



# DEPARTMENT OF VETERANS AFFAIRS

## OFFICE OF INSPECTOR GENERAL

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OF THE OFFICE OF AUDITS AND EVALUATIONS  
OFFICE OF INSPECTOR GENERAL, US DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
COMMITTEE ON VETERANS' AFFAIRS, US HOUSE OF REPRESENTATIVES  
HEARING ON  
*"COUNTING THE MONEY: PREVENTING FRAUD AND ABUSE IN  
VA'S BONUS PAYMENT PRACTICES FOR VA EMPLOYEES"*  
JULY 22, 2025

Chairwoman Kiggans, Ranking Member Ramirez, and members of the Subcommittee, thank you for the opportunity to testify on the independent oversight conducted by the Office of Inspector General (OIG) on the Veterans Health Administration's (VHA) management of staff recruitment, relocation, and retention incentives. These incentives are intended for hard-to-fill positions as well as retaining high-quality staff that may otherwise leave. The OIG has repeatedly published reports evaluating VHA's actions to address significant staffing shortages in key positions—often referred to as “critical need” occupations.<sup>1</sup> The OIG's work continues to focus on ensuring VHA uses these incentives effectively and appropriately to be strong stewards of taxpayer dollars and mitigate any risks to the delivery of health care to veterans.

Last month, the OIG published a report evaluating VA's controls over and governance of the use of recruitment, relocation, and retention incentives for VHA positions.<sup>2</sup> While much of this statement focuses on the findings and recommendations from that audit, it is just the latest in a long line of reports on VHA's staffing gaps and the use of incentive payments. The OIG provides annual reports of VHA staffing shortages, as well as other audits and reviews that identify deficiencies. In addition, OIG reports have highlighted weaknesses in VHA's processes and the lack of measures to prevent the improper use of incentive payments, several of which are also discussed below.

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<sup>1</sup> The OIG has been mandated to provide annual reports on critical occupational shortages since 2015 and also flags concerns about inadequate staffing in its other audits, reviews, and inspections when appropriate. OIG oversight reports can be found on its website at [www.vaogig.gov/reports/all](http://www.vaogig.gov/reports/all).

<sup>2</sup> VA OIG, [Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight](#), June 12, 2025.

## PERSISTENT STAFFING CONCERNS AND INCENTIVE REQUIREMENTS

Occupational shortages for clinicians as well as support and security functions have been a long-standing challenge for VHA. These critical need occupations are often difficult to fill due to such factors as limitations on the availability and quality of candidates, unfavorable employment trends, and undesirable duties or geographic location. Designating an occupation as experiencing a shortage does not always mean there are shortfalls at any specific facility. Rather, the designation reflects an identified challenge for recruiting and retaining staff across VHA for needed positions due to such factors as national labor force shortages and competition.<sup>3</sup>

VA is authorized by law to offer financial incentives to entice candidates to accept positions that are difficult to fill or to keep high-quality staff who may leave. VA may offer recruitment, relocation, and retention incentives to mitigate challenges in maintaining its workforce.<sup>4</sup> Generally, VA can authorize an incentive at a rate up to 25 percent of an employee's basic pay. From fiscal years (FYs) 2020 through 2023, VHA paid about \$1.2 billion for these incentives to about 134,000 personnel—with nearly 76 percent of those funds committed to employee retention.<sup>5</sup>

Effective use of these incentives requires fully documented justifications that are vetted through an established review and approval process that includes these major steps:<sup>6</sup>

- A recommending official (generally the supervisor) initiates and provides justification for the incentive.
- The Veterans Integrated Service Network (VISN) human resources office reviews the request and provides technical guidance.<sup>7</sup>
- An approving official (the VISN or VA medical center director) determines whether to approve or reject the incentive request.

The justification for recruitment and relocation incentives must demonstrate that a position is difficult to fill without the use of an incentive. The justification for a retention incentive, however, must show both

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<sup>3</sup> According to the VHA Workforce Management and Consulting's annual Shortage Occupation reports, a national shortage occupation is one identified by 20 percent or more of VHA healthcare systems or 50 percent or more of Veterans Integrated Service Networks or national offices during an annual planning cycle.

<sup>4</sup> Recruitment, relocation, and retention incentives are authorized under 5 U.S.C. §§ 5753 and 5754 and are extended to title 38 employees under the authority of 38 U.S.C. § 7410. Title 38 employees are those individuals appointed under 38 U.S.C. § 7401, which permits the VA Secretary to hire personnel necessary for the health care of veterans.

<sup>5</sup> VA OIG analysis of VHA Support Service Center incentive data.

<sup>6</sup> VA Handbook 5007; Recruitment and Placement Shared Services Unit and Strategic Business Unit, "Recruitment and Relocation Incentives" (job aid), October 8, 2021.

<sup>7</sup> VA has 18 Veterans Integrated Service Networks (VISNs) across the nation. They comprise a regional network of care in which each VISN oversees VHA local healthcare facilities in their assigned area. See [www.va.gov/HEALTH/visns.asp](http://www.va.gov/HEALTH/visns.asp).

the need to retain an employee and the basis for determining whether the employee would leave VA without an incentive.

## **VA DID NOT EFFECTIVELY OVERSEE THE INCENTIVE PROCESS TO ENSURE REQUIRED INFORMATION TO SUPPORT AN AWARD WAS CONSISTENTLY CAPTURED**

In the most recent report released in June, an OIG team evaluated VA's controls over recruitment, relocation, and retention incentives to determine whether their use for VHA positions was effectively governed. The audit focused on incentive awards paid to VHA employees from FYs 2020 through 2023. The audit team also examined and tested many of VA's actions taken in response to a prior 2017 OIG report on lapses in overseeing incentives (described more fully in the discussion of prior oversight).

Overall, the OIG's recent findings include that VHA extensively used recruitment, relocation, and retention incentives to support staffing needs. In FYs 2022 and 2023, VHA paid about \$828 million in incentives to about 130,000 employees. Of these payments, nearly 90 percent went to employees in occupations on the staffing shortage lists in FY 2022, and 88 percent were to individuals on those lists in FY 2023.<sup>8</sup>

However, VA did not effectively govern the incentive process to make sure that responsible VHA officials consistently captured mandatory information to support an incentive award. The required documentation helps provide assurances that incentives are properly used and is needed for effective oversight reviews. The OIG team found that incentive forms were missing or had insufficient justifications, with some forms lacking necessary signatures. Further, VHA officials did not always include sufficient workforce and succession plan narratives for reducing or eliminating the retention incentives, provide employee performance ratings required for relocation incentives, or obtain self-certifications from employees stating they had relocated before receiving their incentives. VHA also did not effectively enforce policies and fully address deficiencies previously identified by the OIG. Last, the team found some VHA employees continued to receive retention incentive payments after their award period had expired, sometimes for many years.

VA concurred with the report findings and all recommendations detailed in the following sections and provided acceptable corrective action plans and completion timelines. The OIG will monitor VA's progress implementing these recommendations until sufficient evidence is provided to enable closure.<sup>9</sup>

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<sup>8</sup> An employee is not required to be in a critical need occupation to receive an incentive.

<sup>9</sup> At quarterly intervals commencing 90 calendar days from the date of the report's issuance, the OIG sends a follow-up status request to the VA office overseeing corrective action asking for an implementation status report. VA is provided 30 calendar days to respond. The OIG will make the first request for an update on this report on or about September 12, 2025.

### **VHA Officials Did Not Always Maintain Documentation or Properly Develop and Sign Justifications Supporting Incentive Awards According to VA Policy**

VA officials must justify, review, and approve incentives before they are awarded and must maintain documentation for six years that is adequate to reconstruct the support for each recruitment, relocation, or retention incentive. The OIG team encountered numerous instances in which the responsible VHA human resources officials could not provide documentation supporting an incentive award, preventing the OIG from determining whether those incentives complied with policy. Furthermore, when documents were available for review, VHA did not always properly develop and review incentive justifications or ensure documents were signed by the appropriate officials. Overall, the team estimated that VHA paid incentives to 38,800 of 130,000 employees (about 30 percent) when the award justification could not be verified or was insufficient. This included employees who lacked incentive justification forms, received incentive payments based on a justification that did not meet VA requirements, and received incentive payments when one or more of the required signatures was missing. As a result, VHA paid employees about \$340.9 million in incentives that were not adequately supported. To address these deficiencies, the OIG recommended that VHA establish internal control procedures to make certain that recruitment, relocation, and retention incentive documentation is appropriately maintained in accordance with VA policy and guidance.

### **Human Resources Offices Did Not Always Ensure Supplemental Information Was Completed for Retention and Relocation Incentives**

VA policy requires that incentive packages contain supporting elements to be considered complete. This varies by type of incentive, such as needing a workforce and succession plan narrative on the retention form. For relocation forms, documentation must include employees' self-certification that the move was made, as well as their performance rating. The audit team found these elements were not always completed. Approximately 20 percent of the retention incentives VHA paid were based on forms that lacked sufficient workforce and succession plan narratives. The team also estimated that at least 7 percent of relocation incentive payments were based on forms that did not indicate whether the employee was rated as at least "fully successful" despite being signed by the recommending, the reviewing, and the approving officials. Finally, VISN human resources staff could not produce self-certifications of a move for an estimated 71 percent of employees who received relocation incentives. The OIG team recommended VISN human resources offices enforce procedures and perform quality control checks to make sure that incentive documentation complies with VA policy.

### **VHA Did Not Effectively Enforce VA Policies and Address Programmatic Deficiencies**

In the 2017 OIG audit of recruitment, relocation, and retention incentives discussed below, the OIG recommended VA review and update procedures to ensure effective internal controls and oversight of incentives. In response, the Office of Human Resources and Administration/Operations, Security, and Preparedness (HRA/OSP) added requirements for responsible VA offices to certify annually that

authorized incentives were appropriate and complied with VA policy, that retention incentives addressed workforce and succession plans, and that employees self-certified that they established residency in a new geographic area before receiving a relocation incentive. During the June 2025 audit, the team found VHA did not sustain or enforce these updated policies to make certain that incentive packages were completed before authorization. Furthermore, the HRA/OSP's Office of the Chief Human Capital Officer and VISN quality assurance teams were tasked with conducting periodic oversight of incentive awards. Although these oversight measures identified errors, they did not address systemic weaknesses in the request and authorization of incentives. In addition, these reviews did not prevent incentive packages from being processed and paid based on insufficient justifications because the reviews occurred after the incentives were awarded. Consequently, the OIG made recommendations that VHA and HRA/OSP establish accountability measures to ensure quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

### **Employees Received Retention Incentives Past Their End Dates**

VA policy requires the approving official to review any active retention incentives annually to determine whether they are still needed. Retention incentives must be terminated if the annual review is not completed on time.<sup>10</sup> The OIG team identified 28 employees who received retention incentive payments after the award period had expired without evidence that VHA reviewed and recertified the incentives. These employees received incentive payments up to an additional 11-and-a-half years beyond the expiration date, averaging about eight years per employee. Without the required recertification, VA improperly paid about \$4.6 million collectively to employees for incentives that should have been terminated. According to VISN human resources staff, this occurred because when VA switched their information systems to HR Smart—incrementally between 2015 and 2016—incentive end dates may have failed to transfer, allowing payments to continue.<sup>11</sup> A VHA official also stated that in some cases incentive data were not properly entered into HR Smart, which also resulted in payments continuing after the termination date. The OIG recommended that VHA assess whether retention incentive payments have been appropriately recertified or should be terminated, assess whether recoupment of funds is warranted, and establish oversight procedures to prevent payments from continuing after the expiration date.

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<sup>10</sup> VA Handbook 5007 states all retention incentives must be reviewed and recertified at least annually. Incentives that are not reviewed and recertified will be automatically terminated by VA's human resources personnel processing system or manually terminated by the servicing human resources office.

<sup>11</sup> HR Smart is VA's system of record. It contains VA position and employee data, such as employee compensation and benefits. HR Smart automatically terminates an incentive at its conclusion; however that control requires an accurately populated end date.

## PRIOR OIG OVERSIGHT OF VHA STAFFING SHORTAGES AND INCENTIVE PAYMENTS

The OIG has reported on persistent staffing shortages at VHA for at least a decade, as well as continued oversight of the improper management and use of incentive payments. Examples of relevant OIG reports are highlighted below.

### OIG Annual Determinations of VHA's Reported Staffing Shortages

As noted earlier, the OIG has been mandated since 2015 to annually publish reports that identify VHA occupations with staffing shortages.<sup>12</sup> Starting in 2017, the law was updated to require that these reports identify a minimum of five clinical and five nonclinical VHA occupations with the largest staffing shortages within each VA medical center.<sup>13</sup> The OIG also compares the number of severe occupational staffing shortages against the previous years' reports to assess changes. The data compiled by OIG is based on self-reporting from each VA medical center and is considered a descriptive review intended for informational purposes.<sup>14</sup> The most recent published report, released in August 2024, is the 11th in the series and the 7th to identify severe occupational staffing shortages down to the facility level.<sup>15</sup> The 2025 staffing report is expected to be released in August 2025.

The top VHA clinical and nonclinical occupation shortages identified in the FY 2024 report are shown in the two charts below, along with the percentage of VA medical centers who reported the position as a shortage in FY 2024 and in previous years.

#### VHA Clinical Occupation Shortages

|                             | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------|------|------|------|------|------|------|------|
| <b>Psychology</b>           | 41%  | 34%  | 34%  | 43%  | 53%  | 65%  | 61%  |
| <b>Practical Nurse</b>      | 33%  | 33%  | 35%  | 37%  | 62%  | 67%  | 60%  |
| <b>Psychiatry</b>           | 70%  | 61%  | 60%  | 50%  | 51%  | 53%  | 47%  |
| <b>Nursing Assistant</b>    | 11%  | 15%  | 19%  | 20%  | 38%  | 50%  | 46%  |
| <b>Medical Technologist</b> | 40%  | 38%  | 32%  | 36%  | 47%  | 47%  | 45%  |
| <b>Primary Care</b>         | 47%  | 39%  | 37%  | 41%  | 43%  | 43%  | 45%  |

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<sup>12</sup> Veterans Access, Choice, and Accountability Act of 2014, Pub. L. No. 113-146, 128 Stat. 1754 (2014). The VHA staffing publications can be found on the OIG reports page filtered for these [annual reports](#).

<sup>13</sup> VA Choice and Quality Employment Act of 2017, Pub. L. No. 115-46, 131 Stat. 958 (2017) § 201.

<sup>14</sup> The OIG surveyed VHA-identified medical center points of contact to determine severe occupational shortages at each facility. It should be noted that the OIG does not verify or otherwise confirm the survey responses.

<sup>15</sup> VA OIG, [OIG Determination of Veterans Health Administration's Severe Occupational Staffing Shortages Fiscal Year 2024](#), August 7, 2024. There are 11 reports because two reports were released in 2015: one on January 30, 2015, to meet the statutory deadline of 180 days after the law was passed, and one on September 1, 2015, to meet the recurring annual deadline of September 30.

### VHA Nonclinical Occupation Shortages

|                                  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------------------|------|------|------|------|------|------|------|
| <b>Custodial Worker</b>          | 33%  | 39%  | 47%  | 42%  | 69%  | 68%  | 59%  |
| <b>Medical Support Assistant</b> | 18%  | 24%  | 26%  | 45%  | 63%  | 70%  | 50%  |
| <b>Police</b>                    | 37%  | 46%  | 45%  | 43%  | 45%  | 53%  | 43%  |
| <b>Food Service Worker</b>       | 22%  | 22%  | 27%  | 29%  | 43%  | 53%  | 37%  |
| <b>Biomedical Engineering</b>    | 21%  | 17%  | 13%  | 23%  | 21%  | 24%  | 26%  |

This work shows that, despite the ability to make noncompetitive appointments for such occupations, VHA continues to experience severe occupational staffing shortages for positions that are fundamental to the safe and effective delivery of high-quality health care. While the OIG does not make recommendations in these descriptive reviews, the work emphasizes the importance of VHA's continued assessment of severe occupational staffing shortages. In addition, the OIG routinely raises concerns about staffing deficiencies in the course of oversight work stemming from specific hotline complaints, cyclical healthcare inspections, and other reports from medical facility staff regarding patient care.

#### A 2017 Review Found VA Had Inadequate Controls Over Incentive Processes

In the January 2017 report referenced earlier, the OIG found that VA needed to improve controls over its use of recruitment, relocation, and retention incentives to ensure they were strategically and prudently used to help recruit and retain highly qualified employees in hard-to-fill positions.<sup>16</sup> The OIG team substantiated an allegation submitted to the OIG hotline that VA did not ensure two senior executive service recruitment incentives and 19 senior executive service relocation incentives were properly authorized before making recommendations to the former VA chief of staff to award them. Further, VHA did not properly authorize 33 percent of recruitment incentives and about 64 percent of relocation incentives awarded to non-senior executive service employees in FY 2014. The OIG also found most retention incentives lacked adequate workforce and succession plans as required. As of July 2020, all recommendations from this report were closed by the OIG, as VA had taken satisfactory steps at that time to implement the needed changes. Those advances, however, were not sustained and staff practices have not complied with the related policies that flowed from those recommendations.

#### VHA and Other Executives in VA's Central Office Were Improperly Awarded Critical Skills Incentives

In May 2024, the OIG reported VA improperly awarded \$10.8 million in critical skill incentives to VHA and Veterans Benefits Administration (VBA) central office senior executives.<sup>17</sup> Critical skill incentives

<sup>16</sup> VA OIG, [Audit of VA's Recruitment, Relocation, and Retention Incentives](#), January 5, 2017.

<sup>17</sup> VA OIG, [VA Improperly Awarded \\$10.8 Million in Incentives to Central Office Senior Executives](#), May 9, 2024.

are a unique type of incentive pay authorized for VA through the PACT Act.<sup>18</sup> They are only available to an employee who “possesses a high-demand skill or skill that is at a shortage” at a rate up to 25 percent of basic pay. VA’s first critical skill incentives were approved in March 2023 for human resources specialists to support increased hiring.

The OIG reported VHA and VBA awarded critical skill incentives to nearly all central office executives without support that showed the positions were in high demand or had the required critical skills required by VA policy. Specifically, 182 senior executives received incentive payments averaging about \$60,000 each. The OIG found that most of VA’s internal controls were ineffective in preventing improper awards to central office senior executives and that the critical skill incentive policy was inconsistently followed. The recommendations included that VA review critical skill incentive payments for compliance with governing policy and clarify the roles and responsibilities of those who oversee critical skill incentives. The OIG recommendations have been closed based on sufficient documentation of implementation provided by VA.

## **UPCOMING OIG OVERSIGHT WORK RELATED TO VHA INCENTIVE PAYMENTS**

In a review that will be published in the coming months, the OIG assessed whether VHA employees who received recruitment, relocation, or retention incentive payments met their service obligations—that is, whether the employees remained in their positions and duty stations for the periods stated in their agreements. For employees who did not fulfill these requirements, the OIG team examined whether VA took action to initiate a debt notice, if warranted. This review reflects the OIG’s continuing commitment to identifying any causes or conditions that impede VHA’s efforts to appropriately administer and monitor staff incentive pay programs.

## **CONCLUSION**

The OIG’s body of oversight work has highlighted VHA’s ongoing challenges with severe occupational shortages in essential clinical and nonclinical positions. Multiple OIG reports have also shown that VHA has repeatedly failed to ensure that attempts to narrow those staffing gaps through recruitment, relocation, or retention incentives consistently follow applicable policies and procedures. These failings are not routinely detected by VA’s quality control measures. VHA must emphasize to responsible personnel the importance of compiling all required supporting documentation to safeguard against improper payments. The OIG will follow up on all open recommendations from the most recent oversight report released in June until VHA can show adequate evidence that necessary corrections have been made and can be sustained. OIG teams will continue to monitor VHA’s staffing needs and the use

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<sup>18</sup> The PACT Act refers to the Sergeant First Class Heath Robinson Honoring Our Promise to Address Comprehensive Toxics Act of 2022, Pub. L. No. 117-168, 136 Stat. 1759.

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of incentive payments to hold VHA accountable for providing safe and high-quality care to veterans while making the most effective use of taxpayer dollars.

Chairwoman Kiggans and Ranking Member Ramirez, this concludes my statement. I would be happy to answer any questions you or members of the subcommittee may have.