

**STATEMENT OF MR. RONALD S. BURKE, JR.,
DEPUTY UNDER SECRETARY, POLICY AND OVERSIGHT,
VETERANS BENEFITS ADMINISTRATION,
DEPARTMENT OF VETERANS AFFAIRS,
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
U.S. HOUSE OF REPRESENTATIVES**

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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% of claims processed by VA. For example, in fiscal year (FY) 2023, VA processed nearly 1.7 million claims¹, of which overpayments occurred in 6.87% 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

¹ Rating and Non-Rating claims.

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% 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 ensure 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% in FY 2018 to 0.037% 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% reporting threshold (5.38%, 8.18% and 7.76% 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% and \$419.27M or 10.86% 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.

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

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 database 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 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 payments 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.