



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 2022

REVIEW

REPORT #23-00237-124

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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of the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2022.¹ PIIA, enacted in March 2020, repealed prior Improper Payments Elimination and Recovery Acts but set forth similar improper payment reporting requirements, including an annual compliance report by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.² 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 each inspector general to review its agency's improper payment reports and issue an annual report. The OIG's FY 2022 compliance review used a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency for reporting requirements.³

PIIA requires agencies to complete all the following steps to be considered compliant for FY 2022:

- Publish payment integrity information with the annual financial statement (requirement 1a).⁴
- 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).

² Improper Payments Information Act of 2002, (31 U.S.C. 3321 note); Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 114-204 124 Stat. 2224; Improper Payments Elimination and Recovery Improvement Act of 2012, (31 U.S.C. 3321 note).

³ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, March 5, 2021; OMB Circular A-136, *Financial Reporting Requirements*, part II, June 3, 2022; OMB, "OMB FY2022 Payment Integrity Annual Data Call Instructions," September 2022; Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, November 2022. 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.

⁴ 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).⁵

Agencies found to be noncompliant with PIIA and/or 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 2022 is considered the second year for any program considered noncompliant when applying those additional reporting requirements. Also, programs with an annual reported improper payment estimate resulting in a monetary loss greater than or equal to \$100 million are considered high-priority and must publish a payment integrity scorecard for OIG review.

VA's Reported Improper Payments

In FY 2022, VA reported improper and unknown payment estimates totaling \$3.5 billion for seven programs. Of that amount, about \$1.4 billion (around 40 percent) represented a monetary loss, and the remaining approximately \$2.1 billion (about 60 percent) was considered either a

⁵ "Payment Accuracy" (web page), accessed November 28, 2022, <https://www.paymentaccuracy.gov/>; "U.S. Department of Veterans Affairs Fiscal Year 2022 Agency Financial Report" (web page), VA Office of Finance, accessed November 16, 2022, <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF>; OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123. Significant improper payments are annual improper and unknown 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).

nonmonetary loss that cannot be recovered or an unknown payment.⁶ The FY 2022 estimate is a decrease from the previous two years. VA reported improper payments and unknown payments totaling \$5.12 billion in FY 2021 and \$11.37 billion in FY 2020. While VA reduced the monetary loss from \$1.97 billion in FY 2021 to \$1.4 billion in FY 2022, it is still higher than the \$892 million reported in 2020. In addition, VA reported a decrease in its overall improper payment and unknown payment rates for six other programs.⁷

What the Review Found

VA satisfied nine of the ten 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 two VA programs that had estimates in the accompanying materials to their financial statements.⁸

The OIG found VA satisfied the additional reporting requirements for three high-priority programs with prior year monetary losses from improper payments of more than \$100 million reported in FY 2022.⁹

What the OIG Recommended

The OIG recommended the under secretary for benefits reduce improper and unknown payments to below 10 percent for the Pension Program and the under secretary for health reduce improper and unknown payments to below 10 percent for the Purchased Long-Term Services and Supports Program.

⁶ 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).

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

⁸ The two programs were Pension and Purchased Long-Term Services and Supports. While the improper payment rates for Purchased Long-Term Services and Supports declined from FY 2021 to 2022, the improper payment rate remained above 10 percent.

⁹ The three high-priority programs were Pension, Purchased Long-Term Services and Supports, and VA Community Care.

VA Management Comments and OIG Response

VA spotlighted that it has reduced improper payments and unknown payments by \$11.24 billion (76 percent) since FY 2018 and removed a total of seven programs from reporting requirements—with its progress in reducing improper and unknown payments recognized in a March 2023 report from the Government Accountability Office. VA also concurred with the two OIG recommendations and provided plans for corrective actions evaluated by OIG personnel during the review. The OIG considers the planned actions responsive and will monitor VA's progress until sufficient evidence has been presented to demonstrate acceptable progress on their implementation. VA's comments are presented in full in appendix D.



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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) 2022.¹⁰ 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.¹¹ 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 each inspector general to review its federal agency's improper payment reports and issue an annual report. The OIG's FY 2022 compliance review used a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency for reporting requirements.¹² 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.¹³ 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
- did not account for credit for applicable discounts.

¹⁰ The Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020).

¹¹ Improper Payments Information Act of 2002, (31 U.S.C. 3321 note); Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 114-204, 124 Stat. 2224; Improper Payments Elimination and Recovery Improvement Act of 2012, (31 U.S.C. 3321 note).

¹² OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, March 5, 2021; OMB Circular A-136, *Financial Reporting Requirements*, part II, June 3, 2022; OMB, "OMB FY2022 Payment Integrity Annual Data Call Instructions," September 2022; Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, November 2022. 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.

¹³ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, March 5, 2021.

An improper payment may be an overpayment, underpayment, or technically improper.¹⁴ 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 Fiscal Year 2022 Review

The OIG's compliance review is based on VA's FY 2022 reporting. The review was conducted in accordance with guidance provided by OMB and the Council of the Inspectors General on Integrity and Efficiency.¹⁵

As described in OMB guidance, PIIA requires agencies to complete all of the following steps to be considered compliant for FY 2022:

- **Requirement 1a:** Publish payment integrity information with the annual financial statement.¹⁶
- **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.

¹⁴ 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).

¹⁵ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123; OMB Circular A-136; OMB, "OMB FY2022 Payment Integrity Annual Data Call Instructions," September 2022; Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*.

¹⁶ 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.¹⁷

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. Based on March 2021 OMB guidance, the OIG considers FY 2022 the second consecutive year for any program considered noncompliant when applying those additional reporting requirements. Therefore, in FY 2022, only one program, Purchased Long-Term Services and Supports, was noncompliant for the second consecutive year.

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.¹⁸ In addition, VA programs with a monetary loss from improper payments of greater than or equal to \$100 million are required to complete a quarterly payment integrity scorecard on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov).

VA's Reported Improper Payments

In FY 2022, VA reported improper and unknown payment estimates totaling \$3.5 billion for seven programs. Of that amount, about \$1.4 billion (around 40 percent) represented a monetary loss, and the remaining approximately \$2.1 billion (about 60 percent) was considered either a nonmonetary loss that cannot be recovered or an unknown payment. The FY 2022 estimate is a decrease from the previous two years. VA reported improper payments and unknown payments

¹⁷ "Payment Accuracy" (web page), accessed November 28, 2022, <https://www.paymentaccuracy.gov/>; "U.S. Department of Veterans Affairs Fiscal Year 2022 Agency Financial Report" (web page), VA Office of Finance, accessed November 16, 2022, <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF>; OMB, "Requirements for Payment Integrity Improvement," app. C in 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).

¹⁸ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

totaling \$5.12 billion in FY 2021 and \$11.37 billion in FY 2020. While VA reduced the monetary loss from \$1.97 billion in FY 2021 to \$1.4 billion in FY 2022, it is still higher than the \$892 million reported in FY 2020. In addition, VA reported a decrease in its overall improper payment and unknown payment rates for six programs.¹⁹

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

Results and Recommendations

Finding: VA Satisfied Nine Requirements but Failed 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 two VA programs that had estimates in the accompanying materials to their financial statements (requirement 6). The two programs were (1) Pension and (2) Purchased Long-Term Services and Supports. While the improper and unknown payment rate for Purchased Long-Term Services and Supports decreased from FY 2021 to FY 2022, the improper and unknown payment rate for Pension increased from the prior fiscal year. 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 2022 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 was 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).

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 47 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	Yes
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	Yes
Pension	a: Yes b: Yes	a: Yes b: Yes	Yes	Yes	a: Yes b: Yes c: Yes	No
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	Yes

Source: *OIG analysis of VA FY 2022 Agency Financial Report and accompanying materials.*

What the OIG Did

The review team assessed VA's FY 2022 Agency Financial Report and accompanying materials to determine compliance with reporting requirements.²⁰ OMB allows VA to report improper payment data based on the previous fiscal year's activity. Accordingly, the team evaluated FY 2021 data published in the financial report and accompanying materials. The team also reviewed relevant federal laws and regulations and interviewed officials with VA's Improper

²⁰ "U.S. Department of Veterans Affairs Fiscal Year 2022 Agency Financial Report" (web page), VA Office of Finance, accessed November 16, 2022, <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF>.

Payments Remediation and Oversight Office, the Veterans Benefits Administration (VBA), and the Veterans Health Administration (VHA). The team obtained email correspondence from these entities as well. In addition, the team reviewed risk assessments VA completed for FY 2022 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 assessed whether VA accurately reported improper payment estimates. Appendix C provides additional information on the review's scope and methodology.

Two Programs 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 show two programs exceeded the 10 percent threshold for improper and unknown payment rates in FY 2022. Table 2 shows the improper and unknown payment rates for these programs in FYs 2021 and 2022.

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

Program/Activity	FY 2021 improper and unknown payments (%)	FY 2022 improper and unknown payments (%)	FY 2022 improper and unknown payment totals (in millions)
Purchased Long-Term Services and Supports	72.80	47.45	\$1,285.48
Pension	7.82	11.66	\$492.43

Source: VA's FY 2021 and 2022 accompanying materials to the Agency Financial Report..

In its FY 2022 accompanying materials, VA reported improper and unknown payment rates of 11.66 percent for Pension and 47.45 percent for Purchased Long-Term Services and Supports. VA estimated reduced overall improper and unknown payment rates for six programs and activities: Beneficiary Travel; Medical Care Contracts and Agreements; Supplies and Materials; Communications, Utilities, and Other Rent; VA Community Care; and Purchased Long-Term Services and Supports. However, VA reported that Pension increased improper and unknown payments from 7.82 percent in FY 2021 to 11.66 percent in FY 2022. According to a VA official, the cause for the increased improper payment rate for the Pension program was due to changes to beneficiary income from FY 2021 to FY 2022.

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

VA published an Agency Financial Report for FY 2022 along with accompanying materials, consistent with requirement 1a.²¹ 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 the VA website and a link to [PaymentAccuracy.gov](https://www.va.gov/paymentaccuracy.gov), per requirement 1b.²²

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

VA conducted risk assessments in FYs 2020 and 2021 to determine if programs and activities were susceptible to significant improper payments. Also, in FY 2022 VA performed risk assessments on 47 programs and activities and published them in the Agency Financial Report (requirement 2a).²³ Therefore, VA met the risk assessment requirement.

The review team verified that VA's risk assessment process incorporated the risk factors identified by OMB and met frequency requirements. The team also determined that VA adequately concluded whether the programs and activities were likely to make improper and unknown payments above the statutory threshold (requirement 2b).²⁴ Specifically, table 1 lists the seven programs and activities that VA determined to be susceptible to significant improper payments. Appendix B lists the 47 programs and activities that VA conducted risk assessments on and determined to be at low or medium risk of significant improper payments.

VA Published Improper Payment Estimates (Requirement 3)

The review 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

²¹ "U.S. Department of Veterans Affairs Fiscal Year 2022 Agency Financial Report" <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF> (web page), VA Office of Finance.

²² "U.S. Department of Veterans Affairs Fiscal Year 2022 Agency Financial Report" <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF> (web page), VA Office of Finance.

²³ "U.S. Department of Veterans Affairs Fiscal Year 2022 Agency Financial Report" <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF> (web page), VA Office of Finance; "[PaymentAccuracy.gov](https://www.va.gov/paymentaccuracy.gov)" (website).

²⁴ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

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.²⁵ An OIG statistician confirmed that VA's point estimates and associated confidence intervals were valid.

VA Published Corrective Action Plans (Requirement 4)

VA reported corrective action plans for all seven programs and activities in its FY 2022 accompanying materials. OMB guidance states inspectors general should evaluate whether corrective action plans are focused on the true root causes of improper payments. The review team determined VA's reported corrective actions were reasonable to address the root causes and reduce improper payments for the seven programs and activities that were reviewed.

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 2022 reduction targets for all seven programs and activities in its FY 2021 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 payment estimates, meeting reduction targets, and expanding sampling and estimation methods for a program or activity.²⁶ For six of the seven programs, the reported improper and unknown payment amounts met reduction targets in FY 2022. To make this determination, the review team compared the FY 2022 improper and unknown payment rates to the FY 2021 published reduction targets.

For the remaining program (Pension), VBA is in the process of implementing a mitigation strategy designed to decrease improper payments. However, according to a VBA official, the changes are not expected to impact compliance until FY 2024. Therefore, the team determined that VA met OMB guidance criteria for compliance. However, the OIG will continue to monitor

²⁵ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

²⁶ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

the program and VA's implementation plan to determine the impact on improper and unknown payment rates.

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.

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 losses 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.²⁷

Purchased Long-Term Services and Supports, VA Community Care, and Pension were considered high-priority programs in FY 2022 with prior year monetary losses from improper payments estimated at \$105.94 million, \$1.39 billion, and \$367.61 million respectively.²⁸ 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 from improper payments. The inspector general may also make concrete actionable recommendations for modifying agency plans to recover monetary losses. The team reviewed the scorecards for the Purchased Long-Term Services and Supports, VA Community Care, and Pension 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 the three programs to identify and prevent improper payments, which are tied to the performance plans for the programs' senior accountable officials.

The OIG continues to provide oversight of high-priority programs through audits and other mechanisms. For example, the OIG recently issued a report *Additional Actions Can Help Prevent*

²⁷ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

²⁸ Programs will be expected to provide information for the Payment Integrity Scorecard immediately following the publication of an annual improper payment estimate with a monetary loss that is greater than or equal to \$100 million and will be expected to continue providing information on a quarterly basis until the program reports an annual monetary loss estimate for improper payments that is less than \$100 million.

*Benefit Payments Being Sent to Deceased Veterans.*²⁹ That report discussed the VBA Pension program and included recommendations related to reducing improper payments: VBA concurred with the OIG's recommendations that the acting under secretary for benefits implement procedures to identify failed weekly matches to data on veteran deaths and demonstrate progress toward processing all failed matches; implement a process to review the social security number verification program and demonstrate progress towards ensuring the accuracy of social security numbers in VBA's electronic systems; and implement an intra-agency data-sharing process with VHA and demonstrate progress in obtaining information on veterans' deaths, which can help prevent improper benefits payments from being made to deceased veterans.

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 2022. The noncompliance involved two 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 that included plans to prevent and recover monetary loss improper payments.

Recommendations 1–2

The OIG made the following recommendation to the under secretary for benefits:

1. Reduce improper and unknown payments to below 10 percent for the Pension Program.

The OIG made the following recommendation to the under secretary for health:

2. Reduce improper and unknown payments to below 10 percent for the Purchased Long-Term Services and Supports Program.

VA Management Comments

The assistant secretary for management and chief financial officer concurred with the OIG's two recommendations and provided corrective action plans from VHA and VBA that had been evaluated by the OIG team during this review, along with target completion dates. The assistant secretary highlighted that VA has reduced improper payments and unknown payments by \$11.24 billion (76 percent) since FY 2018 and removed a total of seven programs from reporting requirements. He noted that the progress in reducing improper and unknown payments was

²⁹ VA OIG, [Additional Actions Can Help Prevent Benefit Payments Being Sent to Deceased Veterans](#), Report No. 21-00836-124, April 21, 2022.

recognized in a March 2023 report from the Government Accountability Office. The assistant secretary's comments are provided in full in appendix D.

OIG Response

VA's planned actions evaluated during the review are acceptable, and the OIG will monitor VA's progress until sufficient evidence has been presented to demonstrate acceptable progress on completion.

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 to receive care in the community if needed services are not available through VA within established timelines.

Appendix B: Reporting Compliance

Table B.1 illustrates compliance with each of the 10 requirements (including subparts of the overall six requirements) for the 47 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	Requirements					
	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
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
COVID-19 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
COVID-19 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
COVID-19 Veterans Health Administration (VHA) Supplemental Disbursements	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
COVID-19 Veterans Benefits Administration (VBA) General Operating Expense	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	Requirements					
	1	2	3	4	5	6
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
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
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
Grants (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
Indian Health Services/Tribal Health Program	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
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

Program name	Requirements					
	1	2	3	4	5	6
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
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
National Cemetery Administration (NCA)	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 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 – Department of Veterans Affairs	a: Yes b: Yes	a: Yes b: Yes	N/A	N/A	a: N/A b: N/A c: N/A	N/A
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

Program name	Requirements					
	1	2	3	4	5	6
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
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
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
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
Veterans Benefits Administration (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
Veterans Benefits Administration (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
Veterans Benefits Administration (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 Health Administration (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
Veterans Health Administration (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

Program name	Requirements					
	1	2	3	4	5	6
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
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

Source: *OIG analysis of VA FY 2022 Agency Financial Report 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 targets 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 November 2022 through May 2023. The team focused on improper payment information reported in VA's FY 2022 Agency Financial Report and accompanying materials, as required.

Methodology

To assess VA's compliance, the review team assessed VA's FY 2022 Agency Financial Report and accompanying materials, to include VA's improper payment reduction targets.³⁰ 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 47 risk assessments for FY 2022 either as part of its three-year cycle, or due to significant changes in legislation or funding, and the review team examined a judgmental sample of 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 by reviewing the VA auditors' assessment. 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.

Internal Controls

The review team assessed the internal controls and principles related to the review objective as follows:

- Component, *Control Environment*, Principle 2, *Exercise Oversight Responsibility*
- Component, *Control Activities*, Principle 11, *Design Activities for the Information System*

³⁰ "2022 VA Agency Financial Report" (web page), VA Office of Finance, accessed November 16, 2022, <https://www.va.gov/finance/docs/afr/2022-va-afr-full-report.PDF>.

- Component, *Information & Communication*, Principle 13, *Use Quality Information*
- Component, *Monitoring*, Principle 17, *Evaluate Issues and Remediate Deficiencies*

The team's assessment of these internal controls and principles did not find any significant deficiencies.³¹

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, and contracts 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. The team did not identify any instances of fraud or potential fraud during this review.

Data Reliability

To evaluate VA's compliance with requirements, the review team primarily used information that VA published in its FY 2022 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*.

³¹ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

Appendix D: VA Management Comments

Department of Veterans Affairs Memorandum

Date: May 17, 2023

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

Subj: Office of Inspector General Draft Report "Review of Department of Veterans Affairs' Compliance with the Payment Integrity Information Act for Fiscal Year 2022" (VIEWS 9966467)

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

1. Thank you for the opportunity to comment on the Office of Inspector General (OIG) subject draft report. We appreciate the work completed by your staff to evaluate the Department of Veterans Affairs' (VA) efforts to comply with Payment Integrity Information Act (PIIA) requirements and corrective actions to reduce improper payments.

2. We have reviewed the draft report and concur with the finding and recommendations. Our plans to address the recommendations are discussed in the attachment. VA continues to prioritize its corrective action plans for the remaining two non-compliant programs.

3. We are committed to reducing improper payments as demonstrated by your report confirming VA has 72 of 74 programs fully compliant with PIIA requirements. In fiscal year (FY) 2022, VA reported its fourth consecutive decrease in improper payments and its lowest improper and unknown payments in eight years. Since FY 2018, VA has greatly improved its overall compliance with PIIA by reducing the number of programs at significant risk of improper and unknown payments, and reducing overall improper and unknown payments by \$11.24 billion, or 76%, with improvements outpacing outlay increases. These efforts were also recognized by the Government Accountability Office in its March 2023 report "*Improper Payments: Fiscal Year 2022 Estimates and Opportunities for Improvement.*"

4. We look forward to our continued engagement with the OIG to improve VA's payment integrity efforts. If you have any questions, please call me directly.

The OIG removed point of contact information prior to publication.

(Original Signed By)

Jon J. Rychalski

Attachment

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

DEPARTMENT OF VETERANS AFFAIRS (VA)
Fiscal Year (FY) 2022 Action Plan
Review of VA's Compliance with Payment Integrity Information Act (PIIA)
Office of Inspector General (OIG) (Project No. 2023-00237-AE-0008)
Date of Draft Report: May 10, 2023

Recommendation 1. The Under Secretary for Benefits reduce improper and unknown payments to below 10 percent for Pension Program.

Veterans Benefits Administration (VBA) Comments: Concur

Since FY 2018, VA has reduced improper payments and unknown payments by \$11.24 billion, or 76 percent, and removed a total of seven programs from reporting requirements. In March 2023, the Government Accountability Office (GAO) acknowledged VA's substantial reduction in improper and unknown payments using effective mitigation strategies and corrective actions ([GAO-23-106285, IMPROPER PAYMENTS: Fiscal Year 2022 Estimates and Opportunities for Improvement](#)). VBA implementation of effective corrective actions that remediated the root cause of systemic errors contributed to this success, to include removing three programs from reporting requirements by demonstrating improper payments and unknown payments were below either 1.5 percent of total outlays or \$10 million. VBA has followed the same process in identifying root causes and developing effective corrective actions for Pension. This plan, evaluated by the OIG during this audit and determined reasonable with no recommendations for improvement (Requirement 4), shows expected compliance for Pension by September 2025. Since the corrective action plan and milestones for implementation have already been evaluated by OIG and determined reasonable, VBA did not resubmit the plan as part of the response to this draft report and recommendation.

Status: In process Target Completion Date: September 2025

Recommendation 2. The Under Secretary for Health reduce improper and unknown payments to below 10 percent for Purchased Long-Term Services and Supports Program.

Veterans Health Administration (VHA) Comments: Concur

Since 2018, VA has reduced improper payments and unknown payments by \$11.24, billion or 76%, and removed a total of seven programs from reporting requirements. In March 2023, GAO acknowledged VA's substantial reduction in improper and unknown payments using effective mitigation strategies and corrective actions ([GAO-23-106285, IMPROPER PAYMENTS: Fiscal Year 2022 Estimates and Opportunities for Improvement](#)). 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 five programs found fully compliant with PIIA by OIG during this audit. The Purchased Long-Term Services and Supports corrective action plan, evaluated by the OIG, was also determined reasonable with no recommendations for improvement (Requirement 4). Since the corrective action plan and milestone for implementation have already been evaluated by OIG and determined reasonable, VHA did not resubmit the plan as part of the response to this draft report and recommendation.

Status: In process Target Completion Date: November 2026

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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