

**Department of  
Veterans Affairs**

# Memorandum

Date: **JAN 20 2016**

From: Secretary (00)

Subj: Fiscal Year 2015 Fourth Quarter Report on High-Dollar Overpayments (VAIQ #7654473)

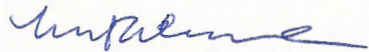
To: Inspector General (50)

1. In accordance with the revised Office of Management and Budget (OMB) Circular A-123, Appendix C, agencies with programs susceptible to significant improper payments under the Improper Payments Information Act are required to report quarterly the high-dollar overpayments that occurred within those specific programs to the agency's Inspector General and the Council of Inspectors General on Integrity and Efficiency, and to make this report available to the public. This will be the fifth quarter VA will report under OMB's newly revised guidance of Circular A-123, Appendix C, issued on October 20, 2014.
2. A high-dollar overpayment is any overpayment meeting the threshold that is in excess of 50 percent of the correct amount of the intended payment. The threshold for individuals is \$25,000 and for entities it is \$100,000. VA uses the results of statistically valid sampling for annual Improper Payments Elimination and Recovery Act reporting purposes to identify high-dollar overpayments.
3. During the fourth quarter, VA identified \$860 thousand in high-dollar overpayments. While testing for the quarter was statistically valid, some programs, which are highly complex and subject to significant improper payments, did not identify a substantial amount of overpayments meeting the new higher reporting threshold. To ensure transparency, VA is also reporting that during the fourth quarter approximately \$129 million in established debt was reported from VHA and VBA programs that may meet the criteria of a high dollar overpayment; however, they have not been verified as improper payments. This debt represents about 0.44 percent of the total payments issued collectively by VHA and VBA in the fourth quarter.
4. The attached report provides the total amount of reportable high-dollar overpayments made from VA's high-risk programs, the actions taken or planned to recover the identified overpayments, and the actions taken or planned to prevent re-occurrence.

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

A handwritten signature in blue ink, appearing to read "Robert A. McDonald", is displayed on a light-colored rectangular background.

Robert A. McDonald

cc: Council of Inspectors General on Integrity and Efficiency

Attachment

**Executive Order 13520 – Reducing Improper Payments  
Department of Veterans Affairs  
Fiscal Year (FY) 2015 Fourth Quarter High-Dollar Overpayments Report**

**Total High-Dollar Overpayments Identified in Quarter: \$860,886**

To ensure transparency, the Department of Veterans Affairs (VA) is also reporting that during the fourth quarter, \$129 million in established debt was reported from the Veterans Health Administration (VHA) and the Veterans Benefits Administration's (VBA) programs that may meet the criteria of a high dollar overpayment; however, they have not been verified as improper payments. For these programs, the established debt is about 0.44 percent of the total payments issued collectively by VHA and VBA in the fourth quarter. As reported in the Office of Inspector General (OIG) "Audit of VA's Implementation of Executive Order 13520 Reducing Improper Payments", dated August 12, 2011, VA must consider debts established below the threshold because these debts may stem from payments that are over 50 percent of the intended payment amount. However, these debts cannot be reported as high-dollar overpayments for this reporting period because they have not been verified as improper payments.

**Actions/Plans to Recover Overpayments:**

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

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

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

**VHA:**

- VHA's Chief Business Office will increase awareness of eligibility and claims issues identified by internal audits by tracking and correcting claims, and providing training to staff where and when errors are identified.
- In December 2014, VA's Financial Services Center implemented the Invoice Payment Processing System, which includes enhanced duplicate payment detection capabilities along with the ability to import electronic invoices in one standard format. These technological advances are designed to reduce payment errors, including duplicate payments. In addition, field level corrective actions are taking place where the improper payment occurred to

- include ongoing training to staff and development of a spreadsheet to identify duplicate invoice numbers.
- VHA's Field Assistance Program will further develop the national Non-VA Care training program, which includes guidance and training through *The Bulletin* (a publication for the Non-VA Medical Care community), monthly calls, as well as developing curriculum on claims processing, and focused trainings targeting identified areas of concern such as determining correct payment authority and correct payment amount.
  - In November 2014, VHA's Geriatrics and Extended Care Office released a tool-kit and checklist for completing the authorization template that includes accurate rate information, which will reduce payment errors made in the incorrect amount, prevent the wrong schedule being used, and improve the claim approval process. It also prompts the review of contracts to ensure they are current.
  - VHA will conduct eligibility data matches, improve electronic processing systems to reduce manual errors, and develop and implement a tracking plan that will monitor the status of overpayments.
  - In May 2015, a legislative proposal was submitted for Congressional consideration that would allow VA initiated Veterans Care Agreements to authorize certain required non-VA health care services.

VBA:

- In 2014, VBA identified ways to streamline processes for drill pay, timely process dependency claims, and provide standards to increase the number of dependency claims completed through the Rules Based Processing System (RBPS). Dependency claims processing has been greatly impacted by the use of contractors and temporary Veteran Service Representatives' (VSRs) use of RBPS, as this system accepts more of a variety of dependency claims, and the accepted automated claims has greatly increased from 3 percent in FY 2013 to 22 percent in FY 2014. This allows claims to be timely processed in an expedited manner. Beginning in August 2014, VA hired and trained 318 temporary VSRs at seven Regional Offices, to process drill pay adjustments and assist in the reduction of backlog.
- VBA continues to implement improvements to increase the skill certification pass rate which will reduce rework, improve quality, and contribute towards our goal of completing claims within 125 days.
- In October 2013, VBA analyzed errors discovered during Systematic Technical Accuracy Reviews (STAR) for trends that may have contributed to verification errors. The quality assurance staff reviewed and disseminated findings to the Pension Management Centers (PMC), enabling claim-specific training to remedy errors. While these two programs are used to identify opportunities for training on improper payment deficiencies, the STAR error trends may not have provided the necessary detail captured in the FY 2014

- IPERA payment testing. VBA will provide the details of the FY 2015 payment errors to the PMCs to identify additional training requirements.
- VBA will update procedures to include documentation imaging requirements and review existing policy guidance to determine if new guidance or procedures are required for Medicaid Nursing Home adjustments and automation of benefit adjustments when a beneficiary enters a Medicaid Approved Nursing Home.

#### Disaster Relief Act – Hurricane Sandy (DRA – HS)

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

#### Payments to Federal Employees (PFE – Payroll)

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