

**WASTE & DELAYS: EXAMINING VA'S
IMPROPER PAYMENTS IN ITS
COMPENSATION AND PENSION PROGRAMS**

HEARING
BEFORE THE
SUBCOMMITTEE ON DISABILITY
ASSISTANCE AND MEMORIAL AFFAIRS
OF THE
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WEDNESDAY, MAY 14, 2025

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

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 360, Cannon House Office Building, Hon. Morgan Luttrell (chairman of the subcommittee) presiding.

Present: Representatives Luttrell, Radewagen, Bergman, Mace, Self, McGarvey, Pappas, Dexter, and Morrison.

OPENING STATEMENT OF MORGAN LUTTRELL, CHAIRMAN

Mr. LUTTRELL. The subcommittee will come to order. Thank you to all the witnesses for being here today. We are going to take a closer look at the U. S. Department of Veterans Affairs' (VA) efforts to decrease improper payments for compensation and pension benefits.

Congress has appropriated over \$150 billion to the VA each year for the past few years. We must ensure the VA is a responsible steward of the taxpayer's investments. This means paying every veteran the correct amount of benefits they have earned the first time. When the VA makes overpayments and they are not returned, taxpayer dollars are obviously wasted. Overpayments can result in VA establishing debts that veterans owe back to the VA, which can obviously create a paperwork nightmare for them and their families. Current law allows VA to either cancel these overpayment debts or waive collection of those debts.

From Fiscal Year 2021 to 2024, VA has issued at least \$5.1 billion in compensation and pension overpayments. VA collected only a portion of those overpayment debts. This means that during the last administration, VA spent \$677 million in taxpayer dollars roughly.

For example, Veterans Service Organizations (VSOs) and some of my colleagues in Congress have told me that VA overpaid their constituents for dependents. Those veterans correctly and immediately updated VA that they no longer had a dependent child or spouse. VA did not update the benefit payment obviously until months later. As a result, many of those veterans owe VA debt and are dealing with the stress of repaying that underneath the waiver

of collection for that debt. If the VA did not make these overpayments in the first place, obviously there would be fewer wasted taxpayer dollars resulting in fewer uncollected overpayments.

I look forward to hearing from the VA witnesses today on what the new administration plans to do to fix these bureaucratic headaches and prevent delays in processing dependent status updates. We have to streamline these things in order to take the pressure off of our veterans.

There are other causes for VA improper payments of compensation and pensions. For example, the VA Office of Inspector General (OIG) issued several reports on how inaccurate effective dates resulted in improper payments during the last administration. The effective date for a grant of a claim determines the amount a veteran will receive in disability compensation back pay. OIG has issued reports, including one in April, that VA incorrectly assigned effective dates when it granted certain types of claims, such as the Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act claims and claims for total ratings due to unemployability. OIG estimated those incorrect effective dates resulted in at least \$100 million in improper compensation payments.

OIG found that the cause was ineffective policy guidance, job aids, and training when it comes to assigning effective dates of awards. I understand that this can be very difficult to determine. I understand this can be very difficult to determine the effective date of the award. I look forward to hearing from OIG today and how the VA should provide claims processors with effective training and guidance on how to assign correct effective dates for all types of compensation and pension claims.

Ultimately, when veterans owe VA a debt at no fault of their own, why should taxpayers have to foot the bill? We must ensure that VA makes every effort to prevent overpayments from happening in the first place. I look forward to hearing from our witnesses today on how we can cut down on wasteful spending from improper payments and compensation and pension.

With that, I yield to the ranking member for his opening statement.

OPENING STATEMENT OF MORGAN MCGARVEY, RANKING MEMBER

Mr. MCGARVEY. Thank you, Mr. Chairman. Appreciate your comments and thank you all for being here today.

We have a responsibility to make sure that the VA uses taxpayer money in an efficient and correct way. We also need to guarantee that the VA pays each and every beneficiary what they are due. Today I want to have a genuine conversation on what works and what does not. I am not here to chastise the VA over their supposed fiscal wrongdoing and then leave without ideas for making the VA work better for the veteran.

I am also not here to just defend the status quo because, at the end of the day, everything we do on this committee must be centered around the veteran. It must make things better for the veteran.

We are looking at massive programs here, complicated, imperfect programs. I know we need to work to make them better. To do that we are going to have to push for real efficiencies and improvements. We absolutely need to make sure strong payment controls are in place. Now that the VA is pushing out more money than ever thanks to the PACT Act, we need to make sure that the VA remains a good steward of taxpayer dollars, but we must be precise. If we take an overly punitive and difficult approach to compensation and pension payments, we run the risk of leaving veterans out in the rain without the benefits they have earned. I stress that they have earned. These are the men and women who have put on the uniform for us. They have earned these benefits. That does not mean it is an anything goes policy with no guardrails. I believe this issue deserves a bit more nuanced consideration than some of the issues we deal with here.

I would love to say this is an easy fix, that the over 130,000 PACT Act claims will go through without incorrect effective dates, that every veteran who gets divorced will immediately notify the VA before they incur debts, or their grieving widow will catch an overpayment during a difficult and confusing time. That is not the case. It is not reality. As I said, these are large, complex systems, and not only are they run by humans, they are used by humans. That means there will be errors, and even with the best possible software, there is going to be some mistakes. Our goal, and I believe it is the VA's goal as well, is to work hard to fully minimize any of those errors or mistakes, get the veterans what they need, and be strong stewards of taxpayer money.

I think we are all rowing the boat in that direction. I do not suspect misconduct and incompetence around every corner. I hope that today we can have a discussion with that nuance. I also want to ensure that as we work to help the VA reduce the errors in their payment systems, we are equally concerned about what these errors mean to the beneficiaries on the other end. That is our veterans.

Committee staff visited the Debt Management Center in February and heard a couple of firsthand accounts of veterans being confused, angry, and even suicidal because they incurred a debt they did not know about. That is what I want to avoid. I want to make sure that the VA has processes in place to protect veterans and other beneficiaries, as well as the call center employees taking their calls.

Mr. Chairman, I know it is both of our goals, that while we look for ways to make the VA better, we do not forget the veterans and the survivors and those serving them in the process. I look forward to a productive discussion, and I yield back.

Mr. LUTTRELL. Thank you, Mr. McGarvey. Welcome, everyone, and thank you for coming today. I am going to introduce our witnesses.

Our lead witness from the VA is Ms. Nina Tann, executive director of compensation services at Veterans Benefits Administration (VBA). Ms. Tann is joined by Mr. Kevin Friel, executive director of pension and fiduciary services at VBA. Ms. Tann is also joined by Ms. Jeanine Gilson, acting chief financial officer for the VBA. Today's witness panel is also—it also includes Mr. Brent Arronte,

deputy assistant inspector general for audits and evaluations at the VA Office of the Inspector General.

Mr. Arronte, do I understand it correctly, this will not be the last time I am seeing you or are they putting you out to graze?

Mr. ARRONTE. By choice. I think 90 percent this will be my last hearing.

Mr. LUTTRELL. Well, if that is the case. It has been an absolute pleasure working with you over these past few years.

Mr. ARRONTE. Thank you, sir.

Mr. LUTTRELL. Fair winds and following seas, my friend. That is a Navy term. Hope you understand it.

I ask the witnesses on the panel to please stand and raise your right hand.

[Witnesses sworn.]

Mr. LUTTRELL. Thank you. Let the record reflect that the witnesses have answered in the affirmative.

Ms. Tann, you are now recognized for 5 minutes to deliver your opening statement on behalf of the VA. Ms. Tann, is your mic on?

STATEMENT OF NINA TANN

Ms. TANN. I am sorry. Good morning. Chairman Luttrell, Ranking Member McGarvey, and members of the subcommittee. Thank you for the opportunity to appear before you today to discuss the Department of Veteran Affairs' oversight of improper payments within compensation and pension programs. With me today from the Veterans Benefits Administration is Kevin Friel, Executive Director, Pension and Fiduciary Service, and Jeanine Gilson, active Chief Financial Officer.

At VA, we take our mission to serve veterans, their families, and survivors very seriously. We are committed to being good stewards of taxpayer dollars and we recognize that improper payments are problematic for all of our stakeholders. An improper payment occurs when a payment is made in the wrong amount, either too much or too little, paid to the wrong person or paid without the required documentation. We want to assure Congress, veterans, and the American taxpayers that VA is working diligently to safeguard not only veterans' and beneficiaries' financial entitlements, but also the funds appropriated to VA to carry out our sacred and honorable mission. VA is using a range of strategies to proactively address and mitigate potential improper payment issues, which I will discuss today.

In Fiscal Year 2024, VA reduced improper payments by about a billion dollars. Achieving this result was made possible by leveraging data sharing agreements with multiple Federal agencies. These provide critical information that inform the propriety of payments, such as benefits related to military duty status, benefit changes due to death, and income-related information. Additionally, these partners provide information that helps identify discrepancies or confirm information. These agreements are used to establish or verify eligibility for Federal benefits, verify compliance with Federal benefit programs, recoup payments or delinquent funds, as well as investigate potential fraud, waste, or abuse.

For example, VA made several improvements to data matching agreements for VA's income-based pension benefits. VA now uses

Federal tax information to verify an applicant's income upfront and income matching with the Social Security Administration to verify continued eligibility for income-based benefits. In addition to these strategies, VA continuously examines our systems and processes to improve timeliness and accuracy, thereby reducing improper payments.

In December 2024, VA modified its procedural guidance to liberally interpret reevaluation provisions for dependency and indemnity compensation (DIC) claims. These changes streamline the decision-making process to mitigate the likelihood of underpayments and ensure VA renders the correct decision the first time. Additionally, these changes reduce requests for unnecessary information and simplify the claim review process.

An area of crucial importance in making accurate payments is the correct application of effective dates by claims processors. Training and oversight through quality assurance (QA) and having proper internal controls in place are at the core of this issue. VA has taken steps to enhance training and oversight of effective dates through use of quality standdowns, refresher training to include a release of PACT Act training that focus heavily on effective dates, and publication of job aids based on findings from Special Focus Review, which allow tracking and trending of errors. We also welcome the review and analysis of our Office of Inspector General partners to examine our procedures and identify areas for improvement.

For example, on April 15, OIG published a report on PACT Act effective dates. In response to the OIG's six recommendations, VBA is ensuring claims processors have the guidance, training, and tools they need to assign the most advantageous effective dates allowed by law for veterans claims. VBA is also enhancing our collaboration with the Board of Veterans Appeals and the Office of General Counsel (OFC) to improve the quality, comprehensiveness, and legal accuracy of its training programs in an effort to reduce delays, avoidable errors, and rework.

VBA internal controls play a key role in reduction of improper payments and include a robust quality program to monitor claim accuracy. VA cannot reduce improper payments alone. We need help from our veterans and beneficiaries to reduce avoidable improper payments through the timely reporting of updated information. Any changes to information such as marital status, income, or dependency status must be shared with VA as quickly as possible to avoid overpayments and underpayments.

For example, if a veteran and their spouse divorce and VA is not notified, this will result in an overpayment and potentially a debt that the veteran will have to pay. It is very important that veterans report any such changes to VA as quickly as possible. To better support this, VA is working to improve how it communicates the importance of reporting such changes to veterans and beneficiaries and to make reporting these changes as easily as possible. We are exploring communication avenues to ensure veterans are aware of what information we have and when they need to report a change.

VA continues to make improvements on reducing improper payments and acknowledges there is more to be done. We are com-

mitted to working with Congress and our stakeholders to further improve, correct, and avoid improper payments where possible. We thank the committee for their continued support of programs that serve our Nation's veterans and look forward to working with you.

Mr. Chairman, this concludes my statement. My colleagues and I are prepared to respond to any questions from you and members of the subcommittee.

[THE PREPARED STATEMENT OF NINA TANN APPEARS IN THE APPENDIX]

Mr. LUTTRELL. Thank you. The written statement of Ms. Tann will be entered into the hearing record.

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

STATEMENT OF BRENT ARRONTE

Mr. ARRONTE. Chairman Luttrell, Ranking Member McGarvey, and members of the subcommittee, thank you for the opportunity to testify on the OIG's independent oversight of VBA's Compensation and Benefits programs. We know that these programs provide critical financial support to many veterans and other beneficiaries who rely on their monthly benefit payments.

Our oversight work has identified deficiencies in VBA's processes, IT systems, training, and internal controls. As a result of that oversight, we focus on recommendations that will help VA find ways to deliver timely, accurate payments so beneficiaries are not impacted by miscalculations and incorrect payments. Taking corrective action on OIG recommendations could also help VBA be good stewards of taxpayer dollars.

In addition to our audit work, the OIG has a robust criminal investigations program to combat bad actors who fraudulently receive benefits. Improper payments are defined by Office of Management and Budget (OMB) as "Federal payments that are for an incorrect amount, paid to an ineligible recipient, or issued without adequate supporting documentation." For the purposes of this hearing, we are talking about underpayments and overpayments. My written statement discusses several reports that identified improper payments, but I want to focus on the importance of correctly establishing the effective date of a claim.

The effective date of a claim is paramount to ensuring that a veteran's compensation claim is paid on the correct date most advantageous for the veteran. The PACT Act significantly complicated effective date determinations by adding locations, dates, and new presumptive conditions that claims processors must consider.

VBA rolled out the majority of training for PACT Act claims processors in December 2022 with a completion deadline of January 2023. This was an accelerated training schedule to facilitate implementation. VBA began processing PACT Act claims for terminally ill veterans in December 2022 and processing all other PACT Act claims in January 2023. In a report we released last month, we found that in 24 percent of the cases we reviewed, staff assigned incorrect effective dates that resulted in \$6.8 million in improper payments, including both under and overpayments. Based on these projections, by August 2025 that amount will reach approximately \$20 million.

We determined that this was the result of VBA not effectively preparing claims processors to incorporate PACT Act significant changes. The training guidance lacked the specificity needed for complex decisions and the two IT tools that were to assist in determining correct effective dates were unreliable.

In our soon to be published report on VA's compliance with the Payment Integrity Information Act, also known as PIIA, we found VBA reported improper payments or VA reported improper payments of approximately \$2.2 billion in both over and underpayment, which is down from \$3.2 billion that was reported in 2023. However, of that 2.2 billion, 1.1 billion is considered a monetary loss and likely will not be recovered by VA.

While VA satisfied 5 of 6 PIIA requirements this year, it continued to report an improper payment rate of more than 10 percent for two programs. Those programs are VBA's pension program and Veterans Health Administration's (VHA) purchased long-term care services. While VBA's compensation program is not included in this report, it will be next year since VA identified the compensation program as a high priority program because it is susceptible to significant improper payments.

The OIG is committed to continuing its independent oversight work of claims processing activities and VBA operations in order to create a better experience for veterans and their beneficiaries.

Chairman Luttrell, Ranking Member McGarvey, and members of the subcommittee, this concludes my statement. I would be happy to address any questions you may have.

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

Mr. LUTTRELL. 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.

Okay. That was quite the suitcase you just unpacked, sir. Ms. Tann, this is how I am going to start this. How do we fix this problem? Ms. Tann, you said we are exploring our avenues of communicating with our veterans because this is a pretty long cast here. It starts inside the VA with our digital infrastructure, our training, manning, equipping with software and hardware. As it moves downstream and touches the veterans, they have to be able to communicate back into the organization to say, hey, look, my dependents are no longer here or—and I have got a divorce, or my spouse has passed away.

How do we—you mentioned Social Security earlier. How does the VA—because in my district, people, they do not have computers, they do not have phones. Our veterans like to dig in and they are just kind of hidden. How do we track or help our veterans track—how do we track our veterans if they lose a spouse, so we are not providing—so the VA is not providing overpayment? How do we fix that problem?

At the end of the day, I am going to say this now and I am going to say it in my closing remarks, if we are spending \$3 billion in overpayment and underpayment, and from the last 10 years, if we are doing our homework correctly, those numbers have increased. We are losing ground, which is money that can be spent in other areas of the VA.

I agree with my ranking member's opening statement. You have—we have the ability to fix this and this is a problem. Yes. When you are dealing with dollar bills, it is a big problem considering the numbers. We have to be aggressive, we, us, and the VA have to be aggressive on how to fix this. I think it is absolutely possible in 2025.

Ms. Tann, you can—I will start with you.

Ms. TANN. Thank you for your question, Chairman. We are looking at a number of avenues, but we also have a couple, a lot of things currently in place. We are making sure to notify veterans in our correspondence about when they need to report changes to us, what we have of record, and how we are using that information. We also have—they have the ability to report to any of our public contact offices. They can make changes through VA.gov as well as call our call center. We want to make it as easy as possible for veterans to access and provide updated information as much as is necessary.

We also have capabilities in which we use matching agreements. You mentioned Social Security. Some of that is for income-based benefits and entitlements. We also do death matches so that we are made aware. We have like a survivor's assistance office now that can help veterans kind of navigate some of these situations. Really for information that only they have, like if there is a divorce, if there is the death of a spouse or the need to remove or add a dependent, that is only information that veterans know that they have to come to us. We are trying to open all the doors and make sure that they know that they have to inform us and what information we are using at any given time.

Mr. LUTTRELL. Do we have the exact, I am going to try to say this right, do we have the exact number of how many beneficiaries there are, how many we correspond with, and how many respond back to the VA's requests? If we are pumping out letters, Mr. Friel, to 100 veterans that we give—that are beneficiaries and only 30 of them are responding back, but we are still paying the other 70, do you have that number by chance? Ms. Tann, I may be switching to Mr. Friel. I apologize.

Mr. FRIEL. No, sir, I do not have that number readily available, but we can take that back.

Mr. LUTTRELL. Is that a question that is being asked in the Department?

Mr. FRIEL. It is. We are looking at, and specifically in our area, in Pension and Fiduciary, we are looking at the rate of return when we do development actions or we do request for information, the rate of return that we get for a reply.

Mr. LUTTRELL. Do you have like a projection or a window that you can provide the committee today?

Mr. FRIEL. No, sir, I would just be making up an arbitrary number, and I do not want to do that. We will—

Mr. LUTTRELL. I ask that you get that to us because, again, just curiosity if we are in the billions in overpayments.

Mr. FRIEL. Sir, if you do not mind, one thing I would like to expand on Ms. Tann's answer is—

Mr. LUTTRELL. Okay.

Mr. FRIEL [continuing]. with the Social Security death match, originally, that was just for beneficiaries. We have expanded that out to dependents on an award. To your question about how we would find out if a spouse passed away, we will do that through the Social Security death match. We are—Social Security has the same limitation we do that they are dependent upon a third party to notify them of a death. Once we get it, we can start action with the veteran to remove that dependent from their award.

Mr. LUTTRELL. Okay. I just am eager to know how many beneficiaries there are, how many we send information to, and how many are responding to that request, because the delta in there, I would be curious to see what the number sign is and how that is correlated.

Mr. FRIEL. Yes, sir. From that perspective, so just for clarity, we do correspond with almost all veterans every year when we do the cost-of-living adjustments, to what Ms. Tann spoke about in the letters, we identify. As far as the other actions where we do development and like a due process, is that more the area that you are looking at?

Mr. LUTTRELL. Well, that might be where one of the misses are—

Mr. FRIEL. Okay.

Mr. LUTTRELL [continuing]. that is causing the problem. I mean, it is a lot. There is a lot of them, but that one I make—I am sorry.

Ranking Member, you are recognized for 5 minutes, sir.

Mr. MCGARVEY. Thank you, Mr. Chairman. Thank you all for being here again.

Ms. Tann, I will start with you this morning. For Fiscal Year 2024, what were the reported level of improper payments for both the compensation and pension services as real dollar numbers and as a percentage?

Ms. TANN. Thank you for the question, sir. I am going to ask our acting Chief Financial Officer if she will take that question, please.

Ms. GILSON. Good morning and thank you for that question. For Fiscal Year 2024, for compensation overpayment debts we established \$1.14 billion in overpayment debts and that is out of an outlay of \$161.196 billion, which comes out to a fraction of 1 percent of improper payments. It is .72 percent of outlays were improper. The breakout for the pension service for 2024, their overpayment debts were \$227.4 million out of an outlay of \$3.743 billion, which is a percent of outlays of 6.1 percent. In total, when you add both of those numbers together, the total compensation and pension overpayment debts established was \$1.366 billion out of a total compensation and pension outlay of \$161.196 billion for, again, a below 1 percent-percentage of compensation and pension outlays. It is .85 percent were improper.

Mr. MCGARVEY. Got it. Of those improper payments, what percentage were overpayments versus underpayments?

Ms. GILSON. I can do the rough math here from the agency financial report for 2024. Again, these are projections that are given to us after a statistically valid sample of 300 cases is evaluated. From the statistically valid sample, pensions, improper payments were \$404 million and the overpayments were \$381.78 million, so in the magnitude of 80-ish percent.

Mr. MCGARVEY. Okay, run through that one more time for me. The pensions were?

Ms. GILSON. Certainly. Improper payments as a whole—well, improper payments, not including unknown payments where we do not know whether the payment is improper or not because the individual—the payment may be going through due process, so for improper payments that actually have been identified in a projection as being improper, the total was \$404 million and the overpayments of that 404 were \$381.78 million.

Mr. MCGARVEY. Okay. Thank you. Do you think, do these numbers show an increase or a decrease in improper payments for these offices over prior years?

Ms. GILSON. For pension service, this is an increase. The projection is an increase from 2023 to 2024.

Mr. MCGARVEY. Taking my own notes. Thank you for that.

This for Ms. Tann, but, you know, whoever has the answers for it. As I understand it, compensation service will be subject to more in-depth supervision under the Payments Integrity Information Act. Can you tell us why and what changed at Comp Service to make that necessary?

Ms. TANN. Sure. Thank you for the question. What it is is that in Fiscal Year 2024 Compensation Service underwent a risk assessment. Because of the pure scale of our program, as was mentioned earlier, just the amount of outlays that we have, we are susceptible to more improper payments. It is not necessarily that anything wrong was done. We are in testing and evaluation right now. That heightened awareness and risk assessment as an internal control will lead us to reporting, again, in 2025, after having being removed previously because we met the PIIA requirements, and OIG concurred with that back in April 2021, I believe.

Mr. MCGARVEY. Okay. We have got just a little bit of time left. Would you say this is a function of scale and not an issue of lack of proper controls or how would you characterize it?

Ms. TANN. I think because of, as has been mentioned, just the amount of beneficiaries and veterans that we are paying and the vast dollar amounts that we are paying, we just are at heightened risk. It is a combination of factors, again, that you mentioned. I believe we have strong internal controls in place and we are constantly working to improve those. I think it is just based off the risk assessment, we have a higher risk because of the amount of outlays that we have.

Mr. MCGARVEY. We are out of time, so I yield back to you, Mr. Chairman.

Mr. LUTTRELL. Thank you, Mr. McGarvey.

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

Mr. SELF. Thank you, Mr. Chairman. These are a lot of numbers. Your last comment though, Ms. Tann, you are at a higher risk because you have larger payments. Why is that logical?

Ms. TANN. Because of the scale of our program and the amount of beneficiaries and payments that we do make, we just have a heightened level of risk around the potential for improper payments, which could be under or overpayments.

Mr. SELF. Yes, I would disagree with that assertion. Mr. Friel, yes or no, did you fix the Social Security Administration matching problem?

Mr. FRIEL. Yes, we did.

Mr. SELF. How did you do that?

Mr. FRIEL. We did a testing with Social Security. We validated that we were getting good responses. We have now continued to run that match every quarter to ensure that we are capturing the debt as soon as possible.

Mr. SELF. Okay. This is one of my continuing comments about VA. We hear a lot about your inputs, what you have done. I am more interested in outputs. We just heard that improper payments increased from Fiscal Year 2023 to Fiscal Year 2024. When are we going to start seeing results to this fix to the problem?

Mr. FRIEL. Sir, our projection right now is that the Fiscal Year 2027 testing will get us below the 10 percent that is required by PIIA. We are currently still doing the match—cleaning up the matches from the historical point and we believe that we will have a good force and—excuse me, we will be a good position in 2027. We are also investigating the opportunities for automation so that we can use automation to address these quicker than having to work them through the typical claims back—claims inventory.

Mr. SELF. Okay. Well, I suggest we do it quickly because in the 4 years under the Biden administration, we had almost \$4 billion in overpayment debts.

Let us move to the veteran's child Chapter 35 education benefits. Ms. Tann, we are talking about over \$200 million for this one small sector of what we are talking about. When did you first learn about these overpayments for the \$200 million-plus?

Ms. TANN. Thank you, sir. We were actually notified, I believe, in Compensation Service around—after the October 22 date. That is when we started to work together to look for whatever solutions we can put in place. That information or that notification actually went through our Office of Financial Management (OFM) and then they passed the information to Compensation Service. I may not have those exact dates right, but the information flowed from our OFM office from our office of business.

Mr. SELF. Again, those are inputs. When do we see outputs?

Ms. TANN. Actually, we have made changes so that we have a matching program through information between Compensation Service and Education Service. So we actually do a monthly match. We took—we started that in January 2025 to send notice. In March 2025, we made adjustments to those awards creating no overpayments for our beneficiaries. In April, we have started that, we are doing that monthly match, and that allows us to give veterans or beneficiaries due process of that prohibition from them receiving both of those benefits at the same time.

Mr. SELF. Okay. Mr. Arronte, you mentioned the PACT Act complexity. Can you delve into that a little bit more? The PACT Act has led to the largest increase in our payments to our veterans forever. Can you go into that a little bit more to include the incorrect dates? I would like to hear that. There are also six factors I think you mentioned in your written testimony. Can you go into the complexity of the PACT Act? My bottom line question, and I have 1

minute, is does Congress need to do something to fix the complexity?

Mr. ARRONTE. Great question, sir. Regarding effective dates, the laws have not changed regarding effective dates. What complicated the issue with PACT Act is that PACT Act added a lot of locations where veterans could serve for presumptive disabilities. They have added presumptive disabilities. All of those issues are considered liberalizing legislation. Any time that there is a liberalizing law, that is something that a claims processor must consider.

An example of one of the most complicated issues is if a veteran has an intent to file, meaning he is going to notify VA or she is going to notify VA that they are going to file a claim within the next year, the date of that intent to file is one effective date. Then depending on what is being claimed, there could be two or three or four other effective dates. It could be the—the date when those disabilities, those presumptive disabilities became law. It could be when there is evidence that shows a veteran served in a specific location that was added due to liberalizing legislation. They have to consider all of those.

Mr. SELF. Okay.

Mr. ARRONTE. At the speed they work, I think they missed that.

Mr. SELF. Is there any way we can cleanup those? Is there any way we can cleanup those different dates?

Mr. ARRONTE. From a legislative standpoint, we have done the work in that. I mean, our experience is this is something that the Department has to fix. We have done some brainstorming. Okay. If you will bear with me and regarding effective dates——

Mr. SELF. I think we are going to have a second round. We may come back to this, Mr. Arronte.

Mr. Chairman, I yield back.

Mr. LUTTRELL. Mr. Arronte, continue on. That was going to be my line of questioning, so please continue.

Mr. ARRONTE. Okay. Based on this recent work of effective dates, this is something that we have seen over years.

Mr. LUTTRELL. When did you tell VBA that the improper effective dates were the number one issue?

Mr. ARRONTE. In August 2022, I was invited to their rollout implementation conference in Houston and we were asked to provide the IG's concerns. Our very first talking point was effective dates. We were told that, yes, we are going to train effective dates. We know it is important and——

Mr. LUTTRELL. This is one of the major causes of this blow up, I am going to assume.

Mr. ARRONTE. Yes, yes.

Mr. LUTTRELL. How do we fix this?

Mr. ARRONTE. Three things that me and my directors have brainstormed. I am not advocating one or the other. It is a choice of the Department.

The first is they could simplify the process of scenarios that govern effective dates. Instead of having all of these different levels of rules to govern effective dates, you could say the date you filed a claim and when a law changed. Right? You could simplify that. I think the pros to that, is you would see a better processing by VBA. The cons, I think you would get pushback from VSOs and veterans

saying that just because it is complicated, does it mean we do not do it?

The second is automation. I just created a division in the last year that looks solely at VBA's automation. I can tell you they are not there yet. One thing that we see with automation is the more complicated the business process is, the more difficult they are having to automate.

The third is what we have recommended is more effective training and oversight. I know that sounds like a broken record, but as we have seen, training was not effective. It makes sense to have sound training. That when issues like the PACT Act come or new Agent Orange presumptives come or whenever somebody decides to change what benefit we are going to give veterans, that training has to be updated, it has to be adequate, and it has to be assessed.

Mr. LUTTRELL. Training, yes, absolutely.

Ms. Tann, how is the VA receiving that? I know, I understand there is a challenge with the digital signature inside the VA. We did not even have to walk down that road right now. The VA has received the Inspector General's (IG) report. Is there any adoption plan ahead of these effective dates?

Ms. TANN. Absolutely. We have actually already implemented several of their recommendations, at least three of them. We worked to update our effective date builder tool in Veterans Benefits Management System (VBMS) so that—

Mr. LUTTRELL. Did it solve that problem?

Ms. TANN. Does it solve the problem?

Mr. LUTTRELL. The PACT Act problem that we are running into.

Ms. TANN. It does assist because it addresses things like the intent to file, the liberalizing law, and the terror activity. That was one of OIG's recommendations, which we did implement earlier this month. We are in the process of completing the job aid that they recommended. We also referenced the outdated evaluation tool builder that was on our internet page where all of our PACT Act resources are housed, so that it notes that that is historical, so people will not be using that. We are looking at the evaluation of our training as OIG—

Mr. LUTTRELL. Inevitably the VA is going to make the decision on what the effective date is and the VSOs and everyone else is going to have to go with it, kicking and screaming.

Ms. TANN. Yes, we are—

Mr. LUTTRELL. There is going to have to be a decision made by the VA.

Ms. TANN. Yes, sir. We consistently look at how do we improve and/or simplify our processes, as Mr. Arronte mentioned, based off feedback and things of that nature? Effective dates are complex. It is hard work and that is why we have humans in that process. If we could automate things end to end, we would. We cannot. We know we need subject matter experts and human intervention in this process. There is a lot to unpack for our claims processors. As Mr. Arronte said, PACT Act did not change how we apply effective dates. It is just new information and people applying them consistently to the most advantageous available to the veteran under the law.

Mr. LUTTRELL. Okay. Ms. Gilson, did we do by—and this may be a Mr. Arronte question, but did we do like a forensic audit on the amount of money spent over the past 5, 10 years to make sure that we are not—again, we are trending in the wrong direction. Are we looking back on our numbers saying, hey, look, we are not making those exact same overpayment or underpayments and not replicating our mistakes? I understand the expansiveness of the VA, but as we know, we are missing something if we are still spending over a billion dollars in overpayments. What is the comparative analysis that we are doing in order to fix it? In next—and then how are we looking for 2025? Are we already projected to spend more than we did in 2024? I just threw a lot at you, I apologize.

Ms. GILSON. No, that is fine. Thank you. A couple answers to your question here.

Regarding the individualized tracking and trending of errors and how do we correct those and make them better, the Office of Financial Management does not do each's reviews on the payments that go out. We take a review holistically at the summary level.

Mr. LUTTRELL. I think we should.

Ms. GILSON. Well, maybe that is the case. However, what we do within the Office of Financial Management is when we receive the payment information from our business lines, we are trusting, we are relying on the controls in place within that business line to make sure that payment is accurate. From the Office of Financial Management's perspective, we review the pay file to make sure that the accounting is correct, that the money is actually in the proper account to make those payments, that the time of the payment is right, that the program is correct. We are accountants and we do not have adjudicators on the staff. If we did, we would need to reopen every single claim that came through to validate that. And—

Mr. LUTTRELL. Well—

Ms. GILSON [continuing]. we do not—

Mr. LUTTRELL [continuing]. we are a billion dollars in the hole. When are we going to start taking a look at that? I am not beating you up.

Ms. GILSON. I understand.

Mr. LUTTRELL. This is me talking about it, Okay?

Ms. GILSON. Yes.

Mr. LUTTRELL. I mean, I do not know how far down the track it has to go before somebody says, yes, that is probably a good idea, which I think it is past time.

I am well over, Mr. McGarvey, I apologize. You alright with that? Okay. I am sorry.

Ms. GILSON. Yes. No, no, thank you. I appreciate that. Again, from the accounting perspective, we review to make sure that everything is appropriate and interfaces to Treasury for payment.

My office also does a review of fraud, waste, and abuse types of situations. We have a tremendous partnership with our colleagues within the Office of Inspector General. When we identify fraud around payments, to make sure that we rectify that—that veteran immediately, we make them whole. In many cases, we can reissue payments same day when we get a call saying, “hey, I did not get my payment.” When we identify that there is fraud within, you

know, scammers who are changing bank accounts without veterans' knowledge, we do engage the Office of Inspector General to investigate those areas and identify, you know, further action taken.

Mr. LUTTRELL. Well, that is when you see it. I mean, the event has already happened. We need to make—we are trying to stop it beforehand.

Ms. GILSON. Correct. We do have some tools and techniques that we have available where we are getting more proactively involved in preventing fraud. We are using machine learning and artificial intelligence and detailed analytics to get to—

Mr. LUTTRELL. This is where the Department needs to come to Congress and say we have to have the money to implement this type of software, this artificial intelligence, machine learning. You have to tell us that because right now we are just seeing the numbers and they are not, obviously, they are not good, but we are all in to help you. Again, this problem has been going on for, I mean, I am going to make the assumption, for decades and let us fix it right here. We are ready. Okay?

I am well over, Mr. McGarvey. Okay. Go ahead, finish.

Ms. GILSON. I think I am pretty much done.

Mr. LUTTRELL. Okay. All right. Mr. McGarvey, I am sorry, sir. We recognize you.

Ms. GILSON. Thank you.

Mr. MCGARVEY. No, thank you, Mr. Chairman, and appreciate this conversation because we want to get this right. Right? We want to make sure that we are getting the money to our veterans that they need, that they deserve, and that we are being good stewards of taxpayer money.

In my round of questioning, I will refresh everyone's memory because it was a second ago, I was talking with Ms. Tann about whether this was a function of scale, not an issue of lack of proper controls. She sort of said more, it is a function of scale. I just wanted a second opinion on that. Mr. Arronte, do you agree with that assessment?

Mr. ARRONTE. To some degree, sir, I do. It is a matter of scale. If you look at the PIIA thresholds, those PIIA thresholds are across the government. Every agency has those same thresholds. If you are conducting a risk assessment of the National Science Foundation and their budget is like this, they mess one thing up and it is high risk. U.S. Department of Defense (DOD), U.S. Health and Human Services (HHS), VA, their budget is like this. They get this much more leeway to make mistakes or have acceptable mistakes.

That is why I am a firm believer that as it relates to compensation, compensation has been on and off the PIIA program throughout the years. As the Chairman indicated in his opening statements, we have a body of work that shows constantly that there are improper payments. In the last nine reports I have issued, seven show incorrect effective dates that lead to improper payments. I think that is enough.

Where compensation should be, I think they should make an exception. I think compensation should be on their high priority list until the numbers come down. The reason I say that, because if you look at some of the programs that are tested in the PIIA-communications, utilities and rent, those improper payments have

dropped to .5 percent. Medical care contracts have dropped over 2 percent. VA community care has dropped from 5 percent to 1 percent. That tells me the process works. You got to keep those programs on whether they meet the threshold or not just because it is a form of function. There is just so much disparity in the budget that allows more mistakes with bigger organizations.

Mr. MCGARVEY. Mr. Arronte, there is nothing that is stopping the VA, from complying with PIIA?

Mr. ARRONTE. No.

Mr. MCGARVEY. Okay. Voluntarily complying, I should say.

Mr. ARRONTE. No. That is the—that is what our work is. I have mixed emotions about the effectiveness of PIIA. The good thing about PIIA is it is our oversight of the Department and its compliance. We test to make sure that the Department is following the rules. It is a strictly compliance audit. It does not get very deep, but they are following the rules.

Mr. MCGARVEY. The Chairman said something that I echo and find interesting when talking with Ms. Gilson about tell us what you need, right? Tell us what you need so we can help fix this problem. We heard some suggestions from her, potentially. Just from a different point of view, Mr. Arronte, do you have any suggestions for what Congress can do to help make the situation better?

Mr. ARRONTE. In regards to PIIA, other than the recommendations that we make, I have no other guidance or suggestions. Like I said, our review is strictly compliance. It does not dig in deep, does not look for what we would typically do in a normal audit. We do not look for-for the root cause. We just look at compliance as mandated by OMB.

Mr. MCGARVEY. Ms. Tann, in a June 2024 report, the OIG found that VBA had not identified Vietnam veterans who were eligible for benefits and that resulted in an underpayment of \$836.8 million. Another 2024 review looking at survivors showed 33.1 million in underpayments. Both of those reports have open actions, including a full review of claims, better outreach letters, and monetary compensation. Do you know where those reviews stand at this time?

Ms. TANN. Sir, for the one that you mentioned regarding survivor's payments, I will ask Mr. Friel to respond to that one. Can you repeat the first one that you mentioned? I am sorry, I did not—

Mr. MCGARVEY. Sure. We were talking about the 2024 OIG report that Vietnam veterans who are eligible for benefits had not received them in payments of 836.8 million and another looking at survivors in 2024 showed 33.1 million underpayments. Both of those reports have open actions, including a full review of claims, better outreach letters, and monetary compensation. We are just seeing where those reviews stand right now and getting the veterans what they have earned.

Ms. TANN. Certainly I will take back, if I can, that question about the Vietnam veterans report to see where those action items are. I will ask Mr. Friel if he has an update on the survivors.

Mr. FRIEL. Sir, thank you for that question. As it relates to the survivors piece, we have adjusted our processes. One of the things that the IG called out was in the PACT Act required that survivors specifically asked for us to look back, right, to see if there was an

earlier effective date. That was our initial training with—in concurrence with or coordination with the IG and OGC. We have amended our processes now to say that a reopened DIC is, in fact, a claim for us to look back. That will help close that gap.

We are continuing to work. We have—I think we have under 20 claims left to make the proper adjudication and adjust the rates to ensure the survivors get the right amount.

Mr. MCGARVEY. Thank you, Mr. Friel. Mr. Chairman, I yield back.

Mr. LUTTRELL. Thank you. Mr. Self, you are recognized for 5 minutes.

Mr. SELF. Thank you, Mr. Chairman. We have heard a lot of Washington speak here today. Does anybody know what those ribbons up on the flags are?

Mr. ARRONTE. Campaign ribbons.

Mr. SELF. They are battle streamers. Veterans that we are talking about, those represent the campaigns that our veterans fought in, were wounded in, died in. That is the veterans we are talking about here. I have heard a lot of Washington talk.

Ms. Tann, in your testimony, written testimony, it talks about how critical it is that veterans and beneficiaries self-report changes. Now, I agree with that. What I have heard here is we have not fixed the problems so that our veterans have the education and the training to know when they are supposed to do things. You heard the chairman say that in his district some people do not have computers. We have heard this time and time and time again from my time on this committee. We have our veterans do not know and we have made it so complex, Mr. Arronte's testimony, we have made it so complex for our veterans. Those battle streamers up there represent the veterans that we are talking about here in Washington speak.

Ms. Tann, how many OIG, and two separate answers here, how many OIG recommendations do you have outstanding? How many Government Accountability Office (GAO) recommendations does the Department have outstanding? OIG and GAO. These are recommendations of people that are telling the Department things to improve your processes. How many do you have open?

Ms. TANN. Sir, I do not have the total number of all of those pending.

Mr. SELF. I would like to know because we have got to do better. I mean, inputs are not outputs. I want to start hearing outputs about how we fix the problems.

With that, Mr. Chairman, I yield back.

Mr. LUTTRELL. Mrs. Radewagen is recognized for 5 minutes.

Ms. RADEWAGEN. Thank you, Mr. Chairman. Ms. Tann, during the last administration, VA informed us of plans to rely on the authority in Cleland-Dole to cancel overpayments of VA benefits resulting from administrative delay. When will VA begin using this authority?

Ms. TANN. Thank you for the question, ma'am. We are still in the process of implementing Cleland-Dole Section 252. We have implemented one of the sections, but we are still working on implementing the one that will require us to create permanent timeli-

ness standards around which to prohibit the overpayment or debt applied to individuals because of delays in VA processing.

Ms. RADEWAGEN. Ms. Tann, yes or no, was the April 2025 PACT Act effective date refresher training, was it mandatory?

Ms. TANN. Yes, it was.

Ms. RADEWAGEN. Yes or no, have all compensation service employees completed that April 2025 effective date training?

Ms. TANN. I would have to get back to you on that.

Ms. RADEWAGEN. Please do. Thank you.

Mr. Friel, yes or no, has every employee who decides survivors DIC claims also completed that April 2025 training?

Mr. FRIEL. Yes, they have.

Ms. RADEWAGEN. Ms. Tann, what exact processes for assigning correct effective dates is VA planning to automate and when will that automation technology be implemented?

Ms. TANN. I am not aware of plans to automate effective dates just because of the complexity around it. I will speak to the work that we have done to update and enhance our system so that the tools that are available to claims processors address some of those problem areas and pain points that Mr. Arronte mentioned, such as intent to file, liberalizing law, and toxic exposure activities.

Ms. RADEWAGEN. Mr. Friel, does VA have the authorities, including all the computer matching agreements, that VA requires to ensure accurate payment of veterans pension and survivors pension?

Mr. FRIEL. Yes, we do.

Ms. RADEWAGEN. Now, Mr. Arronte, what mistakes did the Biden administration VA make when initially rolling out training and guidance for PACT Act claims' effective dates?

Mr. ARRONTE. Ma'am, based on our work and as I indicated in my opening remarks, the training was pushed out very quickly. They had 4 months to identify the type of training that needed to be done. They trained in December. It was very quick. What our recent report shows is they missed an opportunity. They did not evaluate the effectiveness of that training. I can tell you my reports are showing that the training could not have been that effective because we are seeing high error rates with effective dates.

Ms. RADEWAGEN. Sir, has VA done enough to fix those mistakes so that compensation overpayments will be significantly reduced in the future?

Mr. ARRONTE. Ma'am, if you are looking for a yes or no, I am going to say no, just because of my body of work. However, as the VBA panel members have indicated, I think they are heading in the right direction. They are correcting these effective date tool builders. They are consolidating their policies, procedures, and the guidance so staff do not have to look through, 8 pages or 10 pages of FAQs on this site and 20 pages of FAQs on this site. I think they are working toward the right direction.

Ms. RADEWAGEN. Mr. Arronte, do you believe that VA's quality assurance controls are adequate to ensure that VA claims processors assign correct effective dates for award of benefits?

Mr. ARRONTE. No, ma'am. The reason I say that, again, I am basing it on our work. We see high error rates all the time. We looked at their QA program in 2021, we looked at five aspects of it, and issued reports on them. Since then, I think one thing that we

would like to see with their QA is when they draw samples to determine accuracy and error rates, they sample across the board, the entire spectrum of claims. It could be a musculo-skeletal claim, it could be a claim to—a presumptive claim, it could be a whatever. Right? They know what their high priority areas are. They know effective dates is one. There is several others.

I would like to see them, aside from a special focused review, because that is a one-time look, I would like to see them conduct a specific sample of those high-risk areas. Now, that might not bode well for their accuracy rate, but it will help them hone in on what the high-risk problems are.

Ms. RADEWAGEN. Thank you, Mr. Chairman. Yield back.

Mr. LUTTRELL. Ms. Radewagen, do you have any more questions? We moved through the second panel. Do you have another question or are you good?

Ms. RADEWAGEN. Not at this point, Mr. Chairman.

Mr. LUTTRELL. Thank you. I yield to the Ranking Member for closing remarks.

Mr. MCGARVEY. Thank you, Mr. Chairman. Appreciate the testimony here today. Obviously, we appreciate you all being here. I know that each and every one of us wants to improve these programs. We want to make sure that we get it right for the veterans and we get it right for the taxpayers. We have got to do it in a holistic way. We have got to make sure that there are the fewest possible errors and that the personnel are well trained. We also want to see this done with care and compassion.

I want us to find solutions. I want us to create efficient processes and to listen to the workers and union workers when they tell us how we can help them in their work. I want the call center workers at the Debt Management Center to have the ability to step back and breathe when a veteran calls in crisis because they do not see a way out of debt they did not even know they had. I want the veteran in crisis to have access to immediate mental healthcare at that moment. I want to see a VA that provides kindness and clarity in a payment program to help a veteran get out of the red.

I do not want to hack away at the base. I do not want to needlessly attack people who are serving these folks while we make it harder to conduct research or provide life-saving care, and keep families together in burial plots.

We want to make sure that the VA is working, that it is working for the people for whom it is intended to serve, the veterans. That they do so in a responsible way that has the fewest possible errors. I truly mean that. All errors, whether it is identifying the proper payments, the proper training, whether it is an improper use of funds. At the end of the day, if we do not get this right, who are we hurting? We are hurting our veterans. We are hurting the people who work at the VA, many of whom have served our country prior to their serving our country at the VA. We hurt the families, the caregivers, and the survivors of the brave men and women who put on a uniform to serve us.

Mr. Chairman, I look forward to working with you together on this issue, to finding genuine solutions to these problems. I yield back.

Mr. LUTTRELL. Thank you, sir. Thank you all for coming to the hearing today.

The Ranking Member and I are in agreeance. It would be ideal if we could walk this problem all the way down to zero, dollar sign-wise. The system itself is so large, there is going to be a margin of error in there somewhere. Our heartache is the fact that it is trending in the wrong direction.

To his point, we are serving the veterans. The veterans are always on the receiving end of everything that we do in this committee and everything that you wake up every morning, look yourself in the mirror, walk into the office, and say, why am I here? It is for our veterans.

Taking what Mr. Arronte said, implementing those effects inside the VA will move us in the proper direction. Ms. Tann, you said you are implementing certain things the OIG has pushed out. Amazing. Ms. Gilson, when you reported the numbers, it is—I just do not like the fact that we are not—again, we are going in the wrong direction and there has to be a fix. I would like to meet with you in the antechamber. I have a couple questions I would like to ask you after the hearing.

Making overpayments at this number, I think one of the worst things you can do—I mean, I am being dead 100 percent serious. The worst thing you can do is overpay a veteran and tell them you got to give it back. I mean, that is something that the U.S. Government is exceptional at. I know I get hit by the Internal Revenue Service (IRS) all the time. Hey, man, you owe us 25 cents.

Our veterans live paycheck to paycheck. A lot of them are in a deep, deep, dark, black hole, and if you asked—if you are trying to take something from them that the U.S. Government gave to them, that is our fault. Okay? We have to fix that problem. Whether or not it is hardware, software, man tripping a coin—man, train, and equip, we have to be on it.

I know again, every time you guys sit in front of us, you are telling us that, hey, that is happening inside the VA. I got it. Again, once again, we are a large organization and at scale, one of the largest. Okay. I will always say, remember, it is about our veterans 100 percent. We have to take care of those that took care of us. Okay?

Thank you. Thank you for coming and testifying before us today on the important goal of reducing waste resulting from improper payments and compensations and pensions. I look forward to working with the administration and my colleagues that causes improper payments to ease the burden on our veterans and their families.

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 11:17 a.m., the subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENTS OF WITNESSES

Prepared Statement of Nina Tann

Good morning, Chairman Luttrell, Ranking Member McGarvey, and Members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss VA's improper payment oversight. Joining me today from VBA are Kevin Friel, Executive Director, Pension and Fiduciary Service, and Jeannie Gilson, Acting Chief Financial Officer.

VA recognizes the importance of providing Congress, Veterans, and beneficiaries with transparency related to improper payments. Improper payments include incorrect payment amounts (too much or too little), payments to the wrong person, or disbursed payments without required documentation. VA pays the amount of benefit based on the evidence of record at the time of the disbursement, until VA receives notice of a change. For example, if a Veteran loses a dependent and does not report this change to VA, he or she may be paid too much, or in some cases, too little. To combat improper payments, VA supplements beneficiaries' self-reported changes with additional controls. VA has taken many steps to prevent, detect, and correct improper payments and mitigate fraud, waste, and abuse.

VA safeguards beneficiaries' financial well-being and effectively oversees the use of appropriated funds by using a range of strategies to proactively address and mitigate potential improper payment issues. In Fiscal Year (FY) 2024, VA reported a reduction of about \$1 billion in improper and unknown payments. The breakdown of the improper and unknown payments are as follows: \$149.57 million for beneficiary travel; \$13.27 million for Rent Communications, and Utilities; \$28.25 million for Medical Care contracts and agreements; \$280.67 million for supplies and materials; \$518.58 million for pension; \$760.1 million for long-term services and support; and \$416.63 million for VA Community Care, which reflects a reduction of 31.55 percent from Fiscal Year 2023 results, despite increases in outlays of \$4.43 billion, or 12.30 percent. Since Fiscal Year 2018, VA has reduced improper and unknown payments by \$12.57 billion, or 85.29 percent, and removed seven programs from reporting requirements by prioritizing corrective actions on the largest proportion of errors and noncompliance with laws and regulations.

VA continues to strengthen its risk assessments, test plans, and collection of error data to ensure accurate projections and inform effective remediation strategies. While any amount of improper payment is unacceptable, VA continues to make progress in identifying and preventing these from occurring. VA acknowledges that improper payments are problematic and remains committed to process improvements that will ensure VA is providing accurate and timely benefits to Veterans and their dependents with effective oversight.

As an example of recent VA efforts to reduce improper payments, on December 2, 2024, VA modified its procedural guidance to liberally interpret re-evaluation provisions for Dependency and Indemnity Compensation (DIC) claims. The changes streamlined the decision-making process to mitigate the likelihood of underpayments and ensure VA renders the correct decision the first time. Additionally, these changes reduced requests for unnecessary information and simplified the claim review process.

In some cases, VA cannot adjust a Veteran's benefits in time to prevent an overpayment. Administrative or operational constraints within VA may cause processing delays. Congress and VA recognized the burden this placed on Veterans and beneficiaries, based on circumstances outside of their control. As a result, on December 29, 2022, Congress enacted the Joseph Maxwell Cleland and Robert Joseph Dole Memorial Veterans Benefits and Healthcare Improvement Act of 2022, also known as the "VA Beneficiary Debt Collection Improvement Act of 2022" or simply the "Cleland-Dole Act" (P.L. 117-328; 136 Stat. 4459).

Section 252 of this law amended 38 U.S.C. Ch. 53 by adding a new section 5302B, which establishes prohibitions on the creation of debts due to delays in VA processing. Unless a delay is directly attributable to a beneficiary's actions outside of his or her basic due process rights, the law requires that VA must issue an overpay-

ment decision and associated notice within 1 year of receiving information that results in potential debt. Delays caused by a beneficiary's actions will extend the timeliness period for VA to issue a decision by the number of days equivalent to the length of the delay. When VA fails to issue a timely decision, the beneficiary is not responsible for repaying VA for the overpayment. Each issue that generates a potential overpayment is considered separately for purposes of applying these timeliness standards. It is important to note, however, that this guidance does not apply where there is evidence of fraud, misrepresentation, or bad faith on the part of a beneficiary, or to instances in which a beneficiary did not provide current and accurate information affecting his or her benefits in a timely manner.

In another example of VA's efforts to reduce improper payments, in Fiscal Year 2024, VA identified an administrative error which resulted in duplicate dependency payments for Chapter 35 Dependency Education Assistance benefits. As of February 18, 2025, VA estimated the monthly average of overpayments in Fiscal Year 2025 for the Chapter 35 error at approximately \$5.8 million. The total of overpayments from Fiscal Year 2017 through 2025 is estimated at \$211.3 million. VA's former Under Secretary for Benefits, under the previous administration, determined that the duplicate payments were an administrative error; therefore, impacted Veterans would not have debts established. VA worked to correct the point in the process leading to the administrative error and implemented a fix in January 2025. On January 10, 2025, VA issued due process letters to approximately 15,000 Veterans who receive disability compensation or pension benefits for a child while the child is concurrently being paid benefits pursuant to Chapter 35. The due process letters did not propose the creation of an overpayment. On March 17, 2025, following the due process period, VA notified Veterans that the child was being removed from their disability payment. No overpayments were created. VBA's Compensation Service and Education Service continue to partner to develop a solution to eliminate future overpayments for Chapter 35 dual entitlement.

Inter-Agency Data Sharing

To assist with preventing improper payments, VA regularly receives information from various Federal agencies through data matching agreements. VA partners with other Federal agencies to compare information between VA and each partner agency's records to identify discrepancies or confirm information through the computer matching agreement process governed by the Privacy Act (5 U.S.C. § 552a). These agreements are used to establish or verify eligibility for Federal benefits, verify compliance with Federal benefit programs, and recoup payments or delinquent funds as well as investigate potential fraud, waste, or abuse. These data matching agreements include those that concern benefits related to military duty status, benefit changes due to death, and issues related to income. Additionally, VA has made several improvements related to data matching agreements for VA's income-based pension benefits, including using Federal tax information to verify an applicant's income upfront and income matching with the Social Security Administration (SSA) to verify continued eligibility for income-based benefits.

Certain statutory requirements prohibit duplication of benefits during the same period, such as receiving both a disability compensation payment and regular active duty pay. VA conducts routine, monthly data matches with the Department of Defense (DoD) to identify Veterans who return to active duty. When the match occurs after a Veteran returns to active duty, this results in a duplicate payment from DoD and VA.

Additionally, VA conducts an annual data match with DoD to identify Reservists and members of the National Guard receiving active duty for training pay, often referred to as drill pay. Both scenarios may identify an improper overpayment.

Effective Dates: Importance and Improvements

VA acknowledges the crucial importance of claims processors understanding and assigning the proper effective dates as required by law in issuing accurate payments. Training is at the core of the issue, and VA has taken steps to enhance training on effective dates. Once hired, claims processors receive training on effective dates as part of their foundational core curriculum. Following their initial training, claims processors undergo annual assessments to evaluate their application of the rules and guidance on effective dates, as part of the Competency Based Training Systems assessment. If any knowledge gaps or inefficiencies are identified, claims processors receive targeted refresher training to address those specific areas.

VBA is also enhancing its collaboration with the Board of Veterans' Appeals and the Office of General Counsel to improve the quality, comprehensiveness, and legal accuracy of its training programs, with a focus on improving claims development and decision-making through thorough data analysis, root cause identification, and

targeted training for VA personnel. This approach aims to drive impactful change, ultimately benefiting Veterans by ensuring the accuracy of the benefits and payments they receive.

The Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act, signed into law on August 10, 2022, marked the largest and most significant expansion of Veterans' care and benefits in decades. While the original legislation was written with a phased-in approach for the effective dates of various exposure-related conditions, VA proactively determined that all conditions would instead be effective upon date of enactment, to not only benefit the Veteran, but to make implementation of the law less complex for claims processors. Additionally, VA took immediate action to ensure claims processors received guidance on processing PACT Act claims and, in December 2022, VBA provided the training needed to begin processing these claims as quickly as possible. This ensured all front-line claims processors who handle claims for disability compensation benefits based on toxic exposure were ready to process claims on January 1, 2023, and could accurately apply the provisions of the law.

On April 1, 2025, VA also released PACT Act refresher training to claims processors, which specifically addressed effective dates. The content was created using data collected from the PACT Act Special Focused Review for Quarter 1 of Fiscal Year 2025. The leading error category was failure to apply or misapplication of effective dates under 38 C.F.R. § 3.114, which governs effective dates of awards based on a liberalizing law or liberalizing VA issue. In these training updates, VA addressed effective date provisions that involve the general effective date rules, liberalizing laws, and presumptive conditions. VA also addressed the impact of intent to file and the date of receipt rule with such claims.

VA also relies on our Office of Inspector General (OIG) and Government Accountability Office (GAO) partners to independently review our processes and procedures to identify issues. VA works collaboratively with OIG and GAO to address any issues discovered. For example, on April 15, 2025, OIG published its report titled "The PACT Act Has Complicated Determining When Veterans' Benefits Payments Should Take Effect" (Report Number: 24-01153-52). In their report, OIG estimated that about 31,400 of the 131,000 PACT Act-related claims (24 percent) VA completed between August 10, 2022, and August 9, 2023, had errors in the assigned effective date. OIG determined an estimated 26,100 of those claims resulted in at least \$6.8 million in improper payments. Subsequently, OIG recommended that VA implement system enhancements to add functionality that applies liberalizing laws on claims when VA receives an intent to file or when service connection is based on a toxic exposure risk activity. These system enhancements are currently scheduled for implementation by the end of the 3d quarter of Fiscal Year 2025. Additionally, OIG recommended that VA create a job aid for claims processors on how to determine the correct effective date for PACT Act-related claims. The job aid is scheduled for implementation in July 2025.

In addition to specific audit reviews, OIG annually reviews VA's improper payments as required by the Payment Integrity Information Act (PIIA) of 2019 (P.L. 116-117; 134 Stat. 113). PIIA specifically requires agencies to review programs that may be susceptible to significant improper payments exceeding either 1.5 percent of program outlays and \$10 million, or \$100 million in total. Since 2004, VA has made proactive efforts to identify and report improper payments by continuously examining the following programs: compensation, DIC, pension, and monetary burial benefits. VBA's pension program saw an increase in improper payments above the compliance threshold for Fiscal Year 2023 and Fiscal Year 2024 (10.86 percent [\$419.27 million] and 13.85 percent [\$518.58 million], respectively). This increase primarily resulted from the pause in the SSA income data match, which was reinstated in Fiscal Year 2022. When the program resumed in June 2022, VA implemented a quarterly data match for additional oversight versus the prior annual match to mitigate errors under its corrective action. This frequency change will help to reduce improper payments resulting from unreported SSA income.

OIG has recognized the corrective actions VBA put in place to help reduce improper pension payments, including increased oversight via site visits, special focused reviews, and targeted training based on analysis of quality assurance data. As an additional prevention measure, VBA's Pension and Fiduciary Service is investigating the potential implementation of an automation solution to utilize the data provided via the SSA income match to render timely award adjustments. This would minimize debt associated with unreported SSA income and prevent future improper payments.

The Role of the Veteran

It is critical that Veterans and beneficiaries self-report changes in their eligibility or status, including changes in income, net worth, medical expenses, marital status, dependency status, or death of a VA beneficiary. Timely reporting of these changes in beneficiary status significantly impacts VA's ability to deliver appropriate benefits and prevent improper payments. Generally, in the absence of data sharing agreements, VA relies on the information Veterans or beneficiaries report and pays the most accurate amount possible based on the information available at the time a claim is processed. Reporting changes to VA is crucial for maintaining accurate records and ensuring Veterans receive the most accurate benefits. Once VA receives a notification of change, payments VA already issued are considered improper even though VA had no knowledge of the information at the time of payment. This may result in an overpayment that the beneficiary will be responsible for repaying.

When VA makes a decision on a benefits claim, VA sends a notification letter to the claimant. This letter includes detailed information about the decision and the factors affecting the compensation rate. It also explains how claimants can report any changes to VA to avoid disruptions to their benefits or the risk of overpayments. VA understands the negative impact overpayments can have on Veterans and beneficiaries and makes every effort to inform them up front and prevent overpayments. VA continues to expand access and streamline communications with Veterans and beneficiaries to make the exchange of information faster and less burdensome on our stakeholders.

VA is committed to working with Veterans and beneficiaries to identify ways to assist them in keeping information updated and reporting any changes to dependency, income, or other benefits-related issues to avoid delays in payments, ensure eligibility for benefits, and receive timely communications from VA. VA offers easily accessible methods for Veterans to promptly report a change of status, such as online at va.gov, calling our VA benefits hotline, or in person at a VA benefits facility, in an effort to ensure Veterans and beneficiaries receive the correct benefits they are entitled to, avoid improper or discrepant payments, and maintain up-to-date information with VA.

Conclusion

VA strives to safeguard the financial well-being of Veterans and beneficiaries and is committed to working with Congress to proactively improve and mitigate potential improper payments. Chairman Luttrell, Ranking Member McGarvey, this concludes my testimony. We thank the Committee for your continued support of programs that serve the Nation's Veterans and look forward to working together to further enhance delivery of benefits and services. My colleagues and I are prepared to respond to any questions you or other Members of the Subcommittee may have.

Prepared Statement of Brent Arronte


 DEPARTMENT OF VETERANS AFFAIRS
 OFFICE OF INSPECTOR GENERAL

STATEMENT OF BRENT ARRONTE
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 FOR THE OFFICE OF AUDITS AND EVALUATIONS
 OFFICE OF INSPECTOR GENERAL, US DEPARTMENT OF VETERANS AFFAIRS
 BEFORE THE
 SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS,
 COMMITTEE ON VETERANS' AFFAIRS, US HOUSE OF REPRESENTATIVES
 HEARING ON
*"WASTE & DELAYS: EXAMINING VA'S IMPROPER PAYMENTS IN ITS
 COMPENSATION AND PENSION PROGRAMS"*
 MAY 14, 2025

Chairman Luttrell, Ranking Member McGarvey, and members of the Subcommittee, thank you for the opportunity to testify on the independent oversight conducted by the Office of Inspector General (OIG) on improper payments made in the compensation and benefit programs administered by the Veterans Benefits Administration (VBA). These benefits provide critical financial 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 vulnerable recipients and waste taxpayer dollars.

Federal law entitles veterans to compensation for service-connected conditions—that is, those incurred during or aggravated by active military service, as proven by facts and evidence.¹ As of December 31, 2024, more than 6 million veterans were receiving these benefits.²

This statement highlights OIG reports that demonstrate how inadequate training combines with often scattered, unclear, and underdeveloped guidance to contribute to incorrect payments to VBA beneficiaries.³ It focuses first on publications that spotlight the PACT Act's implementation and then on

¹ 38 U.S.C. § 1110; 38 U.S.C. § 1131; 38 C.F.R. § 3.303 (2024).

² VA, "VA Benefits & Health Care Utilization," <https://www.va.gov/VETDATA/docs/pocketcards/pocketcard.pdf>, accessed April 16, 2025.

³ Other contributing causes of improper payments that the OIG has previously testified on include deficiencies in information technology systems, manual work-arounds, and the lack of quality assurance controls. See [Hearing on Digital GI Bill in Disarray: Holding the Biden-Harris Administration Accountable for VA's Costly Mismanagement](#), Before the Subcommittee on Economic Opportunity, House Committee on Veterans' Affairs, 118th Cong. (September 26, 2024) (statement of Nicholas Dahl, Deputy Assistant Inspector For Management and Administration/Chief Information Officer, VA OIG) and [Hearing on Is The Veterans Benefits Administration Properly Processing and Deciding Veterans' Claims?](#), Before the Subcommittee on

two reports that address errors that are likely to occur when VBA employees implement claims processing changes.⁴ Finally, this statement discusses VBA's compliance with the Payment Integrity Information Act of 2019 for fiscal year (FY) 2024.

VBA SHOULD IMPROVE STAFF TRAINING

It is imperative that VBA maintain a training program responsive to users' needs that adequately prepares new and current employees to properly navigate a tremendously complex claims process. This is particularly critical given the increased workload generated by the PACT Act. In addition, there are constantly changing policies, procedures, and guidance that claims processors must accurately implement—often with frequent updates dispersed across multiple sources. Both the training program and the efforts to sufficiently communicate guidance to employees have had considerable challenges in meeting their objectives, as evidenced by the examples of OIG reports discussed below. Given the various financial and other impacts on veterans and beneficiaries when payments are delayed or claims are decided in error, the OIG remains vigilant in its oversight of various aspects of VBA compensation and benefit programs.

Training Improvements Are Needed on PACT Act Provisions

In August 2022, the PACT Act was signed into law and significantly expanded access to VA health care and disability benefits for veterans exposed to burn pits and other toxic materials. It also expanded locations associated with radiation exposure, as well as presumptive conditions and locations associated with herbicide exposure. The day after the PACT Act was signed into law, veterans set a record for the number of online disability compensation claims filed.⁵ VBA rolled out the majority of training for PACT Act claims processors on December 5 and 19, 2022, with a completion deadline of January 6, 2023. This was an accelerated training schedule to facilitate implementation. VBA began processing PACT Act claims for terminally ill veterans on December 12, 2022, and fully processing all PACT Act claims on January 1, 2023. The OIG immediately focused its auditing and evaluation resources on this effort given the consequences for veterans and their beneficiaries if incorrect decisions were made.

VBA Claims Processors May Not Be Assigning Accurate Effective Dates for Claims

Determining correct effective dates for PACT Act–related claims is inherently complicated for claims processors, requiring a mastery of numerous sections of the United States Code, the Code of Federal

Disability Assistance and Memorial Affairs, House Committee on Veterans' Affairs, 118th Cong. (July 23, 2024) (statement of Steve Bracci, Director of the Compensation Programs Inspection Division for the Office of Audits and Evaluations, VA OIG).

⁴ The PACT Act refers to the Sergeant First Class Heath Robinson Honoring Our Promise to Address Comprehensive Toxics Act of 2022, Pub. L. No. 117-168, 136 Stat. 1759.

⁵ VBA, "Fact Sheet: How the PACT Act Is Already Helping Veterans", accessed October 20, 2023, <https://vbaw.va.gov/bi/21/PACT%20Act%20General%20Fact%20Sheet.pdf>.

Regulations, and VBA guidance. In April 2025, the OIG found that VBA did not effectively prepare claims processors for this undertaking.⁶ Among the complexities, veterans may be entitled to benefits on a direct or presumptive basis. For conditions with a direct service connection, there must be evidence that the claimed disease or injury was incurred during active military service. Additionally, VA automatically presumes certain disabilities were caused by a veteran's military service. When a presumed condition is diagnosed in a veteran who meets certain requirements, such as having served in a particular location, disability compensation benefits can be awarded.⁷

When granting benefits, claims processors must determine and apply the most advantageous effective date allowed by law for each claim or benefit awarded. Among other regulations, claims processors must consider 38 C.F.R. § 3.114 when determining the correct effective date.⁸ This regulation may allow veterans to receive an earlier effective date than the date their claim was received if it is granted based on a liberalizing law—or one that brings about a substantive change in law, creating a new and different entitlement to a benefit.⁹ Under those circumstances, a veteran may be entitled to an effective date of up to a year in advance of VA receiving their claim, but not earlier than when the liberalizing law took effect. In this case, the PACT Act is a liberalizing law. The proper assignment of effective dates for disability compensation benefits is vital because it establishes the date from which the veteran will start receiving benefits. An incorrect effective date can result in a substantial financial loss to a veteran, as they may not receive all the benefits to which they are entitled (underpayments).

The PACT Act complicated VBA's effective date determinations by adding locations, dates, and conditions presumed to be associated with certain types of exposures during military service, as well as lowering the requirements for benefit eligibility for some veterans exposed to toxins. Yet, VBA did not provide detailed guidance in its PACT Act-related standard operating procedure. The procedural guidance VBA developed did not provide detailed information or specific examples on the regulatory requirements in 38 C.F.R. § 3.114, or how they should be applied, such as the requirement that evidence must show a veteran met all eligibility criteria on the date the liberalizing law took effect.

VBA's two automated tools referred to as "effective date builders" were also unreliable for determining effective dates. The effective date tool on VBA's internal job aids page is meant to allow claims processors to calculate effective dates for veterans' compensation. But this tool was last updated in December 2019, and as a result, it lacks the functionality to accurately determine effective dates for PACT Act-related claims. The effective date builder in the Veterans' Benefits Management System - Rating system is used to calculate effective dates for disability benefits grants. This tool requires the

⁶ VA OIG, [The PACT Act Has Complicated Determining When Veterans' Benefits Payments Should Take Effect](#), April 15, 2025.

⁷ VA Manual 21-1, "Presumptive Service Connection."

⁸ 38 C.F.R. § 3.114 (2025).

⁹ The term "liberalizing law" is referenced in 38 C.F.R. § 3.114.

claims processor to navigate through check boxes to build a suggested effective date with corresponding text that is appended to the rating narrative, but available and required fields vary based on other recorded data. This tool cannot account for recent changes in law, such as those defined by liberalizing law, by the PACT Act.

VBA's early PACT Act training lacked sufficient details or examples illustrating the impact the law would have on assigning the correct effective dates. VBA staff at all levels said they would benefit from more training on determining correct effective dates. Managers said repetitive training, tailored to the PACT Act's complexities regarding determining effective dates, would be beneficial.

For example, while the training mentions the liberalizing law provisions of 38 C.F.R. § 3.114, the training gives no details or examples on applying the provisions (as was the problem with the standard operating procedure). Importantly, it did not include scenarios to explain how the provisions would apply. Additionally, the knowledge checks that trainees completed after instruction related to choosing the applicable effective date, but all the checks had the same correct answer: August 10, 2022. The OIG was told that some claims processors may have maintained this practice post-training when selecting August 10, 2022 (the date the PACT Act was signed into law), because that was always the correct date on the training test, rather than understanding how to properly determine a correct effective date.

The OIG reviewed a statistical sample of 100 PACT Act–related claims completed from August 10, 2022, through August 9, 2023, and estimated that 31,400 of 131,000 (24 percent) claims were decided improperly. In about 26,100 of those claims, the assigned effective date was incorrect, resulting in at least \$6.8 million in improper payments during that one-year period.¹⁰ At least 2,300 additional claims had date errors, but the review team could not determine their monetary impact, as claims processors prematurely decided them without enough evidence to definitively establish correct dates. If VBA personnel continue to make errors at the same rate identified and at the payment rates in effect at the time of this review, VBA risks making an estimated \$20.4 million or more in improper disability benefit payments through August 9, 2025.

The OIG recommended the under secretary for benefits create a job aid for claims processors on how to determine the correct effective date for PACT Act–related claims, remove the older tool and update the newer one, assess training effectiveness by monitoring the results to assess its effectiveness, and correct all errors on cases identified by the review team. All recommendations remain open, and the OIG will

¹⁰ The Office of Management and Budget (OMB) defines federal payments as improper when they are for an incorrect amount, paid to an ineligible recipient, or issued without adequate supporting documentation. OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

continue to assess VBA's corrective actions until adequate documentation has been presented to demonstrate sufficient implementation.¹¹

It should be noted that in March 2024, VBA announced claims processors were required to take a PACT Act refresher training. This training gave some more complex examples of effective dates that required claims processors to think through various possible outcomes. The review team could not assess the impact or effectiveness of these efforts as the claims reviewed by the OIG predated VBA's implementation efforts.

Survivors Did Not Always Receive Accurate Retroactive Benefits for Dependency and Indemnity Compensation Claims Reopened Under the PACT Act

Dependency and Indemnity Compensation is a monthly benefit paid to eligible survivors of service members who died in the line of duty or as a result of a service-connected injury or illness.¹² The PACT Act broadened the scope of medical conditions presumed to be related to prior military service and added locations associated with toxic exposures, thereby expanding eligibility for this benefit. These survivors may reapply for benefits and could receive retroactive payments dating back to the original date of entitlement.

The OIG team reviewed two statistical samples of PACT Act claims that were reopened after having previously been denied in order to assess the accuracy of VBA's processing of the claims.¹³ If VBA receives a reevaluation request, and if a grant of service-connected death is warranted based on a new PACT Act exposure location or presumptive condition, a retroactive award based on the effective date from the original claim should be granted. To determine the original effective date, VBA veterans service representatives (VSRs) must consider several factors, including date of death, when the original claim was received, and the guidance in place at the time of the original claim.

The first set of claims examined were those that were denied after being reprocessed. The second set were claims that were granted after being reprocessed. Both sets involved claims completed from January 1 through July 31, 2023. The OIG found that pension management center staff generally denied

¹¹ At quarterly intervals commencing 90 calendar days from the report issue date, the OIG sends a follow-up status request to the action office asking for an implementation status report. The OIG follow-up staff generally will provide VBA 30 calendar days to respond.

¹² 38 C.F.R. § 3.5 (2008). VA also presumes certain diseases or conditions to have been incurred in or aggravated by military service within the prescribed time frames specified by regulation or statute, even if there is no evidence of such disease during service. VA Manual 21-1, "Overview of Presumptive SC," updated September 27, 2022, topic V.ii.2.B.1.a in Adjudication Procedures Manual. Dependency and Indemnity Compensation can be granted when the cause of death is a presumptive disease or condition, and the evidence shows the veteran meets the particular presumptive criteria, such as having served in a particular time and place. VA Manual 21-1, "DIC Benefits under 38 US 1310 and 1318," updated, December 1, 2022, topic XII.i.2.A.1.

¹³ VA OIG, *Survivors Did Not Always Receive Accurate Retroactive Benefits for Dependency and Indemnity Compensation Claims Reopened Under the PACT Act*, December 3, 2024.

these reopened claims appropriately; however, there were some inaccuracies in the ratings that determined payment amounts among the sample of claims that VBA had granted. Errors stemmed from unclear guidance on how to reevaluate claims and from an information system that needed to be enhanced. The errors resulted in a projected \$33.1 million in underpayments to survivors. The OIG also identified *potential* errors that could result in at least \$3 million or more in underpayments and \$585,000 in overpayments for claims completed from January 1 through July 31, 2023. The amounts could not be verified because the errors appeared to include incorrect effective dates or the granting of benefits was premature based on insufficient evidence. The OIG also found errors that did not impact payments.

The OIG team determined both types of errors occurred in part because the Pension and Fiduciary Service did not always provide clear guidance to pension management center staff for reevaluation of Dependency and Indemnity Compensation claims, which affects their assignment of effective dates. The team interviewed 20 VSRs, and 13 said the guidance on effective dates for reopened claims and the PACT Act was confusing, unclear, or only somewhat clear.

For example, the initial training provided to pension management staff on the PACT Act in December 2022 lacked an explanation of what constituted an election for reevaluation of Dependency and Indemnity Compensation claims, contributing to their confusion. Additionally, guidance evolved both during and following the OIG review. One manager noted that unclear guidance was the biggest complaint from staff, and initial training on the PACT Act was confusing; furthermore, the manager said they were getting so many changes that it was difficult to make decisions clearly and effectively on PACT Act claims.

The OIG has closed two recommendations to correct errors and improve the claims process, while the recommendation to review reopened claims granted under the PACT Act from January 1 through August 31, 2023, remains open. The recommendation for VBA to take appropriate actions to ensure monetary benefits and notification letters are accurate also remains open.

Staff Incorrectly Processed Claims When Denying Veterans' Benefits for Presumptive Disabilities Under the PACT Act

VBA claims processors sometimes requested unwarranted medical examinations, which delayed claims processing and needlessly burdened veterans, or the processors did not return examinations for clarification when there was insufficient or conflicting information.¹⁴ Claims processors also sometimes requested medical opinions to determine service connection for disabilities the PACT Act presumed to be connected to military service. These errors resulted in unnecessary payments for examinations and medical opinions, as well as underpayments to veterans. Additional errors had the potential to affect

¹⁴ VA OIG, [*Staff Incorrectly Processed Claims When Denying Veterans' Benefits for Presumptive Disabilities Under the PACT Act*](#), December 3, 2024.

veterans' benefits, such as when claims processors prematurely based decisions on inadequate or inconsistent examination results before denying veterans' claims.

The OIG team also identified errors in claims processing that, while correctly denying service connection, resulted in an estimated \$1.4 million in unnecessary costs for unwarranted examinations and medical opinions in the six-month review period. Underpayments were also identified totaling about \$56,700 for two veterans' claims during the same period who were improperly denied service connection. The OIG acknowledges that VBA has taken steps to address errors related to needless examinations, but that work is ongoing.

VBA concurred with the OIG's two recommendations. The OIG has closed the recommendation that VBA update the claims processing manual to clarify when examinations and medical opinions are needed. The OIG continues to monitor VBA's progress at developing and measuring the effectiveness of tools to aid claims processors in making these determinations.

There must be continuous improvements to PACT Act claims processing training supported by clear guidance that can be quickly located and easily applied. The OIG recently published work looking at VBA's development and implementation of PACT Act training.¹⁵ While the training was accurate and addressed its objectives, VBA did not complete timely summary reports of the effectiveness of its PACT Act training that provide user feedback so improvements can be made in increasing the accuracy of PACT Act claims processing. The OIG has closed recommendations on completing the missing reports and requiring that reports be submitted by established deadlines going forward. VBA still needs to establish a plan to evaluate all levels of training and provide feedback to training staff.

Better Training is Needed for Processing Other Claims

While VBA is working on a large volume of PACT Act-related claims, it is imperative that VBA also train its staff to correctly process the many other claims that it receives. OIG witnesses have testified in the past on reports related to training shortfalls for other processes such as claims related to military sexual trauma (MST), amyotrophic lateral sclerosis (ALS), and claims that are eligible for special monthly compensation (SMC).¹⁶ These claims are complex and require a high level of knowledge and competency to accurately make a decision. VBA has implemented actions to address recommendations regarding ALS and SMC claims, and the OIG's oversight work regarding MST claims remains ongoing

¹⁵ VA OIG, *VBA Provided Accurate Training on Processing PACT Act Claims but Did Not Fully Evaluate Its Effectiveness*, January 15, 2025.

¹⁶ VA OIG, *Follow-Up Review of the Accuracy of Special Monthly Compensation Housebound Benefits*, December 15, 2021; VAOIG, *Improvements Still Needed in Processing Military Sexual Trauma Claims*, August 5, 2021; VA OIG, *Accuracy of Claims Involving Service-Connected Amyotrophic Lateral Sclerosis*, November 20, 2018; VA OIG, *Denied Posttraumatic Stress Disorder Claims Related to Military Sexual Trauma*, August 21, 2018.

VBA Personnel Made Errors When Processing Veterans' Claims for Individual Unemployability Benefits

The OIG also found training deficiencies contributed to VBA claims processors' nonadherence to policies and procedures for deciding veterans' claims related to total disability. Individual employability (TDIU) benefits are granted when a veteran is unable to secure and maintain "a substantially gainful occupation" because of service-connected disabilities.¹⁷ The OIG review team found the errors in individual unemployability claims development and decisions were made by VBA staff at all experience levels.¹⁸ The team estimated, based on two statistical samples, that these claims processing errors resulted in \$84.7 million in underpayments and at least \$9.8 million in overpayments during the review period from May 1, 2022, to April 30, 2023.¹⁹

During that period, VBA used two different training programs to increase claims processors' knowledge of the individual unemployability claims process: the Virtual and In-Person Progression (VIP) program, required for newly hired employees, and the Competency-Based Training System (CBTS), which fully trained, experienced employees are required to complete annually. The team found the VIP program does not require new VSRs or Rating VSRs (RVSRs) to complete a certain number of individual unemployability claims to demonstrate competency. Although the VIP training for VSRs contains two mock training cases to test participants' knowledge of individual unemployability, the RVSR training does not include any cases. The team also found the CBTS assessment provided for experienced employees was missing key components and questions that would determine if RVSRs would need to take the individual unemployability training. In sum, personnel's exposure to individual unemployability claims processing was limited within these two VSR and RVSR training programs. Moreover, the relative infrequency of processing these claims meant processors were not getting constant practice; only a small number of these claims are assigned because of limited claims inventory. The team estimated, based on two statistical samples, that these claims processing errors resulted in \$84.7 million in underpayments and at least \$9.8 million in overpayments during the one-year review period.

The OIG made seven recommendations to help VBA improve the accuracy of TDIU claims decisions. Based on evidence of VBA progress, the recommendation is closed for adding practical learning exercises for RVSRs related to individual unemployability for VIP training. The open recommendations include updating guidance mandating use of an effective date builder tool, discussed previously in this testimony, for claims processors to consider earlier effective dates when granting entitlement to individual unemployability. Also open is the recommendation to develop standard language to help

¹⁷ VA Manual 21-1, part 4, sub. 2, chap. 2, sec. F, topic 1.a, "Establishing Entitlement to TDIU" and 1.c, "Definition: Substantially Gainful Employment," November 19, 2015.

¹⁸ VA OIG, *VBA Needs to Improve the Accuracy of Decisions for Total Disability Based on Individual Unemployability*, July 17, 2024.

¹⁹ The OIG team reviewed a random sample of 120 granted individual unemployability claims and 80 denied claims that were completed during the one-year period.

RVSRs address all required elements in the rating narrative. VBA also still needs to establish guidance to ensure staff address competency when individual unemployability has been awarded based solely on a mental condition, among other recommendations the OIG is monitoring.

Disability Rating Updates Were Not Consistently Applied

VBA uses the VA Schedule for Rating Disabilities (the rating schedule) to determine monthly compensation to eligible veterans for service-connected disabilities based on documented medical severity. In 2021, updates were made to the rating schedule for the musculoskeletal body system. The OIG performed a review to assess the effectiveness of VBA's implementation of the rating schedule changes for hip and knee replacements.

The review's findings, published in February 2024, found an estimated 38 percent of claims had an improper payment during the February 7, 2021, through August 31, 2022 review period.²⁰ VBA paid an estimated \$3.3 million in total improper payments for hip and knee replacement claims—including both underpayments and overpayments for these claims. In addition, the OIG team determined that while VBA provided training on the schedule changes, nearly 75 percent of staff underwent retraining on the updates because they did not achieve a passing score of 80 percent on the initial training. VBA could enhance training to ensure comprehension when there are changes to the rating schedule. The review team confirmed there were no examples of how to apply the rating schedule changes to the musculoskeletal system in the instructional portion of the training course materials. The OIG review team was concerned that the training and quality assurance staff were not consistently interpreting VBA policy. For future rating schedule revisions to other body systems, guidance for both training and quality assurance staff should be consistent.

As another example of insufficient training, the review team observed the process required to grant veterans temporary 100 percent disability evaluations for convalescence (such as following surgery for a service-connected disability), which includes manually entering both the effective date and end date for the convalescence periods. The team found, based on its sample, that RVSRs did not assign the correct number of months when granting convalescence periods in an estimated 1,100 of 3,200 claims (about 33 percent). Whenever an information system requires manual entry, it increases the risk for human error. That risk could be mitigated with more effective training and tools for using the system.

VBA concurred with the OIG's four recommendations, including that VBA supplement training on the rating schedule updates and include how to apply the changes to help assure claims processors' comprehension. While the training recommendation is closed, the OIG continues to track VBA's progress on reviewing the convalescence claims for hip and knee replacements and resurfacing completed from February 7, 2021, through August 31, 2022, to ensure monetary benefits are accurate.

²⁰ VA OIG, [*Rating Schedule Updates for Hip and Knee Replacement Benefits Were Not Consistently Applied*](#), February 21, 2024.

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

The Payment Integrity Information Act (PIIA), enacted on March 2, 2020, repealed prior Improper Payments Elimination and Recovery Acts, but set forth similar reporting requirements.²¹ 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. OMB designates programs as high priority if they have \$100 million or more in annual reported estimated monetary losses from improper payments. OMB requires agencies to provide information on high-priority programs to be published quarterly in an OMB Payment Integrity Scorecard.²² The scorecard includes actions the agency has taken or plans to take to recover monetary losses from improper payments and intended steps to prevent improper payments from occurring in the future. This includes highlighting past and future efforts to mitigate root causes of improper payments. In addition, PIIA requires each inspector general to review its federal agency's improper payment reports and issue an annual oversight report.²³

According to OMB Circular A-123, an improper payment is any payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.²⁴

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.

²¹ The Payment Integrity Information Act of 2019, (31 U.S.C. 3301 note)

²² OMB aggregates and reports improper payment information for federal agencies. <https://www.paymentaccuracy.gov/>, accessed April 9, 2025.

²³ Due to timing of VA testing and reporting, there is a lag for the OIG's compliance review. For example, VA reports in the FY 2024 Agency Financial Report on improper payments that occurred in FY 2023. The OIG report is issued in FY 2025. The OIG's FY 2023 (VA OIG, Review of VA's Compliance with the Payment Integrity Information Act for Fiscal Year 2023, May 23, 2024) and pending FY 2024 compliance reviews use a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency. 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, May 30, 2024; OMB, "OMB FY 2023 Payment Integrity Annual Data Call Instructions," February 2024; Council of the Inspectors General on Integrity and Efficiency, Guidance for Payment Integrity Information Act Compliance Reviews, October 22, 2024.

²⁴ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, March 5, 2021.

An improper payment may be an overpayment, underpayment, or technically improper. 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.

The OIG conducts an annual review to determine whether VA complied with PIIA. The most recent published review was issued in May of 2024, and it reviewed the payment integrity information in the FY 2023 Agency Financial Report (AFR).²⁵ It is important to note that VA's payment integrity reporting is based on a review of payments made in FY 2022. Currently, the OIG is finalizing its report reviewing VA's assertions based on payments made in FY 2023 as reported in the AFR for FY 2024 (issued on November 15, 2024). The OIG anticipates publishing this review before the required date of May 27.²⁶

VA Generally Reported Lower Overall Improper Payments in FY 2024

In VA's AFR for FY 2024, VA reported improper and unknown payment estimates totaling about \$2.2 billion for seven programs. Of that amount, about \$1.1 billion (about 50 percent) represented a monetary loss, and about \$1.1 billion (about 50 percent) was considered either a nonmonetary loss that cannot be recovered or an unknown payment.²⁷ The FY 2024 estimate is lower than the previous two years. For FY 2024, VA reported a reduction of about \$1 billion (32 percent) from FY 2023 results.²⁸ Reported improper payments and unknown payments in FY 2023 were about \$3.2 billion and \$3.5 billion in FY 2022.

VA satisfied five of six requirements under the PIIA; however, it is not considered to be compliant with the law 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. They were VBA's pension program and the Veterans Health Administration's purchased long-term services and supports program. Regarding its pension program, despite VBA's implementation of a mitigation strategy to decrease improper payments further, FY 2024 saw an increase in improper payments while the health services program's improper payments decreased.

VA Must Report on the Compensation Program Next Fiscal Year

Of note, the compensation program's improper payment risk assessment conducted in FY 2024 (of FY 2023 transactions) determined the program is susceptible to significant risk of improper and unknown

²⁵ VA OIG, [Review of VA's Compliance with the Payment Integrity Information Act for Fiscal Year 2023](#), May 23, 2024.

²⁶ Consistent with OIG practices, the report is being reviewed by the Department to allow management officials to comment on the findings and recommendations, as well as to provide responsive action plans to recommendations. OIG staff integrate any feedback before publication. While the OIG does not routinely testify on pending publications, due to the timing of this hearing and VA being in receipt of the draft, the pertinent oversight findings are included in this statement.

²⁷ [U.S. Department of Veterans Affairs Fiscal Year 2024 Agency Financial Report](#), Payment Integrity Information Act Reporting, pp. 169–170.

²⁸ The four programs with decreased improper and unknown payment rates are Communication, Utilities, and Other Rent; Medical Care Contracts and Agreements; Purchased Long-Term Services and Supports; and VA Community Care.

payments. This is because VA's estimates suggest the program will have more than \$100 million in annual reported estimated monetary losses from improper payments. Having met the threshold for reporting, the program will be included in the OIG's review of VA compliance with PIIA in accordance with OMB guidance that will be published in May 2026.²⁹

CONCLUSION

VBA must provide its staff with comprehensive and clear guidance as well as practical and up-to-date training to enable them to accurately process complex claims. Effective guidance and training are critical to keep pace with constant changes to the rating schedule and other revisions to claims processing. As prior OIG reports and testimony have suggested, they also are essential in supporting efforts to modernize information technology systems and maintaining quality assurance. Proper claims processing helps VA serve as strong stewards of taxpayer funds and to protect veterans and their families from the hardships that can flow from inaccurate decisions. The problems the OIG identified in its reviews of VBA's compensation and pension programs are largely the result of programs being implemented before being fully developed and then not monitored for effectiveness. Recognizing that VBA personnel work in a fast-paced environment on often difficult 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 any questions.

²⁹ OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123.

STATEMENTS FOR THE RECORD

Prepared Statement of Paralyzed Veterans of America

Chairman Luttrell, Ranking Member McGarvey, and members of the subcommittee, Paralyzed Veterans of America (PVA) would like to thank you for the opportunity to submit our views on how the Department of Veterans Affairs (VA) can improve the compensation benefits process to limit the amount of debt veterans may incur from the improper payment of disability compensation or other benefits and reduce the additional workload on the VA to address such payments.

Veterans with service-related medical conditions are entitled to compensation benefits under law. The Veterans Benefits Administration (VBA) administers these tax-free compensation benefits through their Compensation Service which determines the appropriate percentage rating, whether the veteran is entitled to dependency pay, and the date the veteran was entitled to start receiving this compensation. Generally, these benefits are designed to offset a veterans' loss of earning capacity that is caused or exacerbated by these conditions. Many veterans, especially those with catastrophic disabilities, like spinal cord injuries and disorders, rely on these payments for a substantial portion of their income.

However, VBA too often has difficulty assigning correct effective dates for claims, both rating and non-rating.¹ An improper effective date could result in lost compensation or, more detrimentally, create a debt that the veteran must repay. For many veterans, losing a portion of their benefits toward repayment of a debt can lead them to dire financial straits. PVA believes that the most common causes for incorrect effective dates and unnecessary overpayments are easily remedied.

Removing Dependents

According to PVA's National Service Officers (NSO), removal of dependents from a veteran's claim triggers the most problems with effective dates and improper payments. When veterans experience qualifying life events like divorce, marriage of a child, or death of a dependent and seek to halt payments for that dependent, they must fill out VA Form 21-686c, a rather lengthy and complicated form, and submit it to the VA or go online via VA.gov to submit the form and the needed documentation. Even when veterans submit their request in a timely manner, many wait several months or even longer to have VA remove the additional monetary amount for their dependent from the veteran's monthly compensation. Because of VA's inaction, the veteran accrues a debt totaling hundreds and sometimes thousands of dollars that the department will eventually be forced to try and recoup. The veteran has the option of asking for the debt to be waived, which is a process that PVA's NSOs assist with regularly. To seek a waiver, a different form must be completed and taxpayer dollars spent for VA employees to consider the veteran's request.

Returning to Active Duty

When a veteran returns to active duty, either due to being recalled as a reservist or a voluntary reenlistment, their benefits are generally not affected. However, "[p]ension, compensation, or retirement pay on account of any person's own service shall not be paid to such person for any period for which such person receives active service pay."² The veteran is obligated to inform the VA either via phone or by filing a VA Form 21-4138, "Statement In Support of Claim," to inform the department of the veteran's intention to enter active duty and the need to pause any benefit payments. The issue then becomes how quickly the VA acts on the request. As with the removal of dependents off a veteran's award, it often takes the VA months to

¹ VA OIG, Accuracy of Claims Involving Service-Connected Amyotrophic Lateral Sclerosis, Report No. 18-00031-05, November 20, 2018; VA OIG, Accuracy of Effective Dates for Reduced Evaluations Needs Improvement, Report No. 17-05244-226, August 29, 2018; VA OIG, Processing Inaccuracies Involving Veterans' Intent to File Submissions for Benefits, Report No. 17-04919-210, August 21, 2018.

² 38 U.S.C. § 5304(c).

stop a veteran's compensation payments creating a debt totaling thousands of dollars that the veteran must repay. This debt can create a crippling financial situation for the veteran, especially if it occurs while the service member is deployed and there is little or no help on how to fight the decision. Any veteran who has chosen to return to duty to serve our country deserves better.

Automation

PVA believes that increased investment in automation could significantly decrease the occurrence of needless overpayments, such as those described above. Our NSOs have access to VBA systems that have significantly reduced the waiting time for processes like filing claims and adding dependents. Unfortunately, the process does not work the same for what should be a relatively simple task like removing dependents off a veteran's claim. Currently, it's so burdensome that our service officers must warn clients of the almost certain impending debt that will be created. The same is true with veterans who seek to halt their disability compensation to return to active duty.

VA should be required to develop an easier way for veterans to remove dependents or halt benefits through a system like VA.gov. Investing in such a system would save the department considerable funding in the long run by greatly reducing the number of waiver requests needed due to overpayments. It should be noted, however, that any new website or function must be accessible to all veterans, including those whose conditions require disability accommodations. Also, creating a specific form to halt VA payments for those who are returning to active duty would help the department manage these requests more quickly, and decrease the overall number of debts that are incurred.

PVA would once again like to thank the subcommittee for the opportunity to submit our views on VA's improper payments and the impact they have on our Nation's veterans.

Information Required by Rule XI 2(g) of the House of Representatives

Pursuant to Rule XI 2(g) of the House of Representatives, the following information is provided regarding Federal grants and contracts.

Fiscal Year 2025

Department of Veterans Affairs, Office of National Veterans Sports Programs & Special Events—Grant to support rehabilitation sports activities—\$502,000.

Fiscal Year 2023

Department of Veterans Affairs, Office of National Veterans Sports Programs & Special Events—Grant to support rehabilitation sports activities—\$479,000.

Fiscal Year 2022

Department of Veterans Affairs, Office of National Veterans Sports Programs & Special Events—Grant to support rehabilitation sports activities—\$ 437,745.

Disclosure of Foreign Payments

Paralyzed Veterans of America is largely supported by donations from the general public. However, in some very rare cases we receive direct donations from foreign nationals. In addition, we receive funding from corporations and foundations which in some cases are U.S. subsidiaries of non-U.S. companies.

Prepared Statement of Veterans of Foreign Wars of the United States

Chairman Luttrell, Ranking Member McGarvey, and members of the subcommittee, on behalf of the men and women of the Veterans of Foreign Wars of the United States (VFW) and its Auxiliary, thank you for the opportunity to provide testimony on this topic.

The Department of Veterans Affairs (VA) may improperly pay beneficiaries for a variety of reasons. However, despite the cause, improper payments adversely affect beneficiaries either by overpayment and subsequent demands to immediately return the excess, or by underpayment that creates financial hardship. We limit our statement to four common causes of improper payments: incorrect effective dates, delayed notification of a life event, untimely VA action, and incarceration.

Incorrect Effective Dates

Assigning erroneous effective dates when a veteran's disability compensation begins has been a major Veterans Benefits Administration (VBA) deficiency in Office of the Inspector General (OIG) reports for the past several years. Additionally, it was one of the top three rating error categories since 2011, as noted in the April 15, 2025, VA OIG report 24-01153-52, *The PACT Act Has Complicated Determining When Veterans' Benefits Should Take Effect*.

Claims processors must assign the most advantageous effective date for each grant, as an incorrect effective date can significantly financially penalize the claimant. Title 38, Code of Federal Regulations, Section 3.400 allows an effective date that is the date on which VA received the claim or the date on which the entitlement arose, whichever is later. Complicating this determination is the veteran's right to submit an "intent to file" establishing the effective date when VA receives the notice but allowing the veteran as long as 1 year from that date to actually file the claim.

Of the more than 31,000 errors that comprise this OIG report's data sample, the two most prevalent were the assignment of incorrect effective dates and the potential applicability of more advantageous effective dates. According to the report, claims processors likely contributed to the latter error by failing to collect additional evidence that could have led to a more advantageous effective date.

Enactment of the *Honoring our PACT Act of 2022* (hereafter the "PACT Act") exacerbated the situation and magnified the problem. Before passage of the PACT Act, incorrect effective dates comprised 18 percent of the errors the OIG catalogued. However, a combination of complex rules, a sudden influx of claims attributed to PACT Act enactment, and ineffective training for claims processors contributed to the error rate rising to 25 percent post-PACT Act.

Additionally, the PACT Act is a liberalizing law since it substantially changed benefits derived from certain toxic exposures under specific conditions. A claimant may qualify for an effective date of service connection as early as the enactment of the law, which in this case is August 10, 2022. The OIG discovered that claims processors did not pursue all avenues for the most advantageous effective date, and the PACT Act's liberalizing law status could have contributed to these errors.

Delayed Notification of a Life Event

Beneficiaries must notify VA of major life events that could affect the amount of their disability compensation. For example, notification must be given to VA of remarriage or the loss of a spouse through death or divorce. Both situations would affect the amount of the veteran's disability compensation, and could result in either an underpayment or overpayment depending on the specific circumstances.

A survivor's remarriage, under certain conditions, could cause a substantial overpayment that the beneficiary would have to return. Remarriage before age 55 prompts a discontinuance of Dependency and Indemnity Compensation (DIC). VA sends survivors a marital recertification letter every 8 years. If the survivor is non-responsive, VA will send two more letters and then a "due process" letter to which the survivor must respond within 60 days. If the survivor still does not respond, VA will discontinue DIC and require the beneficiary to repay any unauthorized benefits back to the last valid recertification, sometimes as far back as 8 years prior, which could cause a substantial overpayment that the beneficiary would have to return. Consequently, the indebtedness of some survivors could reach hundreds of thousands of dollars. Also, reporting a life change that would result in removal of a dependent so close to the next scheduled benefits payment that VA is unable to react in time could cause an overpayment that the beneficiary would have to repay. Last, a VA error such as issuing a double payment would also cause an overpayment.

Untimely VA Action

Untimely VA action can also result in an overpayment. Even if the veteran conscientiously reports a change in status, if VA does not process the request quickly enough the beneficiary will receive an overpayment or underpayment appropriate to the situation. Our VFW Service Officers have provided the following examples as illustrations. In one case, the veteran petitioned VA to remove his dependent child from an educational program when she withdrew from school. VA took 217 days from the time it received the request to remove her from the program, resulting in a \$1653.00 debt to the veteran. In a second case, a veteran submitted a verification of dependents at the end of August 2024 to remove a spouse due to a divorce earlier that same month. VA processed the action 4 months later in April 2025, causing a \$1031 debt. In each of these cases, overpayment would have been prevented if VA had processed the change request in a timely manner.

Incarceration

VA will reduce disability compensation for felonious beneficiaries incarcerated for more than 60 days and will discontinue pensions for veterans convicted of either a felony or misdemeanor. Upon release, the veteran's compensation and pension payments may resume. However, VA does not reduce payments for beneficiaries participating in work release programs, residing in halfway houses, or under community control. Similar to failing to inform VA of life events, failing to notify VA of incarceration could result in an improper payment. According to the June 28, 2016, VA OIG report 13-02255-276, *Veterans Benefits Administration Audit of Compensation and Pension Benefit Payments to Incarcerated Veterans*, VBA did not consistently adjust benefits for several years for veterans incarcerated in Federal institutions. Causative factors included insecure electronic data sharing methods, including a lapsed computer matching agreement with the Federal Bureau of Prisons intended to identify potential incarceration adjustments, and a lower prioritization of these adjustments compared with eliminating the disability claims backlog. As a result, between May 2008 and June 2015, VA did not adjust incarcerated veterans' compensation and pension benefits in an estimated 53 percent of cases, resulting in improper payments totaling approximately \$59.9 million. OIG recommendations to remedy the situation included issuing bills of collection to recover improper payments, increasing the priority placed on making timely compensation and pension benefits adjustments, and monitoring data sharing agreements with the Federal Bureau of Prisons and extending them when needed. VA will have to continually monitor the incarcerated veteran population to prevent a recurrence.

Chairman Luttrell and Ranking Member McGarvey, this concludes my statement. Again, thank you for the opportunity to offer comments on this issue.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, the VFW has not received any Federal grants in Fiscal Year 2025, nor has it received any Federal grants in the two previous Fiscal Years.

The VFW has not received payments or contracts from any foreign governments in the current year or preceding two calendar years.

