



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

VETERANS HEALTH ADMINISTRATION

The Beneficiary Travel  
Program, Special Mode of  
Transportation Eligibility and  
Payment Controls

AUDIT

REPORT #15-00022-139

MAY 7, 2018



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## Executive Summary

### Why the OIG Did This Audit

The purpose of the Beneficiary Travel Program is to help alleviate the costs of travel to medical appointments for eligible veterans. Under Title 38, United States Code, Section 111, VA has the authority to pay travel expenses including mileage traveled by an eligible veteran to and from a VA-approved facility for the purpose of examination, treatment, or care.<sup>1</sup> Under the Beneficiary Travel Program, the Veterans Health Administration (VHA) uses vendors to transport eligible beneficiaries with disabilities using vehicles approved for special mode of transportation (SMT) travel. SMT-approved vehicles include ambulances, air ambulances, wheelchair vans, or other modes of transportation that are specifically designed to transport certain types of disabled individuals.

The VHA Chief Business Office (CBO) oversees the Beneficiary Travel Program and establishes guidance for payments and allowances to eligible beneficiaries for travel costs. SMT costs grew substantially from approximately \$105 million in FY 2006 to \$395 million in FY 2016. Previous OIG reviews have indicated the susceptibility of the Beneficiary Travel Program to fraud and waste as the result of ineffective controls. In addition, in April 2015, the OIG received a Hotline complaint alleging VHA overpaid SMT vendors for ambulance services. Specifically, the Hotline complaint alleged VHA overpaid SMT vendors for ambulance services by paying vendors at billed rates rather than using Centers for Medicare and Medicaid Services (CMS) rates, when lower.

The OIG team conducted this audit to determine whether the VHA Beneficiary Travel Program authorized SMT services only for eligible beneficiaries, and processed SMT vendor payments in accordance with law and policy. The OIG team also determined whether VHA paid providers of ambulance services at CMS rates when cost savings could be achieved. In addition, the team determined whether beneficiaries provided SMT services also improperly claimed and received mileage reimbursements for travel associated with attending medical appointments.

### What the OIG Found

VA Medical Centers (VAMCs) authorized SMT services for some ineligible beneficiaries, and VAMCs did not adequately validate some SMT vendor invoices prior to authorizing payment.

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<sup>1</sup> 38 United States Code, Section 111, states the Secretary may pay the actual necessary expense of travel, or an allowance based upon mileage, of any person to or from a Department facility or other place for examination, treatment, or care. 38 U.S.C. § 111(a), May 2010, provides a beneficiary travel reimbursement rate of 41.5 cents per mile.

VHA also missed an opportunity to reduce program expenditures on ambulance services by paying more than rates authorized by law for SMT services. VAMCs also allowed some beneficiaries that used SMT services to improperly receive mileage reimbursements for the same appointments.

## **1. VAMCs Approved Some Ineligible Beneficiaries for SMT Services**

The OIG team estimated VAMCs improperly authorized SMT services for approximately 11,900 ineligible beneficiaries during the period of October 1, 2014, through December 31, 2015. Specifically, the OIG team's sample review disclosed at four of seven sites visited, VAMCs improperly authorized SMT vendors to transport approximately 13 percent (26 of 194) of beneficiaries sampled. These beneficiaries were either administratively or medically ineligible for SMT services. The majority of improperly authorized SMT services for ineligible beneficiaries identified in our sample occurred at the Detroit VAMC. The Detroit VAMC accounted for approximately 81 percent (21 of 26) of ineligible beneficiaries transported using SMT services in our sample.

To be eligible for SMT services, at least one of the following criteria must be met:

- The beneficiary must have a service-connected disability rating of 30 percent or more.
- The beneficiary is traveling for treatment of a service-connected disability.
- The beneficiary is receiving a VA pension.
- The beneficiary's income does not exceed the maximum annual pension rate.

In addition, the following criteria must also be met:

- A VA clinician must determine and document that SMT is medically required, such as the beneficiary is wheelchair-bound or confined to a bed, to transport the beneficiary to a VA facility or VA-authorized health care.
- With the exception of an emergency, SMT services must be pre-authorized by VHA.

Approval of SMT services for ineligible beneficiaries occurred because Beneficiary Travel Office managers and staff disregarded SMT eligibility requirements for the convenience of the VAMC or the beneficiary. As a result, the OIG team estimated approximately 11,900 ineligible beneficiaries used SMT during the period from October 1, 2014, through December 31, 2015. If VAMCs do not strengthen controls, the OIG team estimated VHA could allow an additional 59,500 ineligible beneficiaries to use SMT services during the period from January 1, 2016, through December 31, 2020.

## 2. SMT Vendor Invoices Not Properly Validated Prior to Payment

VAMCs did not adequately validate some SMT vendor invoices before authorizing payments for approximately 21 percent (32 of 151) of invoices in our sample. Specifically, we found:

- For 18 of 32 invoices, Beneficiary Travel Office staff did not verify beneficiaries listed on vendor invoices had been authorized for SMT services, and
- For 14 of 32 invoices, Beneficiary Travel Office staff did not verify beneficiaries attended medical appointments as required.

VA policy requires staff to determine whether claimed services were actually performed prior to payment.<sup>2</sup> Also, VHA Handbook 1601B.05, Beneficiary Travel, Sections 19.a and 19.b, requires determining whether satisfactory evidence supports travel occurred prior to payment.<sup>3</sup>

Vendor invoices were not properly validated by VAMCs prior to authorizing payments because VHA did not consistently require or enforce validation of SMT invoices as required by VHA policy prior to authorizing payments. This also occurred because of inadequate oversight of SMT activities by VHA managers. Specifically, VHA policy does not require periodic reviews to ensure Beneficiary Travel Office staff complied with VHA's eligibility requirements for using SMT services. VHA Handbook 1730.02, VHA Finance Quality Assurance Review, requires each facility Director to conduct a biannual evaluation of SMT invoice activity. However, the review only includes verifying the signature of approving officials, ensuring dollar amounts are correct, and determining if there is a tracking mechanism that matches the invoice with the beneficiary's trips.<sup>4</sup>

Approximately 247,000 invoices for SMT services, totaling approximately \$450 million, were approved and paid by VHA. For approximately 21 percent of invoices in our sample, SMT vendor invoices were not properly validated prior to payment. As a result, the OIG team estimated VHA made approximately 59,900 improper payments nationwide valued at approximately \$23 million to SMT vendors from October 1, 2014, through December 31, 2015. The team also estimated that VHA potentially could make an additional \$115 million in improper payments over the next five years if oversight controls are not strengthened.

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<sup>2</sup> VA Financial Policies and Procedures, Volume VIII, Chapter 1A, states VA will conduct invoice reviews to determine whether services were performed.

<sup>3</sup> VHA Handbook 1601B.05, Sections 19.a and 19.b states payment will be made to an organization upon satisfactory evidence that the organization actually provided the travel.

<sup>4</sup> VHA Handbook 1730.02, states voucher (invoices) reviews must be performed in the first and third quarters.

### 3. VHA Did Not Implement Policy to Save on Ambulance Costs

Our fieldwork substantiated a Hotline complaint received in April 2015 and concluded VHA missed an opportunity to reduce costs for SMT ambulance services by not paying vendors at CMS rates authorized by law when savings could have been achieved.

38 USC Section 111(b)(3)(C) states

In the case of transportation of a person to or from a Department facility by ambulance, the Secretary may pay the provider of the transportation the lesser of the actual charge for the transportation or the amount determined by the fee schedule established under section 1834(l) of the Social Security Act (42 U.S.C. 1395m(l)) unless the Secretary has entered into a contract for that transportation with the provider.

Specifically, at five of seven sites visited, VHA payments for ambulance services were on average 60 percent above CMS rates for eligible invoices. However, despite having the statutory authority to pay the lesser of either the billed rate or the CMS rate, VHA still had not implemented this significant cost-saving measure as of January 2018. The VHA Deputy Director of CBO's Veterans Transportation Program indicated implementation of CMS rates has taken longer than initially projected due to numerous concurrent changes to the Beneficiary Travel Program.

Specific to the approximate 247,000 SMT invoices in our sample population, 33 of 151 invoices in our sample were eligible for payment at CMS rates in accordance with 38 USC Section 111(b)(3)(C). As a result, the OIG team estimated VHA could have avoided overpaying for ambulance services by approximately \$11 million from October 1, 2012, to December 31, 2015.<sup>5</sup> If VHA continues to pay above CMS rates, it could overpay an additional \$23.5 million over the next five years.

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<sup>5</sup> The OIG team identified savings of approximately \$11 million from October 1, 2012 through December 31, 2015. Our calculations began the next fiscal year after law authorized VHA to use CMS rates. We further estimated VHA could save an additional \$23.5 million (\$4.7 million multiplied by five) over the next five years.

## 4. Some SMT Beneficiaries Improperly Claimed and Received Mileage Reimbursements

VHA allowed some beneficiaries using SMT to improperly claim and receive Beneficiary Travel mileage reimbursements due to a lack of management controls.<sup>6</sup> At two of seven sites, VHA improperly paid approximately 1 percent (eight of 1,116) of beneficiaries in our sample mileage reimbursements for travel to medical appointments while also paying SMT vendors to transport these beneficiaries to the same appointments. These beneficiaries improperly submitted certified claims for mileage reimbursements on the same day an SMT vendor transported the beneficiaries to medical appointments. The beneficiaries should have known they were not entitled to receive these mileage reimbursements because an SMT vendor provided their transportation to the VA-approved appointment. Requesting reimbursement for mileage is only authorized when beneficiaries provide their own transportation to and from VA health care or VA-authorized, non-VA health care.

At one site, seven beneficiaries were improperly reimbursed approximately \$330 for mileage. The VAMC Beneficiary Travel Office staff also authorized payments to SMT vendors for approximately \$3,400 to transport these beneficiaries to the same appointments. At the OIG team's request, the two sites initiated bills of collection to recover the improper payments made to the eight beneficiaries.

According to both the June 2014 and August 2015 VHA Procedure Guide 1601B.05, Chapter 1 and Code of Federal Regulations, Title 38, Chapter 1, SMT is provided at VA expense and must be approved in advance of the beneficiary transport. If a beneficiary uses SMT, travel mileage reimbursement should not be claimed or paid. None of the seven sites the OIG team visited had implemented controls to detect and prevent beneficiaries who use SMT from also receiving mileage reimbursements. While the incidences of these eight improper payments were minimal, VHA should establish controls to mitigate the risk of fraudulent or improper payments.

As a result of the lack of controls to prevent inappropriate mileage reimbursements, the OIG team estimated VHA made approximately \$229,000 in improper payments to beneficiaries for mileage reimbursements from October 1, 2014, through December 31, 2015. If adequate controls are not implemented, VHA could make an additional \$1.1 million in improper payments for mileage reimbursements over the next five years.

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<sup>6</sup> 38 U.S.C. Section 111, *Payments or Allowances for Beneficiary Travel*. VA has the authority to pay the actual necessary expense of travel, including miles traveled to and/or from a department facility or other place, in connection with vocational rehabilitation or counseling or for the purpose of examination, treatment, or care for eligible veterans; 38 U.S.C. Section 111(a), May 2010, provides a beneficiary travel reimbursement rate of 41.5 cents per mile.

## Conclusion

VHA management needs to strengthen oversight controls for the Beneficiary Travel Program to ensure Beneficiary Travel Office staff comply with SMT eligibility policies, prevent improper payments for SMT services, reduce SMT expenditures on ambulance services, and prevent payment of mileage reimbursement to SMT users for the same appointments. If VHA had stronger oversight controls in place, Beneficiary Travel Office staff would have verified beneficiaries were eligible for SMT services and had attended medical appointments prior to paying SMT vendor invoices. In addition, VHA would have reduced SMT costs for ambulance services and not allowed some beneficiaries using SMT to improperly claim and receive Beneficiary Travel mileage reimbursements. If oversight controls are not strengthened, improper payments for SMT services may cost taxpayers approximately \$173.8 million through December 31, 2020.

## What the OIG Recommended

The OIG recommended the Under Secretary for Health implement additional and more effective controls to ensure VAMCs comply with VHA policy concerning SMT eligibility determinations and improper payments. The OIG also recommended the Under Secretary implement policy to use CMS rates, when applicable, in order to reduce unnecessary SMT expenditures.

## Management Comments

The Executive in Charge, Office of the Under Secretary for Health, concurred with the recommendations. The Executive in Charge provided acceptable action plans with target completion dates no later than December 2018. The OIG will monitor VHA's progress and follow up on the implementation of the recommendations until all proposed actions are completed.



**LARRY M. REINKEMEYER**  
Assistant Inspector General  
for Audits and Evaluations

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## Abbreviations

|       |  |
|-------|--|
| CBO   | Chief Business Office                          |
| CMS   | Centers for Medicare and Medicaid Services     |
| FMS   | Financial Management System                    |
| FY    | fiscal year                                    |
| IPERA | Improper Payments Elimination and Recovery Act |
| OIG   | Office of Inspector General                    |
| SMT   | special mode of transportation                 |
| VA    | Department of Veterans Affairs                 |
| VAMC  | Department of Veterans Affairs Medical Center  |
| VISN  | Veterans Integrated Service Network            |
| VHA   | Veterans Health Administration                 |



## Introduction

### Objective

The audit objective was to determine whether the Veterans Health Administration (VHA) Beneficiary Travel Program authorized special mode of Transportation (SMT) services only for eligible beneficiaries and processed SMT vendor payments in accordance with law and policy. To address an OIG Hotline complaint received in April 2015, the OIG team also determined whether VHA paid providers of ambulance services at Centers for Medicare and Medicaid Services (CMS) rates when cost savings could be achieved. Specifically, the Hotline complaint alleged VHA overpaid SMT vendors for ambulance services by paying vendors at billed rates rather than using CMS rates, when lower. In addition, the OIG team determined whether beneficiaries provided SMT services also improperly claimed and received mileage reimbursements for travel associated with attending medical appointments.

### VHA Beneficiary Travel Program

The purpose of the Beneficiary Travel Program is to help alleviate the costs of travel to medical appointments for eligible veterans. Under Title 38, United States Code, Section 111, VA has the authority to pay travel expenses including mileage traveled to and from a VA-approved facility for the purpose of examination, treatment, or care of eligible veterans.<sup>7</sup> The VHA Chief Business Office (CBO) oversees the Beneficiary Travel Program and establishes guidance for payments and allowances to eligible beneficiaries for travel costs.

### Special Mode of Transportation

Under the Beneficiary Travel Program, VHA uses vendors to transport eligible beneficiaries with disabilities using vehicles approved for SMT travel. SMT-approved vehicles include ambulances, air ambulances, wheelchair vans, or other modes of transportation that are specifically designed to transport certain types of disabled individuals. SMT costs grew substantially from approximately \$105 million in FY 2006 to \$395 million in FY 2016.

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<sup>7</sup> 38 United States Code, Section 111, states the Secretary may pay the actual necessary expense of travel, or an allowance based upon mileage, of any person to or from a Department facility or other place for examination, treatment, or care. 38 U.S.C. § 111(a), May 2010, provides a beneficiary travel reimbursement rate of 41.5 cents per mile.

## Requesting SMT

To request SMT services for a beneficiary, a VA clinician documents the necessity for SMT in the beneficiary's electronic medical records, which includes the beneficiary's progress notes and Beneficiary Travel Consult Template.<sup>8</sup> The clinician then submits the request for a beneficiary to be transported via an SMT vendor based upon medical need. VHA policy requires the local Beneficiary Travel Office to review the request and approve or deny the request based on administrative and medical eligibility.<sup>9</sup> If approved, the Beneficiary Travel Office schedules transport of the beneficiary to VA-approved medical appointments.

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<sup>8</sup> VHA Procedure Guide 1601B.05, Chapter 6, states whenever possible the request for SMT will be made via consult. The Veteran Transportation Program recommends the use of the Special Mode Beneficiary Travel consult template to communicate and document SMT requests.

<sup>9</sup> Dated August 10, 2015, VHA Procedure Guide 1601B.05, Chapter 6, states VA will approve payments for SMT if the beneficiary is eligible for beneficiary travel benefits or the travel was medically required and met the terms of medical necessity.

## Results and Recommendations

### Finding 1: Ineffective Controls and Oversight of SMT Services and Vendor Payments

VA Medical Centers (VAMCs) authorized SMT services for some ineligible beneficiaries and did not adequately validate some SMT vendor invoices prior to authorizing payment.<sup>10</sup>

Additionally, VHA missed an opportunity to reduce program expenditures on ambulance services when it paid more than rates authorized by law for SMT services. VAMCs also allowed some beneficiaries who used SMT services to also improperly receive mileage reimbursements for the same appointments. Based on our sample results, the OIG team estimated VAMCs improperly authorized SMT services for an estimated 11,900 ineligible beneficiaries during the period from October 1, 2014, through December 31, 2015. Ineligible beneficiaries were authorized for SMT services because Beneficiary Travel Office managers and staff disregarded VHA policy regarding medical necessity and administrative eligibility. If VAMCs do not strengthen controls, the OIG team estimated VHA could allow an additional 59,500 ineligible beneficiaries to use SMT services during the period from January 1, 2016, through December 31, 2020.

The OIG team estimated that VHA made 59,900 improper payments nationwide, valued at approximately \$23 million, to SMT vendors from October 1, 2014, through December 31, 2015. Payment of unsupported SMT invoices went undetected because Beneficiary Travel Office managers and Veterans Integrated Service Networks (VISN) management did not adequately oversee SMT activities. If VAMC controls are not strengthened, the OIG team estimated VHA could make an additional \$115 million in potential improper payments to SMT vendors from January 1, 2016, through December 31, 2020.<sup>11</sup>

VHA missed an opportunity to reduce costs for SMT ambulance services by not paying vendors at CMS rates authorized by law, when savings could have been achieved. Specifically, at five of seven sites visited, VHA payments for ambulance services were on average 60 percent above CMS rates for eligible invoices. At the remaining two sites, the OIG team could not perform an analysis to determine potential savings using CMS rates because invoices did not meet regulatory requirements to permit payment at CMS rates or did not contain the information necessary for a cost analysis.

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<sup>10</sup> Under Title 38, United States Code, Section 111(b)(3)(C), as amended by Public Law 112-56 and P.L. 112-154, the Secretary may pay the provider the lesser of the actual charge for transportation or the amount determined by the fee schedule established unless the Secretary has entered into a contract for that transportation with the provider.

<sup>11</sup> The Office of Management and Budget Memorandum M-15-02, October 2014, Appendix C to Circular A-123, defines an improper payment as any payment that should not have been made, or there is insufficient documentation to support the payment.

The OIG team estimated VHA could have saved \$11 million from October 1, 2012, through December 31, 2015, by paying CMS rates for ambulance services. We also estimated VHA could save an additional \$23.5 million on SMT services over the next five years by paying CMS rates for ambulance services. Despite having been provided the authority to use CMS rates as of January 2018, VHA had yet to implement a policy directing VAMCs to use these rates. In addition, our finding confirmed allegations made in an OIG Hotline complaint that VHA overpaid for SMT ambulance services by paying at billed rates rather than CMS rates, when lower.

VHA also allowed some beneficiaries using SMT to improperly claim and receive Beneficiary Travel mileage reimbursements.<sup>12</sup> None of the seven sites the OIG team visited had implemented controls to prevent beneficiaries who use SMT from also receiving mileage reimbursements. While the incidences of these improper payments (approximately 1 percent of our sample) were minimal, VHA should establish controls to mitigate the risk of fraudulent or improper payments. As a result of the lack of controls to prevent these improper mileage reimbursements, the OIG team estimated VHA made approximately \$229,000 in improper payments to beneficiaries for mileage reimbursements when SMT services were also used from October 1, 2014, through December 31, 2015. If adequate controls are not implemented, VHA could make an additional \$1.1 million in improper payments for mileage reimbursements over the next five years.

## **VAMCs Approved Some Ineligible Beneficiaries for SMT Services**

The OIG team estimated VAMCs improperly authorized SMT services for an estimated 11,900 ineligible beneficiaries during the period from October 1, 2014, through December 31, 2015. Specifically, our sample review disclosed at four of seven sites visited, VAMCs improperly authorized SMT vendors to transport approximately 13 percent (26 of 194) of beneficiaries sampled. These beneficiaries were either administratively or medically ineligible for SMT services. This occurred because Beneficiary Travel Office managers and staff disregarded VHA policy regarding medical necessity and administrative eligibility SMT requirements for the convenience of the VAMC or the beneficiary.

## **SMT Eligibility Requirements**

To be eligible for SMT services, at least one of the following criteria must be met:

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<sup>12</sup> Under Title 38, United States Code, Section 111(a), VA has the authority to “pay the actual necessary expense of travel,” including mileage traveled “to or from a Department facility or other place in connection with vocational rehabilitation and counseling” or “for the purpose of examination, treatment, or care” for certain eligible veterans. Title 38, United States Code, Section 111(a), May 2010, provides a beneficiary travel reimbursement rate of 41.5 cents per mile.

- The beneficiary must have a service-connected disability rating of 30 percent or more.
- The beneficiary is traveling for treatment of a service-connected disability.
- The beneficiary is receiving a VA pension.
- The beneficiary's income does not exceed the maximum annual pension rate.

In addition, the following criteria must also be met:

- A VA clinician must determine and document that SMT is medically required, such as the beneficiary is wheelchair-bound or confined to a bed, to transport the beneficiary to a VA or VA-authorized health care.
- With the exception of an emergency, SMT services must be pre-authorized by VHA.

### **Ineligible Beneficiaries Identified Primarily at One VAMC**

The majority of improperly authorized SMT services for ineligible beneficiaries identified in our sample occurred at the Detroit VAMC. The Detroit VAMC accounted for approximately 81 percent (21 of 26) of ineligible beneficiaries transported using SMT services in our sample.

The VAMC Chief Business Officer and Beneficiary Travel Office Manager authorized these ineligible beneficiaries to use SMT services. For 19 of the 21 ineligible beneficiaries, there was no documented medical condition in their VA medical records requiring SMT services. According to VHA Procedure Guide 1601B.05, medical necessity involves beneficiaries' medical records indicating a disabling condition such as being wheelchair bound or confined to a bed. Such conditions require the use of a wheelchair van or ambulance to travel. The remaining two beneficiaries did not meet any one of the four criteria for administrative eligibility in the Beneficiary Travel Program.

Based on the results of our sample, the OIG team determined the Detroit VAMC authorized SMT services totaling approximately \$1.6 million to transport ineligible beneficiaries during the scope period.

The Chief Business Officer at Detroit VAMC provided the following reasons for disregarding VHA policy on the use of SMT services:

- To accommodate beneficiaries because they did not live near public transportation
- To lessen the chance beneficiaries would complain to congressional representatives

- To increase the likelihood beneficiaries would attend their medical appointments

Staff authorized SMT services for the other five ineligible beneficiaries identified by the OIG team at VAMCs in Boston, Massachusetts; Pittsburgh, Pennsylvania; and Kansas City, Missouri. The paragraph below provides examples of SMT services authorized for ineligible beneficiaries at the Boston VAMC.

The Boston VAMC Beneficiary Travel Office authorized SMT services for two administratively ineligible beneficiaries. In one of the two cases, an SMT vendor transported an ineligible individual to a local non-VA hospital. The individual was neither a veteran nor a veteran's dependent, and therefore ineligible for admittance or treatment at the VAMC and for SMT services. According to Beneficiary Travel Office staff, the individual arrived at the VAMC by taxi and was provided medical care. After determining the individual to be stable, the individual was transferred to an emergency medical service provider for transport to a non-VA hospital. Although the Beneficiary Travel Office staff determined the individual was not eligible for treatment at the VAMC, they authorized an improper payment to an SMT vendor for approximately \$2,400 to transport the individual to the non-VA hospital. In accordance with VHA Handbook 1601B.05, Beneficiary Travel, Sections 7 and 12, the individual should have paid for transportation to the non-VA hospital.

In the second case, the Beneficiary Travel Office staff stated SMT was used because the administratively ineligible beneficiary "simply" needed a ride to his residence. The improper payment for the transport was approximately \$2,100. The VAMC's Chief of Transportation concurred neither transport should have been authorized, nor the services paid for by VHA.

The OIG team estimated approximately 11,900 ineligible beneficiaries used SMT during the period from October 1, 2014, through December 31, 2015. If VAMCs do not strengthen controls, we estimate VHA could allow an additional 59,500 ineligible beneficiaries to use SMT services during the period from January 1, 2016, through December 31, 2020.

## **SMT Vendor Invoices Not Properly Validated Prior to Payment**

VAMCs did not adequately validate some SMT vendor invoices before authorizing payments by not consistently verifying proper authorization for travel or not verifying the beneficiary actually attended the scheduled medical appointment. Specifically, Beneficiary Travel Office staff did not verify beneficiaries listed on vendor invoices had been properly authorized for SMT services or attended medical appointments for approximately 21 percent (32 of 151) of invoices in our sample prior to validating vendor payments:

- For 18 of the 32 invoices, VAMC staff did not verify patients were authorized for SMT services prior to vendor payment.

- For 14 of the 32 invoices, VHA paid for SMT services without evidence beneficiaries actually attended medical appointments on the vendor claimed dates.

VA policy requires determining whether claimed services were actually performed prior to payment.<sup>13</sup> Also, VHA Handbook 1601B.05, Beneficiary Travel, Section 19.a and 19.b, requires determining whether satisfactory evidence supports travel occurred prior to payment.<sup>14</sup>

Vendor invoices were not properly validated prior to authorizing payments because VHA did not always require or enforce validation of SMT invoices prior to authorizing payments as required by VHA. This also occurred because VHA exercised inadequate oversight of SMT activities. Specifically, VHA policy did not require periodic reviews to ensure Beneficiary Travel Office staff complied with VHA's eligibility requirements for using SMT services. VHA Handbook 1730.02, VHA Finance Quality Assurance Review, requires each facility Director to conduct a biannual evaluation of SMT invoice activity. The review includes verifying the signature of approving officials, ensuring dollar amounts are correct, and determining if there is a tracking mechanism that matches the invoice with the beneficiary's trips.<sup>15</sup>

Approximately 247,000 invoices for SMT services, totaling approximately \$450 million, were approved and paid by VHA. For approximately 21 percent of invoices in our sample, SMT vendor invoices were not properly validated prior to payment. As a result, the OIG estimated VHA made approximately 59,900 improper payments nationwide valued at approximately \$23 million to SMT vendors from October 1, 2014, through December 31, 2015. The OIG also estimated that VHA potentially could make an additional \$115 million in improper payments over the next five years if oversight controls are not strengthened.

## **Authorizations for SMT Services Not Verified Prior to Payment**

At four of seven sites, Beneficiary Travel Office staff did not ensure beneficiaries were authorized for SMT services as listed on the vendor invoices before authorizing SMT vendor payments. Specifically, the OIG found VAMC staff did not verify patient authorization for SMT services prior to vendor payment for 12 percent (18 of 151) of invoices sampled. This occurred because prior to the August 2015 update to the VHA Procedure Guide 1601B.05, the VHA Chief Business Office did not require Beneficiary Travel Office staff to verify beneficiaries' authorization before approving SMT vendor invoices for payments. After the August 2015 guide update, this condition continued to occur because Beneficiary Travel Office staff were not aware

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<sup>13</sup> VA Financial Policies and Procedures, Volume VIII, Chapter 1A, states VA will conduct invoice reviews to determine whether services were performed.

<sup>14</sup> Payment will be made to an organization upon satisfactory evidence that the organization actually provided the travel.

<sup>15</sup> VHA Handbook 1730.02 states voucher (invoice) reviews must be performed in the first and third quarters.

they were required to verify beneficiaries' authorization for SMT services before approving SMT vendor invoices for payment.

In addition to the August 2015 VHA Procedure Guide 1601B.05 requiring verification of eligibility prior to scheduling SMT, the guide also requires verification of beneficiary eligibility prior to vendor invoice payment. While the June 2014 VHA Procedure Guide 1601B.05 did not require verification of beneficiary authorization for SMT services before approving an SMT vendor invoice, the issues the OIG team identified indicate this was a weakness in the design of management controls for SMT vendor payments. The lack of adequate management controls allowed Beneficiary Travel Office staff to approve the payment of approximately 10 percent (15 of 151) of invoices for beneficiaries not authorized for SMT services prior to the August 2015 guide update. Although VHA strengthened management controls in the August 2015 guide update, Beneficiary Travel Office staff approved SMT vendor payments for approximately 2 percent (three of 151) of invoices without verifying beneficiaries listed on vendor invoices were properly authorized for SMT services.

### **Medical Appointments Not Verified Prior to Payment**

At five of seven sites, Beneficiary Travel Office staff did not verify beneficiaries attended medical appointments prior to authorizing SMT vendor payments. The OIG found VHA paid for SMT services without evidence beneficiaries attended medical appointments on the vendor claimed dates for approximately 9 percent (14 of 151) of invoices sampled. While VHA Handbook 1601B.05, Beneficiary Travel, Section 19, requires ensuring satisfactory evidence supports travel occurred prior to payment, neither the June 2014 nor August 2015 versions specifically required verification of a beneficiary attending a medical appointment before approving an SMT vendor invoice. The lack of clear guidance contributed to Beneficiary Travel Office staff approving the payment of the 14 invoices without verifying beneficiaries attended medical appointments on the SMT vendors' claimed date of service. For 10 of the 14 invoices, the Beneficiary Travel Office staff eventually provided the OIG evidence that the beneficiaries attended medical appointments on the vendor-claimed dates. For the remaining four invoices, however, the Beneficiary Travel Office staff was unable to provide evidence beneficiaries attended the medical appointments on the vendor-claimed dates of service.

Authorizing payments without verifying beneficiaries attended medical appointments on the claimed date of service also occurred because the VHA Chief Business Office did not implement procedures requiring Beneficiary Travel Office staff to verify beneficiaries attended medical appointments prior to authorizing SMT vendor payments. At all seven sample sites, the SMT invoice review process consisted only of verifying the beneficiary's name, social security number, and determining whether the beneficiary was scheduled for SMT services on the date(s) listed in the vendor's invoice. However, the process did not include verifying whether the beneficiary actually attended the scheduled appointment.

## Lack of Adequate Oversight of the Vendor Payment Process

Payment of unsupported SMT invoices also went undetected because VISNs did not adequately oversee SMT activities. Instead of implementing oversight procedures, the seven VISN Directors responsible for the sites visited stated they relied on VAMC managers to self-evaluate SMT activities. However, VAMC self-evaluations did not include testing to verify beneficiaries met all SMT eligibility requirements or attended medical appointments. VHA policy only requires the evaluation of SMT invoices by verifying approving official signatures, correct amounts, and invoices matched the request for the beneficiary's trip.<sup>16</sup> More importantly, the handbook does not include steps to verify the beneficiary met all eligibility requirements or attended their medical appointment as part of the review procedures.

Some VISN Directors stated they relied on information provided through the Improper Payments Elimination and Recovery Act (IPERA) evaluations.<sup>17</sup> However, the VISN-level IPERA reports did not provide SMT-specific information. Instead, the reports provided summary-level information for the entire Beneficiary Travel program. Detailed information about SMT invoices paid when beneficiaries did not meet all eligibility requirements or did not attend medical appointments was available to VHA's IPERA Review Team. However, VHA's Office of Finance IPERA Review Team did not include the information in the VISN-level IPERA reports. It also did not make the information available to the VISN Directors through other means such as VHA's IPERA Share Point website.

## VHA Did Not Implement Policy to Save on Ambulance Costs

Our fieldwork substantiated a Hotline complaint and concluded VHA missed an opportunity to reduce costs for SMT ambulance services by paying at billed rates rather than at CMS rates authorized by law when savings could have been achieved.<sup>18</sup> Specifically, at five of seven sites visited, VHA payments for ambulance services were on average 60 percent above CMS rates for eligible invoices. On average, VHA improperly paid approximately \$1,215 for ambulance transports which were eligible for payment at CMS rates. The average cost for the same ambulance transports using CMS rates would have been approximately \$487 per trip, or about \$728 lower per SMT transport than what was actually paid. In addition, the finding also confirmed allegations made in the OIG Hotline complaint that VHA overpaid for SMT ambulance services by paying at billed rates rather than CMS rates, when lower.

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<sup>16</sup> VHA Handbook 1730.02, sections 2 and 11.

<sup>17</sup> The Improper Payments Elimination and Recovery Act require each agency to periodically review and identify its programs and activities that may be susceptible to significant improper payments.

<sup>18</sup> The OIG received a Hotline complaint alleging VHA overpaid vendors for ambulance services by paying SMT vendors at billed rates rather than using CMS rates, when lower.

Specific to the approximate 247,000 SMT invoices in our sample population, 33 of 151 invoices were eligible for payment at CMS rates in accordance with 38 USC Section 111(b)(3)(C).<sup>19</sup> The remaining 118 invoices did not meet regulatory requirements to permit payment at CMS rates or did not contain the information necessary for a cost analysis. Specifically, these 118 invoices were for non-ambulance services (five of seven sites); contracted ambulance services (five of seven sites); ambulance services to or from a non-VA facility (five of seven sites), or; the invoices did not contain CMS rate codes (one of seven sites).

According to 38 USC Section 111(b)(3)(C); as amended in November 2011 and August 2012, in the case of transportation of a person to or from a VA facility by ambulance, the Secretary may pay the provider of the transportation the lesser of the actual charge for the transportation or the amount determined by the CMS rates established under section 1834(l) of the Social Security Act (42 U.S.C. 1395m(l)) unless the Secretary has entered into a contract for that transportation with the provider.

Despite having the statutory authority to pay the lesser of either the billed rate or the CMS rate, VHA still had not implemented this significant cost-saving measure as of January 2018. The VHA Deputy Director of CBO's Veterans Transportation Program indicated implementation of CMS rates has taken longer than initially projected due to numerous concurrent changes to the Beneficiary Travel Program. The Deputy Director estimated that once implemented, VHA should experience a minimum cost savings of \$11 million in the first year of using CMS rates.

The Deputy Director anticipated revised regulations would be implemented in FY 2017. However, VHA had not implemented revised regulations as of January 2018. In addition, VHA has not provided justification as to why the implementation of CMS rates was not given priority among the broader changes to the Beneficiary Travel Program, given VHA's substantial cost savings estimate.

Based on our review, we estimated VHA could have saved approximately \$11 million from October 1, 2012, through December 31, 2015. Furthermore, VHA could save an additional \$23.5 million over the next five years by paying CMS rates for ambulance services.

## **VAMCs Lack Controls to Identify Improperly Reimbursed Mileage**

VHA allowed some beneficiaries using SMT to improperly claim and receive Beneficiary Travel mileage reimbursements. Specifically, the OIG identified a small number of mileage reimbursements that were improperly paid to beneficiaries transported via SMT for the same medical appointments in our sample. At two of seven sites, VHA improperly paid approximately

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<sup>19</sup> The VA Secretary may pay the provider of the transportation the lesser of the actual charge for the transportation or the amount determined by established CMS rates unless the Secretary has entered into a contract for that transportation with the provider.

one percent (eight of 1,116) of beneficiaries in our sample mileage reimbursements for travel to medical appointments while also paying SMT vendors to transport these beneficiaries to the same appointments. These beneficiaries improperly submitted certified mileage reimbursement claims for the same day an SMT vendor transported the beneficiaries to medical appointments. The beneficiaries should have known they were not entitled to receive these mileage reimbursements because an SMT vendor provided their transportation to the VA-approved appointment. If a beneficiary uses SMT, travel mileage reimbursement should not be claimed or paid. Under Title 38, United States Code, Section 111, VA may authorize SMT services, such as an ambulance or wheelchair van, for eligible, disabled beneficiaries or VA may pay the actual necessary expense of travel, including mileage traveled to and/or from a VA-approved facility. Beneficiaries are not permitted to use SMT services and also receive payment for mileage traveled for the same appointment since the beneficiary did not travel in a personal vehicle.<sup>20</sup> Mileage reimbursement requests are authorized when beneficiaries provide their own transportation to and from VA health care or VA-authorized, non-VA health care.

At one site, seven beneficiaries were improperly reimbursed a total of approximately \$330 for mileage expenses when SMT services were provided. The VAMC Beneficiary Travel Office staff also authorized payments to SMT vendors for approximately \$3,400 to transport these beneficiaries to the same appointments. At the OIG team's request, the two sites initiated bills of collection to recover the improper payments made to the eight beneficiaries.

According to both the June 2014 and August 2015 VHA Procedure Guide 1601B.05, Chapter 1 and Code of Federal Regulations, Title 38, Chapter 1, SMT is provided at VA expense and must be approved in advance of the beneficiary transport. If a beneficiary uses SMT, travel mileage reimbursement should not be claimed or paid. None of the seven sites the OIG team visited had implemented controls to detect and prevent beneficiaries who use SMT from also receiving mileage reimbursements. Previous VA OIG reviews indicated the susceptibility of the Beneficiary Travel Program to fraud and waste resulting from ineffective controls. While the incidences of these eight improper payments were minimal, VHA should establish controls to mitigate the risk of fraudulent or improper payments.

As a result of the lack of controls to prevent inappropriate mileage reimbursements, VHA made approximately \$229,000 in improper payments to beneficiaries for mileage reimbursements when SMT services were also used from October 1, 2014, through December 31, 2015. If adequate controls are not implemented, VHA could make an additional \$1.1 million in improper payments for mileage reimbursements over the next five years.

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<sup>20</sup> According to Title 38 U.S.C. Section 111, the Secretary may pay the actual necessary expense of travel or in lieu thereof an allowance based upon mileage (at a rate of 41.5 cents per mile) of any person to or from a Department facility or other place in connection with required vocational rehabilitation, counseling or for the purpose of examination, treatment, or care.

## Conclusion

VHA management needs to strengthen oversight controls over the Beneficiary Travel Program to ensure Beneficiary Travel Office staff comply with SMT eligibility policies, prevent improper payments for SMT services, reduce unnecessary SMT expenditures on ambulance services, and prevent payment of mileage reimbursement to SMT users for the same appointments. If VHA had stronger oversight controls in place, Beneficiary Travel Office staff would have verified beneficiaries were eligible for SMT services and attended medical appointments prior to paying SMT vendor invoices. In addition, VHA would have reduced SMT costs for ambulance services and not allowed some beneficiaries using SMT to improperly claim and receive Beneficiary Travel mileage reimbursements. If oversight controls are not strengthened, improper payments for SMT services may cost taxpayers approximately \$173.8 million through December 31, 2020.

## Recommendations 1–6

1. The OIG recommended the Under Secretary for Health require Veterans Integrated Service Networks to implement periodic reviews to ensure clinicians and Beneficiary Travel Office staff comply with Veterans Health Procedure Guide 1601B.05 eligibility requirements for authorizing Special Mode of Transportation services.
2. The OIG recommended the Under Secretary for Health modify Veterans Health Administration Procedure Guide 1601B.05 to require the Beneficiary Travel Office staff to verify beneficiaries attended medical appointments prior to approving payment of Special Mode of Transportation vendor invoices.
3. The OIG recommended the Under Secretary for Health require Veterans Integrated Service Networks to implement periodic reviews to ensure VA Medical Centers comply with Veterans Health Administration policies for verifying beneficiaries listed on vendor invoices had been properly authorized for Special Mode of Transportation services or attended medical appointments prior to approving payment of Special Mode of Transportation vendor invoices.
4. The OIG recommended the Under Secretary for Health ensure the Improper Payments Elimination and Recovery Act reports provided to Veterans Integrated Service Networks are modified to include Special Mode of Transportation information specific to vendor payments by VA Medical Centers.
5. The OIG recommended the Under Secretary for Health implement use of Centers for Medicare and Medicaid Services Rates when savings can be achieved for Special Mode of Transportation ambulance services in accordance with 38 U.S.C. Section 111(b)(3)(C).
6. The OIG recommended the Under Secretary for Health implement controls to prevent beneficiaries using Special Mode of Transportation services from also obtaining mileage reimbursement for the same appointment(s).

## **Management Comments and OIG Response**

The Executive in Charge, Office of the Under Secretary for Health, concurred with the recommendations. The Executive in Charge provided acceptable action plans with target completion dates no later than December 2018. The OIG will monitor VHA's progress and follow up on the implementation of the recommendations until all proposed actions are completed.

## Appendix A: Background

### The Beneficiary Travel Program

The Beneficiary Travel Program is intended to help alleviate the costs of travel to medical appointments for eligible veterans. Under Title 38, United States Code, Section 111, VA has the authority to pay the actual necessary expense of travel, including mileage traveled to and/or from a department facility or other place in connection with vocational rehabilitation or counseling or for the purpose of examination, treatment, or care for eligible veterans.<sup>21</sup> Under the Beneficiary Travel program, VA may also authorize SMT services, such as an ambulance or wheelchair van, for eligible, disabled beneficiaries.

VHA's Chief Business Office was established in April 2002 as the single accountable authority for the development of administrative processes, policy, regulations, and directives associated with the delivery of VA health benefit programs.<sup>22</sup> The Beneficiary Travel Program is organizationally aligned under CBO and is responsible for assisting eligible beneficiaries with travel to and from VA or VA-authorized health care, through either mileage reimbursement or special mode of transportation.

### Beneficiary Travel Program Eligibility

Travel benefit eligibility for beneficiaries is based on certain criteria, generally related to service connection and income levels, the type of medical appointment, or a combination of the two. Certain beneficiaries who are not veterans, including family members or others accompanying veterans to appointments, are also eligible for the benefit. Travel costs reimbursable to beneficiaries include a per-mile rate for travel in private vehicles; SMT in certain circumstances; and airfare, meals, and lodging in some cases.

### Special Mode of Transportation

SMT refers to travel in an ambulance, wheelchair van, or other vehicle specially designed for transporting beneficiaries with disabilities. Other types of transportation, such as subways, trains, airplanes, and privately owned vehicles, are not considered special mode even if they have been adapted or are capable of transporting beneficiaries with disabilities.

To receive benefits for SMT, the veteran must be eligible for the benefit and the SMT must be medically required. Reimbursement for SMT must be requested prior to the trip, except in the

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<sup>21</sup> 38 United States Code, Section 111, states the Secretary may pay the actual necessary expense of travel to or from a Department facility or other place for an examination, treatment, or care. 38 U.S.C. § 111(a), May 2010, provides a beneficiary travel reimbursement rate of 41.5 cents per mile.

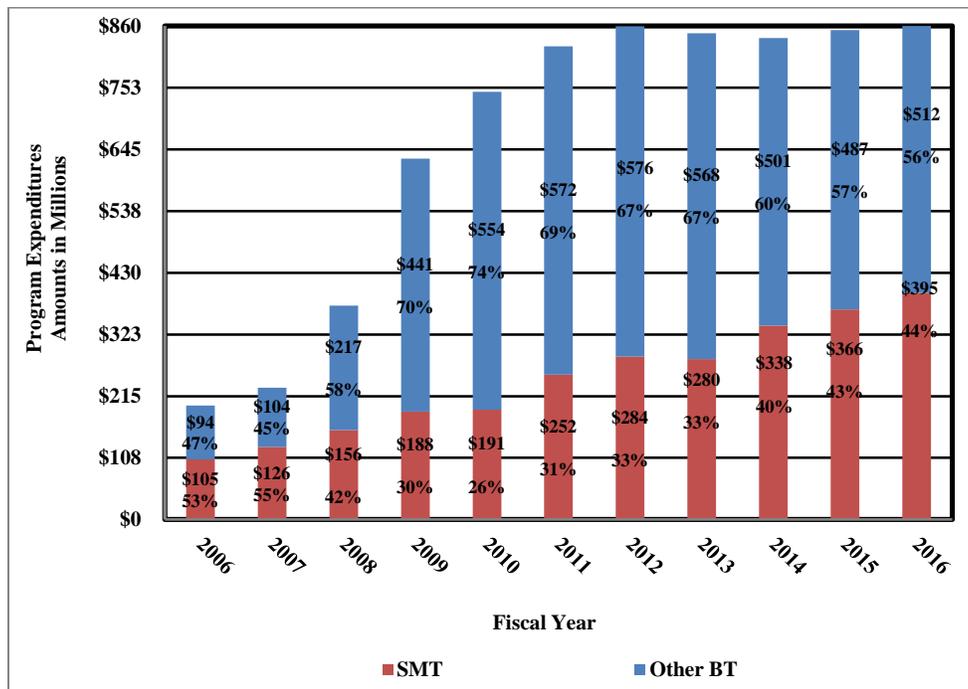
<sup>22</sup> VHA's Chief Business Office is aligned under VHA's Office of Community Care.

case of medical emergencies. Round-trip SMT travel from a VA facility to a non-VA facility is authorized for reimbursement if the transportation is required. In addition, SMT travel to an emergency facility for treatment can be retroactively authorized if the emergency episode of care is approved for VA payment.

## Program Expenditures

The cost of the Beneficiary Travel Program grew substantially in recent years, from approximately \$198.8 million in FY 2006 to \$907.2 million in FY 2016. The cost for SMT services during the same period grew from approximately \$105 million in FY 2006 to \$395 million in FY 2016, or approximately 376 percent. During the period from FY 2006 through FY 2016, SMT expenditures averaged approximately 37 percent of the total cost of the Beneficiary Travel Program. Table 1 presents the relative expenditures for SMT and other Beneficiary Travel cost for FY 2006 through FY 2016.

**Table 1. Expenditures for SMT and Other Beneficiary Travel**



Source: *OIG Compilation using VA's Financial Management System and VA FY 2008 through FY 2018 Congressional Submissions.*

## Previous VA OIG Work

Previous VA OIG reviews have indicated the susceptibility of the Beneficiary Travel Program to fraud and waste resulting from ineffective controls. In 2015, the OIG issued the *Review of Alleged Beneficiary Travel Irregularities at Hudson Valley Health Care System, Hampton and*

*Lexington VA Medical Centers* (VA-15-02400-524, December 7, 2015). The OIG concluded Beneficiary Travel Program staff at the three VAMCs did not consistently approve mileage reimbursement vouchers appropriately, and made one or more processing errors for 21 percent (31 of 149) of vouchers reviewed during calendar year 2014. Therefore, the OIG estimated these VAMCs improperly approved reimbursements totaling approximately \$37,400 for beneficiaries who claimed travel during 2014.

In 2013, the OIG issued the *VHA Audit of the Beneficiary Travel Program* (VA-11-00336-292, February 6, 2013). The OIG concluded VHA did not perform regular reconciliations of approved travel reimbursements with paid reimbursements, accurately code financial transactions, and reduce the risk of fraudulent payments. According to VHA data, VA medical facilities paid approximately \$89 million more in beneficiary travel than the facilities approved during the same period. Approximately \$46.5 million of the discrepancy was due to miscoded expenses; however, approximately \$42.5 million remained unexplained. In addition, the OIG determined VHA needed program controls to verify the accuracy of beneficiary self-reported information prior to claim approval.

In 2011, VA OIG issued *Review of Cincinnati VA Medical Center Beneficiary Travel Office Allegations* (VA-10-03292-217, July 6, 2011). The OIG concluded the Beneficiary Travel Office approved mileage reimbursements to beneficiaries traveling to the Cincinnati VAMC when a closer VA facility could have provided the necessary care or services. In addition, the OIG determined beneficiaries received mileage reimbursements without completing appointments at VA medical facilities.

In 2010, VA OIG issued *VHA Audit of Oversight of Patient Transportation Contracts* (VA-09-01958-155, May 17, 2010). The OIG concluded VISN contract managers did not effectively provide the oversight needed to develop, administer, award, and monitor patient transportation contracts. The OIG also concluded VHA missed opportunities to provide full and open competition when soliciting offers and awarding patient transportation contracts.

## Appendix B: Scope and Methodology

### Scope

The OIG team performed audit work from March 2016 through February 2018 at VA Central Office in Washington, DC, and the VA Medical Centers in El Paso, Texas; Jamaica Plain (Boston), Massachusetts; San Juan, Puerto Rico; Detroit, Michigan; Denver, Colorado; Kansas City, Missouri; and Pittsburgh, Pennsylvania. The OIG team selected a statistical sample of 151 vouchers paid during FY 2015 and the first quarter of FY 2016 from VA's Financial Management System for attribute testing and traced the sample to supporting documentation.

The OIG team tested management controls to ensure that

- Beneficiaries were eligible for transportation provided by SMT vendors,
- Beneficiaries received medical care prior to paying SMT vendor invoices, and
- Beneficiaries were not reimbursed for mileage when also using SMT for same travel day.

To address concerns made in an OIG Hotline complaint received in April 2015, the OIG also tested whether VHA paid SMT vendors the lesser of the actual ambulance charges or applicable rates established by CMS under the Social Security Act.

### Methodology

Our methodology included reviewing applicable laws, regulations, and VA guidance. The OIG team interviewed CBO management at VA Central Office in Washington, DC. We also interviewed management and personnel at seven VA Medical Centers in El Paso, Texas; Jamaica Plain (Boston), Massachusetts; San Juan, Puerto Rico; Detroit, Michigan; Denver, Colorado; Kansas City, Missouri; and Pittsburgh, Pennsylvania. In addition, the OIG interviewed VISN management and personnel at VISN 17, Arlington, Texas; VISN 1, Bedford, Massachusetts; VISN 8, St. Petersburg, Florida; VISN 10, Ann Arbor, Michigan; VISN 19, Glendale, Colorado; VISN 15, Kansas City, Missouri; and VISN 4, Pittsburgh, Pennsylvania.

The OIG team statistically selected a sample of 22 invoices paid during FY 2015 and the first quarter of FY 2016 for each of the seven VAMCs visited. During fieldwork in Kansas City, Missouri, the OIG determined that three of the invoices selected for testing were for SMT services at other VISN 15 VAMCs. However, OIG staff was not able to replace those three invoices, which resulted in testing 19 statistically selected invoices at the Kansas City VAMC.

The OIG team traced the 151 statistically selected invoices to supporting documentation to verify whether payments to SMT vendors were validated prior to payment. In addition, using the 151 invoices the OIG team tested 194 beneficiaries to determine their eligibility for SMT

services. We also tested 1,116 beneficiaries on the 151 invoices to identify beneficiaries transported via SMT that also requested and were paid Personally Owned Vehicle mileage for travel on the same day. The OIG team also tested the 151 invoices to determine whether providers of SMT ambulance transports were paid the lesser of either actual charges or established CMS rates.

## **Fraud Assessment**

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur. The audit team also exercised due diligence in staying alert to any fraud indicators by:

- Examining vendor ownership records to identify potential conflicts of interest, and
- Reviewing payment records to ensure beneficiaries were not improperly reimbursed for travel mileage when using SMT for the same travel day.

While the OIG did identify potentially improper payments for mileage reimbursement, the OIG did not identify instances of potential fraud during this audit requiring referral to the OIG Office of Investigations.

## **Data Reliability**

The OIG team relied on computer-processed data from the VA Financial Management System. To assess the reliability of this data, the OIG team interviewed responsible officials and staff at VA Central Office in Washington, DC, and VAMCs to validate the source documentation. We also compared the data extracted from the VA Financial Management System to documentation in the Beneficiary Travel Application System. The OIG team concluded that the computer-processed data the OIG obtained from the VA Financial Management System and relied on was sufficiently reliable to support our project objectives, conclusions, and recommendations.

## **Government Standards**

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix C: Statistical Sampling Methodology

To determine whether the Beneficiary Travel Program authorized SMT services only for eligible beneficiaries, and processed SMT vendor payments in accordance with law and policy, the OIG sampled invoice payment records within the SMT Program.

### Population

The OIG team used information extracted from VHA's Financial Management System to identify the population of invoices paid by VHA to SMT service providers during FY 2015 and the first quarter of FY 2016 (October 1, 2014, through December 31, 2015). In FY 2015, the population consisted of 204,111 invoice payments totaling approximately \$366.2 million. In the first quarter of FY 2016, the population consisted of 43,002 invoice payments totaling approximately \$83.8 million.

### Sampling Design

The OIG used a multistage stratified sampling approach to select the SMT sample. In the first stage, the population of sites was segregated first into three groups based on dollar amount per site. In the second stage, a sample of invoices was randomly selected for those sites selected in the first stage. In the third stage, a sample of riders was selected from each invoice.

For the scope period of this audit, the OIG statistically selected and tested 151 SMT invoice payment records at the selected VAMCs:

- FY 2015
  - Twenty invoice payment records associated with six sites
  - Eighteen invoice payment records associated with one site<sup>23</sup>
- FY 2016
  - Two invoice payment records associated with six sites
  - One invoice payment records associated with one site<sup>24</sup>

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<sup>23</sup> The FY 2015 sample population for this site did not have 20 invoice payment records available for testing purposes.

<sup>24</sup> The first quarter FY 2016 sample population for this site did not have two invoice payment records available for testing purposes.

## Weights

The OIG calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.

## Projections and Margins of Error

The OIG used WesVar software to calculate the weighted population estimates and associated sampling errors. WesVar employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. The margins of error and confidence intervals are indicators of the precision of the estimates. If the OIG repeated this audit with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time. Based on the sample results, the OIG team estimated VHA allowed approximately 11,900 ineligible beneficiaries to use SMT services nationwide during the audit scope period. The OIG also estimated VHA improperly paid approximately \$23 million to SMT vendors when there was no evidence beneficiaries attended medical appointments or had been properly authorized for SMT services during the scope period. These payments could total an estimated \$115 million (\$23 million multiplied by five years) in improper payments within the next five years.

The OIG team also estimated VHA improperly reimbursed approximately \$229,000 to beneficiaries who used SMT and also claimed mileage reimbursements during the audit scope period. These payments could total an estimated \$1.1 million (\$229,000 multiplied by five years) in improper payments over the next five years. The OIG team also estimated VHA could have saved approximately \$6.3 million on SMT ambulance expenditures for the period from October 1, 2012 through September 30, 2014, and an additional \$4.7 million during the scope period. These savings could total an additional \$23.5 million (\$4.7 million multiplied by five) over the next five years on SMT services by paying CMS rates for ambulance services.

**Table 2. Statistical Estimations Summary for SMT Activities<sup>25</sup>**

| Attribute                          | Point Estimate | Margin of Error | Lower Limit | Upper Limit |
|------------------------------------|----------------|-----------------|-------------|-------------|
| Ineligible Beneficiaries           | 11,900         | 6,400           | 1,300       | 22,500      |
| Improper Payments<br>(in millions) | \$23           | \$4             | \$18.9      | \$41.9      |
| Reimbursed Mileage                 | \$229,000      | \$183,000       | \$6,000     | \$412,000   |

<sup>25</sup> All monetary benefits identified during the 15-month scope period were annualized to allow for estimates to be projected on an annual basis.

| Attribute                               | Point Estimate | Margin of Error | Lower Limit | Upper Limit |
|---|----------------|-----------------|-------------|-------------|
| Ambulance Expenditures<br>(in millions) | \$4.7          | \$2.2           | \$2.5       | \$6.8       |

*Source: VA OIG statistical analysis of SMT invoice payment records*

## Appendix D: Potential Monetary Benefits in Accordance with Inspector General Act Amendments

| Recommendation | Explanation of Benefits   | Better Use of Funds  | Questioned Costs    |
|----------------|---|----------------------|---------------------|
| 1–4            | Estimated unnecessary costs associated with VAMCs approving improper payments to SMT vendors. <sup>26</sup>                   | \$115,000,000        | \$23,000,000        |
| 5              | Estimated savings associated with SMT ambulance services rates. <sup>27</sup>   | \$34,500,000         |                     |
| 6              | Estimated unnecessary costs associated with VAMCs approving improper Beneficiary Travel mileage reimbursements. <sup>28</sup> | \$1,100,000          | \$229,000           |
| <b>Total</b>   |   | <b>\$150,600,000</b> | <b>\$23,229,000</b> |

26 The OIG team identified approximately \$23 million in improper payments during the audit scope period. We estimated VHA could make an additional \$115 million (\$23 million multiplied by five years) in potential improper payments to SMT vendors over the next five years.

27 The OIG team identified savings of approximately \$11 million from October 1, 2012, through December 31, 2015. (Note: Calculations began the next fiscal year after law authorized VHA to use CMS rates.) The OIG team further estimated VHA could save an additional \$23.5 million (\$4.7 million multiplied by five) over the next five years.

28 The OIG team identified approximately \$229,000 in improper payments during the audit scope period. We estimated VHA could make an additional \$1.1 million (\$229,000 multiplied by five years) in improper payments to beneficiaries over the next five years.

## Appendix E: Management Comments

### Department of Veterans Affairs Memorandum

Date: March 26, 2018

From: Executive In Charge, Office of the Under Secretary for Health (10)

Subj: OIG Draft Report, Veterans Health Administration: Audit of the Beneficiary Travel Program, Special Mode of Transportation Eligibility and Payment Controls

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

Thank you for the opportunity to review and comment on the Office Inspector General (OIG) draft report Veterans Health Administration: Audit of the Beneficiary Travel Program, Special Mode of Transportation Eligibility and Payment Controls. I concur with OIG's report as written and provide a reply to recommendations 1 through 6.

If you have any questions, please email Karen Rasmussen, M.D., Director, Management Review Service at [VHA10E1DMRSAction@va.gov](mailto:VHA10E1DMRSAction@va.gov).

*(Original signed by)*

Carolyn M. Clancy, M.D.

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.*

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

**OIG Draft Report, Veterans Health Administration: Audit of the Beneficiary Travel Program, Special Mode of Transportation Eligibility and Payment Controls**

**Date of Draft Report: February 28, 2018**

| Recommendations/<br>Actions | Status | Target Completion<br>Date |
|-----------------------------|--------|---------------------------|
|-----------------------------|--------|---------------------------|

**Recommendation 1. We recommended the Under Secretary for Health require Veterans Integrated Service Networks to implement periodic reviews to ensure clinicians and Beneficiary Travel Office staff comply with Veterans Health Procedure Guide 1601B.05 eligibility requirements for authorizing Special Mode of Transportation services.**

**VHA Comment:** Concur. This recommendation is related to the Department of Veterans Affairs (VA) Office of Inspector General’s (OIG) finding that there are ineffective controls and oversight of Special Mode of Transportation (SMT) services and vendor payments at Veterans Integrated Service Networks (VISN) and VA medical centers (VAMC). VAMCs approved some ineligible beneficiaries for SMT services.

VHA Member Services senior leadership will pursue a delegation of authority with appropriate VA and VHA officials in order to outline ownership and accountability for maintaining and overseeing standardized control procedures to be implemented by VISNs and VAMCs. Veterans Transportation Program (VTP), in conjunction with Member Services Business Policy, has initiated enhancements to Procedure Guide 1601B.05 to include requirements to conduct periodic reviews of the Special Mode (SM) authorization and documentation review process. Member Service’s pursuit of authority to establish and maintain standard procedures will also enable VTP to direct the medical centers’ use of the SMT Reminder Dialogue consult, developed by VTP in May 2016. With consistent utilization of the SMT Reminder Dialogue consult, VHA can identify and address problems and improve the accuracy of SMT eligibility determinations.

**Status: Target Completion Date:**

In progress December 2018

**Recommendation 2. We recommended the Under Secretary for Health modify Veterans Health Administration Procedure Guide 1601B.05 to require the Beneficiary Travel Office staff to verify beneficiaries attended medical appointments prior to approving payment of Special Mode of Transportation vendor invoices.**

**VHA Comment:** Concur. This recommendation is related to VA OIG’s finding that there are ineffective controls and oversight of SMT services and vendor payments — specifically, medical appointments are not verified prior to payment at VISNs and VAMCs.

VTP has initiated enhancements to Procedure Guide 1601B.05 to include clarification that attendance at medical appointments must be verified as part of confirming services were provided prior to issuance for payment. While developing the revised procedures, VTP will issue interim training guidance during its national site calls to clarify the medical appointment attendance requirement.

**Status: Target Completion Date:**

In progress December 2018

**Recommendation 3.** We recommended the Under Secretary for Health require Veterans Integrated Service Networks to implement periodic reviews to ensure VA Medical Centers comply with Veterans Health Administration policies for verifying beneficiaries listed on vendor invoices had been properly authorized for SMT services or attended medical appointments prior to approving payment of Special Mode of Transportation vendor invoices.

**VHA Comment:** Concur. This recommendation is related to VA OIG's finding that there are ineffective controls and oversight of SMT services and vendor payments at VISNs and VAMCs.

VTP will utilize the authorities pursued in Recommendation 1 to establish requirements in Procedure Guide 1601B.05 for VAMCs to verify beneficiaries included in vendor invoices prior to issuance of SMT payments. Additionally, enhancements to Procedure Guide 1601B.05 include requirements to conduct periodic reviews of the invoice review and approval process.

**Status: Target Completion Date:**

In progress September 2018

**Recommendation 4.** We recommended the Under Secretary for Health ensure the Improper Payments Elimination and Recovery Act reports provided to Veterans Integrated Service Networks are modified to include Special Mode of Transportation information specific to vendor payments by VA Medical Centers.

**VHA Comment:** Concur. This recommendation is related to VA OIG's finding that there are ineffective controls and oversight of SMT services and vendor payments at VISN and medical centers.

While VISN-level Improper Payments Elimination and Recovery Improvement Act (IPERA) reports did not provide SMT specific information prior to and during 2017, VHA's IPERA SharePoint Web site included real-time Dashboard reporting functionalities that allowed VISNs and VAMCs to filter results of IPERA evaluations by transportation (special mode) and benefit (mileage) sample types, as well as by VISN and VAMC number. Moving forward, annual VISN-level IPERA reports will also include evaluation results specific to sample types.

**Status: Target Completion Date:**

In progress December 2018

**Recommendation 5.** We recommended the Under Secretary for Health implement use of Centers for Medicare and Medicaid Services Rates when savings can be achieved for Special Mode of Transportation ambulance services in accordance with 38 U.S.C. Section 111(b)(3)(C).

**VHA Comment:** Concur. This recommendation is related to VA OIG's finding that VHA did not implement policy to save on ambulance costs.

Upon release of 38 U.S.C. Section 111(b)(3)(C) VTP sought the Office of General Counsel's (OGC) opinion on the ability to immediately implement the lesser Centers for Medicare and Medicaid Services (CMS) rates to ensure there was no conflict with Beneficiary Travel (BT) regulatory authority within 38 CFR Part 70. It was OGC's opinion that BT regulation changes were needed to adopt payment of CMS rates. VTP added CMS rates to its proposed regulatory changes; however, due to other additions, modifications required longer than anticipated to complete and approve. VTP has since separated the

change to CMS rates from the base regulation updates in order to expedite approval. The CMS change is currently in OGC for concurrence. Once the regulation is published as a final rule, use of CMS Rates will be implemented.

**Status: Target Completion Date:**

In progress December 2018

**Recommendation 6. We recommended the Under Secretary for Health implement controls to prevent beneficiaries using SMT services from also obtaining mileage reimbursement for the same appointment(s).**

**VHA Comment:** Concur. This recommendation is related to VA OIG's finding that some SMT beneficiaries improperly claimed and received mileage reimbursements at VISNs and VAMCs.

VTP will utilize the authorities pursued in Recommendation 1 to establish requirements in Procedure Guide 1601B.05 implementing procedures to alert BT staff of SM services provided at VA expense prior to authorizing mileage payments.

**Status: Target Completion Date:**

In progress December 2018

## OIG Contact and Staff Acknowledgments

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