

**STATEMENT OF DENIS R. MCDONOUGH, SECRETARY
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES**

JUNE 4, 2024

Good morning, Chairman Bost, Ranking Member Takano, and Members of the Committee. Thank you for inviting me here today to discuss VA's use of critical skill incentives (CSI).

CSI payments, established under the Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act of 2022, are a new authority and important tool that helps VA close mission-critical skills gaps that are in short supply or high-demand. As we informed you last Fall, VA erred in the way this CSI authority for career senior executives working at VA Central Office (VACO) was implemented and executed. Upon realizing the error in mid-September 2023, I promptly called each of you and explained this error. At my direction, the VA immediately cancelled and began recoupment for all CSI payments made to these VACO career senior executives. The VA also began instituting additional reviews and stronger controls for all CSIs awarded to VACO career senior executives, paused all future awards to senior executives, and referred the matter to VA's Office of Inspector General (OIG). OIG issued a report last month that described its review of the matter and made findings and recommendations. VA concurred with OIG's findings and the Inspector General's recommendations and immediately began implementing them. This work is still underway.

Importance of CSIs

In 2022, VA worked closely with the House and the Senate to craft Title IX of the PACT Act, giving VA additional authorities and tools that had been longstanding priorities to greatly enhance our ability to attract and retain talent in a competitive labor market to meet the expected increase in demand for care and benefits to Veterans and survivors. These authorities include: use of contract buy-out authority to attract healthcare professionals to rural and highly rural facilities, higher limits for recruitment, relocation and retention incentives, special contribution awards, and student loan repayments, flexibility to designate more positions as critical pay, and use of a new critical skills incentives to address longstanding shortage occupations. Since PACT Act became the law, VA has vigorously deployed these various authorities, and we have publicly posted monthly updates on their usage, including sharing each edition with both House and Senate Committees, in our PACT Act Workforce Dashboard.

Although VA had flexibilities such as recruitment, relocation, and retention incentives available to address hiring and retention difficulties prior to the PACT Act, these authorities are not specifically designed to target skills in short supply within the labor market or in high demand. VA's OIG, as required by the VA Choice and Quality Employment Act of 2017, reports annually on occupations within the Veterans Health Administration (VHA) for which there is a severe shortage. CSI is a pay flexibility VA uses to specifically target these and other shortage and high demand skill occupations within VA. The new pay flexibility assists VA in closing mission-critical skills gaps and supports employee reskilling efforts. CSI is for employees who possess a high-demand or shortage skill directly related to the duties and responsibilities of their positions and that serves a critical mission-related need and is also intended to encourage employees to obtain or maintain the required skill(s) needed to perform the duties and responsibilities of the position, and to better meet the demand for these skills.

As such, the CSI has been an important tool in VA's national workforce strategy. Through April 30, 2024, VA has awarded 41,289 CSIs. Overall spend on CSIs as of April 21, 2024, excluding those under recoupment, is \$340.7 million, and the average award amount is \$8,316.86. The leading professions for CSIs are:

- Housekeeping -- 12,858 CSIs
- Food Service -- 4,683 CSIs
- Police -- 4,061 CSIs
- HR Specialists -- 7,377 CSIs

To date, 99.7% of the total number of CSI payments VA distributed have gone to non-executives, representing 98% of the total dollar amount distributed for CSIs.

In all of these cases, using CSIs has led to higher onboard rates for these occupations and reductions in losses of VA personnel across these positions. On average, VHA has seen a 5% increase in onboards and losses under 3%. For some occupations such as housekeeping aides and food service workers, there had been no growth prior to using CSIs and loss rates as high as 10%. The ability to award CSIs has played an important role in allowing us to hire and retain employees in high demand and shortage skill occupations essential to VA's mission. This expanded workforce has allowed us to provide important results for Veterans:

- In 2023, VA delivered more [disability compensation benefits](#) to more Veterans than ever before, and we are on pace to break that record in 2024. VA just granted its [millionth](#) PACT Act-related disability compensation claims to Veterans and survivors, and has delivered more than \$5.7 billion in earned benefits to these Veterans and survivors.
- For new patients in April 2024, there was an 11% decrease in average wait times for VA primary care and a 7% decrease in average mental health wait times compared to same time last year. These improved wait times come at a time when VA is delivering more care to more Veterans

than ever before. Compared to the same time period last year (which was a [record-breaking year](#) for appointments), VA completed 11% more new patient appointments – including nearly 13% more new patient mental health appointments.

- More Veterans are choosing VA health care, with VA [enrolling more than 400,000 Veterans in VA health care](#) over the past 365 days — 27% more than the 307,831 we enrolled the previous year.
- Veterans trust VA at record rates, with [91.8% of VA's Veteran patients now trusting VA health care](#), a level unmatched in the private sector and an increase of 6% over 2018 (when the survey began). Additionally, overall Veteran trust in VA has reached an all-time high of 80.4% -- up 25% since 2016. Both of these are all time highs.

CSIs, along with these other authorities, have enabled VA to provide more care and more benefits to more Veterans than ever before. Consequently, we thank you for this important authority.

CSIs Awarded to Senior Executives at VACO

Last Fall, VA's Financial Services Center raised issues about the substantial payments being made under this new authority. A review caused us to realize that VA's implementation and execution of the PACT Act's CSI authority for career senior executives who work at VACO had been imprecise. This led to 182 career senior executive employees (SES) at VACO being awarded a total of \$10.8 million in CSI pay in September 2023.

As soon as we identified this error, VA immediately cancelled pending CSI payments that had not yet been paid out and cancelled CSI payments that had already been made to VACO career senior executives and began recoupment for those payments. We also instituted additional reviews and stronger controls for all CSIs awarded to all career senior executives, paused all CSI awards to senior executives at VACO, and referred the matter to VA's OIG.

In its report issued on May 9, 2024, VA's OIG made several findings. VA's OIG found that the blanket award of CSIs to VACO executives in VHA and the Veterans Benefits Administration was inconsistent with the PACT Act and VA policy. VA's OIG further found that VA's internal controls were ineffective in preventing these improper CSI awards to VACO senior executives. The report pointed to insufficient transparency in response to the Secretary's request for information about CSI plans; an apparent reluctance of the Office of Human Resources and Administration/Operations, Security, and Preparedness (HRA/OSP) leaders to thoroughly vet or question the CSI plans; missed opportunities by the Office of General Counsel (OGC); and a failure to leverage the governance process to subject the CSI proposals to a more robust VA-wide review.

The Inspector General's (IG) oversight consistently makes VA better, and we concur with all findings in the report.

VA OIG Recommendations

VA's OIG had eight recommendations to improve VA's implementation of the CSI authority and prevent this from happening again. VA has fully concurred on all of these recommendations and is working vigorously to accomplish them.

1. VA's HRA/OSP Assistant Secretary is revising and updating VA's Policy Notice 23-03, Department of Veterans Affairs Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act, Critical Skill Incentive Implementation, and VA Form 10017-A, Authorization of Critical Skill Incentives, to address the deficiencies noted in the IG's report, including the overly broad definitions of groups and lack of needs analysis for recruitment and retention.

2. VA is reviewing the CSIs that have been paid to SES personnel, SES-equivalent, or other senior leaders for the deficiencies identified in the IG report and to ensure compliance with all applicable statutory criteria and VA policy. VA will take any corrective action needed based on the results of this review.

3. VA is reviewing the CSIs that have been paid to non-executive groups of employees for the deficiencies identified in the OIG report and to ensure compliance with all applicable statutory criteria and VA policy. VA will take any corrective action needed based on the results of this review.

4. VA's Office of Accountability and Whistleblower Protection (OAWP), in consultation with the OGC Ethics Specialty Team, is determining whether any senior leaders involved in the decision-making process for awarding CSIs had any actual or apparent conflicts of interest and if so, whether recommendations for disciplinary or non-disciplinary action are appropriate. VA is also reviewing its updated policies and processes to ensure all decision-makers are free from conflict when awarding future CSIs.

5. The HRA/OSP Assistant Secretary is revising and updating policy regarding CSIs to ensure that recommending and approving officials are accountable for their determinations that each CSI recipient meets all established criteria and that the roles and responsibilities of technical reviewer and human resources reviewer are clearly established.

6. VA is reviewing and revising its enterprise processes to clarify OGC's role in providing legal advice before or during the implementation of any new authority that carries the potential for significant reputational or financial harm to VA. The General Counsel also is reviewing internal processes to ensure that a senior attorney with sufficient expertise is assigned to these reviews.

7. VA is reviewing and revising existing governance policies to strengthen VA's process for reviewing proposals for implementing new pay authorities affecting senior executive compensation.

8. VA's OAWP is investigating to determine if any recommendations for disciplinary or non-disciplinary action are appropriate. After receiving OAWP's report and recommendations, the Secretary or his designee will take any appropriate administrative actions.

In many instances, this work began soon after the issue regarding CSIs was identified last Fall. VA expects to complete all of these tasks relating to the OIG's recommendations by September 30, 2024.

After learning about the problem with CSIs paid to VACO senior executives, beginning the recoupment process of all monies paid to these executives was one of the first steps taken. To date, VA has collected more than 92% of the CSI debts from the career senior executives at VACO. Several other executives are on restructured biweekly repayment plans. While several executives have requested hearings or waivers, all hearings to date have confirmed that the debt and amount are valid.

Conclusion

VA has used CSI payments as an important tool to help attract employees who possess high-demand and shortage skills that serve a critical need. However, as we recognized and informed you, Veterans Service Organizations, the press, and VA's OIG in September 2023, we made serious mistakes in the way we implemented and executed the PACT Act's CSI authority for VACO career senior executives. We appreciate VA OIG's report identifying the flaws in our systems and processes and are working hard to address its recommendations. Moving forward, we will continue to work to ensure that everyone who receives a CSI meets the criteria to do so. This authority is critical to retaining and hiring VA public servants, especially at a time when we are delivering more care and more benefits to more Veterans than ever before—and we will make sure that we are using it effectively, correctly, and as responsible stewards of taxpayer money.