

VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS



Veterans Health Administration

*Review of Retention
Incentive Payments at
VA Medical Center
Providence, Rhode Island*

January 20, 2011
10-01937-68

ACRONYMS AND ABBREVIATIONS

HRM	Human Resources Management
OIG	Office of Inspector General
VAMC	Veterans Affairs Medical Center
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

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Report Highlights: Review of Retention Incentive Payments at VA Medical Center Providence, Rhode Island

Why We Did This Review

The Office of Inspector General (OIG) conducted this review in response to a Hotline allegation. The purpose of the review was to determine whether VA Medical Center (VAMC) Providence paid its employees retention incentive payments in accordance with VA policy.

What We Found

We concluded that retention incentive payments were not adequately justified and supported in accordance with VA policy. As a result, in 17 (85 percent) of 20 cases reviewed, we questioned the appropriateness of the retention incentive payments. These 17 employees were receiving incentive payments totaling \$6,833 each pay period, or about \$179,000 annually.

The absence of adequate and appropriate documentation for these payments indicates lapses in the management of retention incentives. Approving officials did not exercise due professional care when they approved these payments. Further, some retention incentives were misused to supplement employees' pay in order to compensate for perceived inconsistencies in official position classification decisions.

What We Recommended

We recommended the Under Secretary for Health ensure Veterans Health Administration (VHA) or VA personnel independent of Veterans Integrated Service

Network 1 (VISN 1) conduct a 100 percent review of current retention incentives paid to VAMC Providence employees to assess the appropriateness of retention incentive payments and take corrective action as needed. We also recommended the VISN 1 Director implement controls to strengthen reviews of retention incentive requests and annual reviews of retention incentives by the VAMC Providence Chief, Human Resources Management (HRM), and approving officials. Further, he should implement controls to conduct annual reviews of retention incentives in accordance with policy and to maintain documentation supporting retention incentives for at least 3 years as required by VA policy.

We also recommended the Under Secretary conduct an independent review to determine whether to pay a retention incentive to the VAMC Providence Director and other directors within the VISN.

Agency Comments

The Under Secretary for Health agreed with our findings and recommendations and plans to complete all corrective actions by June 2011. We consider the planned actions acceptable and will follow up on their implementation.

(original signed by:)

BELINDA J. FINN
Assistant Inspector General
For Audits and Evaluations

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INTRODUCTION

- Objective** The OIG conducted this review in response to a Hotline allegation to determine whether VAMC Providence paid its employees retention incentive payments in accordance with VA policy.
- Additional Hotline Allegations** In addition to this allegation, the OIG received 13 additional allegations from the same complainant. We separated this allegation to provide timely information so that VAMC Providence can initiate immediate corrective actions to stop the payment of unsupported and questionable staff retention incentive payments. A review of the remaining allegations is in progress and results will be included in a separate report.
- Retention Incentive Payments** The VAMC Providence employs about 1,000 people. As of July 3, 2010, 70 of these employees were receiving retention incentive payments. In 2008, VAMC Providence employees collectively received retention incentive payments totaling \$332,394. This increased by 57 percent in 2009 to \$520,212. As of July 3, 2010, VAMC Providence employees had received retention incentive payments totaling \$413,389 in 2010.
- Retention Incentive Policy** Title 5 United States Code §5754 allows for payment of a retention incentive to an employee if “(1) the unusually high or unique qualifications of the employee or a special need of the agency for the employee’s services makes it essential to retain the employee; and (2) the agency determines that, in the absence of a retention incentive, the employee would be likely to leave” Federal service. Appendix A provides further detail on criteria pertaining to retention incentives.

RESULTS AND RECOMMENDATIONS

Issue **Were Retention Incentives Paid in Accordance with VA Policy?**

VAMC Providence management did not ensure retention incentives were adequately justified and supported in accordance with Federal and VA policy. When approving retention incentives, management did not adequately consider and document that the retention of employees was essential or adequately support certifications that the employees were likely to leave Federal service in the absence of a retention incentive. In 17 (85 percent) of 20 cases reviewed, documentation justifying the retention incentive payments was not available or the facts shown in available documentation did not adequately justify the payments. This occurred because the Chief, HRM, did not always maintain documentation or ensure requests for retention incentives were properly completed; the Facility Director did not ensure that retention incentives for 16 employees were determined in accordance with criteria; and, in 1 case the VISN 1 Director did not ensure that a retention incentive was determined in accordance with criteria. As a result, VAMC Providence paid these 17 employees inadequately justified or unsupported retention incentive payments totaling \$6,883 every pay period, or almost \$179,000 annually. VAMC Providence paid an additional \$22,666 every pay period to 52 other employees whose justifications we did not review.

Title 5 United States Code §5754 allows for payment of a retention incentive to an employee if “(1) the unusually high or unique qualifications of the employee or a special need of the agency for the employee’s services makes it essential to retain the employee; and (2) the agency determines that, in the absence of a retention incentive, the employee would be likely to leave” Federal service. Title 5, Code of Federal Regulations, Section 575 and VA Handbook 5007 contain policy implementing approval and payment of retention incentives. Appendix A provides further detail on criteria pertaining to retention incentives.

Most Administrative Managers Receive Retention Incentive Payments

Our sample of 20 cases included a number of senior administrative managers who were receiving retention incentive payments. At the time of our review, the Medical Center Director and a number of administrative, or nonclinical service chiefs were receiving retention incentive payments. This situation led us to question whether approving officials exercised due professional care when they approved retention incentive payments.

*Documentation
Supporting
Incentive Payments
Not Available*

We could not evaluate the appropriateness of retention incentive payments in 7 (35 percent) of 20 cases in our sample because HRM staff was not able to provide an initial request to support the retention incentive. Without these requests, we could not determine the basis or support for the retention incentives. As of July 3, 2010, six of these seven employees were receiving a total of \$1,654 in retention incentive payments each pay period.* Details on two of these employees follow.

- The employee, a nonclinical service chief with an annual salary of \$137,410, receives a retention incentive of 8 percent of salary, valued at \$421 per pay period. Based on available records, the employee has been receiving retention incentive payments since at least 2008. An annual review of the employee's retention incentive conducted in March 2010 cited as justification for the incentive that the job position this individual occupies is hard to fill and "there are numerous positions available throughout the VA. Retention is justified to retain highly qualified employee." The annual review does not provide specifics on how many positions are open or where the positions are open nor does it discuss whether VAMC Providence has attempted to fill this or similar positions recently. The Chief, HRM, and the Acting Director approved the annual review, continuing the retention incentive payment. This employee received performance awards totaling \$6,166 in 2008 and \$5,379 in 2009 in addition to retention incentive payments, which totaled \$6,336 in 2008, \$10,724 in 2009, and \$5,478 in 2010 as of July 3.

When conducting an annual review of a retention incentive, the approving official may continue the payment as long as the conditions giving rise to the original determination to pay the incentive still exist. Without the original request, we cannot determine whether the approving official adequately identified this individual as possessing unusually high or unique qualifications nor can we determine the basis for the supervisory certification that the employee was likely to leave Federal service in the absence of an incentive.

The annual review did not describe the employee's unusually high or unique qualifications nor did it indicate the employee was likely to leave without the retention incentive. In addition to the service chief, this nonclinical service includes an assistant chief. One of the factors to be considered and documented when determining whether retention incentives should be paid is whether other candidates who, with minimal training, cost, or disruption of service to the public, could perform the full range of duties and responsibilities of the employee's position at the level performed by the

*In June 2010, retention incentive payments to one of these seven employees were discontinued.

employee. Absent adequate documentation, we cannot determine whether facility management made a determination as to whether the assistant chief or another qualified person could perform this individual's duties.

- Another employee, a nonclinical service chief with an annual salary of \$82,744, receives a retention incentive of 10 percent of salary, valued at \$317 per pay period. Based on available records, the employee has been receiving incentive payments since at least 2008. An annual review of this employee's retention incentive conducted in April 2010 cited as justification for the incentive that the employee "is a key member of this medical center's senior management team... [The employee's] loss would significantly affect our ability to perform our mission." The Chief, HRM, and the Acting Director approved the annual review, continuing the retention incentive payment. This employee received performance awards totaling \$2,922 in 2008 and \$3,291 in 2009 in addition to retention incentive payments, which totaled \$4,517 in 2008, \$7,864 in 2009, and \$4,124 in 2010 as of July 3.

Again, the annual review did not describe the employee's unusually high or unique qualifications nor did it indicate the employee was likely to leave Federal service without the retention incentive. While the structure of this employee's service does not include an assistant chief, there may be others within the service qualified to perform the service chief's duties. Absent adequate documentation, we could not determine whether facility management made a determination as to whether another qualified person could perform this individual's duties.

When we questioned this case, the Chief, HRM, explained that the employee's position was graded at a certain level, but that others in the same job in some of the other VISN 1 facilities were graded at a higher level. Therefore, the retention incentive payments bring the employee "in line" with the salary paid to those who are paid the higher salary. This type of justification is unacceptable as the action obviates the Federal position classification procedures. Further, other VISN 1 facilities may not be comparable in terms of size or complexity.

*Other Documents
Missing or Not
Completed*

In addition to the missing initial requests, required statements of understanding and annual reviews of retention incentive payments were either not completed or could not be found. Employees are required to sign a statement of understanding acknowledging receipt of a retention incentive. One or more statements of understanding were either not completed or were missing for 15 (75 percent) of 20 cases reviewed. Annual reviews of retention incentive payments are required to determine whether continued payment is appropriate and, if so, whether the payment amount should be adjusted. One or more annual reviews were either not completed or were missing for 9 (45 percent) of 20 cases reviewed. Policy requires that records

sufficient to reconstruct the retention incentive determination be maintained for a minimum of 3 years. The table below illustrates the deficiencies we identified during our review of retention incentive payments at VAMC Providence.

**Table. Summary of Retention Incentive Deficiencies
VAMC Providence**

OIG Ref. #	Position	Retention Incentive Supported?	Initial Request Missing?	Annual Review Missing?	Statement of Understanding Missing?
1	Technologist				
2	Service Chief	No			Yes
3	Engineer	No		Yes	Yes
4	Technologist	No		Yes	Yes
5	Physician	No	Yes	Yes	Yes
6	Nurse	No			Yes
7	Service Chief	No	Yes		Yes
8	Technician	No		Yes	Yes
9	Physician	No	Yes	Yes	Yes
10	Engineer	No	Yes		Yes
11	Technologist	No			Yes
12	Service Chief	No	Yes		
13	Service Chief	No	Yes		
14	Support Specialist	No	Yes		Yes
15	Facility Director	No		Yes	Yes
16	Analyst	No			
17	Service Chief				
18	Research Specialist	No		Yes	Yes
19	Physician	No		Yes	Yes
20	Physician			Yes	Yes
	Total Deficiencies	17	7	9	15

Source: OIG Analysis

Unusually High or Unique Qualification Determinations Inadequate

In 9 (75 percent) of 12 cases where the initial retention incentive request was available and prepared by officials at VAMC Providence, we concluded that recommending officials did not adequately determine that employees possessed unusually high or unique qualifications. (The VISN 1 Director prepared the one other case in our sample that we discuss later in this report.) Policy requires significant consideration and documentation to support the approval of a retention incentive. For example, consideration of factors such as the following should be fully documented on retention incentive requests.

- Employment trends and labor market factors such as the availability and quality of candidates in the labor market possessing the competencies required for the position.
- Success of efforts within the previous 6 months to recruit candidates and retain employees with competencies similar to those possessed by the employee.
- Special or unique competencies required for the position.

Appendix A contains additional factors to be considered.

In the 9 cases, we concluded that determinations were inadequate. We found the retention incentive requests contained little evidence that required factors were considered. Following is an example of a case where VAMC Providence did not adequately support the determination.

- A nonclinical service chief with an annual salary of \$119,794, receives a retention incentive of 9 percent of salary, valued at \$413 per pay period. The initial request for the employee's retention incentive payment, dated April 22, 2008, states the retention incentive is justified "in order to retain highly qualified employee and higher rates of pay offered by the private sector." The Chief, HRM, and Director approved this request for a retention incentive. This employee received performance awards totaling \$4,371 in 2008 and \$4,690 in 2009 in addition to retention incentive payments, which totaled \$6,032 in 2008, \$10,386 in 2009, and \$5,373 in 2010 as of July 3.

The request for a retention incentive references the fact the employee is "in a career field in high demand in the healthcare community." However, the request did not address the availability of candidates in the labor market, details on recent efforts to recruit people with competencies similar to the employee's, or any special or unique skills required for the employee's position.

*Supervisory
Certifications
Inadequate*

VAMC Providence did not adequately document or support supervisory certifications that employees were likely to leave Federal service absent a retention incentive. Policy requires a supervisory certification, which is only to be made when the supervisor is reasonably convinced that the employee is likely to leave Federal service absent a retention incentive. The retention incentive request must include the supervisory certification and basis for the determination that the employee is likely to leave. Supervisory certifications can be based on:

- receipt of a bona fide job offer by the employee;

- evidence of high demand in the private sector for the knowledge and skills possessed by the employee and significant pay disparities between Federal and non-Federal salaries; or,
- a discussion with the employee about the employee's career plans.

In the nine questioned cases, the supervisory certification was based on high demand for the knowledge and skills possessed by the employee in six instances and in two instances, the certification was based on a discussion with the employee about the employee's career plans. In the other case, there was no supervisory certification.

High Demand Certifications. VAMC Providence did not support by evidence or documentation the six high demand certifications. In these cases, there was no documentation of evidence of high demand in the private sector for the knowledge and skills possessed by the employees or a discussion of significant pay disparities between Federal and non-Federal salaries. Even more significant, in three cases, retention incentives were paid to newly hired employees and the incentive justifications indicated the retention incentives were necessary in order to hire the employees. In these cases, management should have considered recruitment incentives if it was determined that the positions were hard to fill with high quality candidates without an incentive. Retention incentives are intended to keep employees with unusually high or unique qualifications who would likely leave Federal service without an incentive—not to attract new employees.

Employee Discussion Certifications. In the two cases where a discussion with the employee was cited as the basis for supervisory certifications, there was no indication that the employees were likely to leave Federal service. Following is an example of a case where the supervisory certification citing a discussion with the employee was inadequate.

- A nonclinical service employee with an annual salary of \$92,773, receives a retention incentive of 6 percent of salary, valued at \$213 per pay period. The retention incentive request was approved in December 2009. The supervisory certification that the employee was likely to leave Federal service stated the employee "is a career Federal employee and has a desire to advance [the employee's] career to higher levels of management and responsibility." There is no indication the employee planned to leave Federal service—in fact, the certification seems to indicate the opposite by noting the employee is a career Federal employee. The Chief, HRM, and Director approved this request for a retention incentive. This employee received a performance award totaling \$8,033 in 2009 and has received retention incentive payments of \$2,774 in 2010 as of July 3.

*Supervisory
Certification
Supporting
Director's Incentive
Inadequate*

Our review indicated that the VAMC Providence Director, a Title 5 employee, receives a retention incentive payment equal to 5 percent of salary. In 2009, his salary was \$170,435, which resulted in retention incentive payments totaling \$8,194. In addition, he received a Senior Executive Service award totaling \$14,000 and a performance award totaling \$19,000. The total value of the compensation he received in 2009 was \$211,629. We found the request for retention incentive payments to the VAMC Providence Director, dated December 19, 2008, did not include an adequately supported supervisory certification that he was likely to leave Federal service absent the retention incentive. Rather, the certification included a generic statement that addressed turnover and attrition rates (mostly due to retirement) within VHA's senior executive leadership ranks generally, without focusing on the Director's specific status or circumstances. Given his status and circumstances at the time of the request, we believe it is highly unlikely that he was planning to leave Federal service.

Further, should the VAMC Providence Director decide to leave Federal service, it seems likely that the current Assistant Director or another VHA senior level manager could perform the full range of duties and responsibilities of the Director with minimal training, cost, or disruption of service to the public. In fact, the Assistant Director has been serving as the Acting Facility Director since January 2010 when the VAMC Director was detailed to serve as Acting Director at VAMC West Haven.

When we discussed this case with the VISN 1 Director, he stated the decision to pay medical center directors a retention incentive was a Headquarters decision made prior to him becoming the VISN Director. We noted that at least 4 of 7 medical center directors in VISN 1 receive retention incentive payments. He stated the most recently selected director was not receiving a retention incentive because the current leadership in VHA had a different philosophy on retention incentive payments. Even though the decision to pay retention incentives was made prior to the VISN Director assuming his role as the director, he signed the supervisory certification attesting the VAMC Providence Director was likely to leave Federal service.

*Improved Review of
Retention Incentive
Requests Required*

The Chief, HRM, is responsible for providing technical advice to management officials and ensuring the completeness of requests prepared or approved at the local level. Facility directors are responsible for ensuring that retention incentives are determined in accordance with the criteria and procedures described in VA Handbook 5007. We found the Chief, HRM, did not ensure requests for retention incentives were properly completed in accordance with VA policy, nor did the Director or Acting Director ensure requests were determined in accordance with criteria. Requests did not include sufficient evidence that required factors supporting the approval of a retention incentive payment were considered and supervisory certifications did not adequately describe what led approving officials to reasonably

believe employees were likely to leave Federal service absent a retention incentive. Nonetheless, the Chief, HRM, signed these requests before either the Director or the Acting Director approved them.

VHA management needs to conduct a review of all current retention incentives being paid to VAMC Providence employees to assess the appropriateness of payments. Factors such as employment trends and labor market factors, recruitment efforts, special or unique competencies required for the position, and other factors as outlined in VA policy need to be considered and documented. Also, supervisory certifications need to better document why an employee is likely to leave Federal service absent a retention incentive. The cases we reviewed typically indicated “evidence of high demand in the private sector for the knowledge and skills possessed by the employee and significant pay discrepancies between Federal and non-Federal salaries” as the basis for the supervisory certification. VA Handbook 5007 includes a sample supervisory certification form that includes space for documenting details on labor market trends for the employee’s knowledge and skills and for differences between VA and private sector salaries. The certifications we reviewed did not include these types of details.

*Strengthened
Annual Review
Process Needed*

The Chief, HRM, and Facility Director need to ensure annual reviews are conducted and completed in accordance with policy. VA Handbook 5007 requires that recommending officials on an annual basis submit to approving officials requests to terminate, continue unchanged, or adjust incentives. The approving official may continue the payment as long as the conditions giving rise to the original determination to pay the incentive still exist. In cases where annual reviews to continue retention incentive payments were available for review, we found that recommending officials did not adequately document that the conditions giving rise to the original determination to pay the incentive still existed. Typical annual reviews were one-page forms with a checkbox recommending continued payment of the retention incentive. When narrative to justify the continued payment was included on the form, it was frequently cut and pasted language from the initial request, which in itself, was not adequate to justify the original award of retention incentive payments.

*Retain Retention
Incentive
Documentation*

VA policy requires each facility to keep a record of each determination to pay an incentive. VAMC Providence officials could not locate 7 (35 percent) of 20 initial requests for retention incentive payments and numerous statements of understanding and annual reviews of payments. Without the initial requests, we could not assess the appropriateness of retention incentive payment for 7 cases. Without required annual reviews, we could not assess whether approving officials considered the need to continue retention incentive payments. The lack of records will make the recommended 100 percent review of all current retention incentive payments more difficult.

*Significant Amount
of Retention
Incentive Payments
Not Supported*

Because we could not assess 7 initial retention incentive requests and concluded that approvals for 10 others were not adequately justified and supported, we question the appropriateness of the incentive payments to these 17 employees. As of July 3, 2010, these employees were collectively receiving \$6,883 per pay period, which on an annual basis would total about \$179,000. An additional 52 employees, whose cases we did not review, were receiving \$22,666 per pay period, or about \$589,000 on an annual basis. While we did not assess these cases, we believe it is likely that similar conditions—that is, missing initial requests and inadequate justifications—exist with these cases.

Conclusion

We found in most instances that retention incentives were not supported in accordance with Title 5 United States Code §5754 and VA Handbook 5007, Part VI, Chapter 3. The Chief, HRM, VAMC Providence Director, and VISN 1 Director did not ensure requests were properly supported. The absence of adequate and appropriate documentation for these payments indicates lapses in the management of retention incentives. We question the validity of retention incentive payments to at least 17 of 20 employees, totaling about \$179,000 annually and question whether the approving officials exercised due professional care when they approved these payments. We are also concerned that retention incentives have been misused to supplement employee's pay in order to compensate for perceived inconsistencies in official position classification decisions. Given the pervasiveness of weaknesses supporting questioned payments, VHA leadership needs to change the current organizational culture associated with reviewing and approving these payments by implementing controls over the process.

An independent 100 percent review of all current retention incentive payments needs to be conducted. Personnel independent of VAMC Providence and VISN 1 should conduct the review. The Under Secretary for Health should assess the appropriateness of retention incentive payments to those VISN 1 medical center directors receiving incentive payments against VA policy guidance and take action as appropriate. VISN 1 management also needs to ensure VAMC Providence management officials establish controls to ensure future requests for retention incentives and annual reviews to continue payments support the need for the payments in accordance with Federal and VA policy.

- Recommendations**
1. We recommend the Under Secretary for Health conduct an independent, 100 percent review of retention incentives paid to VA Medical Center Providence employees to assess appropriateness and stop unnecessary payments.
 2. We recommend the Under Secretary for Health review and determine the need to continue payment of a retention incentive to the VA Medical Center Providence Director and other medical center directors in Veterans Integrated Service Network 1.
 3. We recommend the Under Secretary for Health establish a management certification that requires the Veterans Integrated Service Network 1 Director to review and certify the appropriateness of all retention incentives paid to senior managers and supervisors in medical facilities within Veterans Integrated Service Network 1.
 4. We recommend the Veterans Integrated Service Network 1 Director ensure VA Medical Center Providence management establishes a management certification that requires the Chief, Human Resources Management, and approving officials to certify that approved retention incentive requests and annual reviews of retention incentives support the payment of retention incentives and meet policy requirements.
 5. We recommend the Veterans Integrated Service Network 1 Director establish a mechanism to ensure VA Medical Center Providence management maintains documentation supporting retention incentive payments for at least 3 years as required by policy.

**Management
Comments and
OIG Response**

The Under Secretary for Health concurred with our findings and recommendations. VHA will conduct an independent, 100 percent review of retention incentives paid to VAMC Providence employees to assess appropriateness and stop unnecessary payments. VHA will also determine the need to continue retention incentive payments to the VAMC Providence Director and other medical center directors in VISN 1. VHA is also preparing national guidance which will assist facilities in ensuring that all retention incentives, including those paid to senior managers and supervisors, are fully justified and documented in accordance with VA policies. VHA will also revise current VISN 1 procedures to ensure the Chief, HRM and other approving officials certify incentive requests and perform annual reviews. Additionally, VHA will develop an electronic tracking system to ensure retention incentive requests are tracked and documentation is maintained for at least 3 years. We consider the planned actions acceptable and will follow up on their implementation.

Appendix A Background

VAMC Providence The medical center provides outpatient and inpatient health care to veterans residing in Rhode Island and southeastern Massachusetts. During FY 2009, the medical center served about 184,000 veterans and veterans made about 333,000 outpatient visits to the facility. The medical center operates 73 beds and employs about 1,000 people. The medical center is also responsible for Primary Care centers in New Bedford, MA; Hyannis, MA; Nantucket, MA; Martha's Vineyard, MA; and Middletown, RI.

Retention Incentives Criteria Policy pertaining to retention incentives requires significant consideration and documentation to support the approval of retention incentives. VA Handbook 5007, Part VI, Chapter 3 details the process for preparing and approving requests for retention incentives. In determining whether a retention incentive should be authorized, managers are required to consider and document a number of factors. Some of these factors follow.

- Employment trends and labor market factors such as the availability and quality of candidates in the labor market possessing the competencies required for the position and who, with minimal training, cost, or disruption of service to the public, could perform the full range of duties and responsibilities of the employee's position at the level performed by the employee.
- The success of efforts within the previous 6 months to recruit candidates and retain employees with competencies similar to those possessed by the employee for positions similar to the position held by the employee.
- Special or unique competencies required for the position.
- The extent to which the employee's departure would affect VA's ability to carry out an activity, perform a function, or complete a project that is essential to VA's mission.
- The salaries typically paid outside the Federal government.

In addition to considering and documenting the factors described above, supervisors are to make a separate certification that an employee is likely to leave Federal service in the absence of an incentive. This certification—to be made only when a supervisor is reasonably convinced the employee is likely to leave Federal service—may be based on:

- receipt by the employee of one or more bona fide offers of employment, as evidenced by a formal written job offer or affidavit signed by the

employee providing the position and salary being offered, and the name and location of the organization; or

- evidence of high demand in the private sector for the knowledge and skills possessed by the employee and significant pay disparities between Federal and non-Federal service; or
- a discussion with the employee of the employee's career plans.

Policy also requires that approving officials review retention incentives at least annually to determine whether continued payment is appropriate and, if so, whether the amount should be adjusted. The approving official may continue the payment as long as the conditions giving rise to the original determination to pay the incentive still exist.

Appendix B Scope and Methodology

As of July 3, 2010, 70 VAMC Providence employees were receiving retention incentive payments. These employees were receiving incentive payments totaling \$30,350 each pay period (average of \$434 each employee) in addition to their regular pay, and in some cases, special pay. We selected a judgment sample of 20 employees to assess the justifications supporting the retention incentive payments. Included in our sample was the medical center director, 9 employees from various administrative services, and 10 employees from various clinical services. These 20 employees were receiving incentive payments ranging from \$49 to \$2,668 each pay period. To conduct our assessment, we reviewed, when available, initial retention incentive requests, statements of understanding, and annual reviews of retention incentives. We also discussed individual cases with the Chief, HRM.

Reliability of Computer- Processed Data

To address our review objectives, we obtained computer-generated payroll data from the OIG Data Analysis Section. The Data Analysis Section verified the data and, as an additional test, we requested payroll printouts from the VAMC Providence payroll section for all 20 employees in our sample. We compared the electronic data provided by the Data Analysis Section to the payroll printouts and concluded that the data was sufficiently reliable for the purposes of our review.

Compliance with Government Review Standards

We conducted our review work from May 2010 through October 2010. The review was completed in accordance with the President's Council for Integrity and Efficiency's *Quality Standards for Inspections*.

Appendix C Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1-4	Ensure payment of retention incentives at VAMC Providence is appropriate over the next 5 years.		\$894,790
	Total		\$894,790

Appendix D Agency Comments

Department of Veterans Affairs

Memorandum

Date: Dec 28 2010

From: Under Secretary for Health (10)

Subj: OIG Draft Report, *Review of Retention Incentive Payments at VA Medical Center Providence, Rhode Island*, (VAIQ# 7058480)

To: Assistant Inspector General for Audits and Evaluations (52)

1. I have reviewed the draft report and concur with all five of the recommendations. Attached is the Veterans Health Administration's (VHA) corrective action plan for the report's recommendation.
2. VHA concurs with the report's five recommendations for the Under Secretary for Health.
3. In addition to taking these action related to the specific facility and Network, VHA is reviewing its policies and procedure involving processing and approval for all retention incentives to ensure compliance with VA policy and procedures.
4. Thank you for the opportunity to review the draft report. A complete action plan to address the report's recommendation is attached. If you have any questions, please contact Linda H. Lutes, Director Management Review Services (10B5) at (202) 461-7014.

(original signed by:)

Robert A. Petzel, M.D.

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan**

**Review of Retention Incentive Payments at
VA Medical Center Providence, Rhode Island**

Date of Draft Report: November 16, 2010

<u>Recommendations/ Actions</u>	<u>Status</u>	<u>Completion Date</u>
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Recommendation 1. We recommend the Under Secretary for Health conduct an independent, 100 percent review of retention incentives paid to VA Medical Center Providence employees to assess appropriateness and stop unnecessary payments.

VHA Comments

Concur

VHA's Office of Workforce Management and Consulting will convene a group of subject matter experts (SMEs) to conduct an independent 100% review of retention incentives paid to VA Medical Center (VAMC) Providence employees to assess appropriateness and stop unnecessary payments. The group will be composed of employees from the Workforce Management and Consulting Office and Field Human Resources (HR) Offices. Based on the findings of the review, appropriate action will be taken.

In process

June 1, 2011

Recommendation 2. We recommend the Under Secretary for Health review and determine the need to continue payment of a retention incentive to the VA Medical Center Providence Director and other medical center directors in Veterans Integrated Service Network 1.

VHA Comments

Concur

VHA's Office of Workforce Management and Consulting will review retention incentive requests, retention service agreements, annual incentive reviews, and all other supporting documents to determine the need to continue payment for retention incentives for the Director at Providence VAMC and other Directors in Veterans Integrated Service Network (VISN) 1.

In process

June 1, 2011

Recommendation 3. We recommend the Under Secretary for Health establish a management certification that requires the Veterans Integrated Service Network 1 Director to review and certify the appropriateness of all retention incentives paid to senior managers and supervisors in medical facilities within Veterans Integrated Service Network 1.

VHA Comments

Concur

VHA's Office of Workforce Management and Consulting along with the VISN 1 HR staff are reviewing retention incentive requests, retention service agreements, annual incentive reviews, and all other supporting documents to determine the need to continue payment for retention incentives for the Director at Providence VAMC and others in Veterans Integrated Service Network (VISN) 1. Appropriate action is to be taken after this review to ensure that all incentives meet VA policy requirements. In addition, VHA is preparing national guidance which will assist facilities in ensuring that all retention incentives, including those paid to senior managers and supervisors, are fully justified and documented in accordance with VA policies.

In process

June 1, 2011

Recommendation 4. We recommend the Veterans Integrated Service Network 1 Director ensure VA Medical Center Providence management establishes a management certification that requires the Chief, Human Resources Management, and approving officials to certify that approved retention incentive requests and annual reviews of retention incentives support the payment of retention incentives and meet policy requirements.

VHA Comments

Concur

VHA's Office of Workforce Management and Consulting will collaborate with the Office of the Deputy Under Secretary for Health for Operations and Management (DUSHOM) to revise the current Standard Operating Procedure (SOP) in VISN 1. The SOP will ensure that the Chief, Human Resources Management, and other approving officials, certify incentive requests and that annual reviews are performed.

In process

June 1, 2011

Recommendation 5. We recommend the Veterans Integrated Service Network 1 Director establish a mechanism to ensure VA Medical Center Providence management maintains documentation supporting retention incentive payments for at least 3 years as required by policy.

VHA Comments

Concur

The DUSHOM will work with VISN 1 Network Director and the Providence VAMC HR Office to create an electronic tracking system. The developed mechanism will ensure retention allowances requests are tracked and documentation is maintained for at least three years, as required by policy.

In process

June 1, 2011

Veterans Health Administration
December 2010

Appendix E OIG Contact and Staff Acknowledgments

OIG Contact	Nick Dahl
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Acknowledgments	Jim McCarthy
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Appendix F Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
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Director, Veterans Integrated Service Network 1
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