

Department of
Veterans Affairs

Memorandum

JUL 28 2017

Date:
From: Deputy Assistant Secretary for Finance (047)
Subj: Fiscal Year 2017 Second Quarter Report on High-Dollar Overpayments (VAIQ: 7811168)
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 second quarter, VA identified \$3.4 million in high-dollar overpayments¹. 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 second quarter approximately \$172 million in established debt was reported from Veterans Health Administration (VHA) and 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 0.29 percent of the total payments issued collectively by VBA in the first quarter and VHA in first and second quarters.

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

Attachment

cc: Council of Inspectors General on Integrity and Efficiency

¹ VHA's results of Q1 testing are combined with Q2 results in this report because testing to identify HDOPs from Q1 was not complete during the last reporting cycle.

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

Total High-Dollar Overpayments Identified in Quarter: \$3,381,582¹

To ensure transparency, the Department of Veterans Affairs (VA) is also reporting that during the second quarter (first and second quarters for Veterans Health Administration [VHA]) \$172 million in established debt was reported from VHA and 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 0.29 percent of the total payments issued collectively by VBA in the first quarter and VHA in first and second quarters. 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:

- Office of Community Care (OCC) initially planned to implement a new corrective action in October 2016 to accomplish a daily pre-payment review of VA Community Care (VACC) inpatient claims to ensure appropriate

¹ VHA reported both first and second quarter 2017 during this reporting period. All high dollar overpayments are attributed to VHA. HDOP were found in the following VHA programs (Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA), VACC, and Medical Care Contracts and Agreements).

payment methodology and calculations are applied by staff. Due to further development of this corrective action, completion was delayed until July 2017. Further, OCC is now expanding the corrective action to include automating the inpatient review into the Program Integrity Tool pre-payment. Estimated completion date: September 2017.

- 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:

- VBA will coordinate with Office of Field Operations (OFO) for Non-Rating Resource Centers and Pension Management Centers (PMCs) to complete incarceration/fugitive felon adjustments timely. Estimated completion date: July 2017.
- VBA Compensation Service will identify reasons for underpayments in the compensation evaluations and determine the best course of action for a change in rules. 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 lower the number of temporary total disability (100%) cases pending over 125 days to no more than 15% of review exams conducted which will ultimately decrease the amount of overpayments made to Veterans where the temporary disability rating of 100% should be downgraded. 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 error. Estimated completion date: September 2017.
- Eliminate incorrect income reporting through implementation of 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. Estimated completion date: September 2017.
- Provide refresher training for Regional Processing Offices (RPOs) on Education Chapter 33, Post 9/11 GI Bill, manual entry procedures to reduce manual payment errors. Estimated completion date: September 2017.
- To reduce clerical errors, duplicative payments, and lack of documentation, start drafting requirements for Subsistence Allowance Module (SAM) II development to remove remaining Vocational Rehabilitation and Education (VR&E) claims from the legacy system, Benefits Delivery Network (BDN), and process all subsistence allowance awards within the corporate environment. 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 claims due to reopen, dependency, medical adjustments, and requests for increase. Estimated completion date: December 2017.
- Pension and Fiduciary (P&F) Service identifies quality errors and provides error details to Pension Management Centers (PMCs). The PMCs are allowed an opportunity to agree with or rebut the cited error(s). The errors are compiled into one report and uploaded to the Systematic Technical Accuracy Review (STAR) database on a quarterly basis for viewing by all stations. This helps to identify and determine training deficiencies and trends. Estimated completion date: This process is ongoing.
- Review manual policies, and procedures, to determine if clarification and updates are needed in the following areas: increase identification of death of beneficiaries; lack of supporting documentation; Medicaid Nursing Home patients; incarcerated beneficiaries; administrative errors, and dependents entitled to higher compensation. This process is ongoing.
- To address manual entry errors, Education Service continues work on quality reviews, administrative errors, and Improper Payments and Recovery Act (IPERA) for Education Chapter 1606, Montgomery GI Bill-Selected Reserve and Education Chapter 1607, Reserve Education Assistance Program. This process is ongoing.
- Education Service will continue to provide refresher training in regards to Education Chapter 1607 as necessary to RPO staff. Training will focus on the reduction of improper payments. Training will also be consistent across all four RPOs through utilization of the National Training Curriculum and updates to the Education Service Manual M22-4. This process is ongoing.
- Education Service will conduct nationwide deployment of refresher training in regards to Education Chapter 1606 as necessary to RPO staff, school, and training facility officials to ensure adherence to proper reporting requirements. Training focusing on the reduction of improper payments will be provided. This process is ongoing.
- 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 ongoing.

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. Estimated completion date: September 2017.

Payments to Federal Employees:

- To address inconsistencies across the agency, the Financial Services Center (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 which provides the capability to review 14.5 million timesheets for Public Law entitlements. Using the new script, the FSC is in the process of redistributing Public Law workbooks back to stations for review and certification. VA Time & Attendance System (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: October 1, 2017.

- To address inconsistencies with the way Defense Civilian Pay System (DCPS) calculates overtime rates for Fair Labor Standards Act (FLSA) employees, the FSC had previously reported the issue to Defense Finance and Accounting Services (DFAS). However, recent test results indicate that VA is still facing challenges with overtime calculations for FLSA employees. FSC senior leaders are coordinating with DFAS and will provide sample calculations for DFAS to review in order to address these challenges. Estimated completion date: 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 analysis of DCPS reports to ensure correctness 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: July 1, 2018.