IS VA ILLEGALLY SPENDING TAXPAYER DOLLARS IN ITS COMPENSATION AND PENSION PROGRAMS?

HEARING

BEFORE THE

SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS

OF THE

COMMITTEE ON VETERANS' AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

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C O N T E N T S

WEDNESDAY, FEBRUARY 14, 2024

WITNESSES

APPENDIX

PREPARED STATEMENTS OF WITNESSES

IS VA ILLEGALLY SPENDING TAXPAYER DOLLARS IN ITS COMPENSATION AND PENSION PROGRAMS?

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WEDNESDAY, FEBRUARY 14, 2024

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DISABILITY ASSISTANCE & MEMORIAL
AFFAIRS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:31 p.m., in room 360, Cannon House Office Building, Hon. Morgan Luttrell (chairman of the subcommittee) presiding.

Present: Representatives Luttrell, Ciscomani, Crane, Self, Pappas, Deluzio, and Ramirez.

OPENING STATEMENT OF MORGAN LUTTRELL, CHAIRMAN

Mr. LUTTRELL. Please have a seat. Thank you. Forgive my tardiness. Traffic was terrible. I am totally making that up. The subcommittee will come to order. Good morning.

Today we are here to take a closer look at whether the Veterans Benefits Administration (VBA) is responsible for steward of the more than 100 billion taxpayer dollars that Congress provides every year. In short, that means paying each veteran the correct amount of benefits they have earned. When VBA makes underpayments, veterans' budgets get stretched. When VBA makes overpayments, taxpayer dollars are wasted and veterans and their families get put into difficult positions of owing debts to the VA simply because VBA makes a mistake.

Year after year, VBA leaders have failed to clean up their policies, which they are most certainly working on, procedures, and element improper payments in the pension programs. Over the last year, the pension program issued over $1.3 billion in improper payments. That is an error rate of over 10 percent. Over $860 million were overpaid within VBA's control, usually because they failed to properly use some of the data or information that they have access to.

Much of the overpayments were due to the VBA's failing to do their due diligence and veterans' benefits income information from the Social Security Administration (SSA). That income information was inaccurate for over a decade. When VBA stopped relying on the Social Security income data, they started depending on only veterans to self report any changes in their income. This was a

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massive error. Many of the veterans did not understand that they had to report or they were unable to do so.

We appreciate that several senior VA leaders have stated that the veterans will not be forced to repay the pension overpayments, but this should have never happened in the first place. If VBA has already implemented a reasonable, effective policy at any point during the last decade, the improper payments would have been reduced before they even go out.

The improper payment situation and the disability compensation program is not very encouraging either. VA has declared victory here, but the underlying data is a bit murky. In 2021, someone at the VA determined the improper payments had fallen below the reporting threshold, so they permanently stopped reporting. They also stopped sampling and testing the payment data. I understand they are still doing risk audits, but that seems to involve reviewing policies and procedures, not crunching the payments that are necessary. Meanwhile, we are consistently encountering examples of incorrect compensation payments.

Just two weeks ago, surviving spouses testified at the full committee hearing that VBA's long delays in discontinuing dependencies and indemnity compensation payments are creating overpayments debt that surviving spouses have to repay. In September, we had a subcommittee hearing where we examined VBA's failure to process over 81,000 veterans' request to add or remove dependents. We still do not know exactly how many overpayments or underpayments that were created.

Again, I appreciate the assurance we have heard from the VA that it will not claw back these debts from the veterans that were caused by the VBA's mistakes. This is just another example of how accounting problems cause serious problems.

I have looked forward to hearing from our witnesses about a strategy to resolve the pension improper payments and a better explanation about the disability compensation improper payments thus far. Transparency is crucial so veterans can have confidence in VA and the taxpayers can trust that their money is being well spent on those that have earned it. Today we are going to be hearing from VA and the Office of Inspector General (OIG). I want to thank everybody for coming.

I yield to the ranking member for his opening remarks.

OPENING STATEMENT OF CHRIS PAPPAS, RANKING MEMBER

Mr. PAPPAS. Thank you, Mr. Chairman. Clearly, the issue of improper payments, whether they be overpayments, underpayments, or a result of waste, fraud, abuse, or simple human error, is a concern that I share with my colleagues on both sides of the aisle. We all want to ensure that VA is good stewards of taxpayer money, that programs are efficiently and effectively run, and that benefits are accruing to those we intend. However, we must always remember that the programs designed by Congress and implemented by the executive branch are by, for, and about human beings and are subject to all the flaws and frailties that humans have. Humans make mistakes despite their best intentions, and so I think we must focus our attention on ensuring that programs have strong in-

ternal controls and that everything is being done to get it as right as possible.

I appreciate you, Chairman Luttrell, for holding this hearing to examine improper payments at the Veterans Benefits Administration. I will express some concern over the unnecessarily provocative title of this hearing as it presupposes malfeasance without this subcommittee having received evidence of such.

I look forward to hearing testimony from VBA and VA's Office of Inspector General today and learning about the extent to which they are doing all they can to hold themselves accountable and guard program integrity. We must remember that the mistakes of human nature do not equal malice, and they certainly do not present evidence of legal activity.

Thank you, Mr. Chairman. I yield back.

Mr. LUTTRELL. Our witnesses from VA today, Mr. Ronald Burke, the deputy undersecretary for policy and oversight in the Veterans Benefits Administration. Mr. Burke is joined by Ms. Lasheeco Graham, Chief Financial Officer for the Veterans Benefits Administration. Mr. Brent Arronte, the deputy assistant inspector general for audits and evaluations, will testify on behalf of VA's Office of Inspector General. Mr. Arronte is joined by Ms. Dana Sullivan, director of claims and appeals for OIG's Office of Audits and Evaluations.

I would like to swear in the panel, so please stand. Raise your right hand.

[Witnesses sworn.]

Mr. LUTTRELL. Thank you, and let the record reflect that the witnesses have answered in the affirmative.

Thank you for being here today, Mr. Burke. You are now recognized for 5 minutes to deliver your opening statement.

STATEMENT OF RONALD BURKE

Mr. BURKE. Chairman Luttrell, Ranking Member Pappas, and other members of the subcommittee, thank you for inviting us here today to discuss VA's financial management policies and practices. Joining me today is Lasheeco Graham, the chief financial officer for the Veterans Benefits Administration.

Mr. Chairman, at VA, we believe that veterans, their families and survivors have served and sacrificed for our country. We take our mission to serve veterans very seriously. We also take our responsibility as stewards of taxpayer dollars equally as seriously and want to assure Congress that VA is not illegally spending taxpayer dollars.

VA works diligently to safeguard veterans and beneficiaries' financial well-being by using a range of strategies to proactively address and mitigate potential improper payment issues as quickly as possible. Improper payments, such as overpayments, occur in less than 7 percent of award actions processed by VA. For example, in Fiscal Year 2023, VA processed over 4.2 million award actions, of which improper payments occurred in 6.87 percent of those actions. We are committed to reporting improper payments to Congress and have made significant improvements to identify and prevent such payments.

VBA began reporting improper payments to Congress in 2004 as required by the Improper Payment Information Act of 2002. Since then, there have been a series of laws that aim to identify, prevent, and recover improper payments in Federal spending. The current law is the Payment Integrity Information Act (PIIA) of 2019, signed into law March 2, 2020.

PIIA and Office of Management and Budget (OMB) require programs determined to be at significant risk of improper payments, either improper payment rates of both 1.5 percent of program outlays and $10 million or $100 million, to produce statistically valid estimates of improper payments through sample testing.

Since 2004, VBA has made every effort to identify and report improper payments in alignment with legislation and implementation guidance provided by OMB. Currently, VBA pension is the only program still required to report improper payments. All other programs were removed from testing requirements with concurrence from the Office of Inspector General.

VBA's disability compensation program demonstrated commitment to improve payment integrity through the implementation of effective corrective actions. On April 2, 2021, the program was removed from the testing and reporting requirements of PIIA. However, VBA's disability compensation program is still required to perform annual risk assessments and recapture and recover activities.

VA has documented processes for collections, pre-and post-payment reviews to identify and recover overpayments as required by OMB. The VA also includes using quarterly payment reviews to identify possible duplicates and overpayments.

Additionally, VA proactively reviews potential situations for improper payments through various data matching agreements with several Federal agencies. These data matching agreements allow VA to receive information on a regular basis to determine a beneficiary's original and continued entitlement to VA benefits. This assists in identifying improper payments to beneficiaries with the intent to reduce potential overpayments that would otherwise be discovered based on information reported by the beneficiary or their fiduciary. VA currently has interagency data sharing programs with the Social Security Administration, the Internal Revenue Service (IRS), the Department of Justice, the Federal Bureau of Prisons, the Defense Manpower Data Center, and the Department of Defense.

In addition to our commitment to reporting issues to Congress under the law, VA also ensures transparency for issues concerning improper payments discovered by VA. As an example, in 2011, VA discovered a data quality issue with the results of the Social Security income match, which is a computer matching agreement with SSA used to validate SSA income for pension recipients. From 2011 through 2017, VA continuously collaborated with SSA to resolve this issue. On March 13 of 2021, VA and Social Security reestablished the SSA income match, resulting in the creation of large beneficiary debts going back several years.

Recognizing the hardship and distress that these debts may have caused, on November 2, 2023, VA paused the collection of all established debts and the establishment of new debts. VA will not collect

debts associated with the data quality issue and will refund any payments made on these debts.

As of February 1, 2024, VA has determined that approximately 12,369 beneficiaries have been affected due to the SSA match data quality issue. This population is still being assessed for a total overpayment amount. VA remains committed to ensuring that claimants affected by VA delays in processing overpayments due to the quality data issue with the SSA matching program are not negatively impacted.

It is important to note that anytime VA is required to establish a debt, such as when VA proposes to reduce or terminate a benefit based on information or evidence from a third party received by VA, all beneficiaries are afforded due process rights under the Constitution. This means that before we take any adverse action, VA provides a statement of our proposed decision, including all of the details, in order for the beneficiary to have ample understanding of VA's proposed decision and then provides the beneficiary 60 days to respond.

In addition to due process rights, the beneficiaries also afforded their right to present evidence, request a personal hearing, and to have representation. This helps beneficiaries by explaining the basis for a proposed adverse action and provides ample time to submit evidence showing why the action should not be taken.

However, anytime a debt does need to be established based on evidence and after due process is afforded, beneficiaries will have all existing debt relief opportunities, including requesting extended payments, requesting a waiver, or disputing the debt. Debt relief is available through VA's Debt Management Center for all benefit debts to include a waiver, suspension, compromise, or payment plan. All debtors may be eligible for VA's financial relief options mentioned above, in addition to filing a dispute or an appeal.

Across VA we are committed to providing the high-quality care our veterans have earned and deserve. We continue to improve services to meet the needs of our veterans and their families. We are grateful for the resources that Congress has provided to VA and pledge to do all that we can to ensure they are used as effectively as possible.

Thank you for the opportunity to appear before you today. Mr. Chairman, this concludes my statement. My colleague and I are prepared to respond to any questions you or other members of the committee may have. Thank you.

[THE PREPARED STATEMENT OF RONALD BURKE APPEARS IN THE APPENDIX]

Mr. LUTTRELL. Thank you, sir. The written statement of Mr. Burke will be entered into the hearing record.

Mr. Arronte, you are now recognized for 5 minutes to deliver your opening statement.

STATEMENT OF BRENT ARRONTE

Mr. ARRONTE. Chairman Luttrell, Ranking Member Pappas, and members of the subcommittee, thank you for the opportunity to testify on the Office of Inspector General's oversight of the Veteran Benefits Administration's compensation and pension programs.

These programs provide critical support to veterans, their survivors, caregivers, and family members.

As you noted, I am accompanied by Ms. Dana Sullivan, who has led many of our reviews of VBA programs.

The OIG focuses on illegal and improper payments of all kinds, whether it is criminal fraudulent investigations, audits that examine underpayments and overpayments, and reviews of potential waste. Our independent oversight teams are dedicated to making meaningful findings and recommendations that advance VBA's efforts to provide prompt and accurate benefits and services to eligible recipients while making efficient use of its funds.

We know that many veterans and other beneficiaries rely on their monthly benefit payments and that their well-being is at risk when significant claims processing errors are made. Our oversight work helps VBA identify deficiencies in their processes, systems, and internal controls that can lead to corrective action and make its leaders and personnel better stewards of taxpayer dollars.

Despite the dedicated work of VBA personnel, the OIG's body of work on VA's compensation and pension programs has found that improper payments are often caused by ineffective internal controls, inadequate technology, or human error resulting from complicated and unclear policies and guidance. In my written statement, I describe how VBA struggles with designing, implementing, and monitoring its technological infrastructure and processes.

We see areas that require continuous improvement, such as strengthening an individual's email address who was responsible for determining if benefit payments should continue or if they should be suspended based on fleeing from a felony. This created a single point of failure when that individual was out of the office and missed the email. This type of incident is mitigated with stronger VBA internal controls.

In another report, we found VBA continued to send payments to veterans for up to 7 months after their deaths. VBA staff did not realize this error in processing until the OIG identified the mistake during our review of the Social Security death match process. VBA officials did not provide sufficient monitoring at that time to prevent or identify these types of errors.

The OIG is committed to providing effective and independent oversight of claims processing activities and VBA operations. Further, we have developed training for all VA staff on how to engage with the OIG. This training details for VBA and other personnel how and when to report suspected wrongdoing, including waste and illegal payments.

Additionally, we now send routine fraud alerts to all VA staff and other stakeholders, alerting them to high-risk processes and indicators of fraudulent activity.

Chairman Luttrell, Ranking Member Pappas, and members of the subcommittee, this concludes my statement. We would be happy to answer any questions that you may have. Thank you.

[THE PREPARED STATEMENT OF BRENT ARRONTE APPEARS IN THE APPENDIX]

Mr. LUTTRELL. Thank you, sir. The written statement of Mr. Arronte will be entered into the hearing record.

We will now move to questioning. I recognize myself for 5 minutes.

Mr. Burke, Ms. Graham, the ranking member, myself, and Mr. Self expected a response on a letter that we sent you about improper payments on Monday. We have not received it. Do you have that letter on you right now?

Mr. BURKE. Mr. Chairman, no, sir, I do not.

Mr. LUTTRELL. Now I am compelled to ask you why you would come to our committee in front of us, the ranking member and myself, and not have the answers to the questions that we are requesting. Can you look me square in the face and tell me when that is happening?

What I want you to understand is that he and I are taking this very seriously. The whole committee is. All right? We just do not sit down and write these letters to send out just so you do not respond to it. I am going to wire brush you a little bit, okay. You knew you were coming here whether or not you expected me to ask you about this, or is it Ms. Graham? Either one of you, I got both your names in front of me. Which one of you? Is it you, sir?

Mr. BURKE. It is me, sir.

Mr. LUTTRELL. Okay. Now, I would request that you have that to me before you walk out of here, which I do not think you are going to be able to do. If you could have that to me by the end of the week, I would appreciate that.

Mr. Arronte, how long have you been in this position?

Mr. ARRONTE. I have been in this position since 2015, and I have been with the OIG since 2008.

Mr. LUTTRELL. Okay. Are these reports that you are giving us today, are there similarities from last year, the year before, the last 5 years, and last 10 years to these particular issues of overpayment?

Mr. ARRONTE. Yes, Sir. Every time we look at an area that involves claims processing, without fail, we find underpayments and over-payments.

Mr. LUTTRELL. How much money did we overpay? The fugitive thing has got me kind of spun up a little bit. That is a bit ridiculous, especially if it is just landing on one single point of failure.

How much money did we in the VA spend that was overpayment, waste, fraud, or abuse? What was the dollar amount, Mr. Burke? Ms. Graham?

Ms. GRAHAM. Sir, with regarding compensation and pension for Fiscal Year 2023, we established $2.1 billion in debt for veterans.

Mr. LUTTRELL. Last year?

Ms. GRAHAM. Last year.

Mr. LUTTRELL. Last year, 2.1 billion?

Ms. GRAHAM. Yes, sir.

Mr. LUTTRELL. Overpayment?

Ms. GRAHAM. Yes, sir.

Mr. LUTTRELL. Okay. That seems like an obscene amount of money, considering how much money that we could use. That we could use that money in different areas, whether it is our spouses, it is mental health. The list goes on and on. What was the year previous to that?

Ms. GRAHAM. In fiscal year 2022, it was 1.3 billion.

Mr. LUTTRELL. We are going the wrong way by a billion dollars. Am I correct on that?

Ms. GRAHAM. That is correct in terms of the numbers. We also collected funding from the veterans for the debts that have been reported as well. For fiscal year 2022, we collected over $837 million.

Mr. LUTTRELL. What do you mean—I am sorry, you lost me on that. What do you mean, collected? You went and took the money back from them?

Ms. GRAHAM. For debts that had been established, that were properly established.

Mr. LUTTRELL. We have overspent by 2.1 billion.

Ms. GRAHAM. In fiscal year 2023.

Mr. LUTTRELL. In 1923. How much did we collect back?

Ms. GRAHAM. We collected $1.1 billion.

Mr. LUTTRELL. Okay. I am sure our veterans were not happy about that. My point is, if Mr. Arronte has, over the past—you said 2007? I am sorry, how long you been there?

Mr. ARRONTE. 2008.

Mr. LUTTRELL. 2008, has been feeding the same discrepancies to the office over and over again, and the numbers are getting worse. I am going to look to leadership and ask, why is this problem continuing to exist if you have the answers and how to solve it? Mr. Burke.

Mr. BURKE. Mr. Chairman, thank you. That is a very fair question. Let me just take a second to frame up that we are serving more veterans, more decisions year over year than ever before.

Mr. LUTTRELL. Mr. Burke, you can park that one. Okay? We just got out of—that is just where you live. Your job is not easy. Okay. You cannot give me, because we got more veterans coming. Guess what? They are going to continue to do so. Okay. I cannot go home and blame the veterans for being veterans.

Mr. BURKE. Yes. Mr. Chairman, I am going to stand by my comment because it is relevant to the question that you asked. We are, as we do, 4.2 million award actions. It does increase the amount of opportunity for either human error and the like.

What I do want to point out is, yes, we do appreciate the oversight from the Office of Inspector General. We have learned from those trends. We have closed out many of the recommendations. We have implemented strategies, Standard Operating Procedures (SOP)s, tools and technologies. I will say we have got the most dedicated and talented workforce in the Federal Government, and we do stand behind the record 4.2 million award actions in fiscal year 2023.

We are committed to reducing improper payments. We take this very seriously, and we have work to do.

Mr. LUTTRELL. Yes, sir. I appreciate all the effort toward the veterans, but if you went from 1.8 billion to 2.—I am fudging these numbers a little bit, but an increase of a billion, we are not hitting the nail on the head here.

My time is up. I yield to the ranking member.

Mr. PAPPAS. Thank you, Mr. Chairman. I do want to make sure we are not ignoring the experience of the veterans, which is really important in this equation. I have heard directly from constituents that have received improper payments, then unexpectedly get these

debt collection letters. It can be a significant source of fear, of anxiety for the beneficiary, and it can also hurt their credit scores, potentially.

I want to know how VBA is minimizing the impact on beneficiaries who either establish those debts or, you know, how do they work to forgive those debts, especially when the veteran has done nothing wrong. They provided everything they need to, and through no fault of their own, they receive one of these debt collection letters.

What recourse do they have? What support can you give them?

Mr. BURKE. Yes, sir. Thank you for that question.

We are very sympathetic to the customer experience. In this case, our customer are veterans and beneficiaries, obviously. It is important to note that not only by the Constitution do we serve appropriate due process rights, but in our proposed decision letter, we are letting veterans and their representatives know the rationale behind any proposed adjustment. We have worked to soften the letter content to make it a little bit more, you know, veteran friendly, beneficiary friendly.

We do serve the due process period, and currently we are taking full advantage of the provisions in the Cleland-Dole passage that allow us to waive debts that are not the responsibility of the beneficiary.

Mr. PAPPAS. Okay. How do you communicate that? Is it just through the letter with the softened language to the veteran? I know there are new authorities that came about from legislation that we pushed in the last Congress. Can you talk a little bit more about how you are using those authorities and how you communicate that to veterans?

Mr. BURKE. Yes, sir. Typically, in our average, you know, day-to-day routine, it would be a proposed action with the contents explaining the rationale. There would be a due process letter that affords the rights for a hearing to submit new evidence to have us reconsider all of that before an actual decision to create a debt. When a debt is actually created, then the debt management center provides debt relief options again through correspondence.

We are in the midst of finalizing our procedures that will allow us to implement the provisions of Cleland-Dole, and we are very appreciative of the law that provides us avenues to provide some of that debt relief.

When we do that, we will also be communicating to veterans' beneficiaries the impact of any created debt. What part is their responsibility, what part may be collected? In fact, in some of the pension overpayments, we are refunding amounts that have already been collected.

Mr. PAPPAS. Mr. Burke, I would like to turn to the internal governance controls that OIG monitors, and one of the common threads in their reporting is lack of sufficient program supervision. It seems to flow from a decision on resource allocation. What has VBA been doing to ensure that supervisors are not stretched too thin and have the capacity to oversee programs at a level of granularity necessary to catch problems before they metastasize?

Mr. BURKE. Yes, sir. Thank you. I want to start my response by emphasizing that quality, accuracy of decision-making on focus on

improper payments is the responsibility of all VBA employees, all VA employees.

With respect to your question about supervisors, we have done quite a few things, whether it be the advancement of dashboards, tools, and technologies to allow them to see the workload at their level better, a constant review of employee performance standards. We are constantly looking at the employee-to-supervisor ratios to make sure that we are not overburdening supervisors. We are also looking at the ratio of quality review team personnel to ensure that we have an ample number of folks reviewing the quality of work.

We are also making sure that the responsibility does not solely fall on first line supervisors in our regional offices. There are program offices. There are tools and technologies that need to be done at the central office level to assist that supervisory burden as well. We are committed to continuing that approach.

Mr. PAPPAS. I am wondering in my remaining time if you can comment on the production goals and quotas for frontline employees and their ability to be able to maintain decision-making. There is a lot of throughput happening. We are continuing to ask VBA employees to do more and more in terms of assisting our veterans.

It seems like you can realize more erroneous payments as a result of that. Can you comment on how that plays out with respect to some of the production goals?

Mr. BURKE. Yes, sir. Thank you. I am proud to say I am here representing the best workforce in the Federal Government. Our employees in the field and central office are doing a fantastic job. Room for improvement across the board.

With respect to our focus on production, I do want to let the committee know that in our employee performance standards, a critical element of performance is not only production, but also high quality, and we continue to focus. We formed a VA central office quality huddle. We had field advisory committees to kind of help be that canary in the coal mine. I can assure Congress that our focus is not just productivity, it is producing accurate results as well.

Mr. PAPPAS. Well, thank you. I am over my time.

I yield back, Mr. Chair.

Mr. LUTTRELL. Thank you, Mr. Pappas.

Mr. Self, you are recognized for 5 minutes, sir.

Mr. SELF. Thank you, Mr. Chairman. I want to start with the fugitive felon referrals. I think I understood that it was human error or process error that you did not process 2,000 of those, is that correct? Which would you characterize it as, process or human?

Mr. ARRONTE. It was human error.

Mr. SELF. Human error.

Mr. ARRONTE. Right.

Mr. SELF. Okay. It concerns me that you are not processing felon referrals. 2,000 at least, 4,000 that I think it said the OIG were actually identified. However, VA is processing into the National Instant Criminal Background Check System (NICS) data base veterans who simply need a fiduciary, which I believe, and I think many on this committee believe, is not protecting the constitutional rights of our veterans because there is no judicial review, there is no judicial determination that they lose their freedom to own guns,

arms. VA, I know you say you do not do it, but you do put them in the NICS data base.

I think we have a discontinuity here between policy, because you are paying money to thousands of felons who should not be paid, and yet law-abiding veterans are getting put on the NICS data base. I ask you to go back because it is all under VBA, and re-address that.

Now, it looks to me like in the documents that we got, there are like 13 different programs at least that have errors in this. How many people, how many employees have been disciplined for these human errors out of these 13 at least, I count 13 different programs? What is your discipline when you identify these improper payments?

Mr. BURKE. Well, let me first address the question of what we do. Not every error is malicious and worthy of discipline. It helps us identify training needs. It helps us improve our overall training program.

Mr. SELF. That is a sanction. Go into training.

Mr. BURKE. What I would say is that we have gotten better with the tools, the tracking, the technology, the sharing of trends, the looking down at the individual regional office levels to find out what trends they see in their day-to-day, because what happens in one office may not happen in another.

I do not have for you, sir, an answer to the number of employees that were, you know, subject to progressive discipline for the improper payment. I will assure you that it is something that we are focusing on, that we take seriously. In fact, out of all of our program delivery, benefits delivery, only one is still required to report under the OMB.

We were under the reporting requirements in 2021. Unfortunately, in 2022 and 2023, it increased. In 2022, the improper payment rate went about 11–1/2 percent. It is gone down to about 10–1/2 percent. We are optimistic that we will get pension in line as well. Unfortunately, we did see a pickup there. We are addressing it, sir.

Mr. SELF. Okay, very good. I want to go back to the letter that the chairman mentioned. Did you know about this letter? It was not addressed to you personally. Did you know about this letter? In our testimony this morning, we found out that congressional letters may or may not be read in order to be acted on.

Did you know about this letter? Again, you were not the primary addressee.

Mr. BURKE. Yes, sir, I did know about the letter.

Mr. SELF. Okay, thank you.

With that I yield back, Mr. Chairman.

Mr. LUTTRELL. Thank you, Mr. Self.

Mr. Crane, you are recognized for 5 minutes, sir.

Mr. CRANE. Thank you, Mr. Chairman. This seems like quite the problem when we have a national debt like we do, $34 trillion, $200 billion deficit every single month. What is the problem?

I am going to start with you, Mr. Arronte. In your opinion, what is the problem?

Mr. ARRONTE. Yes, sir. I think the fundamental problem is VBA does not prioritize the development and the following of internal

controls. I do not think it is the first thing that comes to their mind when they develop a program or a process or a technology. Strong internal controls mitigate what Mr. Self was indicating, the human error. That is one purpose of the internal control.

Mr. CRANE. Why not? Why not, Mr. Arronte? Why do you think they do not?

Mr. ARRONTE. Because I think they are—based on our work, I see they put a lot of emphasis on processing claims, and I understand that commitment. They have to make a business decision, right? They are trying to get claims out and get benefits to veterans as fast as they can. I think that there is tension there between speed and quality.

Mr. CRANE. Yes, absolutely.

Mr. ARRONTE. I think there is tension between speed and internal controls. Sometimes, I do not think they test processes to break them to find out where they need to have internal controls. Instead, I think they implement a process or they implement a program, and then as things break down the road, they fix it. That is where I think——

Mr. CRANE. You said you have been doing this for a long time and this has been a longstanding problem. Is that correct?

Mr. ARRONTE. Yes, Sir.

Mr. CRANE. Clearly, this problem is getting worse. Have you ever seen anybody in the VA held accountable?

Mr. ARRONTE. Yes.

Mr. CRANE. Can you give us some examples of that?

Mr. ARRONTE. Sure. Actually, this was Ms. Sullivan and I a couple years ago, we received a tip from senior VBA leadership that they were looking at one of their internal reports, and they felt that there was fraud, ongoing fraud, at one of the regional offices. Myself and one of Ms. Sullivan's staff, we went down there and we investigated, and not only did we find one staff committing fraud, we found two. Those folks were—we referred those to our criminal investigators, they followed their process, they determined there was fraud. They took it to the U.S. Attorney, and both of those gentlemen were released from——

Mr. CRANE. Okay, but those are probably pretty small examples of fraud. We are not talking to the tune of, you know, $2.1 billion overpayments in Fiscal Year 2023. I am talking about at the high level. Like you got Mr. Burke in here, Ms. Graham in here. Have you ever seen anybody at high levels of Veterans Affairs held accountable for this unbelievable amount of waste and abuse with the American taxpayer money?

Mr. ARRONTE. I am not familiar with any instance, Sir.

Mr. CRANE. Yes. That is why you continue to see this happen over and over again, which is why, you know, so many people want to see as few things put under the control of the Federal Government as possible, because it is inherently known for having such high rates of fraud, waste, and abuse. Nobody ever gets held accountable, right?

Mr. ARRONTE. Not at the senior level, like you were implying, sir. I have not seen that.

Mr. CRANE. Yes. Ms. Graham, do you accept any of the responsibility for this unbelievable amount of waste and abuse?

Ms. GRAHAM. Sir, in the time that I have been in this position as the chief financial officer, it is incredibly important that we get this right and that we do all that we can——

Mr. CRANE. That is not what I asked you.

Ms. GRAHAM [continuing]. to mitigate——

Mr. CRANE. Do you take any accountability or any responsibility, yes or no? If you do not, you do not, just let me know. Do you, yes or no?

Ms. GRAHAM. Yes, I take full responsibility because I am the chief financial officer.

Mr. CRANE. Okay. When we are talking sums of money like that, when we are talking $1.3 billion in fiscal year 2022, and now $2.1 billion overpayments in fiscal year 2023, why are you still in that role, ma'am? If you are taking responsibility and ownership, why are you still in that role?

Ms. GRAHAM. Sir, I was just put in this role, like, 30 days ago.

Mr. CRANE. Well, that makes sense.

Ms. GRAHAM. Exactly.

Mr. CRANE. Okay.

Ms. GRAHAM. Nonetheless, I am in the role, and I take responsibility for being in this role. There is a lot that we are trying to do going forward to try to mitigate any type of overpayment for veterans in general. There is a lot that we are doing to try to ensure that they receive due process and that we correct it. We use all of the statutory obligations governed to us about how we process debt to eliminate that and mitigate that to the best of our abilities.

Mr. CRANE. Well, ma'am, you definitely have your work cut out for you. I apologize for not knowing that you just took the job 30 days ago, but I hope you can straighten this out, because at the end of the day, this money, it does not belong to me, it does not belong to you. It belongs to the American taxpayer. This happens all day, every day, up here, and nobody ever gets held accountable. It is why we continue to see this fraud, waste, and abuse continue to be out of control.

Thank you, Mr. Chairman. I yield back.

Mr. LUTTRELL. Thank you, Mr. Crane.

Ms. Graham, I do not envy the rucksack that you are going to have to carry around for the next couple of years. You decided that the VA does not have to sample and audit the compensation payment data. Why?

Ms. GRAHAM. Under the Payment and Integrity Act, for the thresholds that are required, compensation had met those thresholds and were not required to report to OMB or be published in our agency financial report. However, they do conduct annual risk assessments to determine if there are still any overpayments being committed or obligated within that ordinance.

Mr. LUTTRELL. They do not seem to be working. Is that a fair statement?

Ms. GRAHAM. Well, they are below the thresholds that are——

Mr. LUTTRELL. Okay, maybe—Okay. What is the threshold?

Ms. GRAHAM. The thresholds are for significant payments, it is 1–1/2 percent of program outlays and $10 million of activity, or $100 million. The programs must report——

Mr. LUTTRELL. A hundred million dollars seems like a pretty long stretch. Should not it be like—I got it. I know, I am just saying, if we are in this hole that we are in, it seems to be that the numbers may be skewed a bit.

Ms. GRAHAM. This is the guidance that is put out by OMB Circle at A123 and issued to——

Mr. LUTTRELL. I need to chat with OMB?

Ms. GRAHAM. It is their guidance, sir. We follow their guidance in terms of what we report and whether or not the programs meet the threshold.

Mr. LUTTRELL. Okay. Thank you. Mr. Pappas?

Mr. PAPPAS. Thank you. Mr. Arronte, you mentioned some information about training on how to interact with OIG and fraud alerts that you send out. Could you tell me a little bit more about how long that has been in place and the effectiveness and your view of those communications to employees?

Mr. ARRONTE. Good question, sir. I cannot tell you about the effectiveness because this is fairly new for us.

Mr. PAPPAS. Okay.

Mr. ARRONTE [continuing]. as of last year for both. I can tell you the last fraud alert that we sent to VA has to deal with disability benefits questionnaires (DBQ). These are public facing documents that veterans can take to their private physician. Their private physician can delineate what they think is wrong with the veteran. Then the veteran submits that to VBA as medical evidence of a disability.

I can tell you our criminal investigators are working on certain situations that we have become aware of and some of those situations VBA has notified us about, where there may be some bad actors out there who are trying to take advantage of veterans.

These DBQs, what we are asking VA staff to look at is when they are reviewing evidence to determine if a disability exists and what the level of disability is, if they receive these DBQs, to check them for possible indicators of fraud, such as no signature, the physician being one that we have seen where the physician was a chiropractor and he was providing a heart diagnosis. Those are the types of indicators that we have asked staff—and we are making staff aware of that across the VA, please look at these indicators and help us.

Mr. PAPPAS. You are generating information both from VBA in terms of what they are seeing on a day-to-day basis, and also from your investigations and what they are finding?

Mr. ARRONTE. Absolutely.

Mr. PAPPAS. Now, how does that information stay relevant with respect to trends in overpayments? Is that part of the training that you are offering?

Mr. ARRONTE. Yes. How that affects the trends is if the DBQ is fraudulent and you have this chiropractor giving somebody a diagnosis for a heart condition and providing information, this veteran could be given benefits that they are not entitled to. That is where the overpayment begins.

Mr. PAPPAS. Okay. Mr. Burke, could you comment on how effective you think this has been for VA employees?

Mr. BURKE. Yes, sir. I actually I think it is been effective to this point and will continue to be effective. You know, VA has hired thousands of new employees that have no prior interaction or involvement with how to respond and interact with the Office of Inspector General.

I think the fact that we are taking the advantage of the required training and now many more of our employees are getting that, I think it is a good start to their career to learn how to detect these fraudulent opportunities and interact with the Inspector General (IG) appropriately. In the end, that will help reduce things like overpayments and underpayments.

Mr. PAPPAS. Does this supplement other information that you are putting out to employees internally that will help them sort of, you know, work on best practices, find areas where there are, you know, errors that, you know, can be generated and help them learn from mistakes that are made?

Mr. BURKE. Yes, sir. In fact, while we are sitting here today, we have all of our division-level veteran service center managers in Atlanta at a training symposium, and they are learning about quality, trends, findings, and we are talking about overpayments, underpayments, and things of that nature and training opportunities.

We do take those best practices, we share those with one another, and we do work and focus on reducing errors and improving our quality.

Mr. PAPPAS. Well, thanks for giving me some background on that. We have got to see that bear some fruit here as we move forward, and I hope you will keep us updated on the progress there.

I yield back.

Mr. LUTTRELL. Thank you, Mr. Pappas.

Mr. Self, would you care to go or do you want Mr. Ciscomani to step in?

Mr. SELF. Thank you, Mr. Chairman. I do have duties on the floor soon, so I appreciate your indulgence.

Just three quick questions. Can you give me any Government Accountability Office (GAO) recommendations that you have closed recently? I know you always have outstanding GAO recommendations, you know, quite a few.

Mr. BURKE. Sir, I am more than happy to report back with any GAO closures with relevance to this topic. Happy to do that outside the hearing, sir.

Mr. SELF. I would appreciate that. Ms. Graham, can you share with us where your predecessor, I am following up on Mr. Crane's questions, where did your predecessor, Mr. Tapp, get assigned?

Ms. GRAHAM. He works for Gartner. Gartner.

Mr. SELF. Thank you.

Ms. GRAHAM. He is retired.

Mr. SELF. Mr. Burke, you started your testimony with saying you do not illegally spend taxpayer dollars. The issues that we are talking about here are still under the law, are legal under the law. Is that what you are telling us? That is not the way I would interpret what we are talking about here.

Mr. BURKE. Yes, sir. With all due respect, I do not want the term we are not spending it illegally to come across flippant. What I mean by that is, I do want to emphasize a record 4.23 million

award actions at a less than 7 percent improper rate. I am not saying 7 percent is what we are happy with. We want to drive that lower, merely articulating where it falls with reporting requirements. To just make sure that Congress is aware that even though we are not reporting under the PIIA requirements, we are doing special focused reviews, quality assessments, risk assessments, random sampling.

My point, sir, is just, you know, please understand that we are taking this seriously.

Mr. SELF. Yes. My point is, the law is how we spend taxpayer dollars is very clear. I appreciate your efforts, but I am not sure that is a totally accurate statement.

With that, Mr. Chairman, I yield back.

Mr. LUTTRELL. Thank you, Mr. Self.

Mr. Crane, you are recognized for 5 minutes, sir.

Mr. CRANE. Thanks again, Mr. Chairman. Also appreciate you putting me on this side again. Thank you for that.

All right. Mr. Burke, how long have you been the deputy secretary for policy and oversight?

Mr. BURKE. I was appointed to this position in April 2021.

Mr. CRANE. 2021? You have been there a little bit?

Mr. BURKE. Yes, sir.

Mr. CRANE. A couple of years?

Mr. BURKE. Yes, sir.

Mr. CRANE. Okay. Mr. Burke, who is accountable for ensuring that effective internal controls are in place for mitigating improper payments of compensations?

Mr. BURKE. As I alluded to earlier, every VA employee is responsible for accuracy. I have program operation responsibility across VBA's business lines. If yours is, who is responsible at that point——

Mr. CRANE. Who is ultimately responsible? Is it you?

Mr. BURKE. Well, ultimately responsible in our organization is the undersecretary for benefits. However, most of what is being talked about today falls under my umbrella. I am taking responsibility and happy to work with Congress to continue dialog on how we improve.

Mr. CRANE. You are ultimately responsible then at the VA for this?

Mr. BURKE. Ultimately, the Secretary is responsible for all things.

Mr. CRANE. Okay. Ultimately the Secretary, but this falls under, really, your jurisdiction. Okay, got you.

Mr. Burke, you keep touting this under 7 percent mistake rate. Okay? I understand that when you look at 100 percent and then you subtract 7 percent of it, it seems like a really small number. We all get that.

What we are actually looking at, and what I think you should be looking at is the amount of money that is being overpaid. It would be one thing if this under 7 percent was costing the American people, I do not know, a million dollars. Maybe you could pat yourself on the back. When we are talking about the amount of money that we are talking about a billion dollars annually, and we already discussed, we went from, under your tenure, from what I assume,

from what you just told me, we went from about $1 billion to over $2 billion. Is that correct?

Mr. BURKE. Yes, sir.

Mr. CRANE. Okay. If I were you, I would maybe ease off the throttle on touting that under 7 percent mistake rate, because that less than 7 percent mistake rate is costing the American people about a billion dollars annually. That is completely unsatisfactory, sir.

You know, if this does fall under your jurisdiction, and the Secretary of Veterans Affairs, who was just in that chair this morning, trusts you to do this job—in my estimation, you are not doing your job. There is no doubt in my mind, sir, if this were the private sector, you would be fired immediately for that type of fraud, waste, and abuse.

Again, here we are in the Federal Government, and nobody ever gets held accountable and it is bothersome.

Now, you do not strike me as the type of man that would, you know, look at those type of numbers and think, oh, it is no big deal. The numbers are what the numbers are, and it is pretty despicable. It is, once again, one more reason why we are $34 trillion in debt and nobody seems to care.

What do you have to say to that, sir?

Mr. BURKE. Yes. First, as far as what kind of man I am, I am happy to talk about that outside of a hearing.

In my professional capacity, I can tell you I am not going to take my foot off the gas touting the amazing work that our workforce does. You have heard me say that——

Mr. CRANE. You think that is amazing? One costing the American taxpayer over a billion dollars annually, you think that is amazing?

Mr. BURKE. We have room for improvement, certainly. I have said that during this hearing. What I am touting is the remarkable, amazing work of our VBA employees, which I do not think anybody questions. We have improvements to make.

Mr. CRANE. No, nobody in here is questioning it. That is not why we are having this hearing, and you know it. You know we are having this hearing because of the fraud, waste, and abuse within the VA and how much it is costing the American taxpayer. Nobody is talking about the services that you all provide. I think that is very clear.

We are talking about the waste and abuse to the tune of a billion dollars annually because of mistakes by the VA in overpaying veterans. That is unsat and you keep saying amazing, amazing, amazing. There seems to be a disconnect. Maybe that is why we have gone from 1 billion annually to 2 billion annually. Go ahead.

Mr. BURKE. For the record, sir, when I say amazing, the next thing comes after that is our employees. I am not saying that 7 percent is an amazing number. In fact, I have said during this hearing we have improvements to make, and we are making those. We are not content with where that is. We are not happy with that amount.

Simply answering why we do not report in some of the lanes, I am proud to say that we only have one business line that still

meets that requirements, but we are not happy that we are reporting even on one. It is not acceptable.

Mr. CRANE. How can you say improvements, though, sir, if you guys went from, in Fiscal Year 2022, 1 billion in overpayments to, in Fiscal Year 2023, over 2 billion?

Mr. BURKE. Well, again, I think part of what I am trying to articulate, too, is that we are doing record setting numbers of decisions that come with record setting numbers of disbursements. Those numbers are elevating. Again, not making excuses. I am trying to explain, but I will say we are not going to leave this hearing content with 7 percent. I am merely trying to put it in context. We have work to do, and we are doing that work.

Mr. CRANE. Thank you, Mr. Chairman. I yield back.

Mr. LUTTRELL. Thank you, Mr. Crane.

Mr. Ciscomani, you are recognized for 5 minutes, sir.

Mr. CISCOMANI. Thank you, Mr. Chair. Thank you all for coming before the committee to testify.

You know, the Office of Inspector General has identified concerning practices, very concerning practices within the Veteran Benefits Administration, particularly regarding delays in processing proposals to reduce compensation benefits. It is clear these delays not only result in inappropriate payments to veterans, but also pose challenges for VBA managers tasked with fiscal stewardship. My interest here today is in representing the several thousands of veterans in my community in southeastern Arizona.

With that, I will open up first question, Ms. Graham. Will the VA report the amounts of improper compensation payments resulting from VA's failure to process dependent updates in VA.gov and e-Benefits?

Ms. GRAHAM. Those payments and that information is typically reported on paymentaccuracy.gov is where that information would be. I am not exactly certain that it would be on VA.gov.

Mr. CISCOMANI. When would that be available?

Ms. GRAHAM. That information is available yearly. The last year for paymentaccuracy.gov information is out there.

Mr. CISCOMANI. Yes. From 2011 to 2022, we have not seen the entire figures on that. When will that be available?

Ms. GRAHAM. Is that in reference to the pension information?

Mr. CISCOMANI. That is in the compensation payments from the failure to process the depending updates.

Ms. GRAHAM. I will have to take that back and get an answer for you, sir.

Mr. CISCOMANI. Now, Mr. Burke, my understanding is that the VA canceled in-person disability compensation exams during the COVID–19 pandemic to reduce overpayments resulting from delayed processing of proposed reductions of compensation. Now that in-person exams have resumed, what is the VA strategy to sustain the decrease in overpayments?

Mr. BURKE. Yes, sir. Thank you for that question.

Whether it be a combination of increasing our staffing, which we have done over the past two years, or the improvement as discussed and kind of pointed out by the IG in our workload distribution, and so we now have better workload distribution plans to assure that workload is being prioritized.

We have also increased our resources both in the veteran service representative and our rating veteran service representative positions to handle not just, you know, a particular type of workload, but all workload relevant to veterans and beneficiaries.

Mr. CISCOMANI. Mr. Burke, you know, on the same line of question as before, I understand that from 2011 to 2022, the VA received an accurate income data from SSA, just as we were discussing, and that, therefore, VA relied on veterans to self-report changes in income. Did VA implement any reasonable interim policy to verify income during that decade?

Mr. BURKE. Yes, sir. Thanks for the opportunity to address that because I want to make sure that Congress understands there was not a lapse of 10 years with just taking self-reported information.

We did, in 2011, discover the data quality issue, but in 2013 and 2014, new procedures were implemented, both an upfront verification process that took not just Social Security information, but Federal tax information from the IRS. We reviewed that at the very beginning of a claim and also post award audits, meaning after a benefit was provided, we did samplings of cases to make sure that the benefit was granted properly.

We also made throughout the years until we got to turning the match back on improvements in the system requirements, implemented special focus reviews to detect that workload, and also ensured that our employees had access to an online portal with the Social Security Administration.

A very manual, cumbersome process, but we did all those things during that period.

Mr. CISCOMANI. Now on that, how do we know that the computer matching agreement with SSA is now fixed and that further hundreds of millions of dollars of pension overpayments will not be wasted and awarded anymore?

Mr. BURKE. Great question. What we did, as we went through building the requirements to upgrade and strengthen the computer matching program, we also, I do not want to use the term overdid it because we can never overdo the testing, but tested and validated the accuracy of that data match. We have a high level of confidence that data is accurate.

Then the other thing that we did is now we are going to receive that data on a quarterly basis, which will allow the actual overpayment period to shrink, lessening the overall overpayments when a situation does arise.

Mr. CISCOMANI. Thank you. I yield back, sir.

Mr. LUTTRELL. Thank you, sir. The VA is a remarkable machine. You all are amazing individuals that burden a heavy weight.

This is a silly problem to have. Everything that we try to do for our veteran community, losing money is absolutely just the silliest problem to have.

Ms. Graham, I do not envy your path forward. Expecting great things out of you. Next time that you and your colleagues are sitting in front of this committee, I have no doubt you are going to do great things.

Mr. Burke, we have the list that Mr. Arronte and Ms. Sullivan—Ms. Sullivan, thank you for joining us today—that they provided for us. I can assure you, sir, next time that you are in front of this

committee, I will have that list in my hand, and I want to see that some of those have been checked off. Is that fair?

The ranking member and I will be eagerly awaiting the letter. Thank you all for your service and coming here today.

Ranking member.

Mr. PAPPAS. Well, I will be brief. Just thank you very much for your commitment here. I think we all agree that more can be done and it can be done better and more efficiently, both in terms of stewarding taxpayer dollars and making sure that veterans are getting what they deserve. I know that is the mission of the Department. You take that role very seriously. We are grateful for it. We do want to see some progress here over time. We want to know where we need to be providing the right authorities and policy language to allow you to do the work that we are asking you to do.

Thank you very much for that commitment and I yield back, Mr. Chairman.

Mr. LUTTRELL. I ask unanimous consent that all members have 5 legislative days to revise and extend their remarks and include extraneous material. Without objection, so ordered. This hearing is adjourned.

[Whereupon, at 3:29 p.m., the subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENTS OF WITNESSES

Prepared Statement of Ronald Burke

Good afternoon, Chairman Luttrell, Ranking Member Pappas, and Members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs (VA) financial management policies and procedures. With me today is Lasheeco Graham, Chief Financial Officer, Veterans Benefits Administration (VBA).

VA safeguards Veterans' and beneficiaries' financial well-being by using a range of strategies to proactively address and mitigate potential improper payment issues. An improper payment is a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. These can result from evidence that was not considered, either in VA's possession or that VA was not aware of, or lack of a thorough understanding of the law or errors in judgment on the part of VA employees. Improper payments, such as overpayments, occur in less than 7 percent of claims processed by VA. For example, in fiscal year (FY) 2023, VA processed nearly 1.7 million claims [1], of which overpayments occurred in 6.87 percent of claims. While any amount of improper payment is unacceptable, VA continues to make progress in identifying and preventing these from occurring.

VA has implemented several processes and procedures to provide oversight and to ensure VA is providing accurate and timely benefits to Veterans and their dependents. VA employs computer matching agreements with several Federal agencies to proactively prevent improper payments. VA also reports improper payments to Congress, and has taken many steps to prevent, detect, and correct improper payments and mitigate fraud, waste, and abuse. VA also recognizes the importance of providing transparency to the beneficiary in situations where an improper payment is created. VA beneficiaries are afforded due process rights, may request a hearing, and, any time a final decision is made on a claim, all beneficiaries receive appeals rights.

Payment Integrity Information Act of 2019

VBA began reporting programs which exceeded the thresholds for improper payments to Congress in 2004 as required by the Improper Payment Information Act of 2002 (P.L. 107–300; 116 Stat. 2350), which was enacted on November 26, 2002. Since then, there have been a series of laws that aim to identify, prevent, and recover improper payments in Federal spending. The current law is the Payment Integrity Information Act (PIIA) of 2019 (P.L. 116–117; 134 Stat. 113) of 2019, which was enacted on March 2, 2020. PIIA requires agencies to review programs that may be susceptible to significant improper payments, defined as improper payments exceeding 1.5 percent and $10M or $100M. Throughout this timespan (2004-present), VBA has made every effort to identify and report improper payments in alignment with legislation and program implementation guidance provided by the Office of Management and Budget (OMB). VBA has reported improper payments on the following programs: Compensation, Dependency and Indemnity Compensation, Education Chapters 33, 1606, and 1607, Loan Guaranty (Direct Loans), Pension, and Veterans Readiness and Employment.

VBA's disability compensation program is committed to improved payment integrity through the implementation of effective corrective actions, including increased and targeted training, data match agreements with other Federal agencies, executing special focused reviews, and performing analysis of quality assurance data. These activities help to ensure that improper payments are identified and corrected, trends are remediated, and root causes addressed as quickly as possible. An example of an implemented activity includes the creation of a uniform Administrative Error Paid/Due Calculator which was mandated for use by claims processors to en-

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[1] Rating and Non-Rating claims.

sure the proper calculation of overpayment amounts involving administrative errors greater than $25,000. This process ensures the correct calculations are used and provides oversight and consistency prior to approving administrative decisions. As a result of these activities, in FYs 2019 and 2020, PIIA testing results showed a significant reduction in error rate from 0.55 percent in FY 2018 to 0.037 percent in FY 2020. Testing results also fell below the $100M reporting threshold for 2 consecutive years. On April 2, 2021, this program was removed from the testing and reporting requirements of PIIA with concurrence from OIG.[2]

Similarly, VBA's pension program also committed to improved payment integrity through the implementation of effective corrective actions. These included increased oversight through site visits, special focused reviews, and targeted training based on analysis of quality assurance data. As a result, VBA's pension program was fully compliant with PIIA FY 2019 through FY 2021, reflecting improper payment rates well below the 10 percent reporting threshold (5.38 percent, 8.18 percent and 7.76 percent respectively). Unfortunately, in FYs 2022 and 2023, VBA's pension program saw an increase in improper payments. The program became non-compliant with PIIA as it reported $492.43M or 11.66 percent and $419.27M or 10.86 percent in improper payment amounts/rates, both being above the threshold. VA implemented additional corrective action plans that doubled-down on quality oversight through increased special focus reviews and implementation of a Social Security Administration (SSA) quarterly income match. The income match allows SSA to disclose data to VA allowing VA to update its records for those receiving income-dependent benefits. As a result, VBA's pension program was able to reduce the improper payment amount and expects to report a continued reduction in FY 2024.

Inter-Agency Data Sharing

VA receives information regularly from several Federal agencies, through the execution of data match agreements, to determine a beneficiary's original and continued entitlement to VA benefits. The data matches identify cases where there are apparent contradictions between information contained in VA records and information furnished by other Federal agencies that affect entitlement to benefits. These matching programs assist in identifying improper payments to beneficiaries with the intent to reduce potential overpayments that would otherwise be discovered based on information reported by the beneficiary or their fiduciary.

Benefit determinations based on income: Federal Tax Information (FTI) is another matching program that includes specified return information from the Internal Revenue Service and SSA. VA uses FTI for upfront verification to view earned income from SSA and unearned income from the IRS and compares it to income information provided by an applicant seeking income-based benefits from VA such as pension. The upfront verification allows VA to validate the proper income of a beneficiary before awarding benefits.

The post award audit (PAA) is an income match with the IRS and SSA that allows VA to ensure a beneficiary continues to be entitled to VA benefits. The match is conducted only after a grant of benefits and only if there is a current award, unlike upfront verification, without the initiation of a claim from a Veteran or survivor. PAA is a random sampling of 1,000 pension beneficiaries with active award payments that is conducted three times per year.

Benefit changes due to incarceration. VA also has an agreement with the Department of Justice and Federal Bureau of Prisons which discloses information about incarcerated Veterans and other Veterans' beneficiaries to VA. This provides VA with information to identify those Veterans and other Veterans' beneficiaries who are confined for a period exceeding 60 days due to conviction for a felony or a misdemeanor and therefore may be ineligible to receive full VA benefits.

Benefits related to military duty status. VA has an agreement with the Defense Manpower Data Center (DMDC) of the Department of Defense (DOD) which is used to verify the continuing eligibility of Uniformed Services Members, including National Guard and Reserve personnel, for VA benefits. This is done by identifying VA disability benefit recipients who return to active duty and ensuring that VA benefits are terminated when appropriate.

VA also maintains the VA-DOD Identity Repository (VADIR), a data base used for benefits administration. DMDC provides identifying information on active-duty personnel (including full-time members of the National Guard and Reserve) in VADIR. VA provides identifying information on disability compensation and pension recipients in VADIR. VA will use the data in VADIR to identify Veterans who are

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[2] In accordance with OMB Circular A–123, Appendix C, dated March 5, 2021.

receiving pay on active duty concurrently while receiving VA compensation or pension benefits, which is prohibited. This information will be used to adjust or terminate benefits, when appropriate.

Benefit Changes Due To Death: VA uses SSA's death master file (DMF) matching program, which compiles SSA death information into one system of records. Upon receiving the DMF, VA records are matched with the DMF every week. When a match is identified, the system will suspend the beneficiary's award and any recurring payments and then generate and mail a letter providing notice to the address of record that the award is suspended. The suspended claim will be reviewed at the claims processing stage to ensure the accuracy of the death match. When the DMF match identifies a dependent on a beneficiary's award, the system will generate a claim to be worked by field personnel, as due process is required to remove the dependent since the match is considered third-party information.

The Treasury Do Not Pay (DNP) Death Record Confidence Scoring Tool (DRCST) is a monthly report that lists individuals who receive monthly benefits and have been identified as deceased. Treasury consolidates data for this listing from a variety of sources, and VBA uses Treasury's DNP system to review, analyze, and adjudicate each matched record—where the beneficiary has been identified as deceased—as Proper, Improper, or False Positive. VBA identified 62 improper payment cases totaling $766,000 in FY 2023 and 81 cases totaling $643,000 in FY 2024 as of January 16, 2024. VBA sends these cases to Treasury to ensure they block any future submissions for payments.

The Treasury DNP Payment Adjudication Review is a monthly report VBA uses to recapture payments or prevent and detect future improper payments. This report is also derived from a variety of data sources, and VBA uses Treasury's DNP system to review, analyze, and adjudicate each matched record—where the beneficiary has been identified as deceased—as Proper, Improper, or False Positive. VBA identified 43 cases totaling $1.5 million in FY 2023 and 91 cases totaling $2.7 million in FY 2024 as of January 16, 2024. VBA sends these cases to Treasury to ensure they block any future submissions for payments.

The Death Match Initiative is a strategic ongoing project aimed at identifying and rectifying erroneous or ineligible benefit payments to Veterans as well as spouses and beneficiaries who are deceased. As part of the Death Match Initiative, VBA conducts four ongoing reviews to identify and adjudicate potential overpayments. These reviews include the First Notice of Death (FNOD), VA medical center (VAMC) In-Patient Death Listing, Treasury DNP DRCST, and Treasury DNP Payment Adjudication Review. The Office of Financial Management reviews the data from each report and submits a list to the Office of Field Operations for corrective action.

FNOD identifies Veteran awards in authorized or suspended status and no action has been taken to terminate the award. VBA identified 270 cases totaling over $1.2 million in FY 2022, 652 cases totaling over $1.5 million in FY 2023, and 110 cases totaling $202,000 in FY 2024 as of January 16, 2024.

The VAMC In-Patient Death Listing identifies Veterans who have an active compensation or pension award, and VAMC records indicate the Veteran passed away while receiving in-patient care. VBA identified 236 cases totaling $5.9 million in FY 2022; 773 cases totaling $8.5 million in FY 2023, and 77 cases totaling $1 million in FY 2024 as of January 16, 2024.

Data Enhancements

In support of VBA's enterprise risk management goal to monitor and reduce improper payments, in April 2022, VBA developed a data monitoring script to detect improper payments that result from errors when VA employees change beneficiaries' direct deposit information. VBA has continuously enhanced this monitoring script and is now successfully identifying errors before they result in an improper payment. In FY 2023, the monitoring script detected 77 errors and prevented over $320,000 from being paid to the wrong account. As of January 18, 2024, the new script has identified a total of 62 errors and prevented over $84,000 from being paid to the wrong account.

VBA also enhanced the existing death match query to proactively find improper payments. These improvements included aggregating data sources from the Veterans Health Administration and National Cemetery Administration to cross-reference against VBA's corporate data warehouse. This monthly query has been successful in identifying running awards made to beneficiaries after their death. In FY 2022, the match identified 891 recurring payments with a suspected death with nearly $3.5 million in monthly improper payments. In FY 2023, the match identified 2,418 recurring payments with a suspected death with over $22.8 million in monthly improper payments. As of January 18, 2024, the match identified 333 recurring pay-

ments with a suspected death with nearly $2 million in monthly improper payments.

Education Audits

As stated in 38 U.S.C. § 3684, schools are required to report changes in student status within 30 days when a student interrupts or withdraws from training. In accordance with 38 U.S.C. § 3693, VA conducts routine audits to ensure the institutions and their approved programs follow all applicable provisions of the laws administered by VA.

Additionally, students are required to certify their enrollment status each month to continue to receive their monthly housing allowance (MHA) under the Post–9/11 GI Bill or their monthly educational assistance stipend under all other VA educational assistance programs. VA withholds monthly payments, either MHA or educational stipend until the student verifies enrollment. MHA payments will continue to be released until two consecutive months have elapsed without any verification from the student. Students are able to sign up for text messages and email notifications. If signed up, VA sends the student a verification reminder before the end of the month. If the student has not verified by the end of the month, a follow-up reminder text message or email is sent to the student telling the student their monthly verification must be made or else their MHA will be held after the second month. The text message and email include links that allow the student to verify via the text message or email. MHA payments will continue to be released until two consecutive months have elapsed without any verification from the student. If, after being notified twice and the student still fails to verify, VA will pause the payment and contact the student and school to determine if the student is still attending as previously indicated. Based on the information from the school and/or the student, the monthly housing payments will resume, or the benefits will be adjusted accordingly.

Fraud Prevention

VA has taken many steps to prevent, detect, and correct improper payments and mitigate fraud, waste, and abuse. Veterans and their beneficiaries are often targets of scams and financial fraud, and VA has been working hard to prevent these from happening by educating Veterans and their beneficiaries about fraud and helping them safeguard their benefits. Specifically, VBA has taken a multi-pronged approach focused on educating Veterans about fraud schemes and predatory practices.

In FY 2023, VBA executed 12 fraud prevention and awareness campaigns through multiple platforms such as emails to subscribers, newsletters, GovDelivery communications, social media posts and blogs, fact sheets and proactive media and speaking engagements to educate Veterans and their families to improve awareness of potential financial exploitation schemes, fraud, and prevention strategies. These efforts resulted in more than 260 fraud prevention communication engagements, reaching to over 47 million Veterans, beneficiaries, survivors, family members and service members.

In June 2022, VA established the Veterans Scam and Fraud Evasion (VSAFE) Integrated Project Team (IPT) to develop long-term solutions to combat the exponential increase in and continuous evolution of predatory activity and potential fraud we have seen. The IPT shares knowledge and implements best practices across the enterprise, and VBA is a proud member. Additionally, VSAFE aims to combat fraudulent activities targeting Veterans, including identifying schemes that lead to VA improper payments and implementing deterrents for bad actors; these actions will protect both Veterans and the integrity of VA payments.

Pension Debt Issue

In 2011, VA determined there was a data quality issue within its matching system the SSA Income Match was discovered, which resulted in the suspension of the match and VA's Under Secretary for Benefits decided to suspend the feed. As a result, the interface between the Veterans Benefits Administration (VBA) and SSA to share SSA Benefit Income did not operate for several years. From 2011 through 2017, VA continuously collaborated with SSA to resolve the issue. While the SSA Income Match was inactive, VA verified SSA benefit income through other means, including:

- Comparison of FTI to the SSA benefit income reported by the beneficiary.
- Manual confirmation of a beneficiary's SSA benefits through an online query when processing subsequent pension claims.
- Random routine audits, quality reviews of claims, and data matches against FTI which also required a manual check of SSA records.

In 2014, VA implemented a project to expand the match to assist with VA pension cost-of-living adjustment (COLA) processing. In 2017, the VA redeveloped and expanded its interface to add certain SSA Benefit Amounts for children and parents and payment information for multiple SSA benefits. However, the VA determined that its pension recipient data did not consider entitlement from multiple records for a beneficiary, and therefore did not provide an accurate monthly benefit amount. As such, VA determined that the match was unusable. Additionally, the availability of SSA benefit income data did not align with VA's COLA processing timeline. On March 13, 2021, VA and SSA re-established the SSA Income Match and abandoned the pursuit to include the match for COLA. Extensive review and testing without the COLA processing confirmed no data quality issues existed. Following successful testing, steps were taken to reintegrate the SSA Income Match into claims processing. These efforts resulted in the re-establishment of a quarterly match in June 2022. Processing the claims resulting from the SSA Income Match resulted in the creation of large beneficiary debts going back several years. Recognizing the hardship and distress that these debts may cause, on November 2, 2023, VA paused the collection of all established debts and the establishment of new debts.

On December 22, 2023, the Secretary of Veterans Affairs signed a Temporary Timeliness Instruction to address VA beneficiary debt and is developing a timeliness standard through regulation, as required under Section 252 of the Cleland-Dole Act. The timeliness standards allow VA to move forward with debt relief options and provide additional clarity during communication with the beneficiary. VA notes that the Instruction will cease to be effective when VA publishes the regulation required under section 252 of the Cleland-Dole Act.

As of January 16, 2024, VA has determined that approximately 12,228 beneficiaries have been overpaid because of the SSA Income Match data quality issue. There are over 32,000 claims that still require review. As directed in the Secretary's Temporary Timeliness Instruction, VA will not collect debts associated with the data quality issue and will refund any payments made on these debts.

Chairman Luttrell, Ranking Member Pappas, this concludes my testimony. I am happy to respond to any questions you or the Subcommittee may have.

Prepared Statement of Brent Arronte

STATEMENT OF BRENT ARRONTE
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OFFICE OF INSPECTOR GENERAL FOR THE US DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS,
US HOUSE OF REPRESENTATIVES COMMITTEE ON VETERANS' AFFAIRS
HEARING ON
"IS VA ILLEGALLY SPENDING TAXPAYER DOLLARS IN ITS COMPENSATION
AND PENSION PROGRAMS?"
FEBRUARY 14, 2024

Chairman Luttrell, Ranking Member Pappas, and members of the Subcommittee, thank you for the opportunity to testify on the Office of Inspector General's (OIG) oversight of the Veterans Benefits Administration's (VBA) compensation and pension programs, which provide critical support to veterans, their survivors, and family members. The OIG is dedicated to making meaningful findings and practical recommendations that help improve these programs, knowing how errors can risk the well-being of recipients—particularly the most vulnerable among them—or make ineffective use of taxpayer dollars.

The OIG's body of work on VA's compensation and pension programs has found that the causes of overpayments, underpayments, or other improper payments (such as those that lack support or documentation) are often a lack of effective internal controls, inadequate technology, or human error resulting from complicated and unclear policies and guidance.[1] Claims processing is tremendously complex. Internal controls are, therefore, vital to quality assurance and help ensure the integrity of systems and processes. Minimizing improper payments also requires strong leadership, effective supervision, clear procedures, and adequate staff training. Many of the weaknesses identified in OIG oversight reports have also been the result of poor planning and implementation of information technology that is meant to support the work of VBA personnel. The OIG recognizes that VBA staff face these and other challenges daily to keep pace with tremendous workloads while attempting to

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[1] Although the hearing is focused on illegal spending, the OIG recognizes that underpayments—the failure to pay eligible individuals the benefits for which they are eligible—is often rooted in the same weaknesses that result in overpayments and therefore discusses those impacts as well. It should also be noted that the OIG coordinates with its law enforcement partners and VA personnel to identify and address fraud, identity theft, and other crimes targeting the compensation and benefits program.

ensure eligible beneficiaries are given the compensation and pensions they are due while preventing waste.

This statement highlights OIG reports that demonstrate how poor systems and controls can contribute to incorrect payments to VBA beneficiaries, focusing first on publications that spotlight poor processes and then on reports that have disclosed problems with information technology systems. Finally, the statement will discuss VBA's compliance with the Payment Integrity Information Act of 2022.

VBA'S PROBLEMATIC PROCESSES AND POLICIES WEAKENED ITS CONTROLS

OIG examinations of VBA's compensation and pension programs have often found problems with processes and policy implementation. For example, one OIG review found VBA's process design for stopping benefits for fugitive felons during periods of ineligibility left it vulnerable to failures that could be caused by a single individual's error or missed alert.[2] VBA stopped processing fugitive felon cases for over two years and never revisited the cases, failing to adjust payments to fugitive felons as required by law. Another OIG examination found the strategy for VBA Office of Field Operations' workload distributions was inadequate to minimize delays and excessive payments to veterans. The failures also contributed to the stress veterans experienced while waiting for a final decision on proposals to reduce or discontinue their benefits.[3] A third OIG review substantiated allegations that VBA's automated process for pension reductions due to Social Security cost-of-living adjustments did not adequately notify beneficiaries or consider related evidence, ultimately resulting in improper reductions of benefits.[4]

The Fugitive Felon Benefits Adjustment Process Needs Better Monitoring

When a veteran no longer meets the requirements to receive benefits, VBA must adjust payments for the duration of ineligibility. Federal law prohibits veterans who are considered fugitive felons from receiving VBA benefits. A fugitive felon is defined as a person who is

- *fleeing* to avoid prosecution, or custody or confinement after conviction, for an offense, or an attempt to commit an offense, which is a felony under the laws of the place from which the person flees; or

- violating a condition of probation or parole imposed for commission of a felony under federal or state law.[5]

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[2] VA OIG, *The Fugitive Felon Benefits Adjustment Process Needs Better Monitoring*, August 3, 2022.

[3] VA OIG, *VBA Overpaid Veterans Due to Delays in Reducing Compensation Benefits*, July 8, 2021.

[4] VA OIG, *Improper Processing of Automated Pension Reductions Based on Social Security Cost of Living Adjustments*, October 28, 2021.

[5] Veterans Education and Benefits Expansion Act of 2001, Pub. L. No. 107-103, § 505, codified at 38 U.S.C. § 5313B (2020) (emphasis added). VBA refers to this provision of the law as the "fugitive felon act."

The OIG conducted this review to determine whether VBA accurately adjusted compensation and pension benefit payments for fugitive felons. The OIG, in its capacity as a federal entity with full law enforcement authority, has access to warrant information maintained by the National Crime Information Center (NCIC), the federal government's central crime-tracking database. The OIG routinely sends VBA a list of veterans with outstanding felony arrest warrants and offense codes (felony referrals) to facilitate VA's obligations under the fugitive felon act.[6]

After the 2001 passage of the fugitive felon act and continuing through June 2014, VBA interpreted this law to presume that all veterans for whom a felony arrest warrant had been issued were fugitives in a flight status for the purpose of benefit adjustments. During this period, VBA did not distinguish between the various offense codes used by the NCIC—some of which did not include the requisite indicators of fleeing.[7] However, in June 2014, VBA updated its definition of a fugitive felon to include only seven specific NCIC offense codes—those indicating escape, flight, or violation of the conditions of probation or parole (flight codes). With this updated definition, VBA revised its process to determine whether benefits should be suspended only for veterans with felony referrals containing at least one of the flight codes. That meant VBA no longer required a benefit adjustment determination to be made for felony referrals that did not include at least one of the seven flight codes.[8]

VBA Did Not Process 46 Percent of Cases in 2019 and 2020

The OIG found that VBA leaders needed to better monitor the fugitive felon benefits adjustment process. During the two-year review period, the OIG sent five lists to VBA containing felony referrals.[9] The lists included a total of 4,575 referrals related to veterans with outstanding felony arrest warrants containing at least one of the seven flight codes. Due to inadequate monitoring, VBA did not process two of these five lists—sent in July 2019 and October 2020—that together contained 2,088 felony referrals. Of those 2,088 referrals, about 46 percent of the cases contained at least one of the seven flight codes referred by the OIG to VBA, requiring additional action. In those cases, VBA failed to determine whether adjustments to compensation and pension payments were needed. VBA, in response to the report recommendations, has since submitted to the OIG a standard operating procedure and monitoring plan to sustain improvements.

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[6] The OIG undertakes this activity consistent with its authority to conduct, supervise, or coordinate matters relating to the prevention and detection of fraud, waste, and abuse in VA programs and operations, as well as identification and prosecution of participants in such fraud. The OIG sends the felony referrals to VBA; however, it is VBA's responsibility to carry out and oversee its fugitive felon benefits adjustment process.

[7] The NCIC's four-digit uniform offense classification codes identify the category of each criminal offense, such as robbery (1299), assault (1301), and dangerous drugs (3599).

[8] VBA Letter 20-14-09, "New Fugitive Felon Policy and Procedures," June 23, 2014.

[9] The total number of felony referrals was 8,870.

Adequate Monitoring Was Not in Place

VBA's workflow process and monitoring were inadequate for ensuring the processing of fugitive felon benefits adjustments.[10] The workflow procedure involves several offices that have roles and responsibilities within VA's fugitive felon office: Compensation Service, Pension and Fiduciary Service, Regional Offices, Hines Information Center, and Office of General Counsel.

Although VBA had a process, interviews with VBA staff revealed they were unclear as to which individuals were responsible for specific actions. Staff also stated no one was responsible for the entire program to ensure processing. The missed referrals in 2019 and 2020 were the result of reliance on a process that was inadequately monitored. As a result, the OIG recommended the under secretary for benefits improve monitoring procedures and demonstrate progress toward ensuring all felony referrals are processed. The recommendation was implemented and closed.

Due Process Letters Did Not Comply with VBA Policy and Procedures

Before adjusting benefits, VBA must send the veteran a letter providing notice of the proposed action and the veteran's right to a hearing. These letters are commonly referred to within VBA as "pre-determination letters" or "due process letters." The OIG team found that VBA's due process letters did not always provide the required information, such as the law enforcement agency issuing the warrant, the warrant number, the date of the warrant, the warrant offense code, and the warrant reason.[11] For this report, the OIG determined that VBA failed to include all the required information in due process letters for an estimated 1,883 of 2,487 completed felony referrals (76 percent).[12] Most commonly, VBA failed to include the reason for the issuance of the arrest warrant in the due process letter. The OIG provided VBA leaders with examples of due process letters missing the required language. VBA acknowledged that the majority of its due process letters were inadequate, and the related recommendation for corrective action was closed as implemented after VA provided a copy of an updated standard fugitive felon due process letter.

VBA Did Not Process Fugitive Felon Cases in 2012 and 2013

While reviewing internal VBA correspondence from 2016 related to fugitive felon due process letters, the review team identified a statement indicating that fugitive felon cases had not been processed since 2011. After further work, the team found that in April 2012, VBA postponed decisions on fugitive felon cases while it prepared new guidance; however, the guidance was not issued until June 2014, and VBA did not process referrals during this period. Moreover, staff did not revisit these fugitive felon cases even after benefit adjustment work resumed.

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[10] Managers from the Compensation Service informed the review team that VBA took action in October 2014 to create a SharePoint site as an historical digital repository to store fugitive felon data from the OIG.

[11] VBA Letter 20-14-09.

[12] Of the 4,575 referrals, 2,088 were not processed; 2,487 referrals were completed.

The OIG determined VBA leaders needed to improve monitoring for the fugitive felon benefits adjustment process. Due to VBA's process design, failures could be caused by a single individual's error or missed alert. Lack of VBA oversight of the fugitive felon benefits adjustment processes resulted in some veterans receiving funds to which they were not entitled, while others were not given critical due process information.

Although VBA implemented the recommendations for updating its standard operating procedure on OIG felony referrals and addressing due process letters, the last recommendation remains open. That recommendation was for VBA to review unprocessed felony referrals identified in the report and take corrective action for those referrals from 2012 to 2013, and the OIG also will be following up for more detail on actions taken by VBA regarding the 2019 and 2020 referral lists.

VBA Overpaid Veterans Due to Delays in Reducing Compensation Benefits

For this second example, the OIG assessed whether VBA's Office of Field Operations managed proposals to reduce benefits in a manner that minimizes processing delays and excessive payments.[13] At times, evidence is received that requires a downward adjustment to a veteran's disability compensation benefits. However, before an adjustment can be made, the veteran must be notified of the proposed action and given time to respond. During this period, the veteran's benefits continue unchanged. It is important to note that it can be stressful, however, for veterans who wait extended periods for a final decision following notice of a proposal to reduce or discontinue their benefits. VBA managers responsible for ensuring strong fiscal stewardship of taxpayer funds are also hindered when experiencing delays in final decisions.[14]

The OIG team found that the Office of Field Operations did not manage proposed reductions in a manner that minimized processing delays and excessive payments.[15] The team examined the number of delayed claims in the review period (February 1, 2019, through January 31, 2020) and the excessive payments to beneficiaries that resulted from delays, and estimated that 45,300 of 51,700 claims (88 percent) completed during the review period had processing delays.[16] In examining the financial

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[13] VA OIG, VBA Overpaid Veterans Due to Delays in Reducing Compensation Benefits.

[14] VA Manual 21-1, part 3, subpart 4, chap. 8, sec. B, topic 1.e, "Preparing a Rating and Providing Notice Under the Proper Regulations," January 22, 2020. The effective date for changes to a veteran's payment is the first day of the month following expiration of a 60-day period from the date the veteran is notified of the final rating decision. Every month that passes until final action is taken results in excessive payments that cannot be recouped.

[15] A claim was considered delayed if it remained idle beyond the time required for the Office of Field Operations to act at each step in the claims process. The review team gave each claim 65 days for due process and 10 days for processing a rating decision. In addition, if development was needed before a final rating decision could be made, four days were given per development action. When calculating the total delay of each claim, the team did not include delays beyond field operations staff control. For example, the team did not consider the time VBA waited for a medical exam to be completed as a delay. Office of Field Operations leaders concurred with these calculations.

[16] All projected numbers in the report were rounded.

impact on VA, the review team estimated that about 16,000 of the 47,400 claims with a potential reduction in payment had related excessive payments, resulting in about $116 million in excessive payments to veterans.

The processing delays occurred because the Office of Field Operations' workload distribution strategy prioritized the completion of rating claims—those associated with original and reopened claims or claims for increased evaluation—above proposals to reduce benefits. The OIG understands and acknowledges this strategy helps ensure that claims involving the granting of benefits are given priority over those that reduce or remove benefits. However, the strategy should include a plan to process proposals to reduce benefits in a way that minimizes delays and excessive payments.

These problems did not persist to the same extent during the COVID-19 pandemic. VBA canceled all in-person exams on April 3, 2020, and veterans were given the option to wait for in-person exams to resume before a decision would be made on their claims.[17] This significantly reduced the number of actionable rating claims for granting or increasing benefits, which freed up capacity for regional offices to process proposals to reduce benefits. VBA staff confirmed that, due to the lower number of actionable rating claims, the availability to assign proposals to reduce benefits to regional offices increased. However, there was no assurance these changes could be sustained once the actionable rating workload increased to prepandemic levels.

Accordingly, the OIG recommended the under secretary for benefits require the Office of Field Operations to establish, document, and implement a workload management strategy to distribute and process proposals to reduce benefits that minimizes delays and excessive payments. This recommendation has been closed as implemented based on information received from VBA. Also closed is a recommendation to develop, document, and implement a formal procedure to routinely monitor the workload management strategy.

Improper Processing of Automated Pension Reductions Based on Social Security Cost of Living Adjustment

In the third example, the OIG received two allegations in 2020 involving multiple veterans and their dependents claiming that VBA did not provide proper notification before reducing or terminating pensions. Both of the VBA-generated notices of proposed adverse action and the final decision letters were sent using an automated process.

A VA pension is a need-based benefit designed to provide a minimum income to certain wartime veterans and their survivors. Wartime veterans who are age 65 or older or who have a permanent and

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[17] The purpose of a medical exam is to obtain medical evidence relevant to establishing entitlement to benefits, such as information about diagnosis, onset, or cause. Exams also provide information to assist decision-makers in determining the severity of veterans' illnesses or injuries. The determinations are reflected in the amount of monthly disability benefits that eligible veterans receive.

total disability may be eligible for a pension if they have limited income and net worth. Surviving spouses and dependent children of deceased wartime veterans are also eligible if they meet the net worth and income requirements. The pension program served more than 299,709 veterans and survivors who received an estimated $3.5 billion in VA benefits in fiscal year (FY) 2022.[18]

The amount beneficiaries receive is based on the difference between their countable annual income and a limit that Congress sets.[19] Countable income is how much the beneficiary earns, including Social Security benefits, investment and retirement payments, and any income received by the beneficiary's dependents. Countable income can be reduced based on nonreimbursed medical expenses, such as when those expenses are affected by changes in the Supplementary Medical Insurance Benefit premium.[20] The beneficiary's countable annual income can also increase, such as when Social Security payments increase due to a cost-of-living adjustment. In either case, VBA determines whether and by how much the VA pension should be adjusted.[21]

If a beneficiary's pension is to be reduced, similar to other benefits adjustments, VBA's Pension & Fiduciary Service (the service) sends two letters to beneficiaries. First, in the notice of proposed adverse action, VBA is required to set forth all material facts and detailed reasons for the proposed reduction.[22] The beneficiary receives a 60-day due process period to submit evidence that the reduction should not be made.[23] Then, in the final decision letter, VBA must include the new pension amount and the information relied on in making the decision.[24]

In regard to the initial allegations, the OIG substantiated that VBA's automated process for pension reductions due to Social Security cost-of-living adjustments did not adequately notify beneficiaries or consider evidence as required, ultimately resulting in improper reductions of benefits. The review team determined that VBA's automated process incorrectly processed an estimated 13,100 pension reductions. The automated process violated VA regulatory and procedural requirements governing due process by not including the required information in notifications, considering evidence, or taking Supplementary Medical Insurance Benefit premiums into account.

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[18] VBA, Veterans Benefits Administration Annual Benefits Report, Fiscal Year 2022.

[19] For 2020, that annual limit for VA pensions was $13,752 for a single veteran without dependents or special circumstances. For a similarly situated surviving spouse, that limit was $9,224.

[20] The Supplementary Medical Insurance Benefit is a Medicare Part B premium that beneficiaries may pay to the Social Security Administration. This premium is a medical expense that can be used to offset beneficiaries' incomes without requiring a submitted medical expense form.

[21] The purpose of the cost-of-living adjustment is to ensure that the purchasing power of Social Security and Supplemental Security Income benefits is not eroded by inflation.

[22] 38 C.F.R. § 3.105(h).

[23] VBA Manual M21-1, part I, chap. 2, sec. C, "Adverse Action Proposal Period," February 19, 2019; 38 C.F.R. 3.105(i)(2).

[24] 738 C.F.R. § 3.103(f); VBA Manual M21-1, part III, sub. v, chap. 2, sec. B, "Decision Notices," January 13, 2020

The errors the review team identified were the result of inadequate planning and implementation of the automated pension reduction process. Specifically, the Pension & Fiduciary Service did not follow regulations or procedures to ensure beneficiaries received due process to which they were entitled. The service failed to consult VA's Office of General Counsel or relevant departments during the planning and implementation of the automated process. The review team also found that the service's automated pension-reduction process was not fully tested, communicated to Pension Management Center staff, or adequately monitored. As a result, the service improperly reduced benefits, created unnecessary debts, increased the burden on beneficiaries, and failed to uphold VA's established core values, characteristics, and customer service principles.

The Pension & Fiduciary Service discontinued the fully automated pension-reduction process starting with FY 2021 Social Security Administration cost-of-living adjustments. VBA also submitted information sufficient for the OIG to close its recommendations that the VBA Adjudication Procedures Manual section be updated related to notices of proposed adverse action. The updates help ensure automated notices align with VA regulations, including amending the language of the automated notices of proposed adverse action that require material facts and detailed reasons for the adjustment. A responsive VBA review was also conducted of pension reductions with cost-of-living adjustments that were automatically completed in FY 2020 to ensure regulations and procedures were followed. The review included the consideration of supplementary medical insurance premiums and all evidence submitted by the beneficiary. The OIG remains vigilant to deficiencies in processes and guidance that can lead to improper payments, recognizing that overpayments can result in the spending of taxpayer funds that can be put to better use in serving veterans and their families, as well as helping to prevent fraud and the underpaying of eligible beneficiaries.

VBA'S INTERNAL CONTROLS ARE IMPEDED BY WEAKNESSES IN TECHNOLOGY

A common theme across the OIG's reports on VBA's compensation and pension programs is the insufficient development and execution of technology solutions. In the examples that follow, the OIG found that in an effort to use automation to minimize unnecessary medical examinations for assessing the disabilities of beneficiaries, VBA's systems canceled required examinations, potentially causing veterans to receive monthly compensation benefits that were inconsistent with their levels of disability.[25] The OIG also found failures in VBA's automated process for matching death records from the Social Security Administration with its own benefits records, which resulted in VA payments being sent to veterans after their deaths.[26]

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[25] VA OIG, *Required Medical Examinations Canceled*, September 20, 2022.

[26] VA OIG, *Additional Actions Can Help Prevent Benefits Payments from Being Sent to Deceased Veterans*, April 21, 2022.

VBA Incorrectly Canceled Required Disability Medical Examinations

For a potentially eligible veteran to receive disability compensation benefits, the veteran may be required to undergo medical examinations to determine the severity of their conditions. Because some conditions may change or improve over time, veterans may be required to undergo reexamination. For example, after treatment, certain cancers may go into remission, lessening the severity of a veteran's condition and therefore their related disability rating.

When a claims processor decides a veteran's claim, they also determine whether reexamination may be required in the future.[27] If so, they input the future date into the electronic system, and when that date arrives, a notification is sent to a claims processor to determine whether reexamination is still needed. The OIG had found in a 2018 audit that claims processors were not consistently following VBA policy that requires reexaminations of veterans be requested only when necessary.[28]

Accordingly, VBA took steps to reduce the number of unwarranted reexaminations. It did so by creating "batch jobs" within its information technology systems to automatically cancel reexaminations that met certain parameters. However, the OIG found in a follow-up report that VBA carried out two batch cancellation jobs that mistakenly excluded reexaminations that by law needed to occur to ensure proper payments are made.[29] After the OIG raised concerns, VBA suspended a scheduled batch cancellation job and reestablished workload controls to determine if reexaminations were necessary. The OIG recognizes VBA's efforts to be responsive to prior OIG recommendations and to use automation when appropriate to minimize unnecessary medical reexamination requests. The OIG issued a management advisory memorandum conveying the information necessary for VBA leaders to further research the matter and determine if additional actions were warranted.

Additional Actions Can Help Prevent Benefits Payments from Being Sent to Deceased Veterans

With improved oversight and communication, VBA's death match process can help prevent improper benefits payments from continuing to be sent to veterans after they have passed away. Improper payments may result in the creation of a debt that can cause an unnecessary financial and emotional

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[27] The claims processor referred to here is a veteran's service representative, rating veterans service representative, decision review officer, or locally designated employee with expertise in reexamination ordering.

[28] VA OIG, *Unwarranted Medical Reexaminations for Disability Benefits*, July 17, 2018.

[29] 38 C.F.R. § 3.327; 38 C.F.R. § 4.79–6014; 38 C.F.R. § 4.87–6208; 38 C.F.R. § 4.114–7343; 38 C.F.R. § 4.115b– 7528; 38 C.F.R. § 4.88b–6302; 38 C.F.R. § 4.97–6731; 38 C.F.R. § 4.117–7704; 38 C.F.R. § 4.117–7722; 38 C.F.R. § 4.115b–7531; 38 C.F.R. § 4.104–7016; 38 C.F.R. § 4.129. Since the OIG's July 2018 report, VBA has carried out various batch cancellations involving medical reexaminations.

burden on surviving family members and create additional work for VBA personnel to address.[30] Given the potential for fraud and waste, as well as trying to minimize any issues that may affect a veteran's survivors, the OIG assessed VBA's processes for discontinuing compensation and pension benefits payments made to veterans after their deaths.[31] Although VBA receives notifications of veterans' deaths directly from third parties, it primarily relies on information provided through an exchange agreement with the Social Security Administration.[32] The Social Security Administration aggregates the reports into a system of records called the death master file.

VBA's Pension and Fiduciary Service receives the death master file from the Social Security Administration weekly and is responsible for matching a veteran's name, date of birth, and Social Security number in an automated process against its own records. If there's a match, any recurring benefits payments to the possibly deceased veteran are suspended, and VBA initiates actions to verify the death and discontinue the monthly benefit payment effective back to the first day of the month in which the death occurred.[33]

For its 2022 report, the OIG reviewed three samples to help assess processes and identify ways that VBA can improve its death match process to minimize overpayments and made these findings:

1. VBA was unaware its systems failed to complete one automated weekly death match in December 2020, resulting in payments continuing to 43 deceased veterans. Of those, 29 payments were made for seven months until those veterans' deaths were discovered by the OIG. The overpayments went undetected because each weekly match included only those deaths reported to the Social Security Administration since the last data pull.

2. The team reviewed a judgmental sample of 140 veterans in June 2021 and determined that 87 of the records had incorrect Social Security numbers in VBA's electronic systems. Without

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[30] VA Manual 21-1, part 6, sub. 3, chap. 2, sec. C, topic 1.a, "General Information About Requests for Waiver of Debt," June 18, 2015. When the creation of an overpayment or debt occurs, beneficiaries have the right to request a waiver of the debt. VBA's Committee on Waivers and Compromises is responsible for deciding whether to deny the request or waive all or part of the debt.

[31] Compensation and pension benefits payments made to veterans after their deaths were identified by the OIG as a high-risk category. Fraud and identity theft related to the improper receipt of benefits intended for a veteran who is now deceased are investigated by the OIG's Office of Investigations. Those criminal investigations are summarized in the OIG's published monthly highlights found at www.vaoig.gov/report/monthly-highlights.

[32] VBA receives notices of death from third parties such as family members, funeral homes, veterans service organizations, or from returned checks indicating a veteran is deceased. A third-party notice of death is accepted by VBA if the notice furnishes sufficient information about the veteran to allow definitive identification of the veteran's record and identifies the source of the report of death. These third-party notifications are separate from the death match process but may allow VBA to identify a deceased veteran whose death was not reported to the Social Security Administration.

[33] VA Manual 21-1, part 3, sub. 2, chap. 8, sec. A., topic 1.a, "Purpose of Veteran FNOD Processing," February 24, 2016 (historical); VA Manual 21-1, part 11, sub. 1, chap. 1, sec. A, topic 1.a, "Purpose of Veteran FNOD Processing," December 16, 2021.

accurate data, the death match process cannot operate as intended and VBA will continue to pay compensation or pension benefits to veterans after their deaths.

3. An examination of a random sample of 121 veterans with dates of death between January 2017 and February 2021 revealed that VBA could have minimized improper compensation or pension payments to deceased veterans if death notification data had been obtained from VA's own Veterans Health Administration.[34]

VBA has now provided documentation that it has implemented the OIG's recommendations to put procedures in place that identify and process failed weekly death matches. It also has established a process to review the Social Security number verification program and help ensure their accuracy in VBA's systems. Finally, VBA has instituted an intra-agency data-sharing process with the Veterans Health Administration to assist with obtaining information on veterans' deaths.

REVIEW OF VA'S COMPLIANCE WITH THE PAYMENT INTEGRITY INFORMATION ACT OF FISCAL YEAR 2022

The OIG conducts an annual review to determine whether VA complied with the requirements of the Payment Integrity Information Act of 2019 (PIIA).[35] The most recent review is for FY2022.[36] PIIA, enacted on March 2, 2020, repealed prior Improper Payments Elimination and Recovery Acts, but set forth similar improper payment reporting requirements.[37] PIIA requires federal agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on Office of Management and Budget (OMB) guidance. In addition, PIIA requires each inspector general to review its federal agency's improper payment reports and issue an annual oversight report.[38]

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[34] VA OIG, *Additional Actions Can Help Prevent Benefits Payments from Being Sent to Deceased Veterans*. Like VBA, the Veterans Health Administration receives a Social Security Administration death match. However, the Veterans Health Administration compiles additional death notifications through various sources including the Department of Defense and VA's National Cemetery Administration.

[35] PIIA, Pub. L. No. 116-117 (2020).

[36] VA OIG, *Review of VA's Compliance with the Payment Integrity Information Act for Fiscal Year 2022*, June 2, 2023.

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

[38] The OIG's FY 2022 compliance review used a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency for reporting requirements. OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, March 5, 2021; OMB Circular A-136, Financial Reporting Requirements, part II, June 3, 2022; OMB, "OMB FY2022 Payment Integrity Annual Data Call Instructions," September 2022; Council of the Inspectors General on Integrity and Efficiency, Guidance for Payment Integrity Information Act Compliance Reviews, November 2022.

According to OMB, an improper payment is any payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.[39]

An improper payment includes any payment that

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

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

VA Reported Improper Payments of $492 Million for the Pension Program

In FY 2022, VA reported improper and unknown payment estimates totaling $3.5 billion for seven programs. Of that amount, about $1.4 billion (around 40 percent) represented a monetary loss, and the remaining approximately $2.1 billion (about 60 percent) was considered either a nonmonetary loss that cannot be recovered or an unknown payment.[40] The FY 2022 estimate is a decrease from the previous two years. VA reported improper payments and unknown payments totaling $5.12 billion in FY 2021 and $11.37 billion in FY 2020. While VA reduced the monetary loss from $1.97 billion in FY 2021 to $1.4 billion in FY 2022, it is still higher than the $892 million reported in FY 2020. In addition, VA reported a decrease in its overall improper payment and unknown payment rates for six other programs.[41]

VA satisfied nine of the 10 requirements under the PIIA; however, it is not considered to be in compliance with PIIA as it failed to report an improper and unknown payment rate of less than 10 percent for two VA programs that had estimates in the accompanying materials to their financial statements. With regard to its pension program, VBA is in the process of implementing a mitigation strategy to decrease improper payments further, and according to a VBA official, the changes are

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

[40] OMB Circular A-123 states that improper payments are classified as monetary loss (overpayment) and nonmonetary loss. A nonmonetary loss is either an underpayment or a technically improper payment (a payment to the right recipient for the correct amount that fails to meet applicable regulatory or statutory requirements). App. C in OMB Circular A-123 defines an "unknown payment" as one that a program cannot discern whether it is proper or improper.

[41] The six programs with decreased improper and unknown payment rates are (1) beneficiary travel; (2) communication, utilities, and other rent; (3) medical care contracts and agreements; (4) purchased long-term services and supports; (5) supplies and materials; and (6) VA community care.

expected to impact compliance in FY 2024. Therefore, the OIG team determined that VA met OMB guidance criteria for compliance. VA satisfied the additional reporting requirements for three high-priority programs with prior-year monetary losses from improper payments of more than $100 million reported in FY 2022, including the pension program.[42] The OIG continued to recommend the under secretary for benefits reduce improper and unknown payments to below 10 percent for the pension program.

CONCLUSION

VBA needs to ensure it continuously monitors internal controls to prevent procedural, technology, or process failures that result in improper payments—not only as stewards of taxpayer funds but also to protect veterans and their families from related hardships. The problems the OIG identified with VBA's compensation and pension programs are, in many cases, the result of established and new mechanisms that are insufficient in preventing and detecting errors caused by information management systems and compliance with processes. Recognizing that VBA personnel work in a fast-paced environment on often complex processes, the OIG will continue to make recommendations for improvement that support their efforts to serve veterans, their families, and other survivors. Mr. Chairman, this concludes my statement. I would be happy to answer the Subcommittee's questions.

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[42] The three high-priority programs were pension, purchased long-term services and supports, and VA community care.