

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Audit of
Automated
Burial Payments*

February 8, 2017
15-01436-456

ACRONYMS

CFR	Code of Federal Regulations
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

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Highlights: Audit of VBA's Automated Burial Payments

Why We Did This Audit

In October 2014, the VA OIG received an allegation that the Veterans Benefits Administration's (VBA) automated burial benefits system was authorizing improper burial payments. We evaluated the effectiveness of VBA controls for ensuring proper automated burial payments.

What We Found

VBA controls ensured that the majority of automated burial payments were made to living spouses for deceased veterans in accordance with the U.S. Code of Federal Regulations (CFR). However, controls did not consistently ensure proper automated burial payments. Using the most recent data available at the time of our review, we found that VBA improperly authorized 4,525 of 16,406 automated burial payments (28 percent) during the six-month period, August 2014 through January 2015. These included payments to spouses who were not on veterans' records at the date of death or who were deceased, multiple payments, and payments to veterans who were still living.

This occurred because VBA lacked controls, policies, procedures, and sufficient quality assurance reviews. From August 2014 through January 2015, VBA authorized about \$2.8 million in improper automated burial payments. If VBA does not implement adequate controls, we estimated VBA will continue authorizing improper automated burial payments of about \$5.6 million annually and approximately \$28 million over the next five years.

Moreover, as a result of improper automated burial payments, VBA improperly discontinued 68 living veterans' monthly

disability benefit payments totaling \$190,267 because VBA had erroneously recorded the veterans as deceased. By improperly discontinuing disability benefits, VBA could cause financial hardship to veterans and their families.

What We Recommended

We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits review the improper payments identified during our audit, take appropriate corrective actions when warranted, and strengthen burial payment controls. We also recommended the Principal Deputy Under Secretary initiate actions to ensure policies and procedures are consistent with CFR and perform quality assurance reviews.

Agency Comments

The Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, concurred with four of the five recommendations and provided acceptable corrective actions plans. The Principal Deputy Under Secretary did not agree to enforce the requirement that proof of death be submitted prior to the release of automated burial payments. The Principal Deputy Under Secretary also provided additional comments, which we addressed in this report.

A handwritten signature in black ink that reads "Larry M. Reinkemeyer".

LARRY M. REINKEMEYER
Assistant Inspector General
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INTRODUCTION

Allegation

In October 2014, the OIG received an allegation that the Veterans Benefits Administration's (VBA) automated burial benefits system was authorizing improper payments. The alleged improper payments included burial benefits authorized to deceased spouses and spouses not listed on veterans' disability benefits records. The complainant reported that these improper payments were not made in accordance with VA policy. This audit evaluated the effectiveness of VBA controls for ensuring proper automated burial payments.

Automation of Burial Payments

The U.S. Code of Federal Regulations (CFR) states that "on or after July 7, 2014, VA will automatically pay a burial benefit to an eligible surviving spouse when VA is able to determine eligibility based on evidence of record as of the date of the veteran's death."¹ VBA uses information stored in VA's Share, a system that interfaces with other VBA systems, as evidence of record for administering automated burial benefits.

VBA policy requires VBA's automated burial payment system to authorize payment only to an eligible surviving spouse listed on a veteran's record.² VBA authorizes one-time burial payments of \$2,000 for a service-connected death and \$300 for a nonservice-connected death. If a claimant is not the surviving spouse of record and does not qualify for an automatic burial payment, then the claimant must complete an application to receive the payment. During the six-month period from August 2014 through January 2015, VBA authorized 16,406 automated burial payments totaling approximately \$14.6 million.

Program Office

VBA is responsible for providing compensation and pension benefits to veterans and their dependents, which includes administering burial benefits. VBA's Pension and Fiduciary Service provides program oversight that helps veterans, their families, and survivors with financial challenges by providing supplemental income through Veterans Pension, Death Pension, and Dependency and Indemnity Compensation. The Pension and Fiduciary Service is also responsible for regulations, policies, and procedures related to VBA's burial benefit program.

¹Section 3.1702 of Title 38, *Pensions, Bonuses, and Veterans' Relief*, Subpart B, *Burial Benefits*

²VBA Fast Letter 14-06, *Automating and Simplifying Burial Benefit Payments* (July 7, 2014)

RESULTS AND RECOMMENDATIONS

Finding **VBA Needs To Strengthen Controls Over Automated Burial Payments**

VBA controls ensured that VBA authorized the majority of automated burial payments to living spouses for deceased veterans in accordance with the CFR. However, we substantiated the allegation that VBA authorized a significant number of improper automated burial payments and found that controls did not consistently ensure proper payments. Using the most recent data available at the time of our review, we found that during the six-month period from August 2014 through January 2015, VBA improperly authorized 4,525 of 16,406 automated burial payments to spouses (28 percent) for these reasons:

- Spouses were not on veterans' records at the date of death
- Spouses were deceased
- VBA authorized multiple payments
- Veterans were still living

This occurred because VBA lacked adequate controls, policies, procedures, and sufficient quality assurance reviews. As a result, from August 2014 through January 2015, VBA authorized approximately \$2.8 million in improper automated burial payments. If VBA does not implement adequate controls, we estimated that VBA will continue authorizing improper automated burial payments of about \$5.6 million annually and approximately \$28 million over the next five years.

In addition, as a result of improper automated burial payments, VBA improperly discontinued 68 living veterans' monthly disability benefit payments totaling \$190,267 when VBA erroneously recorded the veterans as deceased. By improperly discontinuing disability benefits, VBA might cause financial hardship to veterans and their families. Furthermore, receiving incorrect notification of acknowledgement that their living veteran has passed away could cause spouses and other family members unnecessary stress and frustration.

Improper Automated Burial Payments

From August 2014 through January 2015, VBA authorized 16,406 automated burial payments. Of these, 4,525 (28 percent) were improper payments totaling approximately \$2.8 million. The Office of Management and Budget (OMB) defines improper payments as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment also includes any payment that was

made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received.”³ This table summarizes the burial payments that VBA should not have authorized.

Table. Improper Payments⁴
(August 2014 Through January 2015)

Description	Number of Payments	Amounts
Spouses Not on Veterans' Records	3,591	\$2,080,500
Deceased Spouses	786	621,700
Multiple Payments	78	98,200
Spouses of Living Veterans	70	48,200
Total	4,525	\$2,848,600

Source: OIG analysis of automated burial payment information from VBA's Veterans Service Network.

Spouses Not on Veterans' Records

VBA authorized 3,591 improper burial payments to spouses not listed on veterans' records as of the date of the veteran's death, totaling approximately \$2.1 million. The CFR states that on or after July 7, 2014, VA will automatically pay burial benefits to surviving spouses when VA is able to determine eligibility based on evidence of record as of the date of the veterans' death. OMB's definition of improper payments includes any payment that should not have been made under statutory requirements.

VBA uses information stored in Share, a system that interfaces with other VBA systems, as evidence of record for administering automated burial benefits. VBA procedures allow the addition of spouses to veterans' records upon notification of veterans' deaths. Even when veterans' records did not list spouses, spouses were added and authorized to receive automated payments.⁵ This process is not in accordance with Federal regulations since spouses were added to veterans' records after veterans' dates of death. While these automated payments were improper, the spouses may have been entitled to a burial payment by completing a burial benefits application. Example 1 highlights this type of improper payment.

Example 1

A veteran passed away in November 2014. Eight days later, a spouse notified VA of the veteran's death. VA did not have the

³Appendix C to OMB Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*

⁴Each of the four categories of improper payments were mutually exclusive and collectively exhaustive, thus each improper payment was only counted once.

⁵VA's Customer Relationship Management, *First Notice of Death*

spouse listed as a dependent on the veteran's disability benefits records at the time of the veteran's death. VA staff added the spouse to the veteran's record after the date of the veteran's death and authorized an automated burial benefit payment of \$300.

Deceased Spouses

VBA authorized 786 improper burial payments to deceased spouses, totaling \$621,700. OMB's definition of improper payments includes any payment made to an ineligible recipient. VBA's Fast Letter 14-06 allows automated burial payments only to surviving spouses. Example 2 illustrates this type of improper payment.

Example 2

In November 2012, a veteran's spouse passed away. VA staff removed the spouse from the veteran's disability benefits in December 2012, but did not remove her from the veteran's record. About two years later, in November 2014, the veteran passed away. The spouse was still listed on the veteran's record. VBA authorized an automated burial payment of \$2,000 to the deceased spouse.

For 421 of the 786 burial payments to deceased spouses (54 percent), payments were returned to VBA because of undeliverable mail, recipients were not entitled to the payment, or recipients' eligibility could not be determined. It took VBA between 16 and 134 days to cancel these payments.⁶ Although VBA canceled these payments, they are still considered improper payments.

Multiple Payments

VBA authorized 78 multiple payments to spouses of deceased veterans, totaling \$98,200. In addition to the entitled payment authorized for surviving spouses, VBA authorized more than one payment to spouses, former spouses, and to undeliverable addresses. Example 3 highlights these types of improper payments.

Example 3

A veteran passed away in August 2014. Share records listed two spouses for the veteran. One spouse was married to the veteran at the time of death and the other was the veteran's former spouse. VBA authorized the automatic burial benefit payment of \$300 to each spouse listed in the veteran's records. Fortunately, the improper payment to the former spouse was returned to VBA.

Recipients returned 11 of the 78 multiple burial payments (14 percent) to VBA because they were not entitled to the payment or recipients' eligibility could not be determined. It took VBA between 21 and 38 days to cancel these payments.

⁶The days taken to cancel payments varied depending on when VBA received notifications of undeliverable mail or non-entitlement from recipients.

Spouses of Living Veterans

VBA authorized 70 improper burial payments to spouses of living veterans, totaling \$48,200. OMB's definition of improper payments includes any payment made to an ineligible recipient. VBA's Fast Letter 14-06 requires distribution of automated burial payments only to spouses of deceased veterans. When VBA receives notification of veterans' deaths, staff are required to document who provided the notification and the information obtained that confirmed veterans' deaths. VBA then sends notification letters to the spouses or estates of veterans acknowledging the veterans' deaths and informing spouses of entitled benefits. Example 4 illustrates this type of improper payment.

Example 4

In May 2014, VA sent a notification letter to the estate of a veteran stating that the veteran had passed away. In June 2014, the veteran visited a VA facility to show that he was not deceased. He also requested to update his record to list his dependents, including his spouse. Again, in October 2014, VA sent another notification letter to the veteran's spouse stating that the veteran had passed away, and VBA authorized an automated burial payment of \$300 to the veteran's spouse. The veteran visited a VA facility, in October 2014, to inform staff that he was alive. In December 2015, the burial payment was recouped.

For 47 of the 70 burial payments (67 percent) to spouses of living veterans, payments were returned to VBA because of undeliverable mail, recipients were not entitled to the payment, or recipients' eligibility could not be determined. It took VBA between 14 and 87 days to cancel these payments. As of March 2015, the remaining 23 payments had not been returned to VBA.

Disability Benefit Payments Improperly Discontinued

For 68 of the 70 living veterans' spouses who were authorized burial payments, VBA improperly discontinued the veterans' disability benefit payments.⁷ VA staff improperly discontinued \$190,267 of veterans' disability benefits for five days to about eight months. VBA procedures allow staff to receive, in writing or through telephone calls, information from beneficiaries, such as the loss of a veteran because of death.⁸ Once VBA receives notification of a veteran's death, VBA's Fast Letter 14-06 directs staff to discontinue veterans' benefits, authorize automated burial payments, and mail notification letters to surviving spouses. Examples 5 and 6 highlight how VA staff inappropriately discontinued benefits.

Example 5

In August 2014, a veteran's monthly disability benefits of about \$3,000 were discontinued because VA staff had recorded that the

⁷For two veterans, after authorizing improper burial payments, VBA determined the veterans were deceased. Therefore, discontinuing disability benefit payments was appropriate.

⁸Section A to VBA's M21-1, *Adjudication Procedures*

veteran was deceased. This initiated an automated burial payment and a notification to the veteran's spouse. In September 2014, the veteran called a VA facility to report that he had received a letter stating he was deceased. Instead, he was still alive, but his spouse was deceased. As a result, until the veteran's disability benefits were reinstated, his benefits had been discontinued for about five months and for approximately \$11,300. In January 2015, VA retroactively paid the veteran.

Example 6

In November 2014, a VA claims intake center received a death notification of a veteran's son. Instead of removing his son from the veteran's disability benefits, VA staff recorded the veteran as deceased. This action discontinued the veteran's monthly disability benefits of about \$3,000. Consequently, VA staff mailed a notification letter and an automatic burial payment to a non-entitled spouse. Subsequently, the veteran informed VA he was alive and VA had to reinstate the veteran's disability benefits. VA discontinued the veteran's monthly benefits of about \$3,000 for one month. In February 2015, VA retroactively paid the veteran.

***Reasons for
Improper
Payments***

VBA authorized improper automated burial payments because VBA lacked adequate controls, policies, procedures, and sufficient quality assurance reviews.

***Inadequate
Controls***

VBA burial payment procedures did not include adequate controls to ensure that intended recipients met entitlement requirements before initiating automated burial payments. A Pension and Fiduciary Service official explained that VBA would process automated burial payments when staff received notifications of veterans' deaths. When processing automated burial payments, staff would determine whether a spouse was listed on the veteran's records. If no spouse was listed, staff could add a spouse based on information received over the telephone or in writing. However, VBA controls did not include verifying the information received, such as the veteran's death. Verifying this information before making automated payments would help eliminate some of the improper payments identified.

VBA Pension and Fiduciary Service officials stated that there are risks of improper payments in any process but that they tried to mitigate as many risks as possible. According to these officials, on January 2, 2015, VBA updated the automated burial system to help prevent improper payments to deceased spouses. However, we evaluated VBA burial payments for the six-month period from November 2015 through April 2016 and found that VBA made 332 payments totaling \$319,545 to deceased spouses. While the 332 payments were significantly fewer than the 786 payments to deceased spouses during the six-month period from August 2014 through January 2015, VBA needs to implement additional controls to verify that spouses are alive before making burial payments. In addition, VBA should retroactively

correct the improper payments made from August 1, 2014 through January 1, 2015 and caused by deficiencies in the automated system.

Inadequate Policies and Procedures

VBA's Fast Letter 14-06 does not align with the CFR for the disbursement of automated burial payments and is unclear as to whether spouses must be on veterans' records or disability benefit awards as of the date of a veteran's death. The CFR clearly states that VA will pay automatic burial benefits to eligible surviving spouses when VA is able to determine eligibility based on evidence of record as of the date of a veteran's death.⁹

VBA's Fast Letter 14-06 states in one section that only the spouse of record is eligible to receive an automatic burial payment. In another section, it requires spouses to be listed on the veterans' award to receive the automatic burial payment. During the audit, VBA staff agreed to revise the policy to correct this inconsistency. However, as of June 2016, VBA had not revised its policy.¹⁰

To pay burial benefits, the CFR requires a claim, proof of the veteran's death, and a statement certifying that the claimant incurred burial costs of the deceased veteran.¹¹ However, claimants receiving automated payments are exempt from providing a claim and a statement of incurred costs but are not exempt from providing proof of a veteran's death. These exemptions are specifically referenced to the section of the CFR regarding automatic payments to eligible surviving spouses. Contrary to this requirement, VBA procedures allow for notification of death via telephone without further evidence. A VBA official stated that a death certificate is not required as proof of death to discontinue benefits or to pay burial benefits. VBA considers third-party notifications acceptable notifications of death if the information clearly identifies the beneficiary and the caller.

Insufficient Quality Reviews

VBA quality assurance reviews do not sufficiently determine whether VBA authorized proper automated burial payments. During FY 2015, VBA's Systematic Technical Accuracy Review performed reviews of four automated burial payments. However, the checklist used to perform the quality reviews would have been unable to identify certain types of authorized improper payments. For example, it would not have identified whether VBA authorized improper payments to deceased spouses or whether its staff inappropriately discontinued living veterans' disability benefit payments.

⁹Section 3.1702 of Title 38, *Pensions, Bonuses, and Veterans' Relief*, Subpart B, *Burial Benefits*

¹⁰Section A of VBA's M21-1, *Adjudication Procedures*, Part III. *General Claims Process*

¹¹Section 3.1703(b) of Title 38, *Pensions, Bonuses, and Veterans' Relief*, Subpart B, *Burial Benefits*

**Effects of
Inadequate
Controls**

As a result, from August 2014 through January 2015, VBA authorized approximately \$2.8 million in improper automated burial payments. If VBA does not implement adequate controls, we estimated that VBA will continue authorizing improper automated burial payments of about \$5.6 million annually and approximately \$28 million over the next five years. In addition, because of the improper automated burial payments system, VBA improperly discontinued 68 living veterans' monthly disability benefit payments totaling \$190,267. By improperly discontinuing disability benefits, VBA might cause financial hardship to veterans and their families.

Conclusion

VBA controls ensured that the majority of automated burial payments were made to living spouses for deceased veterans in accordance with the CFR. In addition, VBA's January 2015 update to the automated burial system helped to reduce improper payments. However, VBA controls remain inadequate to ensure consistent processing of accurate automated burial payments. VBA is responsible for ensuring that spouses of deceased veterans receive entitled benefits. Automated burial benefit payments make it easier for veterans' families to receive their benefits and also help to meet their expectations for quality, timeliness, and responsiveness. According to a Pension and Fiduciary Service official, the automated burial benefits payment system has significantly improved timeliness in providing burial benefits.

VBA needs to strengthen controls to help eliminate improper payments and maintain the sensitivity and respect of those who have honorably served our nation. By implementing additional controls over the automated burial benefits payment system, VBA has the opportunity to improve the efficiency of its automated burial payment process.

Recommendations

1. We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, review the improper payments identified in this report and take appropriate corrective actions when warranted.
2. We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, strengthen controls to ensure intended recipients meet entitlement requirements before authorizing automated burial payments.
3. We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, initiate action to ensure policies and procedures are consistent with the requirement under the United States Code of Federal Regulations that proof of death be submitted prior to the release of automated burial payments.

4. We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, initiate action to ensure policies and procedures are consistent with United States Code of Federal Regulations related to automated burial payments and recipients' entitlement requirements prior to authorizing payments.
5. We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, ensure quality assurance reviews determine whether staff inappropriately discontinued veterans' disability benefits and assess whether spouses met entitlement requirements to receive automated burial payments.

**Management
Comments**

The Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits, concurred in part with Recommendation 1, concurred with Recommendations 2, 4, and 5, and nonconcurred with Recommendation 3. For Recommendation 1, VBA concurred in part and reported initiating review of three of the four categories of improper payments defined by the OIG. VBA did not agree to review the remaining category of improper payments to surviving spouses added to veterans' records upon notification of veterans' deaths. VBA contended these were proper payments under 38 CFR 3.1702(a) and stated VBA will clarify 38 CFR 3.1702 to allow for the addition of a spouse to a veteran's record at the time of processing a notice of death. VBA planned to complete this action by January 31, 2017.

For Recommendation 2, VBA reported taking action to address issues and strengthen controls related to the automated burial process. VBA will update the existing VA Form 27-0820a, *Report of First Notice of Death*, to add extra steps for validating information of record to ensure recipients meet entitlement requirements. Additionally, VBA will add a step during the notice of death process requiring a Social Security Administration inquiry to verify the spouse of record is still living. VBA planned to complete these actions by October 31, 2017.

For Recommendation 3, VBA nonconcurred and stated that under 38 CFR 3.204 VA is able to accept the statement of a claimant, which includes notice of death, in determining entitlement to benefits. VBA also contended under 38 CFR 3.103(b)(3)(iii) that VA is given authority to accept evidence of death if the evidence reasonably indicates that a beneficiary is deceased. However, VBA has initiated an amendment to its regulations to ensure policies and procedures are consistent and will continue to look for ways to strengthen its process.

For Recommendation 4, VBA reported initiating an amendment to its regulations governing persons who may receive VA burial benefits for a deceased veteran. The proposed amendment would clarify VA's policy and intent of paying an automatic burial benefit to a surviving spouse who is

added to a VA record at the time of notification of the veteran's death. VBA planned to complete these actions by January 31, 2017.

For Recommendation 5, VBA reported it has been performing quality reviews of automated burial payments since October 2014 to ensure automated burial payments are warranted. VBA requested closure of this recommendation.

VBA provided additional comments contending that the automatic burial payment system worked as designed and provided proper payments based on the evidence of record. VBA stated that, of the four categories of improper payments identified, three resulted from incorrect information provided to VBA or human error related to data entry of information for a veteran's death. VBA also reported that in November 2014, a system error was identified that created automated payments to spouses previously removed from the veteran's award.

VBA also disagreed with OIG considering reissuance of a check as a multiple payment and stated that VBA identifies multiple payments as payments made to two or more individuals, or to one individual receiving and cashing two or more separate payments for the same benefit. VBA contends the erroneous reporting of death, the lack of reporting a change in dependency status, or human error in entering data, is not an error of the automated burial process. However, VBA will look for ways to strengthen the notice of death process.

Further, VBA stated that if a veteran is in receipt of compensation benefits rated less than 30 percent, there is no requirement for the veteran to provide VA information related to his or her dependents. The action to add the spouse at the time of the notification of death is an appropriate action when it is first-party information provided to VBA at the time of notice of death processing. Although VBA contended this action is appropriate, they agreed that clarification of the regulation under the CFR to ensure consistency would be beneficial.

OIG Response

The Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits' planned corrective actions are responsive for Recommendations 2 and 4. For Recommendation 1, VBA's actions related to three of the four categories of improper payments are responsive. VBA did not agree to review the remaining category of improper payments, which were 3,591 payments to surviving spouses added to veterans' records upon notification of the veterans' deaths. VBA's contention that these were proper payments under 38 CFR 3.1702(a) is incorrect. Section 3.1702 states that VA will automatically pay a burial benefit to an eligible surviving spouse when VA is able to determine eligibility based on evidence of record as of the date of the veteran's death.

VBA's contention that automated burial payments are proper when spouses are added to veterans' records upon notification of the veteran's death is contrary to the CFR requirement that spouses must be on the record as of the date of the veteran's death. Payments that are not made in accordance with statutory requirements, such as those in the CFR, are considered improper payments. VBA's statements related to Recommendation 1 are contradictory. If the payments were proper as VBA contends, VBA's intent to clarify 38 CFR 3.1702 would not be necessary. To ensure recipients were entitled to burial benefits in compliance with the CFR, VBA needs to review the 3,591 improper automated burial payments made to surviving spouses not listed on veterans' record as of the date of the veteran's death.

For Recommendation 3, VBA based its nonconurrence on 38 CFR 3.204 and 38 CFR 3.103(b)(3)(iii). VBA cites both of these CFR sections out of context and incorrectly applies these sections to burial benefits, instead of relying on 38 CFR 3.1702 and 3.1703, which pertain to burial benefit payments. CFR 3.204 pertains to evidence of dependents and age and discusses how VA will accept claimant statements as proof of marriage, dissolution of a marriage, birth of a child, or death of a dependent. This section is unrelated to burial benefits and does not list death of a veteran as an event for which claimant statements are acceptable.

CFR 3.103(b)(3)(iii) is also unrelated to burial benefits. This section specifically applies to procedural due process and appellate rights. It outlines that claimants and their representatives are entitled to notice of any decision made by VA affecting the payment of benefits or the granting of relief. Further, this section does not state that VA will accept claimant statements regarding notification of the death of a veteran as stated in VBA's comments.

To ensure compliance with CFR requirements related to automatic burial payments, VBA should comply with the requirements of 38 CFR 3.1702 and 3.1703. According to 38 CFR 3.1703(b), burial payments require a claim, proof of the veteran's death, and a statement certifying the claimant incurred burial costs of the deceased veteran. However, eligible surviving spouses receiving automated payments are exempt from providing a claim and a statement of incurred costs but are not exempt from providing proof of a veteran's death. For the OIG to close Recommendation 3, VBA needs to ensure policies and procedures are consistent with CFR requirements that proof of death be submitted before the release of automated burial payments.

For Recommendation 5, VBA stated that it has been performing quality reviews of automated burial payments since October 2014 using a Systematic Technical Accuracy Review checklist. Of the checklist's 33 questions, only three relate to burial issues. None of these three questions specifically relate to automated burial payments. Therefore, the checklist does not ensure reviewers will identify whether staff inappropriately

discontinued veteran disability benefits or assessed whether spouses met entitlement requirements to receive automated burial payments. The OIG will close this recommendation when VBA provides a revised checklist including more specific questions that would identify these types of errors.

We will monitor VBA's progress and follow up on the implementation of these recommendations until all proposed actions are completed.

In response to the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits' other comments, we disagree that the cause of the improper payments was not entirely a result of the automated burial process. As evidenced by the improper payments we identified, VBA's controls over the automated burial payment process need strengthening. Implementing the OIG's recommendations will strengthen controls to help prevent improper payments that VBA stated resulted from relying on inaccurate information provided to VBA or human error related to data entry of information.

VBA stated that a January 2015 system update addressed the payments made to deceased spouses. However, the system did not address the other three categories of improper payments. In addition, we evaluated burial payments for the six-month period from November 2015 through April 2016 and found that VBA made 332 payments totaling \$319,545 to deceased spouses. Therefore, the system update did not prevent all improper payments made to deceased spouses; VBA needs to implement additional controls to verify spouses are alive before making burial payments. By concurring with Recommendation 2 and stating that VBA will add a step to verify the spouse of record is still living, VBA recognized the need for additional strengthening of controls in this process.

VBA also questioned OIG considering the reissuance of a check to be a multiple payment and contended that multiple payments are made when individuals receive and cash two or more separate payments for the same benefit. According to OMB, a payment is the disbursement or transfer of Federal funds, including a commitment for future payment. Therefore, whether or not an individual receives and cashes the payment, the payment is improper because VBA disbursed the funds and committed to a future payment.

Appendix A Background

Burial Benefits

VA authorizes flat-rate monetary benefits for eligible veteran burial and funeral costs. Generally, burial payments are \$2,000 for a service-connected death and \$300 for a nonservice-connected death. In July 2014, VA revised its regulations to allow the automation of burial payments, which compensates eligible surviving spouses quickly and efficiently. Before the automation of the burial benefit process, VA burial payments were in the form of partial reimbursements for an eligible veteran's burial and funeral costs. VA reimbursed any eligible applicant who applied for VA burial payments by completing an application for benefits and attaching copies of the veteran's military discharge document, death certificate, and receipts for funeral costs.

Improper Payments

Federal law requires OMB to provide guidance for improving estimates of improper payments and to ensure agencies improve the determination of improper payments.¹² OMB defines improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or for payments for goods or services not received. In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.¹³

¹²Public Law 112-248, *Improper Payments Elimination and Recovery Improvement Act of 2012*

¹³Appendix C to OMB Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*

Appendix B Scope and Methodology

Scope and Methodology

We conducted our audit from April 2015 through August 2016. The audit evaluated the effectiveness of VBA controls for ensuring proper automated burial payments. We examined VBA policies and procedures to determine whether VBA had effective controls for delivering automated burial payments. We interviewed management and staff from VBA's Pension and Fiduciary Service to identify any risks related to potential weaknesses in internal control procedures.

Data Mining

We used data mining to evaluate whether VBA authorized improper automatic burial payments to surviving spouses of veterans. We reviewed 16,406 automated burial payments totaling \$14,625,700 that VBA authorized during the six-month period from August 1, 2014 through January 31, 2015—the first comprehensive six-month period available to evaluate data since the automated process began on July 7, 2014. We identified four categories of improper payments.

1. Payments to Spouses of Living Veterans. This group included automatic burial payments authorized to spouses of veterans who did not have a date of death in either the Social Security Administration's Death Master File or VA's Share.
2. Payments to Deceased Spouses. This group included automatic burial payments authorized to veterans' spouses with dates of death in Social Security Administration's Death Master File or VA's Share.
3. Multiple Payments. This group included automatic burial payments authorized more than one time for one veteran's death.¹⁴
4. Payments to Spouses Not on Veterans' Records. This group included automatic burial payments authorized to veterans' spouses who were not listed on veterans' records at the date of the veterans' death.

Each of these categories of improper payments was mutually exclusive and collectively exhaustive, thus each improper payment was only counted once. We prioritized the first category over the other three categories because incorrect determinations that veterans have died can also result in VBA improperly discontinuing disability benefits to veterans. The remaining three categories were prioritized based on the severity of the error causing the improper payment—from incorrect determinations that spouses have died to not ensuring spouses were listed on veterans' records.

¹⁴We did not include payments authorized more than one time because of undeliverable addresses in the multiple-payment category.

***Fraud
Assessment***

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The audit team exercised due diligence in staying alert to any fraud indicators by taking actions, such as assessing the risk of missing documentation. We did not identify any instances of fraud during this audit.

***Data
Reliability***

We assessed the reliability of improper burial payment data from VA's Veterans Service Network. We compared the data with veterans' records within Share and documents stored within the Veterans Benefits Management System. The team reviewed the data to ensure completeness and relevance of the data to the audit objective. We also assessed reliability of the data by comparing the samples with data in VBA systems and documents uploaded in the Veterans Benefits Management System. We also relied on data from the Social Security Administration's Death Master File. Since we did not have access to Social Security Administration information, we assessed the reliability of the data by comparing the dates of death in the Death Master File with dates of death and death certificates in VA's Veterans Service Network. We did not find any discrepancies.

We documented limitations with respect to any errors in the data and made recommendations to address these errors. Except for the limitations discussed in the body of this report, we concluded the data used were sufficiently reliable to reach our conclusions and to make the recommendations in this report.

***Government
Standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendations	Explanation of Benefits	Better Use of Funds	Questioned Costs
1, 2	Review the improper payments identified by the OIG, take appropriate corrective actions when warranted, and implement controls.	\$0	\$28,000,000
Total		\$0	\$28,000,000

Note: We calculated the \$28 million by multiplying \$2.8 million for the six-month period by 2 to estimate annual costs of \$5.6 million. Then, we multiplied the \$5.6 million annual costs by five years. (\$2.8 million x 2 = \$5.6 million x 5 = \$28 million)

Appendix D Management Comments

Department of Veterans Affairs Memorandum

Date: September 26, 2016

From: Office of the Under Secretary for Benefits (20)

Subj: OIG Draft Report—Audit of Automated Burial Payments
[Project No. 2015-01436-R3-0076]—VAIQ 7703479

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

1. Attached is VBA's response to the OIG draft report: Audit of Automated Burial Payments.
2. Questions may be referred to Christine Ras, Program Analyst, at 461-9057.

(original signed by:)

Thomas J. Murphy
Principal Deputy Under Secretary for Benefits
Performing the Duties of Under Secretary for Benefits

Attachment

For accessibility, the format of the original documents in this appendix has been modified to fit in this document.

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Audit of Automated Burial Payments**

VBA provides the following comments:

VBA is constantly seeking ways to improve claims processing and provide better service to claimants. Pursuant to a White House initiative, VBA implemented new burial regulations on July 7, 2014, to assist in processing burial claims timely. The new burial regulations streamlined VBA's burial benefits program to ensure that VBA quickly, efficiently, and accurately delivered benefits to survivors and other individuals who incur the cost of a Veteran's burial and funeral.

OIG concluded that VBA authorized a significant number of improper automated burial payments and that controls did not consistently ensure proper payment. VBA contends that the automatic burial payment system worked as designed and provided proper payments based on the evidence of record. VBA appreciates the efforts of the OIG staff during their audit of automated burial payments. VBA will utilize the information provided by OIG to identify opportunities to strengthen the process and ensure intended recipients meet entitlement requirements.

OIG identified four categories of improper payments beginning on page two of the draft report. VBA contends that the cause of these payments was not entirely the result of the automated burial process. Three of the four categories resulted from incorrect information provided to VBA, or human error related to data entry of information for a Veteran's death. However, VBA will look for ways to strengthen the notice of death process to ensure proper automated payment of burial benefits. Also, in November 2014, VBA identified a system error that created automated payments to spouses previously removed from the Veteran's award. VBA addressed the payments made to deceased spouses with the system update in January 2015. Per the data provided on pages four and five of the draft report, OIG considers the reissuance of a check as a multiple payment. However, VBA identifies multiple payments as payments made to two or more individuals, or to one individual receiving and cashing two or more separate payments for the same benefit.

VBA is completely reliant on third party notification of a Veteran's death; however, before taking any action to process a notice of death, VBA requires 100 percent validation of a Veteran's identifiable information. VBA is also completely reliant on a Veteran to report a change in dependency status. Finally, VBA requires end users to confirm a spouse's entitlement information and capture this information on VA Form 27-0820a, Report of First Notice of Death, upon receiving notice of a Veteran's death. VBA contends the erroneous reporting of death, the lack of reporting a change in dependency status, or human error in entering data, is not an error of the automated burial process. However, VBA will look for ways to strengthen the notice of death process.

It has always been VBA's intent to automatically pay the eligible surviving spouse who is of VA record at the time of the Veteran's death, or who is added to the VA record at the time of notice of death. Under 38 CFR 3.4(b)(2), Veterans are entitled to additional compensation benefits for a spouse when they are awarded compensation benefits rated 30 percent or higher. To receive this additional benefit, Veterans must submit information to VA related to their spouses for entry into VA's Corporate database. However, even if a dependent spouse exists, if a Veteran is in receipt of compensation benefits rated less than 30 percent, there is no requirement for the Veteran to provide VA information related to his or her dependents. Therefore, for Veterans rated less than 30 percent, the information pertaining to their spouse may not be available in the VA Corporate database at the time of the Veteran's death. The action to add the spouse, at the time of the notification of death, is an appropriate action when it is first party information provided to VBA at the time of notice of death processing. Although VBA contends that adding the spouse at the time of notification of death is an appropriate action, VBA agrees that clarification of the regulation under the United States Code of Federal Regulations (CFR) to ensure consistency would be beneficial.

The following comments are submitted in response to the recommendations in the OIG draft report:

Recommendation 1: We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits review the improper payments identified in this report and take appropriate corrective actions when warranted.

VBA Response: Concur in part. VBA agrees and has initiated review for three of the four categories OIG defined as improper payments. VBA anticipates the completion of the review and the initiation of corrective actions when warranted by January 31, 2017. VBA does not agree with the review of the 3,591 payments to surviving spouses who were added to the Veterans' records upon notification of the Veteran deaths. VBA contends these were proper

payments under 38 CFR 3.1702(a). However, VBA agrees to clarify 38 CFR 3.1702 to allow for the addition of a spouse to a Veteran's record at the time of processing a notice of death.

Target Completion Date: January 31, 2017

Recommendation 2: We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits strengthen controls to ensure intended recipients meet entitlement requirements before authorizing automated burial payments.

VBA Response: Concur. VBA has taken quick action to address issues and strengthen controls related to the automated burial process as soon as they are identified. Specifically, in November 2014, VBA identified a system error that created automated payments to spouses previously removed from the Veteran's award. Working with the Office of Information and Technology, VBA identified and tested the required system change that was implemented in January 2015. Furthermore, VBA will update the existing VA Form 27-0820a, Report of First Notice of Death, to add extra steps for validating all information of record to ensure the intended recipients meet entitlement requirements. Additionally, VBA will add a step during the notice of death process requiring completion of a Social Security Administration inquiry as a means to verify that the spouse of record is still living. VBA anticipates submitting the updated VA Form 27-0820a to the Office of Management and Budget (OMB) for approval by January 31, 2017. As the OMB approval process can take up to nine months, the anticipated completion date is October 31, 2017.

Target Completion Date: October 31, 2017

Recommendation 3: We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits initiate action to ensure policies and procedures are consistent with the requirements under the United States Code of Federal Regulations that proof of death be submitted prior to automated burial payments.

VBA Response: Non-concur. Under 38 CFR 3.204, VA is able to accept the statement of a claimant, which includes notice of death, in determining entitlement to benefits under laws administered by VA. The statement is considered acceptable as long as it clearly identifies the beneficiary, contains the date and place of the event, and contains the full name and relationship of the deceased to the claimant. If there is reason to believe the claimant's statement is not valid, then VA requires proof or evidence of death. Additionally, under 38 CFR 3.103(b)(3)(iii), VA is given authority to accept evidence of death if the evidence reasonably indicates that a beneficiary is deceased. Upon notice of death processing, an end user is required to certify this information on a VA Form 27-0820a, Report of First Notice of Death. However, VBA will continue to look for ways to strengthen the process to ensure intended recipients meet entitlement requirements. Additionally, VBA has initiated an amendment to its regulations to ensure policies and procedures are consistent.

Recommendation 4: We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits initiate action to ensure policies and procedures are consistent with United States Code of Federal Regulations related to automated burial payments and recipients' entitlement requirements prior to authorizing payments.

VBA Response: Concur. VBA has initiated an amendment to its regulations governing persons who may receive VA burial benefits on behalf of a deceased veteran. In addition to automatically paying the surviving spouse of record, the proposed amendment would clarify VA's policy and intent of paying an automatic burial benefit to a surviving spouse who is added to a VA record at the time of notification of the Veteran's death. VBA anticipates submission of the proposed regulatory amendment to the VA Office of Regulation Policy and Management by January 31, 2017.

Target Completion Date: January 31, 2017

Recommendation 5: We recommended the Principal Deputy Under Secretary for Benefits, Performing the Duties of Under Secretary for Benefits ensure quality assurance reviews determine whether staff inappropriately discontinued veterans' disability benefits and to assess whether spouses met entitlement requirements to receive automated burial payments.

VBA Response: Concur. VBA has been performing quality reviews of automated burial payments since October 2014. The Systematic Technical Accuracy Review checklists currently in place ensure an automated burial payment is warranted. This includes a review of all benefit entitlement factors and the identification of any erroneous actions.

VBA requests closure of this recommendation.

Appendix E **OIG Contact and Staff Acknowledgments**

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Kent Wrathall, Director George Boyer Cherelle Claiborne Marci Davis Leon Roberts Jessica Rodriguez Michael Schiltz Grisbell Soto Al Tate Nelvy Viguera Butler Briana Webster
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Appendix F Report Distribution

VA Distribution

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