scope disbursements.

4. Tab 1: 480*, 490*, 498* Crosswalk, enter the extract information from the Program Analysis template.

5. 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 (payroll; non-federal payments/contracts (vendor payments); inter-governmental;
purchase card; travel; and benefits).

CFO’s with programs that expend less than $10 million annually may indicate within this tab that the CFO will combine these programs for administrative purposes since it would not be possible for programs that expend less than $10 million annually to hit the thresholds required for significant improper payments. This would decrease the administrative burden on programs for IPERA compliance during the risk assessment process. Program Analyses should include a note explaining which programs were combined and why.

6. 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 not in scope.

7. 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.

8. Tab 5: SBR Template, add the data to accomplish the checklist, line 3020, Gross Outlays. VA entity-level SF-133 submitted to Treasury should match the Statement of Budgetary Resources (SBR) published in VA’s annual AFR. A required reconciliation is included in the template and provides for a comparison of the SF-133 to the SBR.

9. Tab 6: Program Checklist should reconcile the SF-133 to the SBR to the exact amounts. Any variances will be explained in writing and submitted with the Program Analysis template to IPRO. All documentation used to explain the variance will be retained by the Administration (or IPRO for VACO Staff Offices) and made available upon request. Variances over 2 percent for all programs within an Administration or VACO Staff Offices will not be accepted by IPRO.

10. 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 SBR.
- GL 480* – FMS General Ledger Account: Undelivered Orders (Obligations,

1 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.
Prepaid/Advanced).

- GL 490* – FMS General Ledger Account: Delivered Orders (Obligations, Paid).

### Tab 1: 480*, 490*, 498*, Crosswalk

<table>
<thead>
<tr>
<th>Summary of Activity by Total Dollars</th>
<th>GL Account (480*/490*/498*)</th>
<th>Fund Code</th>
<th>BOC</th>
<th>Cost Center</th>
<th>Program No.</th>
<th>Program Name</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Fund Symbol (TAFS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>Total By TAFS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$0.00</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0.00</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
## IPERA Program Template for FY ** Disbursements

<table>
<thead>
<tr>
<th>NAME</th>
<th>POC Name</th>
<th>POC Phone</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>TAFS</th>
<th>Gross Disbursements</th>
<th>In Scope Disbursements</th>
<th>Payroll</th>
<th>Non-Federal Payments/Contracts</th>
<th>Intra-governmental Payments</th>
<th>Purchase Card</th>
<th>Travel</th>
<th>Benefits</th>
<th>Misc.</th>
<th>Total Expenses</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
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<tr>
<td>Program 1 Total</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

|       | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|       | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Program 2 Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Misc - Programs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|                 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Misc - Programs Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Grand Total: 0.00, 0.00, 0.00, 0.00, 0.00, 0.00, 0.00, 0.00, 0.00, 0.00, 0.00

| Journal Entries or Adjustments | 0.00 |
| Totals | 0.00 |

---

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

<table>
<thead>
<tr>
<th>SF-133</th>
<th>SGL 480*</th>
<th>SGL 490*</th>
<th>SGL 498*</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAFS SYMBOL</td>
<td>Gross outlays</td>
<td>TAFS SYMBOL</td>
<td>Total Disbursements</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
<td>-----------</td>
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</tr>
<tr>
<td></td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| TIERS | Disbursements control total | 0.00 |
|       | Difference | 0.00 |

**ADJ** 0.00

---

### Tab 4: Recon by Program Totals

21
VA Totals by Fiscal Year
PROGRAM TOTALS

| PROG 1 - PROG Name | - |
| PROG 2 - PROG Name | - |
| MISC - PROGRAMS | - |

Program Totals
Journal Entries and Adjustments -
Total Disbursements -

CROSSWALK TOTAL $0.00
JE Adjustments $0.00
Total SF-133 Totals $0.00

DIFFERENCE -

Notes:

Tab 5: SBR Template

<table>
<thead>
<tr>
<th>Amount $</th>
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</thead>
<tbody>
<tr>
<td>VA Statement of Budgetary Resources</td>
</tr>
</tbody>
</table>

Prepared as of:

Period 12, September ****
14. Gross Outlays

Tab 6: Program Checklist
Program Checklist Completed by:

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

<table>
<thead>
<tr>
<th>Template Disbursement Amounts Comparison to VA SBR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Disbursement Amount Reported on Template</td>
</tr>
<tr>
<td>SBR line 19a or 14 Gross Outlays from OFP: Financial Reporting</td>
</tr>
<tr>
<td>Gross Disbursement Amount Difference</td>
</tr>
<tr>
<td>Gross Disbursement Percentage Difference</td>
</tr>
<tr>
<td>Is the</td>
</tr>
</tbody>
</table>

Provide Explanation for Variance:

* The Program checklist is to be completed and submitted along with the Program template.
* The Program template should be reconciled to the SBR and/or SF-133 to the exact amount. Any variances will be explained in writing and submitted with the Program Analysis template to IPRO. All documentation used to explain the variance will be retained by the Administration (or IPRO for VACO Staff Offices) and made available upon request. Variances over 2 percent for all programs within an Administration or VACO Staff Offices will not be accepted by IPRO.
* 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>
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</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</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>
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<td>Number of Records</td>
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<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>$0.00</strong></td>
<td>0</td>
<td><strong>$0.00</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

*Results are for FY2016 AFR using FY2015 payments.*
Multiple sources require and/or recommend the assessment of various risks by management to effectively manage federal programs. In an effort to reduce duplication, alleviate administrative burden associated with multiple assessments, and streamline activities, VA will perform an annual comprehensive risk assessment that will meet the following requirements for assessing risk:

1. The Fraud Act requires the establishment of financial and administrative controls to identify and assess fraud risks; and
2. The Improper Payments and Remediation Act of 2010 (IPERA) requires the determination of whether a program is at significant risk of improper payments.

While there is no requirement for an annual assessment to identify the risk of Fraud, Waste, and Abuse (FWA), the Government Accountability Office’s (GAO’s) “A Framework for Managing Fraud Risk in Federal Programs” states that allowing extended periods of time between fraud risk assessments could result in control activities that do not effectively address the program’s risks. As a best practice, and to allow one assessment to satisfy multiple requirements, VA requires the comprehensive risk assessment to be completed annually.

The Office of Business Oversight (OBO) developed a comprehensive risk assessment questionnaire comprised of both qualitative and quantitative risk factors which, when utilized annually by VA programs, satisfies the requirements of both Fraud Act and Office of Management and Budget (OMB) Circular A-123, Appendix C. Specifically, the assessment generates a risk rating FWA annually and a risk rating for IPERA during the years a risk assessment is required. Further, the questionnaire provides Senior Accountable Officials (SAOs) and other program officials the ability to track progress in mitigating risks from several vantage points. Beginning in Fiscal Year (FY) 2019, the questionnaire will utilize SharePoint and provide some insight into risks identified by multiple programs which can be utilized by the Office of Enterprise Integration in its charge to implement Enterprise Risk Management at VA. While existence of an enterprise risk may not result in a risk of significant improper payments within a single program, Administration and Staff Office Chief Financial Officers (CFOs) are required to notify OBO if they identify an enterprise risk that may conflict with individual risk ratings within programs.

OBO, through the Program Integrity Office (PIO) and Improper Payments Remediation Oversight (IPRO) Offices, will oversee the annual risk assessment, including:

a. Maintaining a comprehensive risk assessment questionnaire and establishing risk assessment questionnaires for IPERA programs as a result of the annual program analysis (see Appendix B). IPRO will add newly identified programs to the risk assessment questionnaire in the year following their establishment per OMB Circular A-123, Appendix C. If the first 12 months of a new program do not coincide with the fiscal year, the Administration or Staff Office CFO should
coordinate with IPRO for consultation with OMB.

b. Establishing and distributing annual deadlines and instructions, and in FY 2019, begin granting access to the SharePoint site to appropriate program personnel and SAOs.

c. Utilizing the annual questionnaire responses, IPRO will identify those programs that require an IPERA risk rating in the following risk assessment cycle due to significant legislative or programmatic changes occurring, significant funding increases, or any change that would result in substantial program impact and will notify SAOs and Administration or Staff Office CFOs that an IPERA risk rating will be calculated the following year. If Administration and Staff Office CFOs non-concur with the determination that a full risk assessment is required for IPERA, they will submit an explanation of the non-concurrence to the Director, IPRO no later than December 31 of the year that the determination was made.

d. Reviewing risk assessment responses for completeness and reasonableness and working with programs to resolve discrepancies.

Beginning in FY 2019, program risk assessments will be signed in the SharePoint site by the SAO; SAO signature denotes that all responses have been reviewed and determined accurate by the SAO. Risk assessment scores will be calculated after SAO signature. When the SAO signs the risk assessment in the SharePoint site, the assessment will automatically route to OBO and is considered submission of the assessment. SAOs can contact OBO to request the assessment be returned for edits if prematurely submitted; however, this should be a rare occurrence as edits cannot be made to responses solely to reduce a risk assessment score.

Beginning in FY 2019, PIO and IPRO will grant management review access to the SharePoint site to parties with a need for reviewing risk assessment results. For example, Administration and Staff Office CFOs, and offices serving as the FWA hub, will be granted read-only access for reviewing FWA and IPERA risk ratings and rankings across programs.

OMB Circular A-123, Appendix C, requires agencies to review all programs and activities and identify those that are susceptible to significant improper payments. Programs or activities susceptible to significant improper payments are those at risk of meeting the threshold of $10M and 1.5 percent of program outlays, or $100M in improper payments. Per OMB Circular A-123, Appendix C, beginning in FY 2020, programs with outlays for a 12-month period exceeding $5 billion should use a quantitative evaluation as the systematic method for review unless:

1. the program used a qualitative method prior to FY 2020 except in instances where the Office of Inspector General (OIG) IPERA compliance review determined the qualitative method did not reasonably support the risk rating, or
2. it is a newly established program, in which case, the program may use a qualitative method for the first improper payment risk assessment and may consider continuing to use that method unless the OIG IPERA compliance review
did not reasonably support the risk rating

The annual comprehensive risk assessment questionnaire allows for programs to identify when quantitative assessments have been completed and the IPERA risk rating is then calculated per OMB guidelines. The Administration or Staff Office CFO for any program exceeding $5 billion in outlays should work with IPRO on coordination of implementing OMB guidance related to quantitative assessment.

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 Agency Financial Report (AFR) reporting requirement. OMB may also determine on a case-by-case basis that certain programs will conduct a quantitative risk assessment regardless of program outlays or VA OIG agreement that a qualitative approach is appropriate. IPRO will work with the SAO and Administration CFO on the proper use of the annual risk assessment questionnaire if this situation arises.

The risk assessment provides a systematic method of reviewing a program and identifying if the program is susceptible to significant improper payments and/or FWA and identifying a program’s overall risk via a separate risk rating for FWA and IPERA. There are different risk factors used to assess improper payments and FWA as not all improper payments result from FWA and not all FWA results in an improper payment. The risk factors assessed for improper payments include additional qualitative factors than those identified specifically in OMB Circular A-123, Appendix C due to VA’s understanding of improper payments in its programs, previous OIG recommendations, and in attempt to ensure the risk assessment accurately determines whether the program is or is not susceptible to significant improper payments.

The questionnaire developed assesses the following risk factors:

1. FWA
   a. **Materiality** - This risk factor is based on two items: the comparable financial impact of the program on the agency’s overall budget, and the anticipated reputational risk of fraud in the program.
   b. **Eligibility** - This risk factor captures the elements required to qualify an applicant for enrollment in a program and/or responsibility determination made related to contracting. The factor considers the eligibility requirements, individual or entity responsible for making the eligibility determination, review of those determinations, standardized processes for determining eligibility, and requirement to document each case, among others.
   c. **Payment** - This risk factor evaluates the methods and processes by which payments are made, and includes questions about the recipient, method of payment, individual or entity responsible for the payment, how changes to a payee’s profile are processed, oversight, pre- and post-payment reviews, internal controls, training, and contracts, among others.
d. **Verification of Information** - This risk factor captures the risk associated with the information provided to VA's programs from Financial Institutions, other agencies, grantees, providers, contractors, vendors, Indian Reservations, and individuals.

e. **Decentralization of the Program** - This risk factor captures the inherent risk of decentralization. Decentralization of programs refers to the delegation of the responsibilities and decision-making authority for operating units and geographical dispersion of stakeholders.

f. **Existing Weaknesses** - This risk factor captures known internal control weaknesses, or vulnerabilities, related to the program. These weaknesses and vulnerabilities may be identified as a result of reviews/audits performed by the OIG, GAO, VA external auditor or previous internal control assessments.

g. **Internal Pressures** - This risk factor captures the inherent risk of the current environment within VA's programs. Some of the considerations when evaluating internal pressures for programs include the expected volume of payments and/or claims, quotas for processing payments and/or claims, performance incentives (i.e. compensation or performance reviews tied to number of approvals) and backlogs of claims or payments, among others.

h. **Human Capital Risk** - This risk factor captures the risk of the current human capital environment within VA's programs. VA's workforce is a critical source of achievement for Departmental strategic objectives. Some of the considerations when evaluating human capital risk include level of turnover, number of new hires and/or temporary employees, number of open positions, employee satisfaction, written policies on fraud, and ways to report suspected fraud.

i. **Program History** - This risk factor captures elements of the program's history, such as the program's longevity and major changes in the program’s policies or procedures. These events, while largely administrative in nature, have an impact on the continuity of service, knowledge of policies and procedures, and vulnerabilities within the program.

j. **Inherent Waste & Abuse** - This risk factor captures the known waste and abuse vulnerabilities in similar programs across the Federal government. The risk factor considers other avenues for fraud, such as purchase and travel cards, use of contractors, duplication and overlap of funding for an applicant, and whether there is monitoring of expiring or expired funds. Sources of known waste and abuse include prior OIG or GAO reports and past internal control deficiencies.

2. **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 (i.e. acquisitions);
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 GAO report audit findings, or other relevant management findings that might hinder accurate payment certification; and
i. Results from prior improper payment work.
APPENDIX D: STATISTICALLY VALID SAMPLING AND ESTIMATION PLANS

A. All high-risk programs will work with a statistician to design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates, whenever feasible. Newly identified high risk programs will produce improper payment estimates in the following fiscal year. Changes in the statistical sample, including changes in sample size, will result in the submission of an updated sampling plan to Office of Management and Budget (OMB) through the Improper Payments Remediation Oversight (IPRO) Office. A non-statistically valid sampling and estimation approach methodology may be similarly prepared for submission to OMB for approval (see Appendix E for instructions) when a statistically valid approach is determined unfeasible.

B. Programs reporting improper payments for the first time and programs revising their current methodology will conform to the process and content described below (see Section D – Steps 1 and 2). Once a program has submitted a methodology to OMB, the program does not need to resubmit a methodology plan – unless an update to the plan is warranted. Programs should consider updating their existing plan if the program undergoes any significant changes such as legislative, funding, structural, etc. Senior Accountable Officials (SAOs) will consider results of any Office of Inspector General (OIG) or Government Accountability Office (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 will 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 will 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 will support this explanation. Program sampling and estimation plans will be complete and consistent.

D. The requirements for statistically valid sampling plans, as outlined in OMB Circular A-123, Appendix C, are outlined below.

Step 1: Process. All programs and activities susceptible to significant improper payments will design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates. Programs and activities will:

a. Annual Estimated Amount. For all programs and activities susceptible to significant improper payments, programs and activities will determine an annual estimated amount of improper payments made in those programs and activities. When calculating the annual improper payment amount, programs should only
utilize the amount paid improperly. Programs are required to include in their estimated amount all identified improper payments regardless of whether the improper payment has been or is being recovered. 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. 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 Agency Financial Report (AFR) the net total (i.e., overpayments minus underpayments).

VA Administrations and Staff Offices will provide testing details 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 Administration and Staff Office Chief Financial Officers (CFOs), and to IPRO for review.

b. Statistical Sampling and Estimation Plans. Programs and activities are responsible for designing and documenting their sampling and estimation plan. Each plan will 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 Fiscal Year (FY) 2019 reporting cycle will be submitted by June 30, 2019). The Administrations and Staff Offices will also include a summary of their sampling methodology plan in the AFR. The sampling and estimation plan will be accompanied by a document certifying that the methodology will yield a statistically valid improper payment estimate (see Step 1.e below).

c. Census Measurement Plans. Administrations and Staff Offices may elect to perform a census (100% sampling plan) instead of statistical sampling and estimate plan. Programs are responsible for designing and documenting their census measurement plan(s); however, a census is not required to be prepared by statistician since population estimates and sampling errors are not applicable to this approach. Each plan should be submitted to OMB no later than June 30 of the fiscal year for which the error rate is being produced (e.g., the census methodology to be used for the FY 2019 reporting cycle will be submitted by June 30, 2019). The Administrations and Staff Offices also include a summary of their census measurement plan in the AFR. The census measurement plan will be accompanied by a document certifying that the methodology will yield a valid
improper payment rate (see Step 1.e below).

d. **Certification.** Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires agencies to produce statistically valid estimates of improper payments (or to use a non-statistically valid methodology approved by OMB), and therefore each plan will be accompanied by a signed certification stating that the methodology will produce a statistically valid estimate. The statistician is required to sign the plan as evidence that a statistician was involved in the development of the plan and that the proposed plan should be designed for compliance with OMB guidance for testing precision. The Administration or Staff Office CFO or program or activity SAO will certify they have reviewed the plan, have provided all pertinent knowledge needed to develop an appropriate precision-level, and agree the plan meets the requirements as laid out by legislation and OMB guidance. A sampling and estimation checklist will accompany all sampling and estimation plans submitted to OMB. Programs submitting a sampling and estimation plan should contact IPRO to obtain the most current OMB checklist. The designated VA CFO representative will sign the plan as evidence that they have reviewed the plan and made a determination as to whether the plan requires submission to OMB. If the plan requires submission to OMB, IPRO will submit the plan. OMB will not provide a formal approval for statistically valid sampling plans. However, OMB reserves the right to raise questions about the particular methodology, should the need arise.

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

f. **Incorporating Recommendations.** 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, or auditors (OIG, GAO, or private auditors).

Step 2: **Content of Statistical Sampling and Estimation Plan.** Statisticians, Administration and Staff Office CFOs, and program or activity SAOs will 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 will explain and justify why the proposed methodology is appropriate for the program in question. This explanation will 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. Sampling and estimation plans will be complete and internally consistent. The following aspects will be clearly addressed:
a. **Probability Sampling.** Improper payment estimates will generally be based on probability samples and will 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, review a complete census of payments in those cases and would not have any sampling errors for that component or stratum. In the case of a census plan, a statistician would not need to be consulted.

b. **Assumptions about the Amount of Improper Payments.** For new high-risk programs or activities, Administrations and Staff Office CFOs may use their initial determination of the potential improper payment in their risk assessment to aid in determining the sample size. For existing high-risk programs or activities, Administrations and Staff Office CFOs should utilize results from previous years and make appropriate adjustments to the sample size and even the sample design based on previous findings in order to obtain a more efficient sample or obtain more precise estimates of improper payments by program components.

c. **Appropriate Sample Sizes.** Administrations and Staff Office CFOs should ensure they select a sample that will meet their target precision rates (Step 2.d below). For new programs or where no historical information is available, Administrations and Staff Office CFOs should take a conservative approach and use higher estimated improper payments in their sample size calculations to ensure that they will meet the precision targets. Since most programs 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. Programs should include the mathematical formula(s) used to compute their sample sizes in their methodologies.

a. **Precision.** IPERA requires that all improper payment estimation plans be statistically valid or obtain approval from the Director of OMB for any deviations. OMB categorizes sampling plans into three groups, two of which are statistically valid (see Appendix E for the third category):

1. **Statistically Valid and Rigorous Plans**
   a. These plans are statistically valid (i.e. are based on unbiased randomized sampling and produce valid point estimates and confidence intervals around those estimates).
b. These plans obtain a +/-3% or better margin of error at the 95% confidence level for the improper payment percentage estimate. (E.g. if an agency estimates $10,000 of improper payments out of $50,000 in outlays, it should have a margin of error of at least +/- $1500 at the 95% confidence level (for a confidence interval of $8500 to $11500, or 17% to 23% of the outlays))
c. Programs should see these types of plans as the target for improper payment plans.
d. These plans are self-certified by each agency and do not require OMB approval, although they will still be submitted to OMB by June 30th.
e. These plans should count reduction targets as being met if the 95% confidence interval includes the reduction target (see Appendix J).
f. Plans that use a census measurement plan would be counted as 'statistically valid and rigorous'.
g. These plans are constructed in consultation with a statistician.
h. These plans cover the entire population for a program for the given Fiscal Year.

2. Statistically Valid
a. These plans are statistically valid (i.e. are based on unbiased randomized sampling and produce valid point estimates and confidence intervals around those estimates).
b. These plans obtain a wider than +/-3% margin of error at the 95% confidence level for the improper payment percentage estimate.
c. Programs should work towards improving these plans to meet the requirements for statistically valid and rigorous plans outlined above.
d. These plans are self-certified by each agency and do not require OMB approval, although they will still be submitted to OMB by June 30th.
e. These plans should count reduction targets as being met only if their estimated improper payment rate is lower than or equal to the reduction target (see Appendix J).
f. These plans are constructed in consultation with a statistician.

e. **Sample Design Documentation.** Sampling and estimation plans will 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. Plans will 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 will be clearly described. Explicit strata will be clearly defined, as should any variables used for implicit stratification. Tables will generally be provided showing the size of the universe and sample by strata (if applicable). Sampling plans will also specify whether cases are selected with equal or unequal probabilities and how the probabilities of selection are determined when they are unequal.
f. **Documentation of Estimation Formulas.** Sampling and estimation plans will 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 will be complete and consistent (for instance, estimation formulas will appropriately reflect the complexity of the sample design).

g. **Updates and Changes to Agency Plans.** Administrations and Staff Office CFOs 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 by IPRO 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 2019 reporting cycle will be submitted by June 30, 2019). The plans will 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. Administrations and Staff Office CFOs should err on the side of caution and resubmit their plans if they are in doubt as to whether or not they need to.

The following are some examples for when an agency should or should not resubmit a sampling and estimation plan to OMB:

i. A program changes the mathematical formula it uses to produce its estimate—Resubmission needed.

ii. A program greatly increases its population universe by adding several new types of payments—Resubmission needed.

iii. A newly identified program that is susceptible to improper payments based on current risk assessment results—New submission needed.

iv. A program has an increase or decrease in sample size of less than 5% of the previous sample size because of natural fluctuation in the population size—Resubmission not needed

v. A program adds new strata or changes strata variables—Resubmission needed.

vi. A program removes strata with no payment activity—Resubmission not needed.

Administrations and Staff Offices CFOs and program SAOs, through the statistician, in coordination with IPRO, will 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 non-statistically valid sampling plans in order for a program to utilize the
A non-statistical approach (see section I.D.2. in OMB Circular A-123, Appendix C). Administrations and Staff Offices CFOs will notify and provide supporting documentation to IPRO if a program is unable to fulfill the requirement described in Steps 1 and 2.
APPENDIX E: NONSTATISTICALLY SAMPLING AND ESTIMATION PLANS

The third group of sampling plans as categorized by Office of Management and Budget (OMB) includes Non-Statistically Valid Plans, described below:

3. Non-Statistically Valid Plans
   a. These plans use a non-statistically valid plan (i.e. does not meet the requirements outlined in Appendix D).
   b. These plans must be approved by OMB in order to be implemented. The agency will clearly state the reasons why it cannot obtain a statistically valid estimate when asking for approval.
   c. These plans should count reduction targets as being met only if their estimated improper payment rate is lower than or equal to the reduction target (see Appendix J).
   d. These plans are constructed in consultation with a statistician.
   e. These plans should be submitted to OMB by January 30th of the Fiscal Year (FY) being sampled (E.g., a plan measuring improper payments for FY 2019 should be submitted by January 30th, 2019).

The guidelines for a non-statistically valid sampling and estimation approach, as outlined in OMB Circular A-123, Appendix C, are outlined below.

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) allows for non-statistically valid sampling plans if—and only if—a program is unable to meet the standard expectations for statistically valid sampling plans. Programs will obtain OMB approval for non-statistically valid sampling plans. A sampling and estimation checklist will accompany all non-statistically valid plans submitted to OMB. Programs submitting a sampling and estimation plan should contact the Improper Payments Remediation Oversight (IPRO) Office to obtain the most current OMB checklist. Programs will submit an explanation and justification to OMB through coordination with IPRO, for instances where a program is not able to produce a statistically valid plan.

Non-statistically valid sampling plans should adhere to the following guidelines:

a. Non-statistically valid plans should be produced in consultation with a trained statistician, just as a statistically valid plan should be.

b. Non-statistically valid plans should explain what structural problems are preventing them from implementing a statistically valid plan, and how and when the agency plans to resolve these.

c. Non-statistically valid plans should be temporary, not permanent plans, with frequent investigation into whether or not a non-statistically valid plan is still necessary.
d. Agencies expecting to use a non-statistical sampling plan for an upcoming FY should submit that plan by January 30th of that year beginning in FY 2019

e. Agencies expecting to implement non-statistically valid plans should be in communication with OMB during the first quarter of the fiscal year, well before the January 30th deadline for the year so that they have sufficient time to revise or rewrite plans according to OMB’s guidance.

Each non-statistically valid plan will clearly and convincingly demonstrate that obtaining a statistically valid plan is infeasible.

Given that there is no guarantee of approval and that OMB may also choose to approve with additional stipulations that Administrations and Staff Office Chief Financial Officers (CFOs) and program Senior Accountable Officials (SAOs) will adhere to, IPRO strongly encourages that requests for approval of non-statistically valid sampling plans be submitted to IPRO no later than November 30 in the fiscal year for which the non-statistically valid approach is being developed. The request will describe the proposed non-statistically valid methodology in detail and clearly explain why the program is unable to produce a statistically valid plan (as described in Appendix D).

Additionally, OMB may conditionally approve a non-statistically valid plan for a set amount of time (typically one fiscal year), while the program corrects structural or resource-related problems preventing it from implementing a statistically valid plan. A program requesting such conditional approval should be prepared to present OMB with the rationale for why they cannot meet the statistically valid plan requirements and what steps they are taking to make a statistically valid plan possible.

If approved by OMB, Administrations and Staff Offices CFOs are responsible for maintaining documentation for the non-statistically valid sampling and estimation approach. The Administrations and Staff Offices CFOs will also include a summary of this non-statistically valid methodology in its submission to IPRO for inclusion in the Agency Financial Report (AFR), including the justification for using a non-statistically valid methodology.
APPENDIX F: DEVELOPING TEST PLANS AND TESTING

All high-risk programs will be tested to adequately estimate the amount of improper payments the program may issue within a given period. Administrations and Staff Offices will develop test plans that appropriately identify attributes needed to determine the appropriateness of payments in accordance with Office of Management and Budget (OMB) Circular A-123, Appendix C and VA direction. Administration and Staff Office Chief Financial Officers (CFOs) need to verify program testing, in accordance with the OMB definitions, is accurate to ensure projected results truly represent the improper payments in programs and activities. To ensure confidence in annual testing results, Administration and Staff Office CFOs will confirm proper segregation of duty in the testing of improper payments from the Senior Accountable Official (SAO). When subject matter experts from program offices are required to ensure accurate testing, Administration and Staff Office CFOs will provide appropriate oversight for testing integrity. It is the segregation of duty which places accountability for the testing of programs on the Administration and Staff Office CFOs and the accountability for reducing improper payments on the SAOs with proper oversight from the CFOs to ensure testing results are appropriately addressed.

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.
   e. Appropriate Delegations of Authorities for Ordering Officials.

B. Administration and Staff Office CFOs and program SAOs will develop and, in coordination with the Improper Payments Remediation Oversight (IPRO) Office, will 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 below.

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

D. Annually, program offices and staff review and update the electronic review checklists (Test Plans) used for sample testing prior to submitting to IPRO for review. Submissions will ensure the SAOs and responsible Administration or Staff Office CFO carefully reviewed the results of any Office of Inspector General (OIG) or Government Accountability Office (GAO) report identifying improper payments in their programs or activities and updated testing, as appropriate, to validate an accurate estimation of improper payments.
TEST PLAN DEVELOPMENT:

**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.

**OMB Improper Payment Categories:** Document the reason for improper payments based on the OMB defined improper payment categories:

a. **Program Design or Structural Issue:** A situation in which improper payments are the result of the design of the program or a structural issue. For example, a scenario in which a program has a statutory (or regulatory) requirement to pay benefits when due, regardless of whether or not all the information has been received to confirm payment accuracy.

b. **Inability to Authenticate Eligibility:** A situation in which an improper payment is made because the agency is unable to authenticate eligibility criteria. These types of errors include but are not limited to:
   i. **Inability to Access Data** – A situation in which the data needed exists but the agency does not have access to it. For example, this could also be a situation where statutory constraints prevent a program from being able to access information that would help prevent improper payments (for example, not confirming a recipient’s earnings or work status through existing databases due to statutory constraints). Another example could be a situation where a beneficiary has failed to report information to an agency that is needed for determining eligibility (for example, a beneficiary failing to provide an agency with information on earnings, and the agency does not have access to databases containing the earnings information).
   ii. **Data Needed Does Not Exist** - A situation in which no database or dataset is currently in existence that the program could use to check eligibility prior to making the payment. This could be a situation where recipient eligibility of a government benefit is dependent on the length of time a child spent with their guardian – no database or dataset is currently in existence containing this type of information.

c. **Failure to Verify Data:** A situation where the agency (Federal, State, or local), or another party administering Federal dollars, fails to verify appropriate data to determine whether or not a recipient should be receiving a payment, even though such data exist in government or third-party databases. In these situations, the data needed exists and the agency or other party administrating Federal dollars
has access to it but did not check the payment against that data prior to making the payment. For reporting purposes, the kind of data in question would include, but are not limited to, the following:

i. **Death Data** – failure to verify that an individual is deceased, and the agency pays that individual.

ii. **Financial Data** – failure to verify that an individual’s or household’s financial resources (for example, current income or assets) do not meet the threshold to qualify him or her for a benefit, and the agency makes a benefit payment to that individual or household.

iii. **Excluded Party Data** – failure to verify that an individual or entity has been excluded from receiving Federal payments, and the agency pays that individual or entity.

iv. **Prisoner Data** – failure to verify that an individual is incarcerated and ineligible for receiving a payment, and the agency pays that individual.

v. **Other Eligibility Data** – any other type of data not already listed above, causing the agency to make an improper payment as a result.

d. **Administrative or Process Errors:** Errors caused by incorrect data entry, classifying, or processing of applications or payments. For example, an eligible beneficiary receives a payment that is too high or too low due to a data entry mistake (such as transposing a number), or an agency enters an incorrect invoice amount into its financial system. These types of errors can be made by:

i. **Federal Agency**

ii. **State or Local Agency**

iii. **Other Party**—for example, a participating lender, or any other type of organization administering Federal dollars that is not a Federal or State agency.

e. **Medical Necessity:** A situation in which a medical provider delivers a service or item that does not meet coverage requirements for medical necessity (for example, providing a power wheelchair to a patient whose medical record does not support meeting coverage requirements for a power wheelchair).

f. **Insufficient Documentation to Determine:** A situation where there is a lack of supporting documentation necessary to verify the accuracy of a payment identified in the improper payment testing sample. For example, a program does not have documentation to support a beneficiary’s eligibility for a benefit and without that particular documentation the agency is unable to discern that the payment was for the correct amount or went to the right recipient.

g. **Other Reason:** If none of the above categories apply, include any other reasons for the improper payment under this category—and please explain the reasons in more detail either in footnotes or in the narrative below the table. In instances where agencies are able to identify improper payments resulting from **fraud**, they should report those dollar amounts in this row.

**Program Root Cause:** Document the true root cause for the improper payment at the program level. A thorough understanding of Improper Payments Elimination and Recovery Act of 2010 (IPERA) 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 causing 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).

**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 will be maintained. Documentation will 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 G: STATISTICAL EXTRAPOLATION AND DEVELOPMENT

VA relies on a qualified statistician to develop the estimation methodology and perform the extrapolation and analysis of test results. Administrations and Staff Offices extract all data and sends testing results to its statistician for estimation/projection of annual improper payments. Detailed results, including extensive calculations, are submitted to Administration and Staff Office Chief Financial Officers (CFOs), program Senior Accountable Officials (SAOs), and the Improper Payments Remediation Oversight (IPRO) Office by the statistician to demonstrate the statistical validity.
APPENDIX H: CORRECTIVE ACTION PLAN (CAP) AND TEMPLATE

Offices with programs or activities identified as high-risk or high-priority will develop a CAP that identifies corrective actions that will resolve the root cause(s) for improper payments identified through Improper Payments Elimination and Recovery Act of 2010 (IPERA) testing or systemic issues causing improper payments identified via other internal or external reviews. The CAP will be inclusive of all corrective actions the program is developing/implementing that will impact improper payments, to include unfunded system enhancements or other automation. Senior Accountable Officials (SAOs) will review and update their corrective action plan monthly based on results of IPERA testing to ensure that root causes of improper payments are addressed as quickly as possible. Updates will be submitted to the Administration or Staff Office Chief Financial Officers (CFOs) and the Improper Payments Remediation Oversight (IPRO) Office monthly. VA programs are complex and include many nuances necessary to ensure full access to benefits. A rigorous and thorough CAP includes the necessary details to fully understand the root cause, milestones and tasks associated with implementation, and expected results. As a result, programs may need to summarize/shorten corrective actions included in the Agency Financial Report (AFR) or for other reporting requirements; however, any corrective action included in an externally-facing report will be found within the program’s CAP.

A thorough understanding of IPERA 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 causing 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). Distinguishing between what constitutes a root cause that created an error either from the lack of an internal control or an existing internal control that needs strengthened is critical when creating corrective actions to address improper payments. Corrective actions should be proportional to the severity of the associated amount and rate of the root cause.

It is important that corrective actions VA anticipates taking have an owner and due date, and are measurable, attainable, and quantifiable. The connection to how the steps proposed and the expected impact will be identified in the CAP. For example, if “no documentation available” is the root cause being addressed and it accounted for 20 errors identified during testing, then the expected impact may be a reduction to 10 errors for “no documentation available” in the year following the closure of the corrective action.

Programs should be able to measure the effectiveness and progress of each individual corrective action on an annual basis. Programs may either measure the effectiveness of closed corrective actions using the following year’s IPERA testing results or by measuring the progress of completed milestones until a corrective action is closed. Programs should annually review their existing corrective actions to determine if any
existing action can be intensified or expanded, resulting in a high-impact, high return-on-investment in terms of reduced or prevented improper payments. Programs should also annually review their existing corrective actions to determine whether the original intent of the corrective action is still achieving its intended purpose and result.

In many cases, programs will implement long-term, multi-year corrective actions that will be implemented and refined on a continuous basis (e.g., the corrective action is in place for many years, though it may be refined from year to year). For those actions, programs should identify annual benchmarks that can be used to demonstrate the progress of the implementation and/or the initial impact on improper payment prevention and reduction.

**CAP TEMPLATE INSTRUCTIONS**

**A. PURPOSE**

A Corrective Action Plan (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 AFR to prepare CAPs.

**C. PROCEDURES**

**Part A: CAP Template**

Take the following steps to prepare the CAP Template summary information section displayed below:

<table>
<thead>
<tr>
<th><strong>Department of Veterans Affairs</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corrective Action Plan (CAP)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AFR Fiscal Year</th>
<th>Administration/Staff Office</th>
<th>Program</th>
<th>Senior Accountable Official</th>
<th>Point of Contact</th>
<th>AFR Reduction Target</th>
<th>AFR Error Rate</th>
<th>AFR Error Amount</th>
</tr>
</thead>
</table>

1. **Date of Status Update** – Date of CAP status update. Status updates will be
provided on a monthly basis.

2. **AFR Fiscal Year** – FY of the Agency Financial Report being reported.

3. **Administration/Staff Office** – Enter the Administration/Staff Office (e.g. VHA).

4. **Program** – Enter the Program name (e.g. CHAMPVA).

5. **Senior Accountable Official** – Senior Executive Service (SES) accountable for meeting the program’s reduction target.

6. **Point of Contact** – List employee name, office, and title responsible for providing status updates on corrective actions.

7. **AFR Reduction Target** – Enter reduction target as reported in the AFR.

8. **AFR Error Rate** – Enter error rate as reported in the AFR.

9. **AFR Error Amount** – Enter error amount as reported in the AFR.

Take the following steps to prepare the CAP Template tasks and sub-tasks section displayed below:

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<th>Corrective Action No.</th>
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10. **Corrective Action No.** – Number corrective actions in sequential order (1, 2, 3, etc.).

11. **Carried Forward (FY/CA#)** – If the corrective action was carried forward from a previous year, identify which FY and previous corrective action number.

12. **Funded (IT CAP Only)** – Use only if the corrective action involves Information Technology (IT). Indicate if baseline funding is available to accomplish the corrective action; choose Yes, No, or N/A from drop down.

13. **IT Estimated Cost** – Provide estimated IT cost required to accomplish the corrective action. Include both funded and unfunded estimated cost.
14. **Estimated Completion Date** – Date corrective action is expected to be completed.

15. **Actual Completion Date** – Date corrective action is completed. This may be different from the estimated completion date.

16. **Corrective Action Status** – Select from drop down: Open (in progress), Closed (completed), Delayed (temporarily stopped), Ongoing (action completed but reoccurring), or Closed/Not Implemented.

17. **Corrective Action Progress** - No input required. Field will be automatically calculated based on the selected status of task(s). This information will be utilized to comply with OMB Circular A-123, Appendix C requirements for agencies/programs to identify annual benchmarks that can be used to demonstrate progress of the implementation and/or the initial impact on improper payment prevention and reduction.

18. **AFR Impacted** – Identify FY impacted in the AFR. For example, if corrective action was implemented by the end of the FY 2018, impact will be shown in the FY 2020 AFR as that is the year when FY 2019 payments would be tested.

19. **Corrective Action Description** – Provide a detailed description of the efforts required to implement the corrective action. The corrective action should be proportional to the severity of the associated amount and rate of the root cause. Programs should perform an annual review their existing corrective actions for the following: 1) To determine if any existing action can be intensified or expanded, resulting in a high-impact, high return-on-investment in terms of reduced or prevented improper payments, and 2) To determine whether the original intent of the corrective action is still achieving its intended purpose and result. If a program is deemed high-priority, semi-annual or quarterly actions (previously known as supplemental measures) should also be included as a corrective action.

20. **OMB Error Category** – List the OMB Error Category/Categories associated with the Cause of Error that will be impacted by this corrective action. The associated error categories can be found in the program's projection workbook that is prepared by the contractor. For example: Program Design or Structural Issue; Administrative or Process Error Made by: Federal Agency; Insufficient Documentation to Determine; etc.

21. **Improper Payment Classification** – Select the Improper Payment Classification (Monetary Loss to the Government, Technically Improper, or Monetary Loss and Technically Improper) associated with the Cause of Error that will be impacted by this corrective action. The associated improper payment classification can be found in the program’s projection workbook that is prepared by the contractor.
22. **Improper Payment Category** – List the Improper Payment Category associated with the Cause of Error that will be impacted by this corrective action. The associated improper payment category can be found in the program’s projection workbook that is prepared by the contractor. Each VA Administration has their own set of Improper Payment Categories.

23. **Cause of Error** – List the Error that will be remediated by this corrective action and the associated Share of Improper Payment (IP) rate. The associated Error Cause and Share of IP can be found in the program’s projection workbook that is prepared by the contractor (the title of the Error Causes is determined by each VA Administration). Per VA Financial Policy, every Error Cause/Root Cause identified during testing will have a corrective action.

24. **Cause(s) of Error Description** – Provide a detailed description that clearly describes the reason why the error is occurring during the business process.

25. **Expected # of IP Errors to be Remediated** – Provide the # (count) of improper payments expected to be remediated once the corrective action is fully implemented (even if it spans multiple fiscal years). For example, the program identified 10 dependency errors and the associated corrective action is expected to reduce these improper payments by 7 errors once fully implemented, then the input would be 7.

26. **Effectiveness Metric (Quantitative Measure)** – This is a clearly defined, quantitative measure that can be tracked to show the success and measure the effectiveness of the corrective action in reducing improper payments (ex. IPERA Testing Results in FY XXXX).

27. **Baseline Results** – Enter the effectiveness metric results from the beginning of the fiscal year.

28. **Current Results** – Provide the results of the effectiveness metric as of the end of the fiscal year. This quantitative measure should be calculated no less than annually (except for multi-year corrective action(s), where results cannot be measured until full implementation of the corrective action(s)). This information will be utilized to comply with OMB Circular A-123, Appendix C requirements for agencies/programs to measure the effectiveness and progress of each individual corrective action on an annual basis.

29. **Task No.** – Sequential ordering as shown in the example (i.e. 1.1, 1.2, 1.3, etc.).

30. **Task Description** – For each task, provide step-by-step details of all the efforts needed to implement this corrective action. This should show the amount of work required by the program/administration to remediate the associated errors. The task descriptions should be clear and understandable to a reader outside of VA. Acronyms should be spelled-out.
31. **Owner (Employee Name, Office, Title)** – Will include the employee name, office, and title of the individual responsible for implementing the task. Cannot list just an office.

32. **Planned Start Date** – Planned start date of the task.

33. **Actual Start Date** – Actual start date of the task.

34. **Estimated Completion Date** – Estimated completion date of the task.

35. **Actual Completion Date** – Actual completion date of the task.

36. **Task Status** – Select from drop down: Open (in progress), Closed (completed), Delayed (temporarily stopped), Ongoing (action completed but reoccurring), or Closed/Not Implemented.

37. **Supporting Documentation (if applicable)** – Once a task is closed, attach any supporting documentation, if applicable.

38. **Comments** – Provide status update for open/ongoing task and/or any additional information pertinent to the task. Once the task is closed, provide any summary details.
### Corrective Action Plan Template

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#### Corrective Action Plan (CAP)

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<td>Program</td>
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<tr>
<td>Senior Accountable Official</td>
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<td>Point of Contact</td>
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<td>AFR Reduction Target</td>
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<td>AFR Error Rate</td>
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<td>AFR Error Amount</td>
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#### Effectiveness Metric

(Quantitative Measure)

Baseline Results

Current Results

Corrective Action Description

| Comments |
|----------|----------|
| 50       |          |
APPENDIX I: HIGH PRIORITY PROGRAMS

The threshold for high-priority program determinations for Fiscal Year (FY) 2018 reporting, and for subsequent years, is $2 billion in estimated improper payments as reported in the Agency Financial Report (AFR), regardless of the improper payment rate estimate, or as otherwise identified by Office of Management and Budget (OMB). OMB may revise this threshold in future years and, if so, will notify agencies of the new threshold as well as if any programs should be added or removed (based on reporting errors above or below the new threshold) from the high-priority list. If a program is identified as high-priority but in subsequent years reports an improper payment estimate below $2 billion, it will no longer be considered a high-priority program.

High-priority programs are required to:

i. Tailor corrective actions. When describing corrective actions in the AFR, high-priority programs will explain how it has specifically tailored its corrective actions to better reflect the unique processes, procedures, and risks involved in each specific program.

ii. Publicly report actions to prevent and recover improper payments. High-priority programs are required to report to their agency Inspector General, and make available to the public (including availability through the internet): (1) any action the agency has taken—or plans to take—to recover improper payments; and (2) any action the agency intends to take to prevent future improper payments. Programs will fulfill this requirement by including this information in the AFR and/or include this information on paymentaccuracy.gov. Note: due to the complexity of VA’s programs, if a high priority program “summarizes” its corrective actions within the AFR or on paymentaccuracy.gov, that program will provide the Office of Inspector General (OIG) it’s completed Corrective Action Plan (CAP) during OIG’s annual audit of VA’s compliance with Improper Payments Elimination and Recovery Act of 2010 (IPERA).

iii. Develop semi-annual or quarterly actions to reduce improper payments. These actions should focus on higher risk areas within the high-priority programs and report on root causes of improper payments that programs are currently working to resolve through their respective CAPs. Programs should draw on their current CAPs to determine the most reasonable actions to report to OMB on a semi-annual or quarterly basis. In addition, the actions should use available and accessible information (e.g., claims, payments, files) for the current year rather than previous years to the extent possible. Those programs unable to utilize current year data will clearly describe the challenges/barriers that exist and cannot be overcome and a justification as to why the progress of implementing this corrective action should be monitored over other corrective actions included in the CAP. Programs should develop semi-annual or quarterly actions within 180 days of a program being deemed high-priority and submit them to the Improper Payments Remediation
Oversight (IPRO) Office for submission to OMB. Programs will be responsible for submitting updates to the actions on a regular basis thereafter to IPRO for submission to OMB.

High priority program reporting requirements to develop and report actions to reduce improper payments are now linked to a similar reporting requirement under the President’s Management Agenda – Getting Payments Right (programs reporting over $100 million in cash loss) to allow programs the opportunity to fulfill both reporting requirements through a quarterly scorecard.²

Administration and Staff Office Chief Financial Officers (CFOs), in collaboration with Senior Accountable Officers (SAOs), are responsible for providing oversight of progress made to implement corrective actions for high priority programs (see Appendix H for additional instructions).

² Additional instructions will be provided upon receipt of guidance and template from OMB.
APPENDIX J: REDUCTION TARGETS

Reduction targets identify a program’s estimated annual decrease of improper payments. Programs will 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 Agency Financial Report (AFR). Programs reporting an improper payment estimate are required to set an out-year reduction target. 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 will be analyzed to determine the root cause of the errors. Reduction targets will be reviewed and approved by Office of Management and Budget (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 Corrective Action Plan (CAP) are developed).
   d. Estimated effect on the current error rate if all reduction targets were achieved.

B. Reduction targets for out years should be lower than the current year improper payment estimates unless otherwise approved by OMB. If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target will be clearly explained by the agency (a constant reduction target at 0% does not require an explanation). Reduction targets should be a balance between being aggressive and realistic. In addition, programs are encouraged to revisit and, if necessary, revise their out-year targets on an annual basis.

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.

D. Meeting reduction targets will be determined through the annual Improper Payments Elimination and Recovery Act of 2010 (IPERA) audit conducted by Office of Inspector General (OIG). OMB categorizes sampling plans into three groups and examples of meeting reduction targets for each group are described below:

1. **Program A** has a plan that meets or exceeds the 95/3 guidance for sampling methodology. It has a 15% point estimate with a 2.79% precision rate, so it has a
confidence interval of 12.21% to 17.79%. Because it meets the 95/3 guidance for statistically valid and robust, it should be counted as meeting its reduction target as long as the lower bound for its confidence interval (12.21%) is equal to or less than the reduction target.

2. **Program B** is statistically valid, but fails to meet the 95/3 guidance for sampling methodology. It has a point estimate of 15% with a margin of error of 6.40%, so it has a confidence interval of 8.60% to 21.40%. Because it is statistically valid, but non-rigorous, in order to meet its reduction target, its point estimate will be lower than or equal to its reduction target.

3. **Program C** is a non-statistically valid plan because it does not meet the qualifications for a statistically valid plan. It has an estimate of 15%, but no confidence interval. Because it is non-statically valid, in order to meet its reduction target, its estimate will be lower than or equal to its reduction target.
APPENDIX K: AGENCY FINANCIAL REPORTING (AFR)

The AFR provides an overview of the agency’s annual performance and financial information. For the annual reporting in the AFR for Payment Integrity and Fraud Reduction, VA will follow current reporting as prescribed under A-136. Office of Business Oversight (OBO) will provide direction on reporting required information to ensure alignment with A-136 and Office of Management and Budget (OMB) requirements. OBO may also collect supplementary information from Administration and Staff Office Chief Financial Officers (CFOs), as well as Senior Accountable Officials (SAOs) that is requested by OMB. Additionally, to support the Seek to Prevent Fraud Waste and Abuse (STOP FWA) initiative, OBO will collect information periodically (e.g. monthly or quarterly) instead of a single data call to capture reportable information. 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. OBO will work with the Administration or Staff Office CFOs and SAOs to refine overall AFR messaging, as appropriate. VA will report all improper payments information in a separate section of the AFR, which VA’s Office of Inspector General (OIG) will use to determine if VA is in compliance with Improper Payments Elimination and Recovery Act of 2010 (IPERA) requirements. The Payment Integrity and Fraud Reduction sections of the AFR consists of an introduction and multiple sections, including various tables, charts, and graphics. Descriptions of each required section and the information sources are detailed in A-136. VA has published Financial Policy, Volume VII, Chapter 1, which outlines internal AFR reporting requirements.
APPENDIX L: NON-COMPLIANT PROGRAM REPORTING

A. If Office of Inspector General (OIG) determines a program(s) is/are not compliant with improper payments legislation, Senior Accountable Officials (SAOs) will prepare official program responses and other required reporting in accordance with Office of Management and Budget (OMB) Circular A-123, Appendix C. These reports will be signed by the SAO and appropriate concurrences, to include the Administration or Staff Office Chief Financial Officer (CFO), will be obtained prior to timely submission to Office of Business Oversight (OBO) for transmittal to appropriate receiving office by the reporting deadline. Due to the time associated with VA’s concurrence process, it is imperative that Administrations and Staff Offices adhere to deadlines given. When appropriate and feasible, OBO will provide a reporting template to ensure consistency across multiple programs; however, some reporting requirements do not lend itself to templates due to the uniqueness of programs and the types of information to be provided. Requirements for reporting are further described below:

a. If a VA program is not compliant for one fiscal year, VA will 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 no later than August 13th (or the next business day if August 13th falls on the weekend). The plan will include:

i. Measurable Corrective Action Plans (CAPs) to be accomplished in order to achieve compliance for each program or activity. These corrective actions will 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 who will be accountable for the progress of the program coming into compliance. As such, the SAO will have the span of control necessary to affect change in the program or activity determined to be noncompliant; and

iii. 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 will unfold as part of the annual development of the President’s Budget. Administration or Staff Office CFOs will work with SAOs for programs with two-year consecutive noncompliance to create
and submit proposals to OMB during the budget submission following OIG’s determination of noncompliance. 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 will:

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, VA will prepare and submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB, a plan to bring the program or activity in question into compliance no later than June 14th (or the next business day if June 14th falls on the weekend). The plan will include:

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.

If the two criteria above will not bring the program into compliance with IPERA, then the agency will state why and state what the agency is doing to achieve compliance instead.

d. If a VA program is not compliant for four or more consecutive years, VA will prepare and submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB a report detailing the activities taken to complete the requirements for one, two, three, four, etc. years of non-compliance no later than June 14th (or the next business day if the 14th falls on the weekend). The report should include a description of the requirements that were fulfilled in years one, two, or three that are still relevant and being pursued as a means to prevent and reduce improper payments. When discussing corrective actions, the Administration or Staff Office CFO and program SAO should also include descriptions of any new corrective actions.

B. In addition, OMB may require a VA program that is not compliant with the law (for one, two, or three or more 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 will 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.

VA programs will share any plans or proposals required by this section with their Inspector General. OMB will notify VA of additional required actions as needed. The Administrations or Staff Office CFOs and program SAO will work closely with the Improper Payments Remediation Oversight (IPRO) Office to ensure all requirements are met fully and timely.
APPENDIX M: REQUEST FOR RELIEF FROM REPORTING

If a program or activity that was assessed as high-risk has documented a minimum of two consecutive years of improper payments that are below the statutory thresholds and can demonstrate the program is no longer susceptible to significant improper payments, then the Senior Accountable Official (SAO) in conjunction with the Administration or Staff Office Chief Financial Officer (CFO), will prepare a request for relief from the annual reporting requirements. Administrations and Staff Offices will coordinate these requests with the Improper Payments Remediation Oversight (IPRO) Office and notification provided to IPRO prior to December 1 in the year the request for relief is to be submitted.

Once approved by the Agency Accountable Official, IPRO will submit the request in writing to Office of Inspector General (OIG) for concurrence. If OIG provides a concurrence, IPRO will submit the request to Office of Management and Budget (OMB) no later than March 31 in the fiscal year for which VA is requesting to halt reporting. Requests may be submitted without an assertion from VA’s OIG, if the request notes the reason(s) the OIG would not provide an assertion. If OMB approves the request, VA will still incorporate that program or activity into its risk assessment cycle for future years.

OMB will not grant automatic approval. They will review for:

a. Burden—does measuring and reporting improper payments lead to a heavy burden (e.g., in terms of funding, program staff hours, etc.)?

b. Legislative considerations—are there any legislative requirements or recent changes that affect the program’s ability or inability to estimate and report improper payments?

c. Audit findings—are there any audit findings (i.e., by the Inspectors General or Government Accountability Office (GAO)) that point to reasons why the program might need to continue measuring and reporting improper payments?

d. Ongoing risk mitigation strategies—are there any appropriate controls, policies, or corrective actions that have been put in place to mitigate the risk of fraud and error in the program?

e. OIG concurrence – does the agency’s OIG concur with the agency’s request for relief? If the agency’s Office of Inspector General does not concur with the agency request, what are the reasons why the program should still be considered susceptible to significant improper payment?

f. Other considerations—are there any other key factors that should be considered in deciding whether or not to grant relief from measuring and reporting improper payments?
Programs that have been deemed to be susceptible to significant improper payments without allowing the program to first perform a risk assessment should be treated the same way that other susceptible to significant improper payments programs are treated and therefore such programs may request relief from reporting as described above. This includes programs that have been deemed susceptible to significant improper payments outside of the standard risk assessment (e.g. OMB Circular A-11, Exhibit or the Disaster Relief Appropriation Act).

Example of Request for Relief

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

Dear Controller of the United States, Office of Management and Budget:

The Department of Veterans Affairs (VA), in accordance with OMB Circular A-123, Appendix C, Part II, 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:

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*Insert information*

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

Sincerely,

Enclosures:
Attachment 1: OIG Concurrence with Request for Relief
Attachment 2: Corresponding program information relative to requesting relief

cc: Chief Financial Officer, insert Administration (XX)
APPENDIX N: PAYMENT RECAPTURE AUDIT

A payment recapture audit is a review and analysis of a program’s accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility. As such, it is not an audit in the traditional sense covered by Government Auditing Standards. Payments from certain programs and activities may be excluded from payment recapture audit activities if the agency determines that payment recapture audits are not a cost-effective method for identifying and recapturing improper payments or if other mechanisms to identify and recapture over payments are already in place. Additional information for determining cost-effectiveness can be found in Appendix N. If payments are excluded due to a program having other mechanisms to identify and recapture overpayments already in place, the Senior Accountable Official (SAO) and Administration or Staff Office Chief Financial Officer (CFO) will be prepared to provide justification/documentation if requested.

A. Improper Payments Elimination and Recovery Act of 2010 (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. Payment recapture 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. Programs are encouraged to set targets that show an increase in recoveries overtime, and Office of Management and Budget (OMB) reserves the right to notify agencies that they need to establish stricter targets.

   e. Information from payment recapture 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. If a program utilizes a shared service (i.e. the Financial Services Center) to satisfy recapture/recovery requirements, the program will work with their shared service provider to develop required plans and ensure required reporting related to recapture and disposition are reported annually as required by established deadlines.

C. SAOs will create and then review their Payment Recapture Audit Programs annually and submit updates as needed. The Payment Recapture Audit Program will identify roles and responsibilities, especially if utilizing a shared service provider, to include
identifying the responsible office for conducting a cost-benefit analysis. See Appendix O for instructions for conducting a cost-benefit analysis to determine if a payment recapture audit program is cost-effective.

D. SAOs will 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. SAOs are encouraged to set targets that show an increase in recoveries over time, and OMB reserves the right to notify officials that they need stricter targets. The targets will be based on the rate of recovery (i.e., number of improper overpayments recovered divided by the number of improper overpayments identified). Current year amounts and rates, as well as recovery rate targets for next year, will be reported in the Agency Financial Report (AFR).

E. When planning a Payment Recapture Audit Program, SAOs 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. SAOs may find that utilizing a Shared Service Provider already making payments for the program and others may increase efficiency and reduce duplication. SAOs in conjunction with Administration and Staff Office CFOs will coordinate with the Office of Inspector General (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 will be reported immediately to the VA Inspector General and appropriate responsible officials.

F. SAOs, in conjunction with Administration and Staff Office CFOs, will 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, SAOs 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, Government Accountability Office (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. 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 P 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?
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 program’s Administration or Staff Office CFO will coordinate through the Improper Payments Remediation Oversight (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. Each waiver request will be supported by a completed cost benefit analysis and will include 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.

OMB may review these materials and determine that VA should conduct a payment recapture audit to review these programs. Waivers are reviewed on a triennial basis by OMB. SAOs and Administration and Staff Office CFOs will be prepared to submit the results of their cost-benefit analyses for review every three years.

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 appropriation), 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 proper use of recovered amounts are listed in Appendix P.

If external contractors are used for payment recapture auditing, an annual report may be required 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. Additional information and the template that should be used when preparing the Annual Report to Congress can be found in Appendix Q.
APPENDIX O: RECAPTURE/RECOVERY COST-BENEFIT ANALYSIS (CBA)

Programs will accomplish a Recapture/Recovery CBA to determine if a payment recapture audit is cost beneficial. Upon accomplishing the Recapture/Recovery CBA, if the costs exceed the collections identified/recovered through an audit, then the cost of an audit would not prove beneficial. This requires a notification to Office of Management and Budget (OMB) and VA Office of Inspector General (OIG) of this decision and a copy of the analysis conducted to reach this decision.

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 exist in all required cases; and
   b. No – criteria exist 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. Ensure 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 values] 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 FY 2019 reporting, the recovery and cost amounts will be those improper payments identified and payment recapture activity costs incurred from October 1, 2017 through September 30, 2018. 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 high-risk Improper Payments Elimination and Recovery Act of 2010 (IPERA) programs, the estimated error rate is the prior year improper payment recoverable percentage as reported in the Agency Financial Report (AFR).
   - For non-high-risk IPERA 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 full-time equivalents (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.

4. Program Senior Accountable Officials (SAO’s) will review the Qualitative and Quantitative Analysis and Summary of Result then sign and date the Summary of Results tab.

**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>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>

#### Qualitative Cost Benefit Factors

<table>
<thead>
<tr>
<th>Insert choice “X” in cell using drop down list</th>
</tr>
</thead>
</table>

#### SECTION (a) The likelihood that identified overpayments will be recaptured

1. Are there laws or regulations in place that would allow for recovery of overpayments? **Yes** **No** Comments [Mandatory]

2. Does the recipient of the overpayment have the ability to repay overpayment(s) from non-Federal funds? **Yes** **No** Comments [Mandatory]

3. Is the evidence supporting overpayments clear and convincing? **Yes** **No** Comments [Mandatory]

4. Is the overpayment recoverable? **Yes** **No** Comments [Mandatory]

#### SECTION (b) The likelihood that the expected recoveries will be greater than the costs incurred to identify overpayments

1. Are there techniques available to recover overpayments at a low cost? (e.g. predictive modeling, data matching and data analytics) **Yes** **No** Comments [Mandatory]

2. Will the use of manual reviews of paper documentation be minimized? **Yes** **No** Comments [Mandatory]

3. Are tools available to perform the payment recapture audit at low cost? **Yes** **No** Comments [Mandatory]

#### SECTION (c) The degree to which the information systems and other infrastructure contribute to the cost effectiveness of overpayment recoveries

1. Are information systems and other infrastructures used to recapture overpayments available, reliable and up-to-date? **Yes** **No** Comments [Mandatory]

2. Are there key management reports to support the progress of recapturing overpayments? **Yes** **No** Comments [Mandatory]

3. Is the staff adequately skilled and trained to recapture overpayments? **Yes** **No** Comments [Mandatory]

4. Are there controls in place to recover overpayments? **Yes** **No** Comments [Mandatory]

5. Are internal systems and processes used to reduce procurement and contract costs? **Yes** **No** Comments [Mandatory]

6. Are records centrally located? **Yes** **No** Comments [Mandatory]

7. Are the records remotely available? **Yes** **No** Comments [Mandatory]

#### SECTION (d) Other considerations that may impact the cost effectiveness of overpayment recoveries

1. Is the program subject to low public, regulatory or stakeholder interest? **Yes** **No** Comments [Mandatory]

2. Is the program subject to low occurrence of fraud, waste and abuse? **Yes** **No** Comments [Mandatory]

#### SECTION (e) Qualitative Cost Benefit Results

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Comments [Mandatory]</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

| Total | 16 | 0 |

| Point Score (Yes=1 and No=0) | 1 | 0 |

| Subtotals (Question x Point Score) | 0 | 0 |

| Total Responses | 16 | 0 |

| Weighting Calculation | 0.00 | 0.00 |

| Qualitative Score | 0.00 |

#### SECTION (f) Approvals

Comments [Mandatory]

Comments [Mandatory]

Comments [Mandatory]

Comments [Mandatory]

Comments [Mandatory]

Comments [Mandatory]
### Quantitative Cost Benefit Analysis

<table>
<thead>
<tr>
<th></th>
<th>FY17 (Based on actual FY16 data)</th>
<th>FY18 (Based on estimated FY17 data)</th>
<th>FY19 (Based on estimated FY18 data)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Annual Outlays (Covered Programs)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Number of Improper Payments Found (Note: See FY16 Data tab)</td>
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<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Recovery Categories</strong></td>
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<td></td>
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</tr>
<tr>
<td>Amount of Improper Payments Reported</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Amount of Recoveries Disallowed</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Amount of Improper Payments Cancelled</td>
<td>$-</td>
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</tr>
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<td>Amount of Improper Payments Recoverable</td>
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<td>$-</td>
</tr>
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<td>Improper Payments Recovered</td>
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</tr>
<tr>
<td><strong>Cost Categories</strong></td>
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</tr>
<tr>
<td>Procurement Cost [Software, Equipment, etc.]</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Cost Related to Assigned Staff</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Contractors Cost [Audits, Fees, and/or Incentives]</td>
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<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Cost of Reporting Improper Payments</td>
<td>$-</td>
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<td>$-</td>
</tr>
<tr>
<td>Direct Cost of Collection (See Rates Tab)</td>
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<td>$-</td>
</tr>
<tr>
<td>Program Incentives [recipients, sub recipients, state and local governments]</td>
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<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Legal Cost</td>
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</tr>
<tr>
<td>Other</td>
<td>$-</td>
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<td>$-</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Net Benefit (Cost)</strong> Improper payments recovered less total cost</td>
<td>$&lt; #DIV/0!&gt;</td>
<td>$&lt; #DIV/0!&gt;</td>
<td>$&lt; #DIV/0!&gt;</td>
</tr>
<tr>
<td><strong>Benefits-Cost Coefficient [Benefit/Cost]</strong>- See Footnote</td>
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<td>#DIV/0!</td>
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</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 data provided above, the following is the estimated percentage of improper payments reported as a percentage of outlays; estimated percentage for disallowed recoveries as a percentage of improper payments reported; and estimated percentage for improper payments recovered as a percent of improper payments reported.

<table>
<thead>
<tr>
<th>Category</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
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<tbody>
<tr>
<td><strong>Improper Payments Reported</strong></td>
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<td><strong>Recoveries Disallowed</strong></td>
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<tr>
<td><strong>Improper Payments Recovered</strong></td>
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</table>

**Approvals**

Reviewed by: _______________________________

Date Reviewed: _____________________________

## IPERA Program-Summary of Cost Benefit Analysis

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

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<tr>
<th>Descriptions</th>
<th>Qualitative Score</th>
<th>Quantitative Benefit-Cost Coefficient</th>
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<tbody>
<tr>
<td>Score</td>
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</tr>
<tr>
<td>Weights</td>
<td>20%</td>
<td>80%</td>
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<td></td>
</tr>
</tbody>
</table>

**Summary of Results:**

- Qualitative Score: 0.00
- Quantitative Benefit-Cost Coefficient: #DIV/0!
- Combined Weighted Score: #DIV/0!
- Cost Effective: #DIV/0!

**Summary of Results:**

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

**Conclusion:** Based on the analysis, the improper payment recapture/recovery services provided by FSC for the General Administration Staff Office was deemed cost-beneficial for FY 2017.
APPENDIX P: PROPER DISPOSITION OF RECOVERED AMOUNTS

VA may use funds collected under a payment recapture audit program for the following purposes:

A. Recaptured overpayments from expired discretionary fund accounts that were appropriated after July 22, 2010 should be available to VA to reimburse the actual expenses incurred by the agency for the following purposes:
   a. To reimburse the actual expenses incurred by VA for the administration of the program (including payments made to other agencies that carry out payment recapture audit services on behalf of the agency); and
   b. To pay contractors for payment recapture audit services.

B. Recaptured overpayments from expired discretionary fund accounts that were appropriated after enactment of Improper Payments Elimination and Recovery Act of 2010 (IPERA), that are not used to reimburse expenses of the program or pay payment recapture audit contractors will use funds for: a financial management improvement program, the original purpose of the funds, Inspector General activities, or returned to the Treasury as miscellaneous receipts or returned to trust or special fund accounts. VA will determine the actual percentage of recovered overpayments used for the purposes outlined here and in Office of Management and Budget (OMB) Circular A-123, 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 the OMB Circular A-123, Appendix C guidance for additional details). This funding will 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 will be used to supplement and not supplant any other amounts available for that purpose, and will 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 will be used for the original purpose. This funding will 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 will 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 will be deposited in the Treasury as miscellaneous receipts.
   c. Up to 5 percent of the recaptured funds will 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 will 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 will be deposited in the Treasury as miscellaneous receipts. Unless the remainder of the recaptured, expired discretionary account funds are from trust and special fund accounts, such funds should 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 will be credited to the account from which the overpayments were made and such amounts should be available for the purposes of the account and the purposes outlined in item A above, but are not available for any purposes outlined above in B.

D. Recaptured overpayments from mandatory fund accounts will be credited to the account from which the overpayments were made and such amounts should be available for the purposes of the account and the purposes outlined in item A above, but are not available for any purposes outlined above in B.

E. In the case of recaptured overpayments from expired or unexpired discretionary fund accounts that were appropriated before enactment of IPERA (July 22, 2010), VA has the same authorities as before IPERA was enacted. Therefore, in this case recaptured overpayment may be applied outlined above in A., but will not be applied in accordance with the preceding B. The remainder will be credited to the expired account from which the overpayment was made.

F. In the case of closed accounts, the budgetary resources are cancelled, and all recaptured overpayments will be deposited in the Treasury as miscellaneous receipts.

G. Contingency fee contracts will preclude any payment to the payment recapture audit contractor until the recoveries are actually collected by VA.

H. All funds collected and all direct expenses incurred as part of the payment recapture audit program will be accounted for specifically. The identity of all funds recovered will be maintained as necessary to facilitate the crediting of recovered funds to the correct appropriations and to identify applicable time limitations associated with the appropriated funds recovered.

I. Overpayments that are identified by the payment recapture auditor, but that are
subsequently determined not to be collectable or not to be improper, should not be considered "collected" for the disposition purposes outlined above.

J. Note that VA programs may have specific legislative authority that allows for disposition of funds in a manner different from specifications in improper payments legislation. In these instances, the Senior Accountable Official (SAO) and Administration or Staff Office Chief Financial Officer (CFO) will provide a determination from Office of General Counsel and the supporting legislation to the Improper Payments Remediation Oversight (IPRO) Office.

Administration and Staff Office CFOs will ensure proper disposition of recovered amounts. Responsible programs are required to report to Office of Business Oversight (OBO), during annual or more frequent data collection calls, on the amounts identified for recovery, amounts recovered, disposition of fund collected, aging of receivables identified in recovery audits, and any other information requested in support of the Agency Financial Report (AFR) and/or Seek to Prevent Fraud, Waste, and Abuse (STOP FWA) reporting.
Programs utilizing an external contractor to perform a payment recapture audit will report annually to Office of Management and Budget (OMB) as well as the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform. These reports will utilize the template below. The reports will be signed by the Senior Accountable Official (SAO) and appropriate concurrences, to include the Administration or Staff Office Chief Financial Officer (CFO), will be obtained prior to timely submission to Office of Business Oversight (OBO) for transmittal by the reporting deadline. Due to the time associated with VA’s concurrence process, it is imperative that Administrations and Staff Offices adhere to deadlines given.

**Background:** This template provides each SAO and Administration or Staff Office CFO a structured template to report on actions taken to conduct recapture and recovery audit activities. This report will describe contractor’s efforts during the previous fiscal year. A copy of this report will also be provided to the Improper Payments Remediation Oversight (IPRO) Office, the Office of Inspector General (OIG), and OMB.

**Reporting Entity:** Name of Reporting Entity

**Fiscal Year of Reporting:** FY 20XX

**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 of 2010 (IPERA, P.L. 111-204) and OMB Circular A-123, 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 that qualify 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 Agency Financial Report (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 SAO 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 R: HIGH-DOLLAR OVERPAYMENT (HDOP) REPORTING

Agencies with programs susceptible to significant improper payments are required to report quarterly on high-dollar overpayments to the agency’s Office of Inspector General (OIG), to the Council of Inspectors General on Integrity and Efficiency (CIGIE), and to make the information available to the public in accordance with Executive Order 13520. If VA finds the high-dollar report is duplicative of other reports performed, the Improper Payments Remediation Oversight (IPRO) Office may submit a written request to Office of Management and Budget (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 will 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.

For the Quarterly High-Dollar Overpayments Report, reporting organizations will submit reports to IPRO. The Executive Director of the Office of Business Oversight (OBO) will initially receive and approve the report submission to the Administrations and Staff Offices for concurrence. Once IPRO obtains concurrences, the report is submitted to the Department Chief Financial Officer (CFO), prior to signature by the Executive Director of OBO. Once signed by the Executive Director of OBO, IPRO will submit to the OIG and CIGIE.

Completing the Template:

A template is provided below to facilitate the reporting of HDOPs. The following is required for the HDOP report:

1. High-Dollar Submission Input Template:
   a. Name of the Administration and Staff Office
   b. Name of the Program
   c. Total Payments Amount
   d. Fiscal Year
   e. 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:

   a. HDOP Entries Count
   b. HDOP Total Amount
   c. 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) | a. For six weeks after December 31, VA offices responsible for authorizing the payments, review and identify all high-dollar overpayments;  
b. February 15, VA offices report high-dollar overpayments to IPRO;  
c. March 15, IPRO consolidates reports and forwards to the Executive Director of OBO; and  
d. April 30, the Executive Director of OBO submits report to the OIG and posts it to the Internet. |
| 2. Fiscal Year Second Quarter High-Dollar Overpayments Report (January - March) | a. For six weeks after March 31, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
b. May 15, VA offices report high-dollar overpayments to IPRO;  
c. June 15, IPRO consolidates reports and forwards to the Executive Director of OBO; and  
d. July 31, the Executive Director of OBO submits report to the OIG and posts it to the Internet. |
| 3. Fiscal Year Third Quarter High-Dollar Overpayments Report (April – June) | a. For six weeks after June 30, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
b. August 15, VA offices report high-dollar overpayments to IPRO;  
c. September 15, IPRO consolidates reports and forwards to the Executive Director of OBO; and  
d. October 30, the Executive Director of OBO submits report to OIG and posts it to the Internet. |
| 4. Fiscal Year Fourth Quarter High-Dollar Overpayments Report (July – September) | a. For six weeks after September 30, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments;  
b. November 15, VA offices report high-dollar overpayments to IPRO;  
c. December 15, IPRO consolidates reports and forwards to the Executive Director of OBO; and  
d. January 31, the Executive Director of OBO submits report to OIG and posts it to the Internet. |
High-Dollar Overpayments Report Template

<table>
<thead>
<tr>
<th>Amount of Actual Payment</th>
<th>Intended Amount (Correct Amount)</th>
<th>Amount of Overpayment</th>
<th>Entity or Individual</th>
<th>Root Cause of Overpayment</th>
<th>Determined Reason for Overpayment (optional)</th>
<th>Recommended Recovery Plan (optional)</th>
<th>Recommended Recovery Plan (optional)</th>
<th>Recommanded Recovery Plan (optional)</th>
<th>Amount Recovered to Date</th>
<th>Date Recovered in Full</th>
<th>HDOP (TRUE/FALSE)</th>
<th>OMB IP Error Cat</th>
<th>Overall Actions/Plans to Prevent Re-occurrence</th>
<th>CAP Identifier (optional)</th>
<th>PAYEE Code/Unique Identifier</th>
<th>Document/Transaction Number</th>
<th>Overpayment Identifying Source (optional)</th>
<th>Recoverable (Y/N)</th>
<th>Accounts Receivable Establishment Date (optional)</th>
<th>Amount Recovered Date in Full</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.00%</td>
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</tbody>
</table>
VA HDOP CORRECTIVE ACTION PROCESS FOR VACO REPORTING ENTITIES

**IPRO**

- **7.0** Begin Corrective Action Process

**VACO Reporting Entities**

1. **7.1** Identify systematic errors that cause HDOPs from Quarterly Report
2. **7.2** Group together common systematic errors
3. **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
4. **7.4** Draft corrective action plan
5. **7.5** Review and approve corrective action plan
6. **7.6** Perform corrective action as required
7. **7.7** Resume HDOP Reporting Process

**VA Financial Resource Entities**
APPENDIX S: DO NOT PAY: IMPLEMENTATION AND UTILIZATION

Overview

This appendix establishes the VA financial policies and procedures regarding the implementation and utilization of the “Do Not Pay (DNP)” Initiative. The DNP Initiative provides resources for agencies to review payment or award eligibility for purposes of identifying and preventing improper payments. The Treasury Working System (Treasury’s DNP Portal) is only a part of the DNP Solution and includes a system of records that allows agencies to perform pre-payment reviews as well as other activities such as investigation activities for fraud and systemic improper payments detection through analytic technologies and other techniques. 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 Agency Financial Report (AFR). Pre-payment reviews are an important prevention method for both improper payments as well as Fraud Waste and Abuse (FWA). The Office of Business Oversight (OBO) will issue data calls throughout the Fiscal Year to satisfy both Office of Management and Budget (OMB) and internal Agency reporting requirements related to the success of pre-payment reviews.

Administration or Staff Offices will understand their current end-to-end payment process from pre-award to disbursement, applicable regulatory or statutory requirements, and how other Federal-wide portals are used in maintaining the integrity of the Federal award process. This will include existing award and payment policies, types of payments, volume and size of payments, risk of improper payments, risk of fraud, and any existing mitigating controls. Once Administration or Staff Offices have a clear understanding of their current operating environment, they should assess how Treasury’s Working System could support or supplement existing controls in their payment process. Considerations for how best to use Treasury’s Working System are included in OMB Circular A-123, Appendix C.

VA should have documented policies and procedures for determining whether a data match including those produced from Treasury’s Working System represented an improper payment. This includes verifying a match against a secondary data source, and providing individuals an opportunity to contest the matching results prior to taking adverse action.

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) requires payments and awards be reviewed, before their issuance, against specific data sources if those sources are applicable to verify eligibility of the payment and award. Utilizing Treasury’s Working System for pre-payments and the General Services Administration (GSA) System for Award Management for pre-award is an easy way to demonstrate how VA’s data matching processes meet the requirements in IPERIA, the Federal Acquisition Regulations (FAR), and the Uniform Guidance.
Each Administration or Staff Office Chief Financial Officer (CFO) will 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. At a minimum and before issuing any payment and award, Administration and Staff Office CFOs will review, as appropriate, the following databases to verify eligibility of the payment and award:

Treasury Working System Database Searches

The Treasury Working System offers VA four different functionalities to perform searches of databases at various times during the payment process. For the payment integration function, VA receives matches through the Treasury Working System and is required to record adjudication results for these matches in the system. For the online single search, batch matching, and continuous monitoring functions, agencies receive matches through the DNP working system but are not required to record adjudication results for these matches in the system.

The following DNP functions are currently used by VA:

a. **Payment Integration.** The payment integration functionality matches VA’s payment files that are sent to Treasury at the time of payment. VA is required to use the payment integration function unless a waiver is received from OMB. To obtain a waiver, agencies will submit a memo to OMB with evidence that payment integration is either burdensome (e.g., large number of false positives) or duplicative of current VA functionality. In the request, VA should demonstrate how existing data matching processes meet the requirements in IPERIA. To reduce the number of false-positives, VA should work with Treasury to develop business rules to refine the matching process and improve the effectiveness of Treasury’s Working System.

b. **Online single search.** Through online single search, VA matches a single entity against the authorized and available databases for VA in the DNP working system.

The following DNP functions are also suggested under OMB Circular A-123, Appendix C:

c. **Batch matching.** Batch matching is a similar process in which agencies can match multiple entities against the authorized and available databases at one time. Online single search and batch matching can be conducted either before or after a payment is made, as decided by the agency.

d. **Continuous monitoring.** Continuous monitoring matches agency’s file of entities against the authorized and available data sources on an ongoing basis.
whenever the data is updated.

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 databases are included in the DNP Initiative and are currently used by VA:

- **General Services Administration (GSA) System for Award Management (SAM) Exclusion Records** (formerly known as the Excluded Parties List System (EPLS)) – the Federal system of record that consolidates the capabilities in Central Contractor Registration (CCR)/FedReg, Online Representations and Certifications Applications (ORCA). Current and potential government vendors are required to register in SAM in order to receive federal awards. All vendors are required to complete a one-time registration to provide basic information relevant to procurement and financial transactions. SAM validates the vendor’s information and electronically shares the secure/encrypted data with the Federal agencies’ finance offices to facilitate paperless payments through electronic funds transfer (EFT).

- **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 Social Security Administration (SSA). DNP matches the payments against the Public DMF.

Additional databases that are included in the DNP Initiative:

- **Social Security Death Master File** – The full file contains all death records extracted from the SSA 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.

- **Treasury's Offset Program (TOP) Debt Check Database** - 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.

- **Department of Housing and Urban Development’s (HUD’s) Credit Alert System or Credit Alert Interactive Voice Response System (CAIVRS)** - comprised of records from HUD, Department of Justice (DOJ), Small Business Administration (SBA), Department of Education, Department of Agriculture (USDA), and VA
• List of Excluded Individuals /Entities (LEIE) – Department of Health and Human Services, Office of Inspector General (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).
• 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.
• Department of the Treasury’s Office of Foreign Assets Control’s Specially Designated National List (OFAC List) - lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.
• Data from the GSA System for Award Management sensitive financial data from entity registration records (including those records formerly housed in the legacy Excluded Parties List System);
• Internal Revenue Service’s (IRS) Automatic Revocation of Exemption List (ARL) - a list of organizations whose tax-exempt status was automatically revoked because of failure to file a required Form 990, 990-EZ, 990-PF or Form 990-N (e-Postcard) for three consecutive years;
• IRS’s Exempt Organization Select Check (EO Select Check) – provides information on a tax-exempt organization’s federal tax status and filings;
• IRS’s e-Postcard database; and
• American InfoSource (AIS) Deceased Data - commercial database

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. As VA DNP Coordinator, the Financial Services Center will work with the Department of Treasury to establish Data Sharing Agreements to access the databases listed above. Contact the 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 will 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 will continue to use the Federal Awardee Performance and Integrity Information System (FAPIIS) to ensure the contract award is issued to reliable and qualified recipients, in accordance with applicable FAR. 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 relative to Improper Payments Elimination and Recovery Act of 2010 (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 will 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 will 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 will 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 will 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 will 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

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. VA, as a payment-certifying agency, is responsible for:

a. Ensuring that VA has sufficient legal authority to engage in a matching program for purposes of the DNP Initiative.
b. Entering into Computer Matching Agreements (CMAs) with Treasury, as described in OMB Circular A-123, Appendix C.
c. Conducting the cost-benefit analysis and meeting the reporting and publication requirements in the matching provisions of the Privacy Act.
d. Ensuring that VA only matches against data sources that are relevant and necessary for the specific matching purpose.
e. Having sufficient documented policies and procedures to determine whether a DNP match represented an improper payment, including verifying a DNP match against a secondary source and providing individuals an opportunity to contest the matching results prior to taking adverse action.
f. Making determinations about the disbursement of payments or awards, consistent with legal authority.
g. Complying with all applicable requirements in the Privacy Act and other
applicable laws, regulations, and policies, as well as with the terms of all relevant CMAs.

2. VA’s Senior Agency Official(s) for Privacy is responsible for:
   a. Developing a training program for the agency’s Data Integrity Board (DIB) to ensure that all members of the DIB are properly trained and prepared to fulfill their duties with respect to all matching activities at the agency.
   b. Periodically reviewing the effectiveness and responsiveness of the agency’s DIB to determine whether the DIB needs additional support or instruction.

3. 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 Point of Contact (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 VAFSCIPERAREPORTING Employees mail group for any questions on enrollment process.

4. 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.

5. The Financial Services Center (FSC), DNP Coordinator is responsible for:

a. Maintaining DNP SharePoint files on the Improper Payments Remediation Oversight (IPRO’s) Office IPERA 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.

f. Responding to questions related to the Treasury Working System and the Cost Benefit Analysis for Computer Matching Program Instructions

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 FSC’s 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:

DNP VAFSCIPERAREPORTING (Outlook)
VHA VHA Accounting Policy (Outlook)
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 will 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, 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 FSC’s office (104/047B1). 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.

**Cost Benefit Analysis for Computer Matching Program Instructions**

**A. PROCEDURES**

Cost-Benefit Analysis for Computer Matching Programs – Template 1

The following steps are taken to prepare the Cost-Benefit Analysis:

1. Enter the following information at the top of the worksheet:
   - Administration
   - Fund group
   - Program Name
   - Data Source

2. Benefits (Quarterly) – Enter dollar amounts for the following:
   - Total amount of payments ($)
   - Total amount of Improper Payments identified ($)
· Percent of Improper Payments will automatically populate (Total amount of Improper Payments identified ($) / Total amount of payments ($))
· Total Benefits equal the Total amount of Improper Payments Identified

3. Benefits (Monthly) – Enter dollar amounts for the following:
   · Total amount of payments ($)
   · Total amount of Improper Payments identified ($) 
   · Percent of Improper Payments will automatically populate (Total amount of Improper Payments identified ($) / Total amount of payments ($))
   · Total Benefits equal the Total amount of Improper Payments Identified

4. Cost Categories – Enter dollar amounts for the following:
   · Interagency Agreement Costs ($)
   · System Costs [Software, Equipment, Budget staff] ($) 
   · Field Office Alert Development Costs
   · Overpayment Development and Recovery Costs
   · Total Cost will automatically populate

5. Benefits-Cost Efficient [Benefit/Cost] will automatically populate once all fields are entered

Cost Benefit Analysis for Computer Matching Program Template

<table>
<thead>
<tr>
<th>Administration:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program:</td>
</tr>
<tr>
<td>Data Source (System):</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Categories</th>
<th>FYXX</th>
<th>FYXX</th>
<th>FYXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interagency Agreement Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Related to Assigned Staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractors Cost [Audits, Fees, and/or Incentives]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits Percentage Needed to Be Cost Effective*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of payments that will be matched against new Data Set ($)</td>
</tr>
</tbody>
</table>

*The Benefit Percentage Needed to Be Cost Effective is the cost incurred to enter into the computer matching agreement divided by the universe of payments that will be matched plus the cost incurred.

<table>
<thead>
<tr>
<th>Yes</th>
<th>NO</th>
</tr>
</thead>
</table>

Is it reasonable to assume a benefit that exceeds the Percentage 0.0% Cost Increase? Please provide a justification below:
APPENDIX T: ADJUDICATION REPORT PROCESS

Overview:

VA has access to the Do Not Pay (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 Financial Services Center’s (FSC’s) 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 Office of Management and Budget (OMB) Memorandum M-07-16 or successor documents.