



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Entitled Veterans Generally
Received Clothing
Allowance but Stronger
Controls Could Decrease
Costs

AUDIT

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Executive Summary

Veterans with disabilities incurred or aggravated during active military service (service-connected disabilities) may apply for an annual clothing allowance benefit.¹ The benefit is paid to replace or repair clothing if the veteran wears or uses a prosthetic or orthopedic appliance that tends to wear out or tear outer garments, or uses a prescription skin medication that damages clothing.² For fiscal year 2019, about 92,000 veterans received the clothing allowance, which totaled about \$98 million.³ The VA Office of Inspector General (OIG) conducted this audit to determine whether VA ensured that entitled veterans received their annual clothing allowance benefit.⁴

The Veterans Benefits Administration (VBA) jointly administers clothing allowance benefits with the Veterans Health Administration (VHA).⁵ VHA is responsible for administering and awarding the benefits. VHA prosthetic representatives review the applications, records of prosthetic use, and other medical documents to determine entitlement to the clothing allowance benefit. VHA then authorizes the clothing allowance payments using VBA's systems. VBA's role is limited to informing veterans of their potential entitlement to the clothing allowance benefit, budgeting for the benefit, and providing data management and information technology support.

Although most veterans are required to apply each year for clothing allowance benefits, those given recurring status are automatically renewed. Before August 2012, veterans who had lost a limb, lost the use of a limb, or for whom prosthetic staff recommended continued use of a prosthetic or orthopedic device were allowed to have their clothing allowance automatically renewed each year without reapplying.⁶ In August 2012, recurring status was eliminated as an option for *new* applicants for the clothing allowance. This change was made to prevent overpayment errors after an amendment to a VA regulation allowed for more than one annual clothing allowance.⁷ However, the 2012 change did not affect veterans already in recurring status.

¹ 38 U.S.C. § 1162. Veterans with disabilities compensable under the law as if service-connected are also eligible to receive a clothing allowance. 38 U.S.C. § 1151.

² 38 C.F.R. § 3.810.

³ Veterans Benefits Administration, *Fiscal Year 2019 Clothing Allowance Report*, September 30, 2019.

⁴ Entitled veterans are veterans (1) who have a service-connected disability or a disability compensable under 38 U.S.C. § 1151 as if it were service-connected and (2) who meet the clinical eligibility requirements of 38 C.F.R. § 3.810.

⁵ VBA, Fast Letter 03-18, June 19, 2003.

⁶ VHA Handbook 1173.15, (10) *Responsibilities*, (C) VBA, Note.

⁷ In November 2011, VA updated its regulations to permit veterans to receive more than one clothing allowance.

What the Audit Found

VA generally ensured that entitled veterans received their annual clothing allowance benefit. The OIG found that VA made the correct determination for 232 of 240 sampled veterans' annual clothing allowance entitlements. The remaining eight cases resulted in overpayments totaling \$6,540. The OIG also found that VA correctly recorded 225 of the 240 sampled veterans' annual clothing allowance entitlements in its payment system. However, the remaining 15 decisions were not recorded, including three approvals. Consequently, three veterans did not receive the clothing allowance to which they were entitled, with the resulting underpayments totaling \$3,270.

The OIG found that VA could improve its process for administering clothing allowance benefits. Particularly given the split VHA governance structure, the VHA handbook needs detailed guidance on administration of the clothing allowance benefit, which was found to be lacking. The guidance should include the roles, responsibilities, and functions of all staff involved in administering the benefit.

In addition, many veterans in recurring status before 2012 may no longer meet entitlement requirements because many prosthetic or orthopedic devices and medications have been improved and no longer damage clothing—for example, a knee brace with hinges has been replaced with an elastic knee brace. If these veterans were reevaluated, the OIG estimates that about 31,200 veterans in recurring status (58 percent) would not qualify for the clothing allowance based on the kinds of devices approved in the 2019 benefit year. Many of these devices have been upgraded and no longer cause damage to clothing. In some cases, veterans may lack evidence in their records showing the devices were still medically necessary for treatment of their service-connected disabilities. Reevaluation of those veterans could result in a cost savings of about \$26 million over the next year and \$129.7 million over the next five years.⁸ The VHA handbook does not require veterans in recurring status to be reevaluated, but also does not preclude it. VHA has not done so, according to a prosthetics leader, because of the staff time involved in doing so and the lack of direct access to VBA data.

What the OIG Recommended

The OIG recommended the under secretary for health revise the VHA clothing allowance handbook to include detailed procedures for determining and monitoring entitlement to clothing allowance benefits. The OIG also recommended the under secretary develop and initiate a plan

⁸ The estimated \$129.7 million in cost savings was calculated by multiplying the estimated single-year cost savings of \$25,937,442 by five years. A five-year projection was used primarily due to indicators that conditions will continue, such as VHA management citing the staff time necessary to reevaluate over 54,000 recurring veterans' cases as an impediment to change. The single-year cost savings estimate is based on the allowance rate in effect at the time of this audit. For more information on the OIG's methodology, see table B.4 in appendix B. Monetary impact is presented in appendix C.

to reevaluate veterans' entitlement to recurring clothing allowance benefits in collaboration with VBA.

Management Comments

The acting under secretary for health concurred with the recommendations, and the acting under secretary for benefits concurred with the findings. For recommendation 1, the acting under secretary for health stated VHA will review and, as appropriate, revise VHA's handbook on the clothing allowance benefit to include detailed roles, responsibilities, and procedures for determining entitlement to and monitoring of the clothing allowance benefit. The acting under secretary for benefits deferred to VHA for recommendation 1. For recommendation 2, the acting under secretary for health and acting under secretary for benefits stated VHA's prosthetics service and VBA will jointly develop and initiate a plan to reevaluate the entitlement of veterans receiving recurring clothing allowance benefits.

OIG Response

The OIG considers action plans provided for both recommendations acceptable. The OIG will monitor VHA and VBA's progress and follow up on implementation of the recommendations until all proposed actions are completed.



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Abbreviations

OIG	Office of Inspector General
PSAS	Prosthetic and Sensory Aids Service
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network



Introduction

The VA Office of Inspector General (OIG) conducted this audit to determine whether VA ensured veterans entitled to an annual clothing allowance received their benefit.⁹ Veterans with disabilities incurred or aggravated during active military service (service-connected disabilities) are entitled to receive an annual clothing allowance to replace or repair their clothing if they

- wear or use a prosthetic or orthopedic appliance that tends to wear out or tear their outer garments or
- use a prescription skin medication that causes irreparable damage to their clothing.¹⁰

Shirts, blouses, pants, skirts, shorts, and similar garments can be considered in clothing allowance determinations, whereas shoes, hats, scarves, underwear, and socks generally are not. Examples of prosthetics and appliances that tend to wear out or tear clothing include rigid braces, manual wheelchairs without clothing guards, specialized wheelchairs with sliding boards and positioning features.¹¹

The annual clothing allowance rate was set at \$817.48 for each device and skin medication approved for benefit year 2019 (August 1, 2018, to July 31, 2019).¹² For fiscal year 2019, about 92,000 veterans received the clothing allowance, totaling about \$98 million.¹³

Joint Administration of the Clothing Allowance Benefit

Since August 2003, the clothing allowance benefit has been jointly administered by the Veterans Benefits Administration (VBA) and the Veterans Health Administration (VHA). While funding for the benefit is part of VBA's annual budget, VBA's role is limited to informing veterans of potential entitlement to the clothing allowance benefit, budgeting for the benefit, and providing

⁹ Entitled veterans are veterans (1) who have a service-connected disability or a disability compensable under 38 U.S.C. § 1151 as if it were service-connected and (2) who meet the clinical eligibility requirements of 38 C.F.R. § 3.810.

¹⁰ 38 U.S.C. § 1162. Veterans with disabilities compensable under the law as if service-connected are also eligible to receive a clothing allowance. 38 U.S.C. § 1151.

¹¹ Assistive and supportive devices that do not tend to wear out or tear clothing include shoe inserts, nonspecialized wheelchairs, scooters, walkers, elastic/flexible braces, items with Velcro stays, and hinged braces covered in fabric.

¹² This rate became effective December 2018. This rate was paid to veterans who submitted clothing allowance applications from August 1, 2018, through July 31, 2019, and who were determined to be entitled to a clothing allowance benefit for each device and skin medication indicated on the application. For report purposes, the team defined benefit year 2019 as August 1, 2018, through July 31, 2019. The rate is updated annually. The clothing allowance rate was raised to \$830.56 for benefit year 2020.

¹³ Veterans Benefits Administration, *Fiscal Year 2019 Clothing Allowance Report*, September 30, 2019. Multiplying the total number of veterans by the rate (\$817.48) does not equal \$98 million because veterans can receive one to four clothing allowances (\$817.48 to \$3,269.92) in a benefit year.

data management and information technology support.¹⁴ VHA is responsible for administering and awarding the clothing allowance benefit. Prosthetic representatives at VA medical facilities throughout the country review the applications, records of prosthetic service, and other medical documents to determine entitlement to the clothing allowance benefit. VHA authorizes the clothing allowance payments using VBA's systems.

VHA Prosthetic and Sensory Aids Services

VHA's Rehabilitation and Prosthetic Services is responsible for the development of national policies and programs for medical rehabilitation and prosthetic and sensory aids services. One of the program offices under Rehabilitation and Prosthetic Services is the Prosthetic and Sensory Aids Service (PSAS), which oversees the clothing allowance benefit. PSAS is responsible for developing policies and procedures for the administration of the annual clothing allowance benefit at VA medical facilities.

Prosthetic representatives at each VA medical facility determine veterans' entitlement to annual clothing allowance benefits. Prosthetic representatives from the 18 Veterans Integrated Service Networks (VISNs), which are regional groupings of medical facilities that deliver health care to veterans, coordinate with PSAS staff at each facility to administer the benefits.

Eligibility and Entitlement Determination

When a veteran first files a claim for disability benefits, a rating specialist with the VBA Veterans Service Center determines if the veteran's disability is service-connected or is otherwise compensable under the law. If it is, then the rating specialist notifies the veteran of any additional benefit(s) to which he or she might be entitled, such as the clothing allowance, and how to apply.¹⁵

Veterans apply for the clothing allowance benefit using a paper application submitted to PSAS prosthetic clerks and representatives at VA medical facilities. Prosthetic representatives are responsible for determining whether veterans are entitled to a clothing allowance benefit. Determinations include verifying that the devices or medications (1) are medically necessary for treatment of a service-connected disability and (2) they tend to wear out, tear, or cause irreparable damage to clothing. For example, a veteran who had a limb amputated as a result of a combat injury and uses a prosthetic device that tends to wear or tear clothing is entitled to receive a clothing allowance benefit. Figure 1 provides an overview of the eligibility and entitlement determination.

¹⁴ VBA, Fast Letter 03-18, June 19, 2003.

¹⁵ VA Manual 21-1, part 3, sub. 5, chap. 2, sec. B, "Decision-Notices," April 25, 2019.

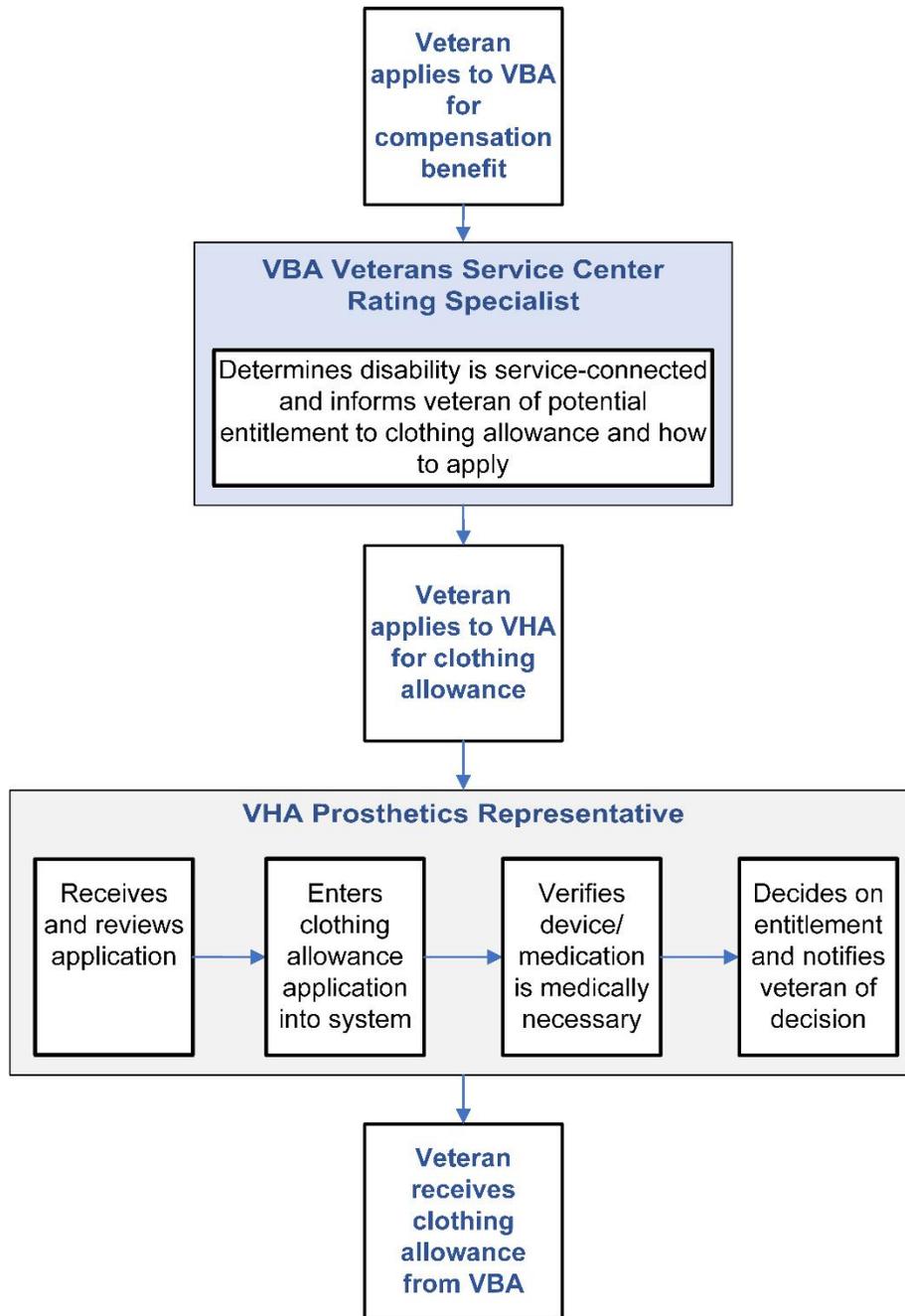


Figure 1: Entitlement determination process.

Source: VA OIG analysis.

Once the prosthetic representative determines a veteran is entitled to receive the clothing allowance and enters the determination into the payment system, VBA pays the clothing allowance to the veteran in the form of an annual lump sum payment. Veterans can reapply for the clothing allowance during each benefit year, which runs from August 1 through July 31. VBA reminds eligible veterans each year to reapply.

Recurring Status and Multiple Awards

Over time, changes have occurred in the type and number of clothing allowance benefits granted to veterans. Until 2012, veterans with certain disabilities could be awarded a recurring clothing allowance benefit, one that automatically renewed each year without the veteran reapplying. Specifically, before 2007, veterans with a service-connected disability for the loss of/or use of a hand or foot, or for whom “continued use of a prosthetic device was recommended” were granted a recurring benefit if their devices tended to cause wear and tear to clothing.¹⁶ After May 2007, only veterans who were determined eligible based on loss of/or use of a hand or foot were granted recurring benefits, also known as recurring status.¹⁷ This status, though, did not preclude a future reevaluation of the device or appliance, as the wear or use could change.¹⁸

In January 2009, the court of appeals for the federal circuit determined that Title 38, Section 1162, of the United States Code allowed veterans to receive more than one clothing allowance.¹⁹ Based on the results of the court decision, VA amended its regulations (effective in December 2011) to allow for more than one annual clothing allowance.²⁰ Veterans who wear or use more than one qualifying prescribed prosthetic or orthopedic device or prescription medication for more than one service-connected disability or skin condition may be entitled to more than one clothing allowance.

Together, recurring status and multiple awards caused problems for processing benefits. After initially allowing veterans in recurring status to receive multiple clothing allowance benefits, VBA removed the option. According to VBA’s senior business applications analyst, when a veteran in recurring status applied for more than one clothing allowance, the payment system required prosthetic staff to reenter information on the veteran’s recurring service-connected disability and then add the new award in the payment system. After the new award was authorized, the recurring payment was stopped. During the process, the analyst stated that VHA prosthetic staff erroneously edited or deleted previous entries to add recurring payments, which resulted in overpayments. To avoid these errors, in August 2012, VBA removed recurring status as an option in the payment system for new applicants. This change was made to prevent overpayment errors after an amendment to a VA regulation allowed for more than one annual

¹⁶ VHA Handbook 1173.15, *Clothing Allowance Benefit*, November 1, 2000, rev. May 17, 2007, and May 14, 2015. Recurring benefits could also be awarded if VHA selected “continued use of prosthetic devices is recommended” on VA Form 21-8679, “Eligibility Determination for Clothing Allowance.”

¹⁷ VHA Handbook 1173.15.

¹⁸ VHA Handbook 1173.15.

¹⁹ *Sursely v. Peake*, 551 F.3d 1351, 1356 (Fed. Cir. 2009).

²⁰ “Clothing Allowance,” 76 Fed. Reg. 70885 (November 16, 2011).

clothing allowance.²¹ When veterans already in recurring status apply for multiple clothing allowances, they lose their recurring status and must reapply annually.²²

²¹ In November 2011, VA updated its regulations to permit veterans to receive more than one clothing allowance.

²² VHA Handbook 1173.15.

Results and Recommendations

Finding: Veterans Generally Received Their Clothing Allowance Benefit, but Opportunities Exist to Save Additional Program Costs

VA generally ensured that entitled veterans received their annual clothing allowance benefit. The OIG found that VA made the correct determination for 232 of 240 sampled veterans' annual clothing allowance entitlements. The remaining eight cases resulted in overpayments totaling about \$6,540. The OIG found that VA correctly recorded 225 of the 240 sampled veterans annual clothing allowance entitlements in its payment system. The 15 remaining determinations were not entered into the payment system, of which three of them were approvals. For the three veterans who did not receive the clothing allowance to which they were entitled, the resulting underpayments totaled about \$3,270.

Even with VHA's success in ensuring most entitled veterans received their annual clothing allowance benefit, the OIG identified opportunities for administrative process improvements. First, the OIG found the VHA handbook lacks detailed guidance on administering the clothing allowance benefit, including detailed roles, responsibilities, and functions for all staff involved in administering the benefit.

Second, VHA policy does not require reevaluation of veterans in recurring status, even though those veterans may no longer meet the requirements for entitlement. Based on the sample, the OIG estimates that about 31,200 veterans in recurring status (58 percent), if reevaluated, would not be determined to be entitled to a clothing allowance based on devices approved in the 2019 benefit year. Many of these devices have been upgraded and no longer cause damage to clothing. In some cases, veterans may lack evidence in their records showing the devices were still medically necessary for treatment of their service-connected disabilities. If veterans receiving recurring clothing allowance were reevaluated and found not entitled, the OIG estimates discontinuing their benefits could save VA about \$26 million over the next year or about \$129.7 million over the next five years.²³

What the OIG Did

The audit team randomly selected a sample of 12 medical facilities. Among the approximately 62,000 veterans who applied to these facilities for the 2019 clothing allowance benefit, the audit

²³ The estimated \$129.7 million in cost savings was calculated by multiplying the estimated single-year cost savings of \$25,937,442 by five years. A five-year projection was used primarily because of indicators that conditions will continue, such as VHA managers citing the staff time necessary to reevaluate over 54,000 recurring veteran cases as an impediment to change. The single-year cost savings estimate is based on the allowance rate in effect at the time of this audit. For more information on the OIG's methodology, see table B.4 in appendix B.

team selected a random sample of 240. Of the approximately 54,000 veterans receiving recurring clothing allowance benefits in 2019 who had initially applied to these facilities, the team selected a sample of 70. The team used veterans' clothing allowance applications and VA's electronic systems to verify the accuracy of entitlement determinations and reviewed payment data. However, the applications for veterans in recurring status were not available for review because the time required for retaining the applications had passed. The audit team interviewed VBA and VHA officials in Washington, DC, and performed virtual site visits at four of the 12 medical facilities—Brooklyn, New York; Durham, North Carolina; Fayetteville, North Carolina; and San Diego, California. At these sites, the team interviewed chiefs and assistant chiefs of prosthetics, as well as prosthetic representatives.²⁴

Entitled Veterans Generally Received Accurate Annual Clothing Allowance Benefits

VA generally ensured that entitled veterans received their annual clothing allowance benefit. It did so by making correct entitlement determinations and by recording determinations to ensure that veterans approved for entitlements received their benefit payments.

Making Determinations

The audit team found 232 of the 240 veterans' annual clothing allowance applications reviewed had correct entitlement determinations. For the remaining eight cases, staff granted annual entitlements for devices that did not qualify—seven did not tend to wear out or tear clothing and one was not for treatment of a service-connected disability. VISN prosthetic representatives agreed the entitlement determinations in those eight cases were incorrect. Granting allowances in the eight cases created overpayments totaling about \$6,540. Example 1 provides details of one of the eight incorrect entitlement determinations.

Example 1

A veteran with a service-connected disability of degenerative disc of the lower back was prescribed a back brace. The prosthetic representative approved the prosthetic device, and the veteran was paid a clothing allowance for 2019. Based on the medical code assigned to the prosthetic device, the audit team found the brace did not cause wear or tearing of clothing. Therefore, the entitlement determination was incorrect, and the veteran was overpaid \$817.48. VHA agreed with the audit team's decision.

²⁴ For more information on the scope, methodology, and sampling, see appendix A and appendix B.

Recording Determinations in the Payment System

Before a veteran can be paid the clothing allowance, the prosthetic representative must record the determination in VBA’s payment system. The OIG found 225 of the 240 determinations for the sampled clothing allowance applications were entered into VBA’s payment system. However, determinations for the other 15 applications were not entered into the system. Three of these were approvals, which means that three veterans did not receive the clothing allowance to which they were entitled. The team notified the VA medical facility prosthetic staff about these three underpayments, which totaled about \$3,270. As a result, the three veterans were paid their clothing allowance.²⁵ Table 1 shows the 15 entitlement determinations that prosthetic representatives did not enter into VBA’s payment system, by facility.

Table 1. Entitlement Determinations Not Entered into VBA Payment System

VA medical facility location	Denials	Approvals
Brooklyn, NY	0	0
Charleston, SC	0	0
Clarksburg, WV	1	0
Dallas, TX	0	0
Durham, NC	6	0
Fayetteville, NC	1	1
Hampton, VA	3	0
Huntington, WV	0	0
Kansas City, MO	0	0
Las Vegas, NV	1	1
San Diego, CA	0	0
Washington, DC	0	1
Total	12	3

Source: OIG analysis of 2019 clothing allowance entitlement determinations.

For the three cases, PSAS staff did not complete all required steps to complete the recording in VBA’s payment system. According to staff, in two cases VBA’s payment system either would not allow them to generate an award for the clothing allowance benefit due to a date error or would not save information they had entered in the system. According to PSAS staff, VBA’s information technology staff are working on a solution for these problems. The third case was

²⁵ VBA’s payment system shows the three veterans were paid between May 28 and July 24, 2020, for benefit year 2019. One veteran was approved for two clothing allowances, so the total underpayment amount is based on four allowances among the three veterans (4 multiplied by \$817.48, rounded).

processed by a medical facility's PSAS staff member who had since retired; therefore, the team could not determine the reason it was not entered into the system for payment.

VHA's Handbook for Clothing Allowances Needs to More Closely Align with Government Standards

The VHA handbook on the clothing allowance benefit, developed by VHA's Rehabilitation and Prosthetic Services for PSAS, serves as an important control for managers to ensure their operations are efficient and effective and comply with applicable laws and regulations. In addition to providing procedural information on administering the clothing allowance benefit, the handbook should outline delegated responsibilities, clarify the authority of key personnel, and require monitoring.²⁶ However, prosthetic representatives interviewed by the OIG said that although they followed the VHA handbook, they still needed to follow up with either supervisors or experienced coworkers to process clothing allowance applications because the handbook did not include important information.

For example, the VHA handbook on the clothing allowance benefit leaves out details about processing benefits; delegating authority, roles, and responsibilities; and monitoring benefits:

- **Processing benefits.** The handbook does not instruct the prosthetic clerk or representative on how to review a clothing allowance application, determine entitlement for the clothing allowance, assess the use of the prosthetic device or medication, or craft the decision notification letter content sent to veterans about their clothing allowance benefit. As a result, PSAS staff at local VA medical facilities inconsistently applied procedures. For example, PSAS staff interviewed at one facility used a veteran's self-certification to determine entitlement, while PSAS staff at the remaining 11 medical facilities sampled used the veteran's prosthetic and medical records to determine entitlement. The records provide the consultation, repair, and replacement history of the device or skin medication. Without clearer guidelines, a device or skin medication authorized by prosthetic representatives at one medical facility may not be authorized at another medical facility, which could cause inequitable administration of the clothing allowance benefit.
- **Delegating authority, roles, and responsibilities.** According to the VHA PSAS national director and program manager, they do not have authority over the local prosthetic staff who determine clothing allowance entitlements; therefore, they rely on the medical center directors and VISN prosthetic representatives to ensure compliance with the handbook. The format of a VHA handbook identifies roles and responsibilities of key personnel and clarifies authority; however, this handbook

²⁶ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

does not identify roles and responsibilities for all key personnel or delegate authority involved in the administration of clothing allowance benefits, such as program office staff, medical facility directors, and VISN prosthetic representatives.

- **Monitoring benefits.** Continuous oversight was not built into VHA’s process for administering the annual clothing allowance benefit to identify potential problems as required.²⁷ One such problem is late payments. VBA releases annual clothing allowance payments between September 1 and October 31. Because it takes about two weeks after processing for benefit payments to be received, applications should be processed by October 15 to meet end-of-month deadlines for receipt of payment. The audit team determined that 6,269 of the 62,423 veterans’ annual clothing allowance applications received for benefit year 2019 (10 percent) were processed after October 15, 2019. Of the 6,269 applications, roughly half (3,834) were approved for clothing allowance payments, which the handbook requires be made by October 31. As a result, 3,834 veterans received their clothing allowance benefits late. The sample results showed payments were received one to two months late in November and December. Handbooks on clothing allowances in effect from 2000 to 2019 did not include a provision for monitoring, which would help identify missed deadlines and other problems.

The VHA PSAS national director and program manager agreed the clothing allowance handbook was lacking and said that work began in January 2020 to clarify it. The officials also said they are changing the handbook to a directive and waiting for the results of this audit to finalize the directive.²⁸ The draft directive identifies the roles and responsibilities of key personnel and includes a requirement for monitoring clothing allowance benefits. It also makes the VISN and medical center directors responsible for developing, implementing, and enforcing standard operating procedures for administering the clothing allowance. Therefore, it will not directly specify how to review clothing applications, how to determine entitlement, how to determine use of prosthetic device or medications, or how much detail to include in the decision notification letter.

Reevaluating Recurring Clothing Allowance Entitlement Could Result in Cost Savings

PSAS staff are not required to reevaluate recurring clothing benefits but doing so could achieve cost savings and greater consistency in the treatment of veterans. In the team’s sample of 70 veterans in recurring status, 31 likely would not, if reevaluated, be determined to be entitled

²⁷ GAO, *Standards for Internal Control in the Federal Government*.

²⁸ A directive focuses on policies and responsibilities; a handbook focuses on processes. Both are considered national policies.

to a clothing allowance—nine because their devices no longer cause wear and tear and were not approved in the 2019 benefit year and 22 because their medical records lacked evidence that the devices were still medically necessary for treatment of their service-connected disabilities. If, for example, over 30 years ago a veteran was issued a knee brace with hinges and metal stays, it would have qualified for a clothing allowance because it caused wear and tear of clothing. However, because of advances in technology, this veteran might now use an elastic brace with no hinges or metal stays. This veteran would no longer qualify for a clothing allowance; however, without being reevaluated, the veteran would continue receiving payment. Figures 2 and 3 show the change in technology for a knee brace.



Figure 2. Knee brace with hinges or metal stays.
Source: VHA staff.



Figure 3. Elastic knee brace.
Source: stock.adobe.com.

Based on its statistical sample, the OIG estimates that about 7,500 veterans (14 percent) in recurring status would not still be considered entitled to a clothing allowance.²⁹ Example 2 describes one such veteran.

Example 2

A veteran with a service-connected knee disability was prescribed a knee brace and granted recurring status in benefit year 2011. Based on the prosthetic devices approved in benefit year 2019 and VHA handbook requirements, the veteran's 2011 device would no longer be approved.³⁰ If VA confirmed the veteran is no longer entitled, discontinuing this benefit could save VA about \$800 per benefit year.

²⁹ For more information on the sampling projections, see appendix B.

³⁰ Based on the knee braces approved in benefit year 2019 and the handbook requirements related to wear and tear of clothing, the device would not be approved in benefit year 2019. The team could not determine why the device was approved as causing wear and tear in 2011. Also, the team was unable to determine whether that approval was incorrect due to a lack of available documentation.

There were 22 veterans lacking evidence in their records that the device was medically necessary for treating the veterans' service-connected disabilities. The evidence in veterans' medical records could have included documentation such as physician's progress notes and consults with prosthetics providers for the device, repairs to the device, or replacement of the device. Based on the sample, the OIG estimated that about 23,700 veterans (44 percent) in recurring status were approved for devices that may no longer be medically necessary for the veterans' service-connected disabilities.

Based on the sample results, the OIG estimates that about 31,200 (58 percent) of the almost 54,000 veterans in recurring status would not be determined to be entitled to a clothing allowance if they were reevaluated.³¹ According to the VHA PSAS program manager, PSAS personnel lack the time and direct access to VBA data to reevaluate these veterans.

VA Does Not Plan to Reevaluate the Pre-2012 Recurring Clothing Allowance Benefit

According to the PSAS program manager, PSAS does not plan to reevaluate veterans in recurring status. The clothing allowance handbooks in effect from 2000 to 2020 did not require a reevaluation, but they did allow for the possibility of future recertification. The current handbook does not allow for future recertification, however. The PSAS program manager had no record that any reevaluations were ever performed and did not know why the possibility of future recertification was not included in the current handbook.

The PSAS program manager stated that PSAS personnel do not have direct access to VBA data to identify veterans receiving the recurring benefit. In addition, PSAS lacked the staff needed to reevaluate the almost 54,000 veterans' benefits in recurring status.

If veterans receiving recurring clothing allowance before 2012, when recurring status ended, were reevaluated and found not entitled at the percentage projected, the OIG estimates that discontinuing their benefits could save VA about \$26 million over the next year and increase equitable treatment of all veterans receiving the benefit.

Conclusion

Generally, veterans received the clothing allowance benefits to which they were entitled. However, the team identified \$9,810 in improper payments in 11 cases. Eight unentitled veterans received overpayments, and three veterans entitled to the allowance did not receive it, resulting in underpayments. Even with VHA's success in ensuring most entitled veterans received their annual clothing allowance benefit, VA could realize cost savings by reevaluating recurring clothing allowance benefits and improve controls by revising the handbook used to administer

³¹ For more information on the sampling projections, see appendix B.

the clothing allowance benefit. The OIG estimates that reevaluating veterans in recurring status could result in a cost savings to VA of nearly \$26 million for one year and about \$129.7 million over the next five years. Moreover, reevaluation would promote consistent treatment among veterans across the nation.

Recommendations 1–2

The OIG made two recommendations to the under secretary for health:

1. Revise the Veterans Health Administration handbook to include detailed roles, responsibilities, and procedures for determining entitlement to and monitoring of the clothing allowance benefit.
2. Develop and initiate a plan to reevaluate veterans' entitlement to recurring clothing allowance benefits in collaboration with the Veterans Benefit Administration.

Management Comments

The acting under secretary for health concurred with the recommendations, and the acting under secretary for benefits concurred with the findings.

To address recommendation 1, the acting under secretary for health stated VHA will review and, as appropriate, revise VHA's handbook on the clothing allowance benefit to include detailed roles, responsibilities, and procedures for determining entitlement to and monitoring of the clothing allowance benefit. The acting under secretary for benefits deferred to VHA for recommendation 1.

To address recommendation 2, the acting under secretary for health and acting under secretary for benefits stated VHA prosthetics service and VBA will jointly develop and initiate a plan to reevaluate entitlement of veterans receiving recurring clothing allowance benefits.

Appendix D includes the full text of the acting under secretaries' comments.

OIG Response

The OIG considers action plans provided for both recommendations acceptable. The OIG will monitor VHA and VBA's progress and follow up on implementation of the recommendations until all proposed actions are completed.

Appendix A: Scope and Methodology

Scope

The audit team conducted its work from February 2020 through April 2021. The scope included all veterans who received a clothing allowance payment (annual or recurring) or were denied entitlement for benefit year 2019 (August 1, 2018, through December 31, 2019).

Methodology

To accomplish the audit objective, the team identified and reviewed applicable laws, regulations, policies, procedures, and guidelines related to clothing allowance benefits. The team interviewed VHA's acting deputy chief patient care services officer for Rehabilitation and Prosthetic Services, the PSAS national director, the PSAS program manager for clothing allowance, and VBA's Compensation Service executive director to determine oversight for the clothing allowance benefit. The team also interviewed VBA's Finance Center director and Fiscal Systems director to determine how clothing allowance payments are processed. The audit team performed virtual site visits at VA medical facilities in Brooklyn, New York; Durham, North Carolina; Fayetteville, North Carolina; and San Diego, California. During the site visits, the team interviewed the chief of prosthetics, assistant chief of prosthetics, and prosthetic representatives. The audit team also interviewed VISN prosthetic representatives.

With VA OIG statisticians' guidance, the audit team reviewed a random sample of 240 records from about 62,000 veterans who applied for the 2019 annual clothing allowance benefit and 70 records from about 54,000 veterans in recurring status. The team used veterans' applications and VA's electronic systems including Veterans Health Information System and Technology Architecture, Veterans Benefits Management System, and Compensation and Pension Record Interchange to determine the accuracy of entitlement determinations. The team used Share and Compensation and Pension Awards to review payment data. Share is a Microsoft Windows-based application that interfaces with other VBA systems and databases to retrieve veterans' information.

Internal Controls

The team assessed the internal controls of PSAS related to the audit objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring. In addition, the team reviewed the relevant principles of internal controls. Internal control deficiencies for the control environment were identified as significant to the audit objective. Specifically, the team identified principle 2—exercise oversight responsibility, which includes both control and monitoring activities—as relevant.

- **Control Activities.** Management establishes actions through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- **Monitoring Activities.** Management should establish and conduct activities to monitor the internal control system, evaluate the results, and remediate internal control deficiencies in a timely manner.

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

- soliciting the OIG's Office of Investigations for indicators,
- reviewing OIG hotline complaints and concerns for indicators, and
- conducting fraud assessments to identify fraud risks significant to the objective.

The OIG did not identify any instances of fraud or potential fraud during this audit.

Data Reliability

The audit team used computer-processed data from VHA's Corporate Data Warehouse and VBA's Corporate Warehouse. For all veterans who applied for annual clothing allowance benefits for the 2019 benefit year, data were obtained from VHA's Corporate Data Warehouse and for all veterans who received recurring clothing allowance for benefit year 2019, data were obtained from VBA's Corporate Warehouse.

To test for reliability, the team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared veterans' names and social security numbers, as provided in the 240 records for veterans who applied for 2019 annual clothing allowance benefits and 70 records for veterans in recurring status, to data on the application and in the Veterans Benefits Management System.

Testing of the data disclosed that the data was sufficiently reliable for the audit objectives. Comparison of the data with information contained in the veterans' records reviewed did not disclose any problems with data reliability.

Government Standards

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

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the audit team reviewed a statistical sample of benefits files for veterans to determine if VA ensures entitled veterans received their annual clothing allowance benefit from August 1, 2018, to December 31, 2019.

Population

The population assessed was all clothing allowance applications that VA medical facilities reported were made during the 2019 benefit year (including all clothing application data uploaded to the database as of December 31, 2019). These applications were made by veterans at 126 VA medical facilities. To capture this population, clothing allowance applications dated August 1, 2018, through July 31, 2019 (the 2019 benefit year), were initially compiled in a sampling frame, which included 45,962 veterans. Each application was labeled “eligible” or “ineligible” and consisted of one or more prosthetic devices or skin medications. Eligible applications contained at least one approved device or skin medication, whereas ineligible applications contained only denied devices or skin medications.

After initial sample selection and review, the sampling frame was enlarged by the addition of requests dated August 1, 2018, to December 31, 2019. The audit team initially believed that these additional applications would be out of scope for the 2019 benefit year, so they were not part of the first sampling frame. However, the VHA 2019 benefit year applications also included those processed after the July 31, 2019, year-end date to include applications processed from August 1, 2019, through December 31, 2019. This updated sampling frame consisted of 16,461 veterans. Therefore, the total population for clothing allowance benefit applications was 62,423 for August 1, 2018, to December 31, 2019.

The audit population included recurring clothing allowance benefits paid to 53,943 veterans for the 2019 benefit year. Clothing allowance applications were not required for veterans in recurring status; these veterans were automatically paid their recurring clothing allowance for benefit year 2019. This population was divided into two strata—veterans who received one allowance only, totaling 53,822, and veterans who received two or more allowances, totaling 121.

Sampling Design

The sampling design for this audit was complex, involving multiple strata and stages of sampling. Of the 126 VA medical facilities, 12 were randomly selected with probability proportional to size (number of applications per cluster in the first sampling frame). Twenty veterans were randomly selected from each of these stations, stratified across three categories:

1. Veterans with eligible applications with one or more approved devices or skin medications
2. Veterans with ineligible applications with one or more denied devices or skin medications
3. Veterans with both eligible and ineligible applications with one or more approved devices or skin medications and one or more denied devices or skin medications

In all, 240 veterans' clothing allowance applications were sampled. Tables B.1 and B.2 include total population and sample sizes for the 12 medical facilities.

Table B.1. Population of Clothing Allowance Applications across 12 VA Medical Facilities

VA medical facility location	Eligible applications with approved devices or medications	Ineligible applications with denied devices or medications	Eligible and ineligible applications with approved and denied devices or medications	Total applications
Brooklyn, NY	412	57	96	565
Charleston, SC	367	555	49	971
Clarksburg, WV	68	56	8	132
Dallas, TX	528	844	56	1,428
Durham, NC	433	258	151	842
Fayetteville, NC	260	309	4	573
Hampton, VA	437	788	211	1,436
Huntington, WV	122	79	24	225
Kansas City, MO	610	326	105	1,041
Las Vegas, NV	420	385	25	830
San Diego, CA	1,509	584	53	2,146
Washington, DC	810	693	62	1,565
Total	5,976	4,934	844	11,754

Source: VA OIG statistician.

Table B.2. Sample of Clothing Allowance Applications across 12 Medical Facilities

VA medical facility location	Eligible applications with approved devices or medications	Ineligible applications with denied devices or medications	Eligible and ineligible applications with approved and denied devices or medications	Total applications
Brooklyn, NY	5	7	8	20
Charleston, SC	10	8	2	20
Clarksburg, WV	11	7	2	20
Dallas, TX	10	9	1	20
Durham, NC	8	9	3	20
Fayetteville, NC	14	6	0*	20
Hampton, VA	8	8	4	20
Huntington, WV	9	9	2	20
Kansas City, MO	9	8	3	20
Las Vegas, NV	9	10	1	20
San Diego, CA	10	7	3	20
Washington, DC	10	9	1	20
Total	113	97	30	240

Source: VA OIG statistician.

* The VA medical facility in Fayetteville, North Carolina, was not able to locate the applications identified in its population as eligible and ineligible applications, so additional applications in the other categories were selected.

In addition, a random sample was selected from the recurring clothing allowance population’s two strata—one allowance and multiple allowances. A sample of 50 veterans was selected from the one-allowance stratum, and a sample of 20 veterans from the multiple-allowance stratum.

Weights

The estimates in this report were calculated using weighted sample data. Samples were weighted to represent the population from which they were drawn. Weights differ for multiple reasons, including different probabilities of VA medical facility selection and different probabilities of selection for veterans within different strata. Even within the same stratum and medical facility, weights can vary because some veterans were selected from the initial sampling frame and others were selected from the updated sampling frame, which differed from the initial sampling frame minimally for some stations and substantially for others.

Projections and Margins of Error

The point estimate (or estimated error) is an estimate of the population parameter obtained by sampling. The margin of error and confidence interval associated with each point estimate is a measure of the precision of the point estimate that accounts for the sampling methodology and random sampling error. If the OIG repeated this review with multiple samples, the confidence intervals would differ for each sample but would include the true population value approximately 90 percent of the time. The OIG statistician coded statistical analysis procedures to calculate the weighted population estimates and associated sampling errors.

The sample size was determined using simulations based on mock data (generated with respect to some general assumptions about the population) and the sampling methodology designed for this audit. Precision improves with larger samples at any stage of sampling, albeit at a decreasing rate. With a multistage sample, precision is generally increased most at the first stage of sampling, which in this case is the selection of stations. Though based on a different sampling design, figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

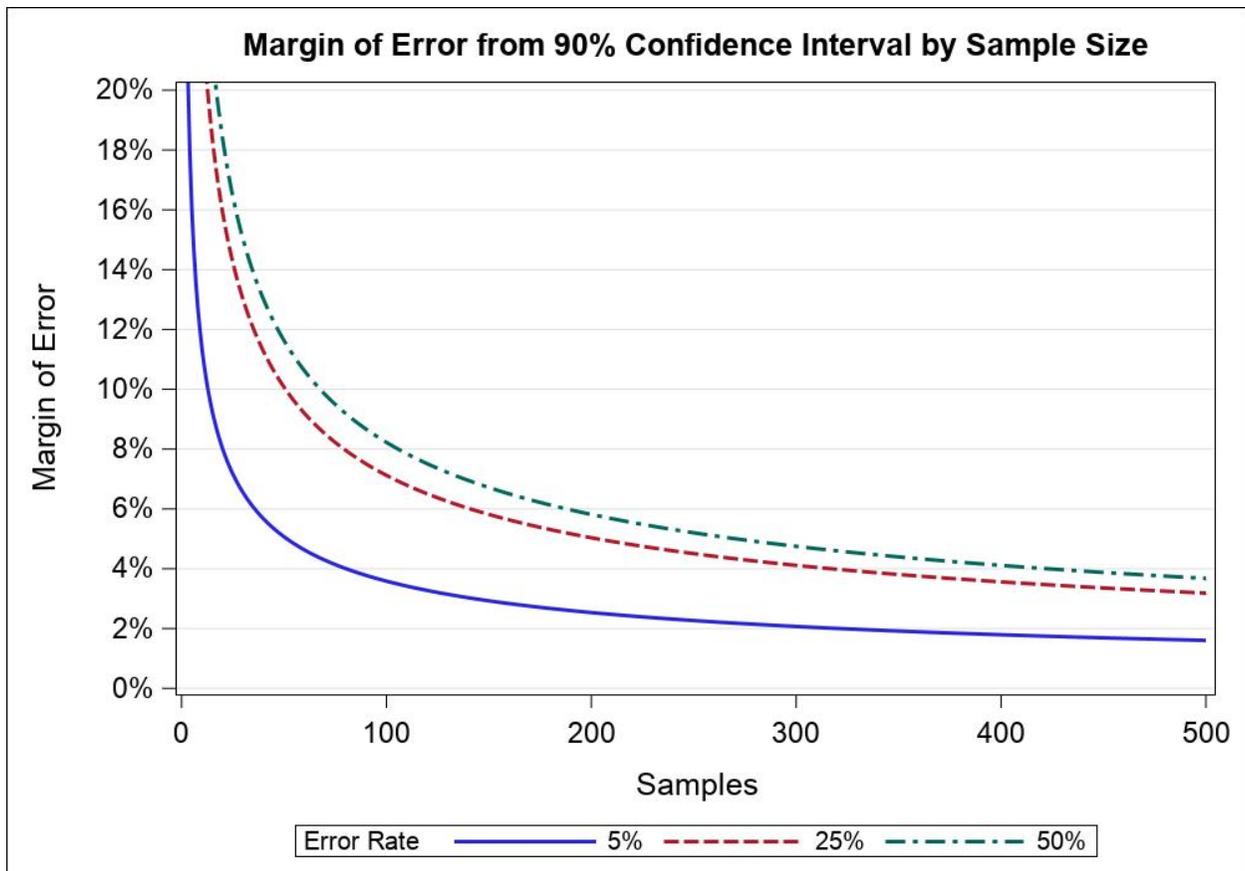


Figure B.1. Effect of sample size on margin of error.

Source: VA OIG statistician's analysis.

Annual Clothing Allowance Benefits

The purpose of this audit was to determine whether VA ensured veterans entitled to an annual clothing allowance received their benefit. During the audit the team discovered that some annual clothing allowance entitlement determinations were incorrect, and decisions were not entered in VBA's payment system, resulting in overpayments and underpayments for veterans whose applications were approved. Using sample weights and proportions, total improper payments were estimated for these veterans. A replication technique was used to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. However, because of the low error rates observed and the required cluster-sample methodology, precise statistical conclusions could not be obtained. As a result, projections for this population are not included in this appendix.

Recurring Clothing Allowance Benefits

The purpose of this audit was to determine whether VA ensured veterans entitled to an annual clothing allowance received their benefit. The audit team found that 29 of the 50 single-payment records and two of the 20 multiple-payment records had devices that would not be approved based on 2019 entitlement determination requirements. This included seven single-payment records and two multiple-payment records that involved devices that would not be approved in the 2019 benefit year because they did not cause wear or tear of clothing, and 22 single-payment veterans and no multiple-payment veterans that had no documentation to show that their device was still medically necessary for their service-connected disabilities. Therefore, a second set of analyses was performed to estimate the percentage of such veterans in the populations, and the possible cost savings that could be obtained by eliminating payments in these cases. The results of these errors on statistical projections are shown in tables B.3 through B.6.

Projections

The following tables detail the review team's analyses and projected results.

Table B.3 shows the projections for veterans in recurring status where records showed no documentation that the device associated with the clothing allowance is medically necessary for treatment of a service-connected disability or that the device would not be approved in benefit year 2019 as suitable for a clothing allowance since it did not cause wear and tear of clothing.

Table B.3. Summary of Projections and Confidence Intervals for Devices That Would Not Be Approved and for Which There Is No Documentation

Sample size = 70; Samples with targeted measurement = 31

Item	Number	Percent
Estimate	31,229	57.90%
Margin of error based on 90 percent confidence interval	6,239	11.60%
Two-tailed 90 percent confidence interval lower limit	24,990	46.30%
Two-tailed 90 percent confidence interval upper limit	37,468	69.50%
Single-tailed 90 percent confidence interval lower limit	26,368	48.90%

Source: VA OIG statistician's projection of veterans in recurring status where records show no documentation that devices are medically necessary for treatment of a service-connected disability and with devices that would not be approved in benefit year 2019.

Table B.4 shows the projection for the cost savings that could result from discontinuing payments to veterans where records showed devices would not be approved because they did not cause wear or tear of clothing or there was no documentation that the devices were medically necessary for treatment of a service-connected disability.

Table B.4. Summary of Projections and Confidence Intervals for Potential Cost Savings Due to Devices Not Approvable or Lacking Documentation

Sample size = 70; Samples with targeted measurement = 31

Item	Amount
Estimate	\$25,937,442
Margin of error based on 90 percent confidence interval	\$5,182,004
Two-tailed 90 percent confidence interval lower limit	\$20,755,438
Two-tailed 90 percent confidence interval upper limit	\$31,119,446
Single-tailed 90 percent confidence interval lower limit	\$21,899,997

Source: VA OIG statistician's projection of estimated cost savings that could result from discontinuing payments to veterans whose devices would not be approved, or records showed no documentation that devices are medically necessary for treatment of a service-connected disability.

Table B.5 shows the projections for veterans in recurring status with devices that would not be approved in 2019 benefit year.

Table B.5. Summary of Projections and Confidence Intervals for Veterans in Recurring Status with Devices Not Approved

Sample size = 70; Samples with targeted measurement = 9

Item	Number	Percent
Estimate	7,547	14.0%
Margin of error based on 90 percent confidence interval	4,386	8.1%
Two-tailed 90 percent confidence interval lower limit	3,161	5.9%
Two-tailed 90 percent confidence interval upper limit	11,934	22.1%
Single-tailed 90 percent confidence interval lower limit	4,130	7.7%

Source: VA OIG statistician's projection of recurring status with devices not approved.

Table B.6 shows the projections for veterans in recurring status where records show no documentation that devices are medically necessary for treatment of a service-connected disability.

Table B.6. Summary of Projections and Confidence Intervals Where Veterans' Records Show No Documentation Devices Medically Necessary

Sample size = 70; Samples with targeted measurement = 22

Item	Number	Percent
Estimate	23,682	43.9%
Margin of error based on 90 percent confidence interval	6,275	11.6%
Two-tailed 90 percent confidence interval lower limit	17,407	32.3%
Two-tailed 90 percent confidence interval upper limit	29,957	55.5%
Single-tailed 90 percent confidence interval lower limit	18,793	34.8%

Source: VA OIG statistician's projection of veterans in recurring status where records show no documentation that devices are medically necessary for treatment of a service-connected disability.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	The OIG found that overpayments occurred due to incorrect entitlement determinations and underpayments occurred due to veterans not receiving benefits they were entitled to receive.	\$0	\$9,810
2	Based on rate in effect during the scope period of the audit, the OIG estimated that reevaluation of veterans in recurring status where devices do not result in wear and tear or no documentation indicates the device is medically necessary could result in a cost savings to VA of \$129.7 million over the next five years.	\$129,700,000	\$0
	Total	\$129,700,000	\$9,810

Appendix D: Management Comments

Department of Veterans Affairs Memorandum

Date: May 4, 2021

From: Acting Under Secretary for Health (10)

Subj: OIG Report: VETERANS HEALTH ADMINISTRATION: Veterans Generally Received Clothing Allowance but Stronger Controls Could Decrease Costs (2020-04187-R4-0003)

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

1. Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) subject draft report. The Veterans Health Administration concurs with both recommendations and provides action plans in the attachment. The Veterans Benefits Administration concurred with the action plan for recommendation two.

The OIG removed point of contact information prior to publication.

Richard A. Stone, M.D.

Attachment

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan
VETERANS HEALTH ADMINISTRATION: Veterans Generally Received Clothing
Allowance but Stronger Controls Could Decrease Costs
(2020-04187-R4-0003)**

The OIG made two recommendations to the Under Secretary for Health:

Recommendation 1. Revise the Veterans Health Administration handbook to include detailed roles, responsibilities, and procedures for determining entitlement to and monitoring of the clothing allowance benefit.

VHA Comments: Concur

The Veterans Health Administration (VHA) will review and, as appropriate, revise VHA Handbook 1173.15, "Clothing Allowance," to include detailed roles, responsibilities, and procedures for determining entitlement to and monitoring of the clothing allowance benefit.

Status: In progress Target Completion Date: May 2022

Recommendation 2. Develop and initiate a plan to reevaluate veterans' entitlement to recurring clothing allowance benefits in collaboration with Veterans Benefit Administration.

VHA Comments: Concur

The Veterans Benefits Administration and the Veterans Health Administration Prosthetics Service will jointly develop and initiate a plan to re-evaluate existing entitlement of Veterans currently in receipt of recurring clothing allowance benefits. The plan will also include internal controls to ensure continued entitlement is warranted for future oversight.

Status: In Progress Target Completion Date: August 2022.

Department of Veterans Affairs Memorandum

Date: April 30, 2021

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Veterans Generally Received Clothing Allowance but Stronger Controls Could Decrease Costs [Project No. 2020-01487-R4-0003]

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

Attached is VBA's response to the OIG Draft Report: Veterans Generally Received Clothing Allowance but Stronger Controls Could Decrease Costs.

The OIG removed point of contact information prior to publication.

/s/

Thomas J. Murphy

Acting

Attachment

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Veterans Generally Received Clothing Allowance but Stronger Controls Could
Decrease Costs [Project No. 2020-01487-R4-0003]**

VBA provides the following comments:

VBA concurs with OIG's findings and address the recommendations below.

Recommendation 1: The Under Secretary for Health should revise the Veterans Health Administration handbook to include detailed roles, responsibilities, and procedures for determining entitlement to and monitoring of the clothing allowance benefit.

VBA Response: VBA defers to the Veterans Health Administration.

Recommendation 2: Develop and initiate a plan to reevaluate veterans' entitlement to recurring clothing allowance benefits in collaboration with the Veterans Benefit Administration.

VBA Response: VBA and the Veterans Health Administration (VHA) Prosthetics Service will jointly develop and initiate a plan to re-evaluate existing entitlement of Veterans currently in receipt of recurring clothing allowance benefits. The plan will also include internal controls to ensure continued entitlement is warranted for future oversight.

Target Completion Date: August 31, 2022

*For accessibility, the original format of this appendix has been modified
to comply with Section 508 of the Rehabilitation Act of 1973, as amended.*

OIG Contact and Staff Acknowledgments

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