

**Department of  
Veterans Affairs**

# Memorandum

Date: **APR 28 2017**  
From: Deputy Assistant Secretary for Finance (047)  
Subj: Fiscal Year 2017 First Quarter Report on High-Dollar Overpayments (VAIQ: 7784993)  
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 \$1.6 million in high-dollar overpayments<sup>1</sup>. 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 reporting threshold. To ensure transparency, VA is also reporting that during the first quarter approximately \$114 million in established debt was reported from Veterans Benefits Administration (VBA) programs that may meet high-dollar overpayment criteria; however, they have not been verified as improper payments. This debt represents about 0.48 percent of the total payments issued collectively by VBA in the first quarter.

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

4. If you have any questions, please have a member of your staff contact Nicole Frish, Director, Improper Payments and Remediation Office (IPRO) at (202) 461-6145.



Laurie Park

cc: Council of Inspectors General on Integrity and Efficiency

Attachment

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<sup>1</sup> VHA did not complete all testing required to identify HDOPs for FY17, Q1. The reporting figure includes VHA improper payments for FY 2016, Q4. VHA will report testing results in next quarter report for FY 2017 Q1 & Q2.

**Executive Order 13520 – Reducing Improper Payments  
Department of Veterans Affairs  
Fiscal Year (FY) 2017 First Quarter High-Dollar Overpayments Report**

**Total High-Dollar Overpayments Identified in Quarter: \$1,597,643**

To ensure transparency, the Department of Veterans Affairs (VA) is also reporting that during the first quarter \$114 million in established debt was reported from Veterans Benefits Administration (VBA) programs that may meet high-dollar overpayment criteria; however, they have not been verified as improper payments. For these programs, the established debt is approximately 0.48 percent of the total payments issued collectively by VBA in the first quarter. As reported in VA's Office of Inspector General's "Audit of VA's Implementation of Executive Order 13520 "Reducing Improper Payments", dated August 12, 2011, VA must consider debts established below the threshold because these debts may stem from payments that are over 50 percent of the intended payment amount. However, these debts cannot be reported as high-dollar overpayments for this reporting period because, as stated above, they have not been verified as improper payments.

**Actions/Plans to Recover Overpayments:**

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

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

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

**Veterans Health Administration:**

- A new corrective action implemented in October 2016 is a daily pre-payment review of VA Community Care inpatient claims to ensure appropriate payment methodology and calculations are applied by staff. Errors within this claim type tend to be high-dollar value payments with multiple providers submitting claims for one episode of care, which is an indication of potential duplicate payments. This manual review will be resource intensive, but Office of Community Care (OCC) anticipates a significant contribution in reducing improper payments.

- Additional corrective actions underway include: reinforcing that expired contracts, such as the former Project HERO contracts, cannot be used to authorize or pay for community care services; collaborating with OCC revenue staff to improve the availability of insurance information in Veterans Health Information Systems and Technology Architecture (VistA); providing ongoing training to staff to ensure payments are processed properly; and establishing a primary and secondary level of review prior to issuing payments to reduce future improper payments.

**Veterans Benefits Administration:**

- Increase identification of death of beneficiaries; lack of supporting documentation; Medicaid Nursing Home patients; incarcerated beneficiaries; administrative errors, and dependents entitled to high compensation, use Systematic Technical Accuracy Review (STAR) reviews to identify deficiencies and disseminate findings to the Pension Management Centers on a monthly basis. Share claim specific errors with individual stations and require corrections to be completed timely. Estimated completion date March 2017.
- Implement an expense reporting process that will either allow the beneficiary to report their expenses within a threshold or itemize expenses and provide evidence to substantiate the expense and eliminate incorrect income reporting. Estimated completion date May 2017.
- Coordinate with Office of Field Operation (OFO) Program Management Centers (PMCs) to complete incarceration/fugitive felon adjustments timely. Estimated completion date May 2017.
- VBA Compensation will identify reasons for the underpayment in the evaluation and determine best course of action for change in rule. This includes identifying ways to process dependency claims more timely. Estimated completion date September 2017.
- Explore additional opportunities to automate or simplify drill pay. Estimated completion date September 2017.
- Implement improvements to increase the consistency study pass rate which will reduce error rates associated with rating claims processing, to include correct processing of temporary total (100%) ratings. Estimated completion date September 2017.
- Increase quality accuracy rates by providing training to claims examiners and updating processes to best use technological advances that reduce human errors. Estimated completion date September 2017.
- Provide refresher training for Regional Processing Offices (RPO) on Chapter 33 manual entry procedures to reduce manual payment errors. Estimated

- completion date September 2017. Start drafting requirements for Subsistence Allowance Module (SAM) II development to allow VR&E to move off the Benefit Delivery Network (BDN) totally so all issues can be found in corporate system. Estimated completion date October 2017.
- Extend upfront income verification using Federal Tax Information (FTI) received from the Internal Revenue Service to include Social Security Administration information for original claims processing. Estimated completion date December 2017.
  - Increase identification of death of beneficiaries; lack of supporting documentation; Medicaid Nursing Home patients; incarcerated beneficiaries; administrative errors, and dependents entitled to high compensation; review manual, policies and procedures to determine if clarification and/or updates are needed. This process is on-going.
  - Continue to take necessary measures to collect over-payments and correct any identified under-payments. Continue work on quality reviews, administrative errors, and IPERA for Chapter 1607. This process is on-going.
  - Continuation of refresher training as necessary to RPO staff. Training will be provided focusing on the reduction of improper payments. Training will also be consistent across all three RPOs through utilization of the National training Curriculum and updates to the Education Service Manual M22-4. This process is on-going.
  - Continue to take necessary measures to collect over-payments and correct any identified under-payments. This process is on-going.
  - Nationwide deployment of refresher training as necessary to RPO staff, school and training facility official to ensure adherence to proper reporting requirements. Training will be provided focusing on the reduction of improper payments. This process is on-going.
  - Provide annual VR&E training and refresher programs on fiscal related errors. Maintain yearly staff and counselor training on processing awards, facility authorizations, and obligations as well as other fiscal training. This process is on-going.

**Disaster Relief Act – Hurricane Sandy:**

- Established a routine review of the contract Period of Performance and document this review in the monthly progress payments. Documentation reviewed monthly. Anticipated completion date of this corrective action is September 2017.

## **Payments to Federal Employees:**

- To address inconsistencies across the agency, the FSC developed an automated tool which reviews timesheets for the Public Law 111-163 entitlement and calculates amounts due. The FSC hosted a Public Law consolidated processing event in Oct 2016 where all VISNs sent two representatives to train on the new process. Using the new script, the FSC is in the process of redistributing Public Law workbooks back to stations for review and certification with a projected suspense date of April 17th. VATAS is Public Law compliant and will issue warnings when Public Law entitlements are present. Timekeepers are being trained to understand and react appropriately when these warning messages appear or when incorrect payments occur. The FSC holds weekly calls for Q&A sessions and provides user-training, when necessary. Training is being conducted to inform timekeeping personnel of the risks associated with their activities and their responsibilities in complying with timekeeping policies and procedures designed to reduce these risks. Estimated completion date is October 1, 2017.
- To address inconsistencies with the way DCPS calculates overtime rates for FLSA employees, the FSC reported the issue to DFAS. To date, the VA is still facing challenges with overtime calculations for FLSA employees. FSC senior leaders will take this as an action item to help mitigate future risks. Estimated completion date is October 1, 2017.
- As part of the pre-certification process, supervisors conduct a prepayment review of timecard corrections to ensure appropriate payment methodology and calculations. Additionally, local payroll offices participate in a post-certification process that includes reports analysis for each time and attendance transaction. The deployment to VATAS provides a centralized system where oversight is more easily available to address compliance with processing timecard corrections, decrease improper payments, increase productivity, and enhance user ease of use. Estimated completion date is July 1, 2018.