

Department of
Veterans Affairs

Memorandum

Date: **APR 21 2016**
From: Secretary (00)
Subj: Fiscal Year 2016 First Quarter Report on High-Dollar Overpayments (VAIQ #7683591)
To: Inspector General (50)

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

2. During the first quarter, VA identified \$521 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 first quarter approximately \$152 million in established debt was reported from the Veterans Health Administration (VHA) and Veterans Benefits Administration (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 0.71 percent of the total payments issued collectively by VHA and VBA in the first quarter of fiscal year 2016.

3. 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.

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



Robert A. McDonald

cc: Council of Inspectors General on Integrity and Efficiency

Attachment

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

Total High-Dollar Overpayments Identified in Quarter: \$521,967

To ensure transparency, the Department of Veterans Affairs (VA) is also reporting that during the first quarter FY 2016, \$152 million in established debt was reported from the Veterans Health Administration (VHA) and Veterans Benefits Administration (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 0.71 percent of the total payments issued collectively by VHA and VBA in the first quarter FY 2016. As reported in the Office of Inspector General's (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) . Key overall actions to prevent future overpayments, as well as milestones from the published CAPs are provided below:

Veterans Health Administration:

- In November 2014, VHA's Geriatrics and Extended Care Office released a tool kit and checklist for completing the authorization template that will include accurate rate information. This 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 that they are current.
- 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.
- 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 through VA Community Care.
 - VHA's Chief Business Office (CBO) will increase awareness of the Civilian Health and Medical Program of the Department of Veterans Affairs, or CHAMPVA, eligibility and claims issues identified by internal audits by tracking and correcting claims, and providing training to staff where and when errors are identified.
 - CBO will implement a system modification to the Fee Basis Claims System that addresses compliance with VA Community Care claims processing standards, decreases improper payments, increases productivity, and enhances user ease of use, by integrating a module for Eligibility and Enrollment.
 - CBO State Home Per Diem program staff will provide training to VA Medical Center staff on improper payment errors, corrective action plans, and on the CBO database.
 - VHA CBO'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; developing a curriculum on claims processing; and focused trainings targeting identified areas of concern, such as determining correct payment authority and correct payment amount.
 - VHA will conduct CHAMPVA eligibility data matches, improve electronic processing systems to reduce manual errors, and develop and implement a tracking plan that will monitor the status of overpayments.
 - VHA will provide ongoing training to staff to ensure that payments are processed properly and conduct audits to identify, reduce, and recapture improper payments.

Veterans Benefits Administration:

- Identify ways to process dependency claims more timely, including continued use of contractors to process dependency claims.
- Increase quality accuracy rates through implementation of improvements to skill certification and training on administrative actions.
- Reduce errors associated with separation pay withholdings by providing training to increase understanding for processing rules involving separation procedures.
- Develop and conduct consistency studies targeted to error trends found in test reviews.
- In November 2013, implemented Veteran upfront income verification with Internal Revenue Service and Social Security Administration. In

November 2015, extended upfront income verification to claims for special monthly pension, dependency, and medical adjustments and updated the Federal tax information for all pension claims.

- Implemented the National Training Curriculum for FY 2016 to include refresher training for Pension Management Center (PMC) employees on the use of income and expenses in pension determinations, including Improper Payments Elimination Recovery Act (IPERA) awareness training.
- Establish PMCs timeliness standards for completing incarceration/fugitive felon adjustments and prepare and provide written and oral guidance.
- Provide refresher training on the VBA fugitive felon program.
- Investigate whether VBA can improve data matching with the Bureau of Prisons or other sources to identify benefit awards that require adjustments.
- Review PMC Capture Unit standard operating procedures and pertinent manual provisions regarding the scanning and uploading of documents. Revise materials to determine appropriate timeliness and process for scanning and uploading.
- In December 2015, implemented centralized mail processing and virtual analysis concept, which involves rerouting of mail by the United States Postal Service, contractor-operated scanning, and automated work-routing processes directly to the Veterans Benefits Management System (VBMS) eFolder. This process eliminates paper handling and expeditiously uploads claims, evidence, and other mail to a Veteran's VBMS eFolder.
- Perform accuracy reviews to identify deficiencies and IPERA errors and disseminate findings to the PMCs on a monthly basis. Increase the frequency of site visits at the PMCs and incorporate IPERA awareness training and compliance into site-visit protocol.
- Conduct random compliance surveys at schools and training facilities to review compliance with VA education program reporting requirements. Provide necessary training for school and training facility officials to assist them in adhering to these reporting requirements. Suspend approval of programs, schools, and training facilities due to non-compliance with VA education program requirements, as appropriate.
- Update School Certifying Official Handbook to include updated IPERA policies and procedures. This handbook provides processes and procedures to Certifying Officials and other school staff involved with certification of beneficiaries for VA education benefits.
- Conduct refresher training for Regional Processing Offices on Chapter 33 manual entry procedures, with a focus on the reduction of improper payments.

Disaster Relief Act – Hurricane Sandy

- VA implemented an action plan to prevent the recurrence of lack of documentation for Holdback and Retention payments and included additional training to Construction and Facilities Management (CFM) project staff and greater communication with the VA's Financial Services Center.

- An action plan to prevent the recurrence of payments made outside the period of performance (PoP) was implemented and includes extending the PoP where applicable, and monitoring the Construction and Architect/Engineer contracts with greater scrutiny by CFM Contracting Officers.

Payments to Federal Employees

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