



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

Review of VA's Compliance
with the Payment Integrity
Information Act for
Fiscal Year 2021

REVIEW

REPORT #22-00576-178

JUNE 28, 2022



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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether VA complied with the requirements of the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2021. The PIIA, enacted in March 2020, repealed prior Improper Payments Elimination and Recovery Acts but set forth similar improper payment reporting requirements, including an annual compliance report by inspectors general.¹ PIIA requires federal agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on Office of Management and Budget (OMB) guidance. In addition, PIIA requires inspectors general to review each of their agency's improper payment reporting and issue an annual report. The OIG's FY 2021 compliance review used a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency for reporting requirements.²

PIIA requires agencies to complete all the following steps to be considered compliant for FY 2021:

- Publish payment integrity information with the annual financial statement (requirement 1a).³
- Post the annual financial statement and accompanying materials on the agency website (requirement 1b).
- Conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years (requirement 2a).
- Adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold (requirement 2b).

¹ The Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020), repealed the Improper Payments Information Act of 2002, Pub. L. No. 107-300; Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248.

² OMB Circular A-123, app. C, "Requirements for Payment Integrity Improvement," March 5, 2021; OMB Circular A-136, "Financial Reporting Requirements," part II, August 10, 2021; OMB, "Annual Data Call Instructions;" OMB, "Payment Integrity Question and Answer Platform," accessed November 15, 2021; and Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, October 2021. The guidance provided by the Council of the Inspectors General on Integrity and Efficiency was used to inform the process by which this review was conducted.

³ The annual financial statement is the VA Agency Financial Report, which includes VA's annual audited financial statements and accompanying materials as well as the report on the audit of those financial statements.

- Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement (requirement 3).
- Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement (requirement 4).
- Publish improper payment and unknown payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement (requirement 5a).
- Demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate (requirement 5b).
- Develop a plan to meet the improper and unknown payment reduction target (requirement 5c).
- Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statements (requirement 6).⁴

Agencies found to be noncompliant with PIIA and OMB guidance are required to perform additional reporting to OMB, Congress, and the Comptroller General depending on the number of years the OIG found them noncompliant. FY 2021 is the first year for any program considered noncompliant to apply those additional reporting requirements.

VA's Reported Improper Payments

In FY 2021, VA reported improper and unknown payment estimates totaling \$5.12 billion for seven programs and activities. Of that amount, about \$1.97 billion (around 39 percent) represented a monetary loss, and the remaining approximately \$3.14 billion (about 61 percent) was considered either a nonmonetary loss or unknown payment that cannot be recovered.⁵ The FY 2021 estimate is a decrease from the previous two years. VA reported improper payments and unknown payments totaling \$11.37 billion in FY 2020 and \$11.99 billion in FY 2019. Though VA had an overall decrease in total improper payments and unknown

⁴ "PaymentAccuracy.gov," accessed February 4, 2022, <https://www.paymentaccuracy.gov/>; "2021 VA Agency Financial Report," VA Office of Finance, accessed January 4, 2022, <https://www.va.gov/finance/afr/index.asp>; OMB Circular A-123. Significant improper payments are gross annual improper payments in the program that exceed (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the percentage of program outlays).

⁵ OMB Circular A-123 states that improper payments are classified as monetary loss (overpayment) and nonmonetary loss. A nonmonetary loss is either an underpayment or a technically improper payment (a payment to the right recipient for the correct amount that fails to meet applicable regulatory or statutory requirements).

payments, the overall monetary loss more than doubled from \$892 million in FY 2020 to \$1.97 billion.⁶ Because improper and unknown payments no longer exceeded the statutory threshold for reporting, VA no longer reported improper and unknown payments for five programs, with the OIG's concurrence: Compensation, CHAMPVA, Dependency and Indemnity Compensation, Prosthetics, and State Home Per Diem. In addition, VA reported a decrease in its overall improper payment rates for six other programs and activities.⁷

What the Review Found

VA satisfied nine of the 10 requirements under the PIIA; however, it is not considered to be in compliance with the act as it failed to report an improper and unknown payment rate of less than 10 percent for four VA programs and activities that had estimates in the accompanying materials to their financial statements.⁸

The OIG found VA satisfied the additional reporting requirements for two high-priority programs with prior year monetary losses from improper payments of more than \$100 million reported in FY 2021.⁹

What the OIG Recommended

The OIG recommended the under secretary for health reduce improper and unknown payments to below 10 percent for the noncompliant programs.

⁶ For FY 2021, VA changed its reporting of improper payments based on its interpretation of new OMB guidance. As a result, for a single lump sum payment that had multiple causes of errors (e.g., it was an overpayment and also technically improper), VA only reported as improper the amount of the monetary loss (i.e., overpayment). The remaining portion of the payment is reported as proper. According to VA: "Prior to implementation of any change to reporting, VA performed analysis and determined there would be minimal impact to VA's reporting of improper payments and unknown payments."

⁷ The six programs and activities with decreased improper payment rates are (1) Beneficiary Travel; (2) Communication, Utilities, and Other Rent; (3) Pension; (4) Purchased Long-Term Services and Supports; (5) Supplies and Materials; and (6) VA Community Care.

⁸ The four programs were (1) Beneficiary Travel, (2) Medical Care Contracts and Agreements, (3) Purchased Long-Term Services and Supports, and (4) VA Community Care. While the improper payment rates for three of four programs declined from FY 2020 to FY 2021, the improper payment rate remained above 10 percent.

⁹ The two high-priority programs were Pension and VA Community Care.

VA Comments and OIG Response

VA concurred with the OIG's recommendation and provided plans for corrective actions. The OIG considers the planned actions responsive and will monitor VA's progress until complete. The assistant secretary for management also provided additional comments and, where appropriate, clarification was added to the report.



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Abbreviations

FY	fiscal year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration



Introduction

The VA Office of Inspector General (OIG) conducted this review to determine whether VA complied with the requirements of the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2021. PIIA, enacted on March 2, 2020, repealed prior Improper Payments Elimination and Recovery Acts, but set forth similar improper payment reporting requirements, including an annual compliance report by inspectors general.¹⁰ PIIA requires federal agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on Office of Management and Budget (OMB) guidance. In addition, PIIA requires inspectors general to review each of their federal agency's improper payment reporting and issue an annual report. The OIG's FY 2021 compliance review used a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency for reporting requirements.¹¹ OMB guidance implements the requirements from PIIA. According to OMB, an improper payment is any payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.¹² An improper payment includes any payment that

- was made to an ineligible recipient,
- was made for an ineligible good or service,
- was a duplicate,
- was made for goods or services not received, except for those payments where authorized by law, or
- does not account for credit for applicable discounts.

¹⁰ The Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020), repealed the Improper Payments Information Act of 2002, Pub. L. No. 107-300; Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248.

¹¹ OMB Circular A-123, app. C, "Requirements for Payment Integrity Improvement," March 5, 2021; OMB Circular A-136, "Financial Reporting Requirements," part II, August 10, 2021; OMB, "Annual Data Call Instructions;" OMB, "Payment Integrity Question and Answer Platform," accessed November 15, 2021; and Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, October 2021. The guidance provided by the Council of the Inspectors General on Integrity and Efficiency was used to inform the process by which this review was conducted.

¹² OMB Circular A-123.

An improper payment may be an overpayment, underpayment, or technically improper.¹³ In addition, when an agency's review is unable to discern whether a payment was proper because of missing or insufficient documentation, the payment should be considered an unknown payment.

OMB Guidance for FY 2021 Review

The OIG's compliance review is based on VA's FY 2021 reporting. The review was conducted in accordance with guidance provided by OMB and the Council of the Inspectors General on Integrity and Efficiency.¹⁴

As described in OMB guidance, PIIA requires agencies to complete all the following steps to be considered compliant for FY 2021:

- **Requirement 1a:** Publish payment integrity information with the annual financial statement.¹⁵
- **Requirement 1b:** Post the annual financial statement and accompanying materials on the agency website.
- **Requirement 2a:** Conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years.
- **Requirement 2b:** Adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.
- **Requirement 3:** Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.
- **Requirement 4:** Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- **Requirement 5a:** Publish improper payment and unknown payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.

¹³ OMB Circular A-123 states that improper payments are classified as monetary loss (overpayment) and nonmonetary loss. A nonmonetary loss is either an underpayment or a technically improper payment (a payment to the right recipient for the correct amount that fails to meet applicable regulatory or statutory requirements).

¹⁴ OMB Circular A-123; OMB Circular A-136; OMB, "Annual Data Call Instructions;" OMB, "Payment Integrity Question and Answer Platform"; Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*.

¹⁵ The annual financial statement is the VA Agency Financial Report, which includes VA's annual audited financial statements and the report on the audit of those financial statements.

- **Requirement 5b:** Demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate.
- **Requirement 5c:** Develop a plan to meet the improper and unknown payment reduction target.
- **Requirement 6:** Report an improper and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statements.¹⁶

For programs found to be noncompliant with PIIA and OMB guidance, agencies must perform additional reporting to OMB, Congress, and the Comptroller General depending on the number of years the OIG found them noncompliant. However, according to OMB guidance, the OIG considers FY 2021 as the first year for any program considered noncompliant when applying those additional reporting requirements.

OMB also designates high-priority programs for greater levels of oversight and review. Any agency reporting high-priority programs must disclose actions or plans to reduce improper and unknown payments, as well as for recovering related monetary losses. The VA OIG is also required to assess the information provided, determine the extent of oversight warranted, and provide recommendations for modifying VA's plans to recover monetary losses related to improper payments and any actions VA intends to take to prevent improper and unknown payments.¹⁷ In addition, VA programs with a monetary loss from improper payments of greater than \$100 million are required to complete a quarterly scorecard on PaymentAccuracy.gov.

VA's Reported Improper Payments

In FY 2021, VA reported improper and unknown payment estimates totaling \$5.12 billion for seven programs and activities. Of that amount, about \$1.97 billion (around 39 percent) represented a monetary loss, and the remaining approximately \$3.14 billion (about 61 percent) was considered either a nonmonetary loss or unknown payment that cannot be recovered. The FY 2021 estimate is a significant decrease from the previous two years. VA reported improper payments and unknown payments totaling \$11.37 billion in FY 2020 and \$11.99 billion in FY 2019. While VA had an overall decrease in total improper and unknown payments, the overall monetary loss more than doubled from \$892 million in FY 2020 to \$1.97 billion in FY

¹⁶ "PaymentAccuracy.gov," accessed February 4, 2022, <https://www.paymentaccuracy.gov/>; "2021 VA Agency Financial Report," VA Office of Finance, accessed January 4, 2022, <https://www.va.gov/finance/afr/index.asp>; OMB Circular A-123. Significant improper payments must be reported and are defined as gross annual improper payments in the program that exceed (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the percentage of program outlays).

¹⁷ OMB Circular A-123.

2021.¹⁸ Because improper and unknown payments no longer exceeded the statutory threshold for reporting, VA no longer reported improper and unknown payments for five programs, with the OIG's concurrence: Compensation, CHAMPVA, Dependency and Indemnity Compensation, Prosthetics, and State Home Per Diem. In addition, VA reported a decrease in its overall improper payments rates for six programs and activities.¹⁹

¹⁸ For FY 2021, VA changed its reporting of improper payments based on its interpretation of new OMB guidance. As a result, for a single lump sum payment that had multiple causes of errors (e.g., it was an overpayment and also technically improper), VA only reported as improper the amount of the monetary loss (i.e., overpayment). The remaining portion of the payment was reported as proper. According to VA: "Prior to implementation of any change to reporting, VA performed analysis and determined there would be minimal impact to VA's reporting of improper payments and unknown payments."

¹⁹ The six programs and activities with decreased improper and unknown payment rates are (1) Beneficiary Travel; (2) Communication, Utilities, and Other Rent; (3) Pension; (4) Purchased Long-Term Services and Supports; (5) Supplies and Materials; and (6) VA Community Care.

Results and Recommendations

Finding: VA Satisfied Nine of 10 Requirements for FY 2021, Failing to Report Improper and Unknown Payment Rates below 10 Percent

VA did not satisfy the PIIA requirement to report an improper and unknown payment rate of less than 10 percent for four VA programs and activities that had estimates in the accompanying materials to their financial statements (requirement 6). The four programs were (1) Beneficiary Travel, (2) Medical Care Contracts and Agreements, (3) Purchased Long-Term Services and Supports, and (4) VA Community Care.²⁰

VA satisfied the other nine requirements by

- publishing payment integrity information with the annual financial statements with a link to accompanying materials on PaymentAccuracy.gov (requirement 1a) and posting the FY 2021 Agency Financial Report on its website (requirement 1b),
- conducting improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years (requirement 2a) and adequately concluding whether the program is likely to make improper payments and unknown payments above or below the statutory threshold (requirement 2b),
- publishing improper payment and unknown payment estimates for programs susceptible to significant improper and unknown payments in the accompanying materials to the annual financial statement (requirement 3),
- publishing corrective action plans for each program for which an estimate above the statutory threshold is provided in the accompanying materials to the annual financial statement (requirement 4),
- publishing improper and unknown payment reduction targets for each program for which an estimate above the statutory threshold was provided in the accompanying materials to the annual financial statement (requirement 5a),
- demonstrating improvements to payment integrity or reaching a tolerable improper and unknown payment rate (requirement 5b), and
- developing a plan to meet the improper and unknown payment reduction targets (requirement 5c).

²⁰ While the improper and unknown payment rates for three of the four programs declined from FY 2020 to 2021, the improper and unknown payment rate remained above 10 percent.

Table 1 shows VA's compliance with each requirement for seven programs and activities susceptible to significant improper payments with published improper payment estimates. Appendix A provides background information about the seven programs, and appendix B illustrates compliance for the remaining 65 VA programs and activities above the reporting threshold of \$10 million in program outlays.

Table 1. Compliance Reporting for the Seven Programs and Activities Susceptible to Significant Improper Payments

Program Name	Requirements					
	1	2	3	4	5	6
Beneficiary Travel	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	No
Communications, Utilities, and Other Rent	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	Yes
Medical Care Contracts and Agreements	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	No
Pension	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	Yes
Purchased Long-Term Services and Supports	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	No
Supplies & Materials	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	Yes
VA Community Care	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	No

Source: *OIG review team analysis of VA FY 2021 Agency Financial Report and accompanying materials.*

What the OIG Did

The review team assessed VA's FY 2021 Agency Financial Report and accompanying materials to determine compliance with reporting requirements.²¹ OMB allows VA to report improper

²¹ VA Office of Finance, *2021 VA Agency Financial Report*, available at <https://www.va.gov/finance/afr/index.asp>; "PaymentAccuracy.gov."

payment data based on the previous fiscal year's activity. Accordingly, the team evaluated FY 2020 data published in the financial report and accompanying materials. The team also reviewed relevant federal laws and regulations, interviewed officials with, and obtained email correspondence from, VA's Improper Payments Remediation and Oversight Office, Veterans Benefits Administration (VBA), and Veterans Health Administration (VHA). In addition, the team reviewed risk assessments VA completed for FY 2021 to determine whether the risks were properly evaluated based on known deficiencies.

An OIG statistician reviewed the statistical validity of sampling methodologies for the programs and activities reported in the Agency Financial Report and performed independent calculations to verify sample estimates and margins of error for all programs and activities.

The review team evaluated VA's corrective action plans for the elements required by OMB. The team also selected and reviewed a sample of payments deemed improper by VA to determine whether each corrective action plan focused on the appropriate root cause. Further, the team assessed whether VA accurately reported improper payment estimates. Appendix C provides additional information on the review's scope and methodology.

Four Programs and Activities Exceeded the 10 Percent Improper and Unknown Payment Rate Threshold in VA Reporting (Requirement 6)

Amounts reported by VA in the accompanying materials to the Agency Financial Report exceeded the required improper and unknown payment rate threshold of less than 10 percent for four of seven programs and activities. Table 2 shows the reported improper and unknown payment rates published in the financial reports for FYs 2020 and 2021 for programs and activities that exceeded the 10 percent threshold.

Table 2. Improper Payment and Unknown Payment Rates for Programs and Activities Exceeding the 10 Percent Threshold

Program/Activity	FY 2020 improper and unknown payments (%)	FY 2021 improper and unknown payments (%)	FY 2021 improper and unknown payment totals (in millions)
Beneficiary Travel	16.42	13.93	\$123.06
Medical Care Contracts and Agreements	12.51	15.99	\$159.34
Purchased Long-Term Services and Supports	95.34	72.80	\$1,895.27

Program/Activity	FY 2020 improper and unknown payments (%)	FY 2021 improper and unknown payments (%)	FY 2021 improper and unknown payment totals (in millions)
VA Community Care ²²	78.51	16.06	\$2,274.68

Source: VA's FY 2020 Agency Financial Report and FY 2021 accompanying materials.

In its FY 2021 accompanying materials, VA reported improper and unknown payment rates ranging from 13.93 to 72.80 percent for the four programs and activities. VA estimated reduced overall improper and unknown payment rates for three of the programs and activities (Beneficiary Travel, Purchased Long-Term Services and Supports, and VA Community Care). Only Medical Care Contracts and Agreements reported an increase from FY 2020 to FY 2021. According to a VA official, the causes for most improper payments for Medical Care Contracts and Agreements were due to not receiving documentation and the invoice pricing not reconciling to the contract.

VA Published Payment Integrity Information with the Annual Financial Statement and Posted It and Accompanying Materials on the Agency Website (Requirement 1a and 1b)

VA published an Agency Financial Report for FY 2021 along with accompanying materials, consistent with requirement 1a.²³ The accompanying materials included improper payment estimates, the causes, and corrective actions to reduce improper payments. Additionally, VA posted the financial report and accompanying materials to its website and a link to paymentaccuracy.gov, per requirement 1b.²⁴

VA Conducted Risk Assessments and Adequately Determined Programs' and Activities' Risk of Improper Payments (Requirements 2a and 2b)

To identify if programs and activities were susceptible to significant improper payments in FYs 2019 and 2020, VA conducted risk assessments for 33 of 72 programs and activities, as required.²⁵ For FY 2021, VA performed risk assessments for the remaining 39 programs and

²² According to VA, the significant decrease of the improper and unknown payment rate for the VA Community Care programs was due to prioritizing and implementing corrective actions. The OIG will continue to monitor VA's compliance with improper payment requirements in future PIIA reviews and audits related to VA Community Care.

²³ "2021 VA Agency Financial Report," VA Office of Finance website.

²⁴ "2021 VA Agency Financial Report," VA Office of Finance website.

²⁵ The 72 programs had more than \$10 million in outlays and fall in either "Phase 1" or "Phase 2" as defined in OMB Circular A-123. The OIG did not consider programs that were below the \$10 million threshold. The total number of programs in Phase 1 and Phase 2 may vary from year to year as the outlays fluctuate below the \$10 million threshold.

activities and published them in the FY 2021 accompanying materials to the Agency Financial Report (requirement 2a).²⁶ The OIG verified that VA's risk assessment process incorporated the risk factors identified by OMB and met frequency requirements. The OIG also verified that using the results of these risk assessments, VA adequately concluded whether the programs and activities were likely to make improper and unknown payments above or below the statutory threshold (requirement 2b).²⁷ Specifically, table 1 lists the seven programs and activities that VA determined to be susceptible to significant improper payments. Appendix B lists the remaining 65 programs and activities that VA determined to be at low or medium risk of significant improper payments.

VA Published Improper Payment Estimates (Requirement 3)

The OIG team found that VA published statistically valid estimates for all seven programs and activities identified as susceptible to significant improper payments. For each of the seven programs and activities, VA developed a sampling plan, identified a sample for the program or activity, and tested payments for the corresponding samples. VA identified the sample transactions as either proper or improper and calculated the corresponding monetary value. VA projected the totals derived from its testing for each of the seven programs and activities and reported these totals in the accompanying materials to the Agency Financial Report.

PIIA requires an agency to produce statistically valid improper payment estimates. An improper payment estimate is considered statistically valid if there is an associated point estimate—the improper payment estimates—and confidence intervals around that estimate.²⁸ An OIG statistician confirmed that the point estimates (i.e., the improper payment estimates) and associated confidence intervals that VA produced were valid.

In addition, the OIG review team selected and reviewed a sample of 10 payments for each of the seven programs and activities that VA had tested during FY 2021. For five of the seven high-risk programs, the team generally agreed with VA's determination whether the sampled transactions were proper for all programs and activities. For the Purchased Long-Term Services and Supports Program and the Medical Care Contracts and Agreements, the team disagreed with VA's improper payment testing methodology for four of the 10 samples for each program; however, those payments did not have a statistically significant effect on the improper payment rates for the programs.

²⁶ "2021 VA Agency Financial Report," VA Office of Finance website; "PaymentAccuracy.gov."

²⁷ OMB Circular A-123.

²⁸ OMB Circular A-123.

VA Published Corrective Action Plans (Requirement 4)

VA reported corrective action plans for all seven programs and activities in its FY 2021 accompanying materials, as required. OMB guidance states inspectors general should evaluate whether corrective action plans are focused on the true root causes of improper payments. The review team sampled and evaluated five improper payment transactions for each of the seven programs and activities and validated that VA appropriately classified the root causes of improper payments. The team further assessed whether VA's reported corrective actions were focused on the identified root causes of improper payments and determined that the actions were reasonable to address the root causes and reduce improper payments for the seven programs and activities.

VA Proposed Improper and Unknown Payment Reduction Targets, Developed Plans to Meet those Targets, and Demonstrated Improvements to Payment Integrity for Programs with Estimates above the Statutory Threshold (Requirements 5a, 5b, and 5c)

VA published the FY 2021 reduction targets for all seven programs and activities in its FY 2020 Agency Financial Report (requirement 5a). The review team validated that the reduction targets were appropriately aggressive and realistic by comparing prior years' improper payment rates with proposed reduction targets. VA demonstrated improvements for programs with estimates above the statutory threshold (requirement 5b). OMB provides examples of improvements such as reducing improper and unknown payments estimates, meeting reduction targets, and expanding sampling and estimation methods for a program or activity.²⁹ For six of the seven programs, the reported improper and unknown payment amounts met reduction targets in FY 2021. To make this determination, the review team compared the FY 2021 improper and unknown payment rates to the FY 2020 published reduction targets. For the remaining program, VA implemented a change in the sampling and estimation methodology for the program, and according to a VHA official, this improved the program's precision for estimates of improper and unknown payments. The OIG determined that VA met criteria for compliance in OMB guidance and will follow up in future years to determine if this methodology constitutes an improvement. Finally, VA developed plans to meet the improper and unknown payment reduction targets (requirement 5c). The review team assessed the corrective action plans for the programs and verified that the plans focused on actions to reduce the improper and unknown payment rates.

²⁹ OMB Circular A-123.

VA Developed and Publicly Reported Actions to Prevent and Recover Improper Payments for Programs That Are High Priority by Having More Than \$100 Million in Monetary Losses

OMB designates programs with \$100 million or more in annual reported estimated monetary loss from improper payments as high priority. High-priority programs are required by OMB to provide information to be published quarterly in an OMB Payment Integrity Scorecard. The scorecard includes actions the agency has taken or plans to take to recover monetary losses from improper payments and intended steps to prevent improper payments from occurring in the future. This includes highlighting past and future efforts to mitigate root causes of improper payments.³⁰

Both Pension and VA Community Care were considered high-priority programs in FY 2021 with prior year monetary losses from improper payments estimated at \$382.94 million and \$302.72 million, respectively.³¹ VA met the reporting requirement by providing quarterly updates to the scorecard, posted by OMB, that include goals, accomplishments, and strategies aimed to reduce improper payments. According to OMB guidance, inspectors general “shall assess” the scorecards and determine the extent of oversight warranted to prevent monetary loss improper payments. The inspector general may also make concrete actionable recommendations for modifying agency plans to recover monetary losses. The OIG team reviewed the scorecards for the Pension and VA Community Care programs, including VA’s plans to recover and prevent future improper payments, and determined that the plans appeared to be accurate and complete. Additionally, VA used oversight and financial controls for both programs to identify and prevent improper payments, which are tied to the program senior accountable official’s performance plan.

The OIG continues to provide oversight of high-priority programs through audits and other mechanisms. For example, the OIG recently issued two audit reports related to the VA Community Care program including recommendations related to reducing improper payments:

- *VHA Improperly Paid and Reauthorized Non-VA Acupuncture and Chiropractic Services*: VA concurred with or concurred in principle with the OIG’s December 2021 recommendations covering the VA Community Care Program pertaining to adding automated payment system controls, auditing the payment process, retrospectively auditing non-VA medical documentation, making continuing education material related to medical documentation available to non-VA providers, documenting

³⁰ OMB Circular A-123.

³¹ Programs will be expected to provide information for the Payment Integrity Scorecard immediately following the publication of an annual monetary loss improper payment estimate that is greater than or equal to \$100,000,000 and will be expected to continue providing information on a quarterly basis until the program reports an annual monetary loss improper payment estimate that is less than \$100,000,000.

review of prior care before approving more care, and documenting clinical justification for non-VA care.³²

- *VHA Risks Overpaying Community Care Providers for Evaluation and Management Services*: VA also concurred with the OIG's recent recommendations covering the VA Community Care Program to ensure the review of medical documentation for evaluation and management services billed by community providers, develop processes to act on the results, and ensure non-VA providers receive continuing education materials on proper medical documentation for evaluation and management services in the report.³³

Conclusion

VA met nine of the 10 reporting requirements for PIIA compliance. The deficiencies in the final reporting requirement, however, put VA in noncompliance with the law for FY 2021. The noncompliance involved four of seven programs or activities that had estimates above the 10 percent threshold for improper and unknown payments reported in the accompanying materials to their financial statements. VA also met additional requirements for high-priority programs by providing quarterly updates to OMB which include plans to prevent and recover monetary loss improper payments.

Recommendation

The OIG made a single recommendation that the acting under secretary for health take necessary measures to reduce improper and unknown payments to below 10 percent for Beneficiary Travel, Medical Care Contracts and Agreements, Purchased Long-Term Services and Supports, and VA Community Care programs and activities.

VA Management Comments

The assistant secretary for management and chief financial officer provided a department-wide action plan with a response and target completion date. VHA concurred with the recommendation and reported it has developed corrective actions and expects to achieve error rates below 10 percent for the Beneficiary Travel, Medical Care Contracts and Agreements, Purchased Long-Term Services and Supports, and VA Community Care programs and activities by November 2024.

The assistant secretary for management and chief financial officer's comments and VHA comments are provided in full in appendix D.

³² VA OIG, [VHA Improperly Paid and Reauthorized Non-VA Acupuncture and Chiropractic Services](#), 20-01099-249, December 8, 2021.

³³ VA OIG, [VHA Risks Overpaying Community Care Providers for Evaluation and Management Services](#), 21-01807-251, December 8, 2021.

OIG Response

VA's planned actions are acceptable, and the OIG will monitor VA's progress until completed. The assistant secretary for management and chief financial officer also provided additional comments and, where appropriate, clarification was added to the report.

Appendix A: Background

Program Office Responsibility

Within VA's Office of Management, the Improper Payments Remediation and Oversight Office provides oversight and coordination of PIIA compliance activities. Individual administrations and staff offices are responsible for complying with PIIA requirements applicable to their programs and activities.

VA considered the following seven programs and activities at high risk for significant improper payments.

Beneficiary Travel

The Beneficiary Travel program provides eligible veterans and other beneficiaries mileage reimbursement or common carrier or special mode transportation to receive VA-authorized health care.

Communication, Utilities, and Other Rent

This program includes payments for use of communications; utility services; and charges for possession and use of land, structures, or equipment owned by others.

Medical Care Contracts and Agreements

These contracts and agreements include payments for research, medical and educational data or services, reimbursements at contract per diem rates for hospitalization, dialysis treatment furnished by non-VA facilities, and indirect charges added for research and demonstration projects.

Pension

Pensions provide supplemental income to eligible veterans and their families with financial challenges.

Purchased Long-Term Services and Supports

The Purchased Long-Term Services and Supports Program is organizationally aligned under VHA's Geriatrics and Extended Care and focuses on veterans with serious and chronic illnesses.

Supplies and Materials

Supplies and materials are acquired by formal contracts or other forms of purchase and should be consumed or expended within one year.

VA Community Care

VA established the Community Care program to provide timely and specialized care to eligible veterans by authorizing veterans for care in the community if needed services are not available through VA.

Appendix B: Reporting Compliance

Table B.1 illustrates compliance with each of the 10 requirements for the 65 programs and activities for which VA conducted required risk assessments and determined were at low or medium risk of significant improper payments. VA did not identify these programs and activities as being susceptible to significant improper payments; therefore, requirements 3 through 6 were not applicable.

Table B.1. Reporting Compliance by Program or Activity

Program Name	1	2	3	4	5	6
Alcohol & Drug Treatment Rehabilitation	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Caregiver Support	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
CHAMPVA	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Clothing Allowance	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Compensated Work Therapy	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Compensation	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Dependency and Indemnity Compensation	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Education (Chapter 33)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Education (Chapter 1606)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A

Program Name	1	2	3	4	5	6
Education (Reporting Fees)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Education (State Approving Agencies)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Equal Access to Justice Act	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Equipment	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Facility Maintenance and Operations	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Foreign Medical Program	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Franchise Fund	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
General Post Fund	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Grants (Construction of State Extended Care Facilities)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Grants (Homeless Per Diem)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Healthcare for Homeless Veterans	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Indian Health Services/Tribal Health Program Reimbursement Agreement	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Land and Structures	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A

Program Name	1	2	3	4	5	6
Loan Guaranty (Direct Loans)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Loan Guaranty (Loan Administration)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Loan Guaranty (Loan Production)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Loan Guaranty (Property Management)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Medical and Prosthetic Research	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Montgomery GI Bill (Chapter 30)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
National Service Life Insurance	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
NCA Burial	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Non-Medical Contracts and Agreements	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Office of Acquisition, Logistics and Construction (Major/Minor Construction)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Office of Information & Technology	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Office of Inspector General	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Off-Station Provider Services	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A

Program Name	1	2	3	4	5	6
Other Contracts, Services, Agreements, and Misc.	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Pharmacy (Consolidated Mail Outpatient Pharmacies)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Pharmacy (Medical Facilities)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Professional Services Contracts	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Prosthetics	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Service-Disabled Veterans	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Servicemembers' Group Life Insurance	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Shared Services	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Specially Adapted Housing	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
State Home Per Diem	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Station 101 Accounting	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Supply Fund	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Support Services for Veteran Families	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A

Program Name	1	2	3	4	5	6
Survivor and Dependents Education Assistance (Chapter 35)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Transportation of Things	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VA Wide Payroll	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VA Wide Travel	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VBA Automobile Grants	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VBA Burial	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VBA General Operating Expenses	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VBA Spina Bifida (Chapter 18)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Veterans Insurance and Indemnities	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Veterans Reopened Insurance	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Veterans Special Life Insurance	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
Veteran Readiness and Employment (Chapter 31 Beneficiary Payment)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VHA Automobile Adaptive Equipment	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A

Program Name	1	2	3	4	5	6
VHA Disaster Relief (Hurricane Sandy)	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VHA Information Technology Services	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VHA Insurance Claims and Interest Expense	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
VHA Spina Bifida Health Care	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A

Source: Review team analysis of VA FY 2021 AFR and accompanying materials.

- 1a: Published payment integrity information with the annual financial statement.
- 1b: Posted the annual financial statement and accompanying materials on the agency website.
- 2a: Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.
- 2b: Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.
- 3: Published improper payment and unknown payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement.
- 4: Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- 5a: Published improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- 5b: Has demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.
- 5c: Has developed a plan to meet the improper payment and unknown payment reduction target.
- 6: Reported an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

Appendix C: Scope and Methodology

Scope

The review team conducted its work from December 2021 through June 2022. The team focused on improper payment information reported in VA's FY 2021 Agency Financial Report and accompanying materials, as required.

Methodology

To assess VA's compliance, the review team assessed VA's FY 2021 Agency Financial Report and accompanying materials.³⁴ The team obtained VA's improper payment reduction targets from its FY 2020 report. The team also reviewed VA policies and interviewed individuals from VA's Office of Management, VBA, and VHA to obtain updates on VA's improper payment reporting.

VA completed 39 risk assessments for FY 2021 either as part of its three-year cycle, or due to significant changes in legislation or funding, and the review team examined these to determine whether the risks were properly assessed based on known deficiencies.

An OIG statistician reviewed the statistical validity of sampling methodologies for the programs and activities reported in the accompanying materials and performed independent calculations to verify sample estimates and margins of error for seven programs and activities. The programs and activities reviewed were (1) Beneficiary Travel; (2) Communications, Utilities, and Other Rent; (3) Medical Care Contracts and Agreements; (4) Pension; (5) Purchased Long-Term Services and Supports; (6) Supplies and Materials; and (7) VA Community Care.

In addition, the OIG statistician developed independent statistical estimates based on VA's improper payment test results. The review team evaluated whether VA accurately reported improper payments; however, the team did not reevaluate VA's sample transactions to determine if VA correctly identified all improper payments in its samples used to estimate improper payments. The team performed sample testing for all seven programs and activities by selecting and reviewing 10 payments for each program or activity that VA had tested during FY 2021. The team also examined VA's corrective action plans as reported in its Agency Financial Report and validated whether each corrective action plan contained the necessary elements required by OMB. Additionally, for each required program or activity, the team selected and reviewed five payments that VA deemed improper to determine whether each of the corrective action plans focused on the true root causes.

³⁴ "PaymentAccuracy.gov;" "2021 VA Agency Financial Report," VA Office of Finance website.

Internal Controls

During the review, the team did not find any significant internal control deficiencies.³⁵ As such, the review team determined that internal controls were not significant to the review objective.

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by soliciting the OIG's Office of Investigations for indicators and did not identify any instances of fraud or potential fraud during this audit.

Data Reliability

To evaluate VA's compliance with requirements, the review team primarily used information that VA published in its FY 2021 Agency Financial Report and accompanying materials. To assess the reliability of VA's published information, the team reviewed the statistical methodologies that VA applied to payment data for all programs and activities and identified data sources from VA's sampling plans. According to those plans, VHA obtained data for its programs and activities from VA's Financial Management System. The data for VBA's programs came from the Veterans Service Network Database.

The review team did not

- perform its own independent risk assessments of VA's programs and activities, or
- evaluate all of VA's sample transactions to determine if VA correctly identified improper payments (except as previously discussed in the overall methodology section).

The review team designed its procedures to determine whether VA complied with OMB's 10 compliance criteria and whether VA met requirements pertaining to high-priority programs—not to attest to the accuracy of VA's reporting. The OIG believes its procedures to assess data reliability were sufficient to support the review's objective.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

³⁵ Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

Appendix D: VA Management Comments

Date: June 15, 2022

From: Assistant Secretary for Management and Chief Financial Officer (004)

Subj: Office of Inspector General (OIG) Draft Report, Review of Department of Veterans Affairs' (VA) Compliance with the Payment Integrity Information Act (PIIA) for Fiscal Year (FY) 2021 (VIEWS 7660925)

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

1. Thank you for the opportunity to comment on the OIG subject draft report. We appreciate the work completed by your staff to evaluate VA's efforts to comply with PIIA requirements and reduce improper payments.

2. We have reviewed the draft report, which accurately reflects VA's commitment to improving payment integrity. In FY 2021, VA reported a decrease in improper payments of \$6.25 billion, a reduction of over 50% from FY 2020 results. This is VA's third consecutive reported decrease in improper payments and is our largest reduction to date. In addition, we removed five programs from improper payment reporting, as statistically valid testing showed these programs did not have significant improper payments. VA continues to prioritize its plans, evaluated by OIG during its audit, for the remaining four programs compliant with five of the six requirements.

3. We concur with the finding and recommendation, and our plan to address the recommendation is discussed in Attachment A. VA has also provided technical comments in Attachment B.

The OIG removed point of contact information prior to publication.

Jon J. Rychalski

Attachments

Attachment

DEPARTMENT OF VETERANS AFFAIRS (VA)
Fiscal Year (FY) 2021 Action Plan
Review of VA's Compliance with Payment Integrity Information Act (PIIA)
Office of Inspector General (OIG) Project 2022-00576-AE-0036

Date of Draft Report: June 8, 2022

Recommendation 1. The Acting Under Secretary for Health, Veterans Health Administration take necessary measures to reduce improper and unknown payments to below 10 percent for Beneficiary Travel, Medical Care Contracts and Agreements, Purchased Long-Term Services and Supports, and VA Community Care programs and activities.

Veterans Health Administration (VHA) Comments: Concur

Since 2018, VA has reduced improper payments and unknown payments by \$9.6 billion or 65% and removed a total seven programs from reporting requirements. VHA implementation of effective corrective actions that remediated the root cause of systemic errors contributed to this success, to include removing four programs from reporting requirements by demonstrating improper payments and unknown payments were below either 1.5% of total outlays or \$10 million. VHA has followed the same process in identifying root causes and developing effective corrective actions for its remaining four programs that are non-compliant with the Payment Integrity Information Act of 2019. These plans, evaluated by the OIG during this audit and determined reasonable with no recommendations for improvement (Requirement 4), show expected compliance for all programs by November 2024. Since the corrective action plans and milestones for implementation have already been evaluated by OIG and determined reasonable, VHA did not resubmit the plans as part of the response to this draft report and recommendation.

Status: In process Target Completion Date: November 2024

DEPARTMENT OF VETERANS AFFAIRS (VA)
Technical Comments on the Office of Inspector General (OIG) Draft Report
Review of VA's Compliance with Payment Integrity Information Act (PIIA)
Fiscal Year (FY) 2021

In reviewing OIG's draft report, VA offers the below technical comments to ensure accuracy and transparency involving its efforts to comply with PIIA requirements and Office of Management and Budget (OMB) implementation guidance:

1. Location: Executive Summary, page i, footnote 3:

"The annual financial statements are the VA Agency Financial Statements, which include VA's annual audited financial statements and accompanying materials as well as the report on the audit of those financial statements."

VA Comment: Mirror footnote 15 to ensure accurate reference to the VA Agency Financial Report.

Request sentence be replaced with "*The annual financial statement is the VA Agency Financial Report, which includes VA's annual audited financial statements and the report on the audit of those financial statements.*"

2. Location: Executive Summary and Introduction, pages ii and 3, paragraphs 1 and 3, respectively:

"VA reported improper payments totaling \$11.37 billion in FY 2020 and \$11.99 billion in FY 2019."

VA Comment: Add "and unknown payments" that are included in the totals reported in FY 2019 and FY 2020 and use consistent language with Table 2 for FY 2020.

Request sentence be updated to "VA reported improper payments *and unknown payments* totaling \$11.37 billion in FY 2020 and \$11.99 billion in FY 2019."

3. Location: Executive Summary and Introduction, pages iii and 4, footnotes 6 and 18, respectively:

"According to VA's analysis provided to the OIG, "this change in reporting will have minimal impact on VA's reporting.""

VA Comment: Clarify the analysis performed by VA.

Request sentence be replaced with "*Prior to implementation of any change to reporting, VA performed analysis and determined there would be minimal impact to VA's reporting of improper payments and unknown payments.*"

4. Location: Introduction, page 4, footnote 18:

"For FY 2021, VA changed its reporting of improper payments based on its interpretation of OMB guidance."

VA Comment: Mirror footnote 6 to ensure understanding that OMB issued new guidance.

Request sentence be updated to "For FY 2021, VA changed its reporting of improper payments based on its interpretation of *new* OMB guidance."

5. Location: Results and Recommendations, page 10, paragraph 1:

"In addition, the OIG review team selected and reviewed a sample of 10 payments for each of the seven programs and activities that VA had tested and determined were proper payments."

VA Comment: Not all the 10 samples selected for each program were identified by VA as proper. Of the 10 samples for each program, OIG selected 1 improper payment for Medical Care Contracts and Agreements, 3 improper payments for Supplies and Materials, 6 improper payments for Purchased Long-Term Services and Supports, and 4 improper payments for VA Community Care. All 10 samples selected for Beneficiary Travel, Communication, Utilities, and Other Rent, and Pension were identified by VA as proper during FY 2021 testing.

Request sentence be replaced with *"In addition, the OIG review team selected and reviewed a sample of 10 payments for each of the seven programs and activities that VA had tested during FY 2021."*

6. Location: Appendix C, page 22, paragraph 5:

"The team performed sample testing for all seven programs and activities by selecting and reviewing 10 payments for each program or activity that VA originally categorized as proper."

VA Comment: Not all the 10 samples selected for each program were identified by VA as proper. Of the 10 samples for each program, OIG selected 1 improper payment for Medical Care Contracts and Agreements, 3 improper payments for Supplies and Materials, 6 improper payments for Purchased Long-Term Services and Supports, and 4 improper payments for VA Community Care. All 10 samples selected for Beneficiary Travel, Communication, Utilities, and Other Rent, and Pension were identified by VA as proper during FY 2021 testing.

Request sentence be replaced with *"The OIG review team selected and reviewed a sample of 10 payments for each of the seven programs and activities that VA had tested during FY 2021."*

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

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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