

VA Financial Policies and Procedures, Volume VII, Chapter 9
Financial Reporting – Erroneous and Improper Payment Reporting
under OMB Circular A-123 Appendix C

CHAPTER 9

0901 OVERVIEW	2
0902 POLICIES	3
0903 AUTHORITY AND REFERENCES	5
0904 ROLES AND RESPONSIBILITIES	5
0905 PROCEDURES	7
0906 DEFINITIONS.....	8
0907 RESCISSIONS.....	9
0908 QUESTIONS	9
0909 REVISIONS.....	10
APPENDIX A: OVERVIEW, ANNUAL PLANNING OVERVIEW, ANNUAL PLANNING ACTIVITIES, AND DATA RECONCILIATION	11
APPENDIX B: RECAPTURE AND RECOVERY AUDITS.....	22
APPENDIX C: HIGH-RISK PROGRAM TESTING	42
APPENDIX D: HIGH-DOLLAR OVERPAYMENTS REPORTING.....	70
APPENDIX E: “DO NOT PAY” SOLUTION: IMPLEMENTATION AND UTILIZATION	76
APPENDIX F: ANNUAL REPORTING OF IMPROPER PAYMENTS	88

0901 OVERVIEW

To improve the integrity of the Federal Government's payments and the efficiency of its programs and activities, Congress enacted the Improper Payments Information Act (IPIA) of 2002 (Public Law No. 107-300), dated November 26, 2002, and Section 831 of the Defense Authorization Act of Fiscal Year 2002 (Public Law No.107-107), dated December 28, 2001, also known as the Recovery Auditing Act. These acts were amended on July 22, 2010 by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (Public Law No. 111-204). This chapter establishes the Department of Veterans Affairs' (VA) policies and procedures relating to erroneous and improper payment reporting under the Office of Management and Budget's (OMB) Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, dated April 14, 2011.

The IPERA contains information for agencies in the areas of improper payment identification and reporting. This legislation requires agencies to review annually all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. The IPERA requires agencies to conduct payment recapture audits. The IPERA also requires OMB to prescribe guidance for federal agencies to use in implementing the Act.

On April 14, 2011, OMB issued Circular A-123, Appendix C, Parts I and II, which supersedes OMB's previous promulgations on improper payments and requires all executive branch agencies to:

- Review all programs and activities to identify those that are susceptible to significant improper payments. OMB defines significant improper payments as those in any particular program or activity that exceed (1) both 2.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the improper payment percentage of total program outlays). Beginning with fiscal year 2013 reporting, agencies should instead apply a 1.5 percent improper payment rate (with other aspects of the above definition unchanged).
- Obtain a statistically valid estimate of the annual amount of improper payments in programs and activities.
- Implement corrective action plans and reduction targets for programs and activities found to have significant improper payments.
- Conduct payment recapture audits for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective. If VA determines that it is not cost effective to conduct a payment recapture audit for certain programs and activities, it will notify OMB and VA's Inspector General (IG) of

this decision and include any analysis used to reach this decision. VA will also report this information in the annual Performance and Accountability Report (PAR).

- Report in the PAR an estimate of the annual amount of improper payments in programs and activities and discuss progress in reducing them.
- Report in the PAR on VA's payment recapture audit program, and submit a separate annual report to the VA IG, OMB and Congress by November 1 that describes any recommendations identified by the payment recapture auditor on how to mitigate conditions giving rise to overpayments, and any corrective actions VA took during the preceding fiscal year to address the auditor recommendations.

In addition to the guidance prescribed under OMB Circular A-123, Appendix C, Parts I and II, OMB has prescribed changes to the IPERA reporting format under its revised Circular A-136, *Financial Reporting Requirements*.

On November 20, 2009, the President issued Executive Order 13520, *Reducing Improper Payments*, which requires the head of each agency to submit to the agency's IG and the Council of Inspectors General on Integrity and Efficiency (CIGIE) and make available to the public, a report on any high-dollar overpayments identified by the agency every quarter. On March 22, 2010, OMB issued Circular A-123, Appendix C, Part III, to implement the executive order. The Department of the Treasury also issued Treasury Financial Manual (TFM), Volume I, Part 4, Chapter 2100 on procedures for publication of improper payments data and related information on the PaymentAccuracy.gov website.

0902 POLICIES

090201 VA will review all programs and activities the year after IPERA's enactment in 2011 to identify those programs and activities that may be susceptible to significant improper payments, and at least once every three years thereafter for programs deemed not risk susceptible. If a program or activity is affected by a significant change in legislation and/or a significant increase in funding level, VA will reassess the program's or activity's risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment.

If VA is already measuring and reporting improper payments in a program or activity, or will measure the program and activity by an established date, or if the program or activity has already been identified through agency risk assessments as susceptible to significant improper payments, then VA does not need to conduct a risk assessment of that program or activity the year after IPERA's enactment.

090202 VA will focus its sampling and/or testing on individual components or transaction points of programs posing the highest risk of improper payments, or where VA will have the greatest return on recovery.

090203 VA will comply with the operational and reporting requirements contained within OMB Circular A-123, Appendix C, which implements the IPERA of 2010. VA will comply with Executive Order 13520 and TFM Volume I, Part 4, Chapter 2100. Its goal is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. This executive order also focuses on identifying and eliminating the highest improper payments; accountability for reducing improper payments among executive branch agencies and officials; and coordinated Federal, State and local government action in identifying and eliminating improper payments.

According to Executive Order 13520, at least once every quarter, the head of each agency will submit to the agency's IG and the CIGIE and make available to the public, a report on any high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law. The report will describe any actions the agency has taken or plans to take to recover improper payments, as well as any actions the agency intends to take to prevent improper payments from occurring in the future. The report will not include any referrals the agency made or anticipates making to the Department of Justice or any information provided in connection with such referrals. Following the review of each report, the agency IG and the CIGIE will assess the level of risk associated with the applicable program, determine the extent of oversight warranted and provide the agency head with recommendations, if any, for modifying the agency's plans. Refer to Appendix A, High-Dollar Overpayments Reporting, for additional information and deliverables associated with the reporting.

According to TFM Volume I, Part 4, Chapter 2100, VA will post the Quarterly High-Dollar Overpayments Report on the Office of Finance Web site: <http://www.va.gov/finance/overpaymentsReport.asp>. OMB will review the information submitted by agencies on these reports and compile a "Top 10 High-Dollar Improper Payments" chart for the PaymentAccuracy.gov Web site.

VA will report the annual amount of improper payments and the payment recapture audit results to the President and Congress, through the PAR, no later than 45 days after the end of the fiscal year. The administrators of programs with significant improper payments reported in the PAR also have the responsibility of reviewing, identifying and reporting any high-dollar overpayments every quarter.

090204 VA will hold its responsible officers accountable for developing and implementing a plan and for assessing and reducing improper payments, as well as conducting payment recapture audits.

090205 VA will assess whether its information systems and other infrastructure are adequate to reduce improper payments to minimal cost-effective levels.

090206 VA will identify barriers, whether statutory, regulatory or operational, which may limit its corrective actions in reducing improper payments.

0903 AUTHORITY AND REFERENCES

090301 [Improper Payments Elimination and Recovery Act of 2010 \(Public Law No. 111-204\)](#), dated July 22, 2010

090302 [Executive Order 13520, Reducing Improper Payments](#), dated November 20, 2009

090303 [OMB Circular A-123, Appendix C, Part I and II, Requirements for Effective Measurement and Remediation of Improper Payments](#), dated April 14, 2011

090304 [OMB Circular A-123, Appendix C, Part III, Requirements for Implementing Executive Order 13520](#), dated March 22, 2010

090305 [Treasury Financial Manual, Volume I, Part 4, Chapter 2100, Submitting Required Improper Payments Information for Publication on the PaymentAccuracy.Gov Website](#)

090306 [OMB Circular A-136 revised, Financial Reporting Requirements, Section II.5, Other Accompanying Information – Performance and Accountability Report \(PAR\) Part IV](#) (This circular is revised regularly by OMB; the current version is available on the OMB Website: [OMB Circular A-11 | The White House](#))

0904 ROLES AND RESPONSIBILITIES

090401 The Secretary of VA reviews and approves the Quarterly High-Dollar Overpayment Report and submits the report to the IG and the CIGIE.

090402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities, provides guidance on all aspects of financial management, and directs and manages the Department's financial operations and systems support. The CFO also reviews and concurs in the Quarterly High-Dollar Overpayments Report.

090403 All heads of VA offices have the responsibility to implement financial policies and procedures established by the CFO, including compliance with the policies and procedures set forth in this chapter. Under Secretaries, Assistant Secretaries, and

other key officials must review and concur in Quarterly High-Dollar Overpayments Reports that pertain to their program areas. All VA offices with programs susceptible to significant improper payments under the IPERA must review and identify such programs' high-dollar overpayments after each fiscal quarter has ended, and report the high-dollar overpayments to the Associate Deputy Assistant Secretary (ADAS) for Financial Policy. Applicable Under Secretaries, Assistant Secretaries, and other key officials will also be accountable for rectifying any non-compliance with IPERA requirements identified by the VA IG.

090404 The Deputy Assistant Secretary (DAS) for Finance reviews and concurs in the Quarterly High-Dollar Overpayments Report.

090405 The ADAS for Financial Policy is responsible for providing VA milestone target dates, completing all data collection and reporting requirements in order to comply with the OMB timelines for overall reporting on IPERA activity, and meeting the reporting requirements of Presidential management mandates. The ADAS prepares all formal requests to OMB to remove qualified programs from the IPERA annual review process and reporting requirement. The ADAS also reviews, consolidates and submits the Quarterly High-Dollar Overpayments Report to the Secretary through the DAS for Finance and the CFO. Within 15 days of submission to the IG, the ADAS for Financial Policy makes the report available to the public by submitting the report to the Office of Finance website.

090406 The VA IG reviews VA's improper payment reporting in the annual PAR to determine if VA is in compliance with the IPERA; evaluates the accuracy and completeness of VA's reporting; and evaluates VA's performance in reducing and recapturing improper payments. This review must be completed within 120 days of the report's publication. The VA IG and the CIGIE also review the Quarterly High-Dollar Overpayments Report, assess the level of risk associated with the applicable programs, determine the extent of oversight warranted and provide the Secretary with recommendations, if any, for modifying the agency's methodology, improper payment reduction plans, program access and participation plans, corrective action plans or internal controls.

A program or activity with two consecutive years of improper payments that are less than the reporting thresholds may be eligible for a waiver from OMB to be exempted from the IPERA reviewing and reporting process. The VA IG's concurrence is required for such a waiver.

0905 PROCEDURES¹

090501 Identifying Risk-Susceptible Programs.²

- A. Review all programs and activities, identifying those that are susceptible to significant erroneous payments. Refer to Section 0901 for definition of significant erroneous payments.
- B. Describe the risk assessments performed subsequent to completing a comprehensive program inventory.
- C. Identify the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) determined through these assessments.
- D. To remove qualified programs from the IPERA reviewing and reporting process, the head of the VA organization will submit a formal request through the Office of Management to OMB with an assertion from the VA IG that it concurs with the request.

090502 Estimating Improper Payment Rate via Statistical Sampling.

- A. Obtain or prepare a statistically valid estimate of the annual amount and rate of improper payments in programs and activities.
- B. Report the results, together with a description of the statistical sampling process used and progress made to reduce such payments, in the Other Accompanying Information, Part IV of the annual PAR to OMB, as set forth in the OMB Circular A-136, *Financial Reporting Requirements*.
- C. Initiate the proper corrective actions to reduce the errors in subsequent years, once program errors are measured and reported.

090503 Program Improper Payment Reporting and Payment Recapture Audits.

- A. For the annual IPERA report in the PAR, follow current IPERA reporting as prescribed under OMB Circular A-136, *Financial Reporting Requirements*.
- B. For the Quarterly High-Dollar Overpayments Report, reporting organizations will submit reports to the Cash and Debt Management Division. Refer to Appendix A, High-

¹ These procedures are high level in nature and are not intended to be desk procedures.

² For additional information on VA's internal control program, including OMB Circular No. A-123, Appendix A, Internal Controls over Financial Reporting, refer to Volume I, Chapter 5, *Management Accountability and Control Program*.

Dollar Overpayments Reporting, for additional information and deliverables associated with the reporting. The following format will be used:

1. Name of program.
2. Description of program findings with overpayments count and percentage.
3. Total program payments made this quarter.
4. Details of high-dollar overpayments, using the following table:

Amount of Overpayment	Entity or Individual	City/ County	State	Cause of Overpayment	Actions/Plans to Recover Overpayment	Status of Overpayment	Overall Actions/Plans to Prevent Re-occurrence
Please sort the dollar amount from large to small				We suggest limiting the causes to five or six categories	Descriptions	Please use either one of the status: "Collected in full" "Collection in Progress" or "Collection terminated"	Descriptions

C. The report will be initially reviewed and approved by the ADAS for Financial Policy. Once approval is obtained, the ADAS will create a folder in VA Intranet Quorum (VAIQ) and request the concurrence of the responsible offices. Once these concurrences are obtained, the report will be submitted to the DAS for Finance and then to the CFO, prior to submission to the Office of the Secretary.

0906 DEFINITIONS

090601 High-Dollar Overpayment. Any overpayment made to an individual or an entity in excess of 50 percent of the correct amount of the intended payment under the following circumstances:

- A. Where the total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter; or
- B. Where the payment to an entity exceeds \$25,000 as a single payment or in cumulative payments for the quarter. An entity is a non-individual which excludes an individual acting in either a personal or commercial capacity (that is, a sole proprietor) and Federal, state, and local government agencies.

090602 Improper Payment. Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative or other legally applicable requirements. Incorrect amounts are overpayments and underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment is proper because of insufficient or lack of documentation, this payment must also be considered an improper payment.

090603 Payment. Any payment, including a commitment for future payment that is: (1) derived from Federal funds or other Federal sources; or (2) reimbursed ultimately from Federal funds or resources made by a Federal agency, a Federal contractor, a governmental or other organization administering a Federal program or activity. Agencies are not obligated to review intra-governmental transactions and payments to employees.

090604 Program and Activities. Activities or sets of activities recognized as programs by the public, OMB or Congress, as well as those that entail program management or policy direction. This definition includes, but is not limited to, all grants including competitive grant programs and block/formula grant programs, non-competitive grants such as single-source awards, regulatory activities, research and development activities, direct Federal programs, all types of procurements (including capital assets and service acquisition), and credit programs. It also includes the activities engaged in by the agency in support of its programs.

0907 RESCISSIONS

090701 VA OFP Volume VII Chapter 9, Financial Reporting – Erroneous and Improper Payment Reporting under OMB Circular A-123 Appendix C, January 2011

0908 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA
VBA
CCDM
All Others

VHA CFO Accounting Policy (10A3A) (Outlook)
VAVBAWAS/CO/FINREP (Outlook)
Cash Cost and Debt Management
OFP Accounting Policy (Outlook)

0909 REVISIONS

Section	Revision	Office	Date
Appendix A	Updated the appendix	CCDM (047GC)	September 2013
Appendix B	Added new appendix	CCDM (047GC)	September 2013
Appendix D	Added new appendix	CCDM (047GC)	September 2013
Appendix E	Added new appendix	CCDM (047GC)	September 2013
Appendix F	Added new appendix	CCDM (047GC)	August 2013
Appendix C	Updated Pre-Risk Assessment Questionnaire	CCDM (047GC)	January 2014

APPENDIX A: OVERVIEW, ANNUAL PLANNING OVERVIEW, ANNUAL PLANNING ACTIVITIES, AND DATA RECONCILIATION

Overview –To achieve the maximum cost effective benefits of reduction of improper payments while still meeting the mission of the VA, all of the organizations must work closely together to strengthen program and payment procedures. By creating a standardized approach to improper payment annual activities, VA stakeholders will understand the part they play in reducing improper payments and respond appropriately to issues and changes. Together, VA will maximize error reduction, thus providing better accountability and stewardship of taxpayer money. This appendix defines how the Department will regularly identify, reduce, report and recoup improper payments, as well as achieve compliance with the Improper Payment Information Act of 2002 (IPIA), the Improper Payment Elimination and Recovery Act of 2010 (IPERA), and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), three laws requiring federal agencies to monitor and remediate improper payments.

On a continuous basis, the Department will perform improper payment assessment activities to ensure programs have adequate payment controls over funds authorized to disburse and program managers are adhering to legislative and regulatory requirements of monitoring and remediating improper payments. At a minimum, the Office of Cash, Cost, and Debt Management Services (Improper Payment Program Office) and VA Improper Payment Reporting Entities (i.e. Administrations and VA Staff Offices) will annually:

- Review laws and regulations to determine if there are any newly established federal agency requirements related to federal management accountability and recovery activities of improper payments aimed at identifying and reclaiming payments made in error;
- Review all agency programs and activities and identify those that are in scope for the improper payment program;
- Review all programs and activities highly susceptible to significant erroneous payments and obtain a statistically valid estimate of the annual amount of improper payments in those programs and activities;
- Evaluate alternative improper payment measurement techniques and update policy to implement management adopted activities;
- Annually report amounts of improper payments in programs and activities, and progress towards reducing them;
- Identify cost-effective payment recapture and recovery audit activities for programs and activities with more than \$1 million in annual outlays;

- Develop corrective action plans;
- Incorporate lessons learned from prior fiscal year activities into improper payment reduction efforts; and
- Establish compliance mechanisms and requirements for programs deemed non-compliant.

To perform the above actions, a five phased approach will be followed to provide the Department a continuous cycle of IPERA and IPERIA planning and reporting activities. Annually, a schedule of activities will be developed by the program office to layout the work needed to perform work in each of the five phases listed below:

1. **Planning:** The Planning or initial phase begins each year in August with a Kick-Off meeting to deliver expectations and any changes from the previous year of all improper payment related activities. These changes can include but are not limited to scheduling changes, any updates to laws and/or guidance as applicable to all VA reporting entities, along with consideration of any new programs initiated during the current year. To successfully develop a schedule of activities, the program office and VA reporting entities will:
 - a. Annually, review new improper payment and debt legislation, new regulations, Executive Orders, Presidential Memorandums, Office of Management and Budget (OMB) Circulars, Department of Treasury Bulletins, Office of Inspector General (OIG) reports, lessons learned from prior years improper payment assessment activities, and other Department guidance to determine if there will be any changes to the succeeding fiscal year's improper payment program.
 - b. At the beginning of the next fiscal year, perform a program analysis to identify all programs and outlays within VA which are in-scope for improper payment monitoring and reporting. To complete this step, VA reporting entities should complete the Program Identification Template included as Attachment 1 to this appendix.
2. **Collecting:** The collecting phase is ongoing throughout the year for the VA reporting entities. Each VA reporting entity is required to perform a number of mandated improper payment program activities (see Diagram 1 below). The mandated activities are:
 - a. High-Risk Program Testing (See Appendix C for more information on this activity)

- b. Recapture and Recovery Auditing Activities (See Appendix D for more information on this activity)
- c. High-Dollar Overpayment Quarterly Reporting (See Appendix E for more information on this activity)
- d. Do Not Pay (DNP) (See Appendix F for more information on this activity)
- e. Other Activities as dictated by the Improper Payment Governing Board

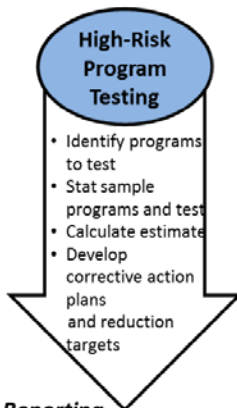
After improper payment data has been collected from performing the mandated activities, the VA reporting entities will provide the program office initial information about the assessment of payment controls and whether the controls are operating efficiently and effectively. This data will form the basis of the annual reporting and will support management’s overall evaluations of the program’s payment controls.

Diagram 1: Improper Payment Mandated Activities

Improper Payment Measurement & Remediation Program Snapshot

Mandated Activities

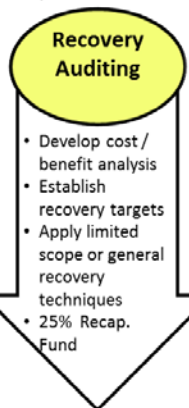
1. Annually estimate erroneous payments from programs highly susceptible to improper payments



Reporting Activities

Annually Report in PAR

2. Conduct payment recapture audits for programs with expenditures of \$1M or more



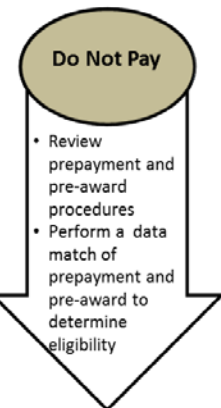
Annually Report in PAR and separate report to OMB, Congress, and OIG

3. Report Quarterly any high-dollar overpayments identified by the agency



Quarterly Report to OIG and the U.S. Public

4. Agencies must check all payments and awards for all programs against DNP before issuance



Annually Report to OMB on the operation of DNP

5. Other actions as required by the President, Congress, OMB, OIG, or the agency



ADHOC Reports

Monitoring of Activities

Annually, the OIG will conduct a performance audit to determine if the agency is compliant with IPERA.

- 3. **Evaluating:** The evaluating phase begins after improper payment data has been collected. Each VA reporting entity will analyze the improper payment data and

information collected during performance of the improper payment program mandated activities listed above. The main purpose for evaluating payment controls is to determine whether an ineffective control would allow the issuance of an improper payment or allow a control deficiency to go undetected. The VA reporting entities will provide the program office analyses of their evaluations. The program office will review the submissions and provide feedback to reporting entities either to enhance their submission or ask for clarification as deemed necessary. The results of these analyses will also be used to update any corrective action plans for the programs examined during performance of the mandated activities.

4. **Developing:** During this phase, corrective action plans should be developed by the responsible process owners and implemented for systemic payment control deficiencies. Improper payments occur because of internal control deficiencies that allow errors to be made in determining whether funds should be disbursed and remain uncorrected before payment is made or due to be made. In order to improve the internal controls over disbursements to the point where improper payments occur at an acceptably low level, VA must determine what control deficiencies allowed the improper payments to occur, and develop a process to fix those deficiencies so that future improper payments are prevented. Once those processes are developed, they must be implemented, and personnel working in the affected area must be trained in how to perform their tasks using the new processes.
5. **Monitoring & Reporting:** The monitoring portion of this phase is ongoing while the reporting aspects of this phase typically occur quarterly, annually, or ad hoc. Monitoring the effectiveness of payment controls should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of the program office. Periodic assessments should be integrated as part of VA reporting entities monitoring of internal controls, which should be ingrained in the Department's operations. In response to reporting data calls throughout the year, VA reporting entities will provide timely "camera ready" drafts in the format requested by the program office. The program office will review the drafts and provide comments and edits back to the VA reporting entities. The program office will then consolidate all drafts into one VA agency wide report. Any reporting requiring Key or Senior Accountable Official sign-off will be forwarded and presented to the Improper Payment Governing Board for approval.

Diagram 2, shown below, depicts the five phases of the improper payment program and how it is a continuous cycle to start anew each fiscal year.

Diagram 2: Improper Payment Program Five Phases

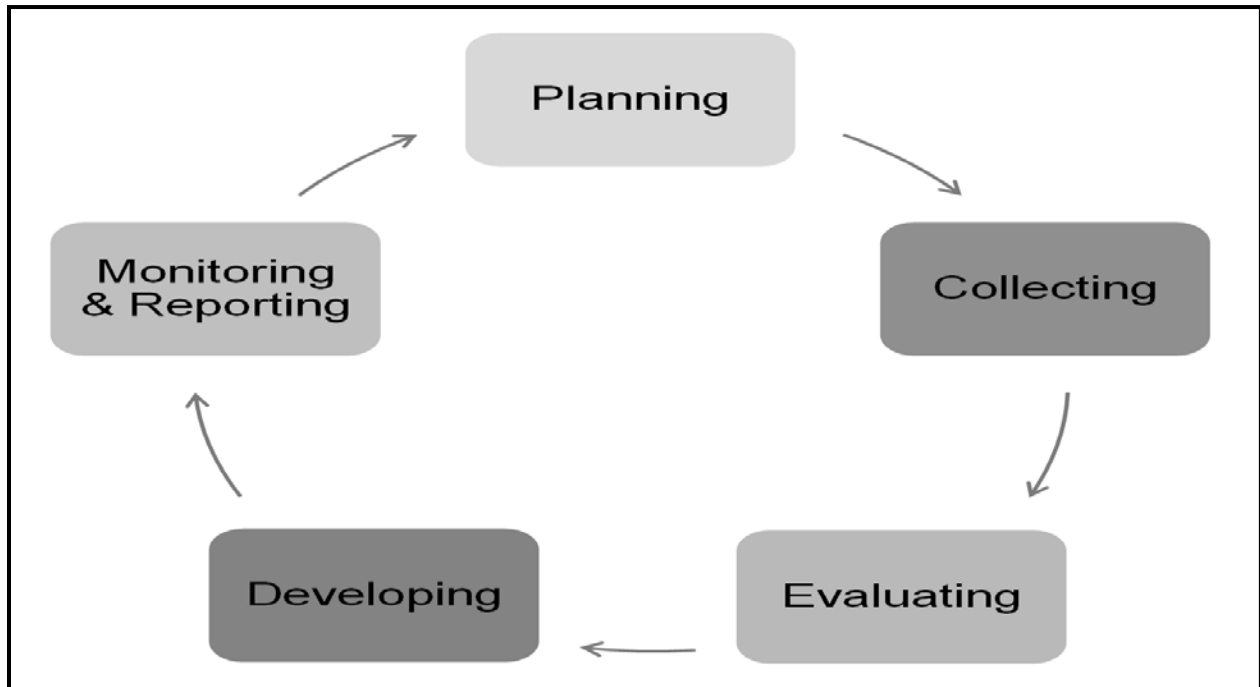


Diagram 3, shown below (next page), provides a general timeline of the schedule of activities and actions to be performed by the program office and VA reporting entities to successfully complete the five phases.

Diagram 3: Schedule of Activities

Phase	Description of Tasks	Frequency	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Planning	1.0 Begin Planning for next Fiscal Year	Annual	■											
	1.1 Update Improper Payment Plans and Timelines	Annual	■	■										
	1.2 Update existing policies and procedures as needed	Annual		■	■	■	■							
	1.3 Complete Program Identification Template for Program Analysis	Annual			■									
	1.4 Request waiver(s) from OMB on specific program High-Risk Program Testing	Annual			■	■								
	1.5 Conduct IPI/IPERA risk assessments for High-Risk Program Testing	Annual				■	■	■						
	1.6 Key Senior Accountable Officials sign off on risk assessments	Annual						■						
	1.7 Review and update, if necessary, Recapture/Recovery Audit Activity Plans	Annual					■							
Collecting	2.0 Gather improper payment data for review	On-going	■	■	■	■	■	■	■	■	■	■	■	■
	2.1 Select a statistically valid test sample for High-Risk Program Testing	Annual						■						
	2.2 Develop Test Plan for High-Risk Program Testing	Annual						■	■					
	2.3 Perform Testing	Annual							■	■	■	■		
	2.3 Develop Recovery Auditing Cost/Benefit analysis for submission to OMB	Annual			■									
	2.4 Apply limited scope or general recovery audit technique to identify overpayments	Annual				■	■	■	■	■	■	■		
	2.5 Perform Do Not Pay (DNP) Pre-Award and Pre-Payment Activities	Monthly	■	■	■	■	■	■	■	■	■	■	■	■
Evaluating	3.0 Analyze results of improper payment activities	On-going	■	■	■	■	■	■	■	■	■	■	■	■
	3.1 Evaluate High-Risk Program Testing results for improper payments	Annual										■	■	
	3.2 Estimate the amount and rate of improper payments	Annual										■	■	
	3.3 Evaluate Recapture Activities and Recovery Targets	Annual								■	■	■	■	
	3.4 Perform Recapture Activities to Collect Overpayments	Annual										■	■	
Developing	4.0 Develop Corrective Action Plans to reduce improper payments	On-going	■	■	■	■	■	■	■	■	■	■	■	■
	4.1 Collect Recommendations from Payment Recapture Audits	Quarterly					■			■			■	
	4.2 Develop CAPs to reduce improper payments as reported in PAR	Annual												■
	4.3 Prepare/Update CAPs from High-Dollar Reports	Quarterly	■					■		■			■	
Monitoring & Reporting	5.0 Reporting and monitoring of corrective actions to prevent or detect improper payments	On-going	■	■	■	■	■	■	■	■	■	■	■	■
	5.1 Submit the Recovery Audit Report to Congress and OMB	Annual	■	■	■	■								
	5.2 Report on Improper Payments in the PAR	Annual	■	■	■	■								■
	5.3 Submit quarterly High-Dollar Report to the OIG	Quarterly	■			■	■		■		■		■	
	5.4 OIG Annual IPERA Compliance Audit	Annual	■	■	■	■		■	■	■				

Attachment 1: VA Program Identification Template

Purpose:

The purpose of this template is to help identify all programs and activities within VA, and to ensure that the total VA fiscal year outlays or disbursements are accounted for by appropriation fund code. The programs and amounts identified in this template will be used to plan the upcoming fiscal year improper payment activities necessary for successfully monitoring, reporting, and remediating improper payments, as well as ensuring compliance with applicable laws, regulations, and guidance.

Instructions:

1. Obtain VA SF133 MinX FY Reports (Line 3020 – Outlays) by Fund Code from the Financial Service Center (FSC), the Office of Financial Reporting (047GB), or other appropriate reporting authority.
2. Obtain Financial Management System (FMS) or system of record extracts for transactions recorded in standard general ledger accounts 4802 and 4902 associated with each fund code consisting of Undelivered Orders (Obligations, Prepaid/Advanced) and Delivered Orders (Obligations, Paid), respectively. The extract should include:
 - a. Treasury Fund Symbol (TAFS),
 - b. Fund Code (6-Digit),
 - c. Budget Object Code,
 - d. Cost Centers,
 - e. Program Number (if applicable),
 - f. Program Name (if applicable),
 - g. Authorization Code or Transaction Codes, and
 - h. Total Dollars (outlays).
3. Use the Program Identification template to enter the extract information into the tab labeled “4802, 4902 Crosswalk”.
4. Regroup extract data by transaction type and program name in the tab labeled “Program Template”. This tab will provide a list of all programs and all outlays by payment type.
5. Enter SF133 information into the tab labeled “SF133 Recon by TAFS”. This tab will provide a reconciliation of the Crosswalk to the SF133 data and separate transactions that may be in-scope from journal entry adjustments that are out of scope.

6. The tab labeled “Recon by Program Totals” will support completeness and accuracy of the program identification and also aid in reconciling the SF133 to the extract.³
7. Of course the VA entity-level SF133 submitted to Treasury should match the Statement of Budgetary Resources (SBR) published in the agency’s annual Performance Accountability Report (PAR) or Annual Financial Report (AFR). An optional reconciliation has been built into the template and provides for a comparison of the SF133 to the SBR. To complete this check, data should be added to the tab labeled “SBR Template”.
8. To finish the program analysis step, the last tab of the Program Identification Template will be completed and should have a variance of no more than 2%. All variances will need to be explained before submitting the template to the Program Office for review.

Tools:

- SF133 – Department of Treasury FMS Report on Budget Execution and Budgetary Resources.
- VA Statement of Budgetary Resources (SBR).
- GL 4802 – FMS General Ledger Account: Undelivered Orders (Obligations, Prepaid/Advanced).
- GL 4902 – FMS General Ledger Account: Delivered Orders (Obligations, Paid).

Tab 1: 4802, 4902 Crosswalk

VA Totals by Fiscal Year							
Summary of Activity by Total Dollars							
Treasury Fund Symbol (TAFS)	GL Account (4802/4902)	Fund Code	BOC	Cost Center	Program No.	Program Name	Total
							\$0.00
Total By TAFS	-	-	-	-	-	-	\$0.00
Grand Total							\$0.00
*VBA: Include Prior Year Recovery							
Note to user:							
Fill out the template in the order the TABS are laid out.							
The template is formula-driven. Please ensure you do not overwrite formulae.							

³ For most of the VBA programs, transactions are interfaced into FMS at the TAS or sub TAS level and a program level break out from FMS or MINX is not available.

Tab 2: Program Template

IPERA Program Template for FY ** Disbursements												
NAME												
POC Name												
POC Phone												
IPERA Program	TAFS	Gross Disbursements	Gross Disbursements excluding those out-of-scope	Payroll	Non-Federal Payments/Contracts	Intra-governmental Payments	Purchase Card	Travel	Benefits	Misc.	Total Expenses	Difference
No.	Name											
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Program 1 Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
No.	Name											
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Program 2 Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Misc - Programs											
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Misc - Programs Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Journal Entries or Adjustments										0.00	
	Totals										0.00	

Tab 3: SF133 Recon by TAFS

SF133		SGL 4802		SGL 4902			
TAFS SYMBOL	Gross outlays	TAFS SYMBOL	Total Disbursements	TAFS SYMBOL	Total Disbursements	JE Adjustments	Grand Total
							0.00
							0.00
							0.00
							0.00
	0.00		0.00		0.00	0.00	0.00
						ADJ	0.00
TIERS Disbursements control total			0.00				
Difference			0.00				

Tab 4: Recon by Program Totals

VA Totals by Fiscal Year	
PROGRAM TOTALS	
PROG 1 - PROG Name	-
PROG 2 - PROG Name	-
MISC - PROGRAMS	-
Program Totals	-
Journal Entries and Adjustments	-
Total Disbursements	-
CROSSWALK TOTAL	\$0.00
JE Adjustments	\$0.00
Total SF133 Totals	\$0.00
DIFFERENCE	-
Notes:	

Tab 5:SBR Template

	Amount \$	
VA Statement of Budgetary		
Prepared as of:		
Period 12, September ****		
14. Gross Outlays		

Tab 6: Program Checklist

Program Checklist	
Contact Information	
Name:	
Point of Contact:	
Contact Phone Number:	
Program Checklist Completed by:	
Template Disbursement Amounts Comparison to Supporting Documentation	
Gross Disbursement Amount Reported on Template	\$ -
Gross Disbursement Amount Reported on SF-133	\$ -
Gross Disbursement Amount Difference	\$ -
Gross Disbursement Percentage Difference	0.0%
Is the difference material (2% or more)?	No
Template Disbursement Amounts Comparison to VA SBR	
Gross Disbursement Amount Reported on Template	\$ -
SBR line 19a or 14 Gross Outlays from OFP: Financial Reporting	\$ -
Gross Disbursement Amount Difference	\$ -
Gross Disbursement Percentage Difference	0.0%
Is the difference material (2% or more)?	No
<p>* The Program checklist is to be completed and submitted along with the Program template.</p> <p>* The Program template is to be reconciled to the SBR and/or SF-133. The Program template should not be submitted to 047GC until the material difference between the Program Amount Reported and Supporting Documentation is 2% or less.</p> <p>*The Program template should include Program name, responsible point of contact, and contact phone number.</p> <p>* Any questions should be addressed to 047GC</p>	

APPENDIX B: RECAPTURE AND RECOVERY AUDITS

OVERVIEW. Previously, payment recapture audits were required for agencies that entered into contracts in excess of \$500 million in a fiscal year. With the enactment of the Improper Payment Elimination and Recovery Act (IPERA), the Recovery Auditing Act was repealed (see the Office of Management and Budget ([OMB Circular A-123 Appendix C, Part 1.B, page 19](#)) and agencies' responsibilities surrounding payment recapture and recovery audits significantly increased. IPERA now requires:

- A cost-effective payment recapture audit program as part of a system of internal controls to prevent, detect, and recover overpayments.
- Payment recapture and recovery audits for all programs or activities (including grant, benefit, loan, and contract) with annual outlays of \$1 million or more in a fiscal year.
- Program audits to be performed by employees of the agency, by another department or agency, by non-Federal entities expending awards, by contractors performing services under contracts awarded by the agency, or any combination thereof.
- Establishment of payment recapture targets that drive annual performance.
- Information from program audits is used to ensure actions are taken to improve the agency's internal controls to address problems that directly contribute to the issuance of improper payments.
- Report on payment recapture and recovery audit programs in the Performance and Accountability Report (PAR) or Annual Financial Report (AFR) (see [OMB Circular A-136](#)). Annually report to Congress and OMB, by November 1, any recommendations identified as part of the annual payment recapture audit process and any corrective actions taken by the agency.

Payment Recapture and Recovery Audit Activities.

VA, Administrations and other Staff Offices are required to develop and implement a payment recapture and recovery audit program. All VA programs or activities with outlays of \$1 million or more in a fiscal year are required to conduct payment recapture and recovery audit activities, if conducting such audits are cost-effective. Initially, for approval from the Improper Payments Governing Board, Administrations and other Staff Offices shall prepare a Payment Recapture and Recovery Audit Activity Plan to address the implementation of an annual program. Updates to annual plans should be submitted to Cash, Cost, and Debt Management Service (047GC).

A. Planning

VA shall have a cost-effective payment recapture and recovery audit program as part of a system of internal controls to prevent, detect, and recover overpayments. The program may include policies and activities such as:

- post-payment reviews,
- performance of post-award audits,
- payment recapture auditing techniques such as a data matching with Federal, state, and local databases,
- data mining and predictive modeling,
- forensic accounting tools,
- alignment of due diligence and risk oversight, and
- prioritization of verification activities by evaluating and utilizing the value of the task against the effort it will consume (e.g., in-person audits, written notices, phone calls).

The program may be designed to leverage internal and/or external resources. Program audits may be performed by employees of the agency, by another department or agency, by non-Federal entities expending awards, by contractors performing services under contracts awarded by the agency, or any combination of the listed options. When comparing options during the planning stage, agencies should take into account the relative workload that Federal resources could accomplish over the period of time that the payment recapture audit work needs to be performed, and determine whether additional costs need to be incurred by the Federal government to accomplish the work.

After taking into account the incremental costs of performing the payment recapture audit work with federal resources, versus the cost of using contractors, the agency may determine that some of the work may be most cost-effectively performed by contractors. Regardless of whether internal or external resources are selected, the plan will provide for the ongoing execution of recapture and recovery audit activities on a cost-effective basis. Each plan should also include the following components:

1. Milestones, tasks and sub tasks. These items shall clearly outline the audit activity plan activities and anticipated completion dates. All milestones, tasks and sub tasks should be readily understandable and demonstrate tangible progress toward program plan core objectives. When developing a Recapture and Recovery audit activity plan, program managers, should identify any key dependencies between tasks and sub tasks that could create risk to the successful completion of the plan.

2. Payment Recapture and Recovery Targets. VA program managers and any individuals/entities charged with responsibility for payment recapture under IPERA (e.g. the VA Debt Management Center – DMC), shall prepare program specific payment recapture and recovery targets. VA program managers and IPERA points of contact are required to establish annual targets to drive their performance. These targets should be developed as an essential component of the Payment Recapture and Recovery Audit Program Plan. The targets shall be based on the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). Agencies are expected to report current year (CY) amounts and rates, as well as recovery rate targets for the next three years (CY +1, +2, and +3) (see section I for the definition of CY).
3. Program managers and other responsible individuals/entities (such as DMC) may set different payment recapture targets for the different types of payments made within specific programs. At a higher level, VA may set a target that encompasses all aggregated contract payments, and another target that encompasses all aggregated grants payments. VA program managers and other responsible individuals/entities will strive to achieve annual recapture targets of at least 85 percent for FY 2013 and beyond for each individual program. If VA program managers and other responsible individuals/entities believe they cannot achieve an 85 percent annual recapture target by FY 2013, they must provide 047GC with supporting analysis that demonstrates why a lower target is warranted. This analysis will be used to seek approval from OMB before setting the program targets at an appropriate level. OMB has reserved the right to notify VA that it needs to establish stricter targets or additional measures.

When planning a payment recapture audit program, agencies should ensure that activities do not duplicate the work of other audits or reviews of the same set of records, or for the same recipient, when those other audits are designed to specifically employ payment recapture audit techniques or the same evaluation criteria is used to identify and recapture overpayments. For example, a payment recapture audit that was designed to identify overpayments that only evaluated beneficiary eligibility would not be duplicative of a payment recapture audit that evaluated whether payments were made in the correct amount, since different techniques will be used to identify potential overpayments. However, if both audits evaluated beneficiary eligibility to find overpayments, and they both examined the same set of records, then they would be duplicative to the extent they used the same techniques to identify the same overpayments in the same files. At a minimum, VA should coordinate with the VA Inspector General and other organizations with audit jurisdiction over VA programs and activities to ensure against such duplication of effort.

Instances of potential fraud discovered through payment recapture audit and recapture activities shall be reported immediately to the VA Inspector General and program administrators ([OMB Circular A-123, Appendix C, Part I.B, Section 4\(h\)](#)).

B. Apply limited scope or general recovery techniques.

All programs and activities that expend \$1 million or more annually shall be considered for payment recapture audits. VA shall review different types of programs and activities and prioritize conducting payment recapture audits on those categories that have a higher potential for overpayments and recoveries. VA will utilize known sources of improper payment information and give priority to recent payments made in programs identified as susceptible to significant improper payments. Possible sources of improper payment information include:

1. Statistical samples and risk analysis that are an essential element of the improper payments reporting and elimination life cycle and are conducted on an ongoing basis to identify programs at risk for improper payments (see Appendix A).
2. The results of ongoing pre-payment and post payment reviews and audits can also be successfully leveraged to prioritize payment recapture audit efforts.
3. VA Inspector General reviews, Government Accountability Office reports, self-reported errors, reports from the public, audit reports and the results of the VA audit resolution and follow-up process can all serve as useful sources of information when prioritizing payment recapture audits and developing payment recapture audit program plans.

C. Waiver Process.

If program management can clearly document that conducting a payment recapture audit would not be cost-effective, it may seek a waiver. Each waiver request should have specific details around the rationale for exempting the program from a recovery audit. The waiver should, at a minimum, include the following:

Documentation that clearly details what options were explored during the cost benefit analysis phase. More specifically, the documentation should show both the internal and external audit resources that were considered, the reasons for not pursuing these resources and to the extent possible, a breakdown of how the costs associated with executing an audit would exceed the potential benefits (i.e., net recovered overpayments vs. costs);

The signature and approval of both program management and administration financial management leadership to demonstrate their concurrence with the decision to not pursue a recovery audit.

Waivers are reviewed on a triennial basis by 047GC and program management will be prepared to submit the results of their cost benefit analyses for review every three years. Each waiver request must be supported by a completed Cost Benefit Analysis.

D. Cost Benefit Analysis

Payment recapture audits should be implemented in a manner designed to ensure the greatest financial benefit to the Federal government ([OMB Circular A-123, Appendix C, Part 1, B \(2\)](#)). A key element of the audit program planning process is the execution of a cost-benefit analysis to determine if a recovery audit is cost effective for each program. When conducting a cost benefit analysis, program managers will consider the following criteria (see Attachment 1 to this appendix for the suggested cost benefit analysis template to use when completing this step):

1. The likelihood that identified overpayments will be recaptured. For example:
 - Whether laws or regulations allow recovery.
 - Whether the recipient of the overpayment is likely to have resources to repay overpayments from non-Federal funds.
 - Whether the evidence of overpayment is clear and convincing (e.g., the same exact invoice was paid twice) as opposed to whether the recipient of an apparent overpayment has grounds to contest.
 - Whether the overpayment is truly an improper payment which can be recovered rather than a failure to properly document compliance.
2. The likelihood that the expected recoveries will be greater than the costs incurred to identify the overpayments. For example:
 - Can efficient techniques such as sophisticated software and matches be used to identify significant overpayments at a low cost per overpayment or will labor-intensive manual reviews of paper documentation be required?
 - Are tools available to efficiently perform the payment recapture audit and minimize payment recapture audit costs? Payment recapture audits are generally most efficient and effective where there is a central electronic database (e.g., a database that contains information on transactions and eligibility information) where sophisticated software can be used to perform matches and analysis to identify recoverable overpayments (e.g., duplicate payments).
 - For each discrete segment of the payment population; based on an estimate of the amount to be recaptured, and an estimate of the costs of identifying the estimated amount to be recaptured, is the estimate of the amount to be recaptured greater than or equal to the estimate of the costs to be incurred?

To the extent possible, VA should engage with outside experts – including employees at other federal agencies or private sector specialists – that can provide input on data access, aggregation, analytics, algorithms, and more simply, basic fraud or error patterns that VA should track.

If a program determines that it would not be cost effective to conduct a payment recapture audit then it must notify the VA Inspector General and OMB of its decision and provide clear documentation to show the supporting analysis for the decision. In the event that a program cannot otherwise provide sufficient supporting analysis to demonstrate that it would not be cost-effective to perform payment recapture audits for their program, they are to use limited scope pilot payment recapture audits in areas deemed of highest risk (e.g., based on Improper Payment Information Act of 2002 (IPIA) risk assessments) to measure the cost-effectiveness of conducting payment recapture audits on a larger scale. OMB may elect to review this material and reserves the ability to compel the program to conduct a payment recapture audit.

E. Payment Recapture and Recovery Audit Execution.

Once a payment recapture and recovery audit is determined to be cost-effective, and a program audit activity plan has been developed and finalized, program management shall execute a payment recapture and recovery audit. Program management will assume responsibility for holding the persons responsible for conducting the audit (reviewers) accountable to achieve the milestones contained in the comprehensive program audit activity plan. In general, the payment recapture audit life cycle will include:

1. As necessary, conduct a kickoff meeting with program management and the reviewers. During the meeting, program management will discuss the program audit activity plan with the review personnel and address any questions or concerns they may have.
2. Periodic status meetings and reports. Program management is encouraged to hold routine meetings to review progress toward key audit milestones. During these meetings, program management will review status reports with the reviewers to gauge progress and identify areas for improvement.
3. If external resources will be used and the use of a contractor is being considered, appropriate methods (i.e. Request for Proposals) will be initiated with the assistance of the VA Office of Acquisitions (OAO). Basic requirements when engaging a payment recapture audit contractor include:
 - The contractor may, with the consent of VA, notify entities (including individuals) of potential overpayments made to such entities, respond to questions concerning potential overpayments and take other administrative actions with respect to overpayment claims made or to be made by VA.

However, the payment recapture audit contractor will not have the authority to make final determinations relating to whether any overpayment occurred and whether to compromise, settle, or terminate overpayment claims.

- To the extent possible, any underpayments identified through the payment recapture audit process should also be corrected by VA programs. VA may include provisions that authorize payments to payment recapture auditors for identifying underpayments.
- Required Contractor Reports: At a minimum, each contract for payment recapture audit services shall require the contractor to:
 - a. At least twice a year, provide reports to the agency on conditions giving rise to overpayments (e.g., root causes of overpayments) identified by the contractors and any recommendations on how to mitigate such conditions. The results of such analyses and related recommendations will be considered by the agency as part of its management improvement program. If requested, the agency will provide such information to its Office of Inspector General;
 - b. Notify the agency of any overpayment identified by the contractor pertaining to the agency or to any other agency or agencies that are beyond the scope of the contracts; and
 - c. Report to the agency and the agency's Office of Inspector General credible evidence of fraud or vulnerabilities to fraud, and conduct appropriate training of contractor personnel on identification of fraud.

Program managers will review the results to ensure the findings are adequately substantiated and support to validate and verify that an improper payment does exist. Part of this review will be to determine the source of the funding from which the overpayment was made (e.g. pre-IPERA vs. post-IPERA, discretionary vs. mandatory), and will conclude with all of the actual recoverable overpayments being timely entered as accounts receivable in a manner that makes the recoverable amounts, and the amounts subsequently recovered, easily traceable in the accounting system as a recoverable amount from a payment recapture audit. To the extent possible, any underpayments identified through the payment recapture audit process should also be corrected by VA programs.

F. Recovery and Recapture Audit Evaluation.

VA Program managers will conduct final reviews of payment recapture audits to:

1. Review success in achieving targets and milestones;

2. Determine the final costs and recoverable amounts from the identified overpayments associated with the audit against the original cost and provisional recoverable estimates provided by the auditor;
3. Capture best practices to be applied to future audits;
4. Identify areas for improvement which should be used to inform future reviewers, and audit methodology selection processes, as well as changes to payment processes.

G. Recovery Audit Costs.

VA may include provisions that authorize payments to payment recapture auditors for identifying underpayments and overpayments. [OMB Circular A-123, Appendix C, Part I.B, Section 15](#), outlines the purposes for which post-IPERA (i.e., after July 22, 2010) recaptured funds may be used. The actual expenses incurred by recovery audits may be reimbursed using overpayments recovered from discretionary accounts that were appropriated after enactment of IPERA and that have expired. Contractors may also be paid for recapture audit services with recovered overpayments from expired, discretionary accounts. Unless otherwise specified in legislation that overrides IPERA, once the costs associated with payment recapture audits have been recaptured, the remaining post-IPERA funds may be allocated using the below guidance:

Twenty-five (25) percent Recapture Fund. Any expired, recaptured discretionary amounts that were appropriated after enactment of IPERA (i.e., after July 22, 2010) that are not used to reimburse expenses of VA or compensate payment recapture audit contractors – as described in [OMB Circular A-123, Appendix C, Part I.B, Section 15\(a\)](#) – shall be used for: a financial management improvement program, the original purpose of the funds, Inspector General activities, or returned to the Treasury as miscellaneous receipts. VA shall determine the actual percentage of recovered overpayments used for the purposes outlined in [OMB Circular A-123, Appendix C, Part I.B, Section 15\(b\)](#) up to the maximum amount allowed in the law and the guidance. Specifically:

1. Up to 25 percent of the recaptured funds may be used for the financial management improvement program (see [OMB Circular A-123, Appendix C, Part I.B, Section 17](#)). This funding shall be credited, if applicable, for that purpose identified by the VA Secretary to any appropriations and funds that are available for obligation at the time of collection. These funds shall be used to supplement and not supplant any other amounts available for that purpose, and shall remain available until expended. Such funds can go to non-Federal entities such as state and local governments if the VA determines that is the best disposition of the funds to support its financial management improvement program.
2. Up to 25 percent of the recaptured funds may be used for the original purpose. This funding shall be credited to the appropriation or fund, if any, available for

obligation at the time of collection. The funds will be available for the same general purposes as the appropriation or fund from which the overpayment was made. If the appropriation from which the overpayment was made has expired, the funds shall be newly available for the same time period as the funds were originally available for obligation. However, any funds that are recovered more than five fiscal years after the last fiscal year in which the funds were available for obligation shall be deposited in the Treasury as miscellaneous receipts.

3. Up to 5 percent of the recaptured funds shall be available to the VA Inspector General. The VA Inspector General may use this funding to carry out the law's requirements, and perform other activities relating to investigating improper payments or auditing internal controls associated with payments. However, the funding shall remain available for the same period of availability and purposes as the appropriation or fund to which it is credited.

Any funds remaining after being used to pay for expenditures under a., b., or c. above, are to be returned to Treasury as miscellaneous receipts.

H. Corrective Action Plans.

VA program managers will review the outcome of each recapture and recovery audit activity and develop/update corrective action plans as appropriate. Each corrective action plan will review the root cause of the payment errors and any failures to reach the recovery targets. The corrective action plan will outline a strategy to remediate root causes and achieve the targets in the next recovery audit cycle. The plans should incorporate recommendations of recapture recovery auditors, as appropriate. Each corrective action plan will be submitted to 047GC for review and prior to the execution of the next recovery audit for that program.

I. Payment Recapture Audit Reporting.

In accordance with [OMB Circular A-136](#), detailed annual reporting of the payment recapture audit program and results is required in each VA PAR. In addition, a separate annual report must be submitted to OMB and Congress by November 1 describing VA actions pursued in the prior fiscal year, recommendations to mitigate conditions contributing to overpayments and the result of corrective actions employed. See Appendix G – Annual Reporting for PAR Payment Recapture Audit Recovery instructions and tables. Use the below template for preparing the Annual Report to Congress.

Template for Preparing the Improper Payment Annual Report to Congress

Background: This template provides each Department of Veterans Affairs' (VA) reporting entity a structured template to report on actions taken to conduct recapture and recovery audit activities. This report shall describe agency efforts during the previous fiscal year. A copy of this report will also be provided to the OIG and OMB.

Reporting Entity: Name of Reporting Entity

Fiscal Year of Reporting: FY20XX

Executive Summary

High-level summary to discuss the reporting entities efforts surrounding recapture and recovery audit activities in accordance with the Improper Payments Elimination and Recovery Act (IPERA, P.L. 111-204) and OMB Circular A-123, Appendix C, Part I.

Section I: Overview

This section will also provide more details regarding:

1. Evaluation of the steps taken to carry out a recapture and recovery audit program;
2. Programs in scope for recapture and recovery audit activities;
3. The methods used by the reporting entity to identify and recapture overpayments;
4. any cost/benefit analysis performed and any 2-year waiver requests of OMB,
5. types of reviews performed (i.e. general or focused auditing activities, contracting, etc.),
6. corrective actions taken during the current fiscal year to address recommendations from the preceding fiscal year, and
7. any trends, causes of improper payments, and lessons learned.

Section II: Audit Results

In accordance with OMB Circular A-136, "Financial Reporting Requirements," VA is required to provide an annual submission for the Performance and Accountability Report (PAR) on recapture and recovery audit activity efforts. The information reported in this section will highlight (summarize) the detailed data reported in the PAR. The data reported in this section should reconcile to the data reported in the current fiscal year PAR. If the information does not reconcile, the reporting entity will need to clearly explain the differences in this report.

Section III: Audit Recommendations

This section will also provide more details addressing any recommendations on how to mitigate the issuance of improper payments that were identified through recapture and recovery audit activities,

Section III: Corrective Actions Taken or Planned

This section will also provide more details addressing any corrective actions the reporting entity took to address the current fiscal year auditor recommendations.

Definitions

Post-Award Audit: Refers to a post-award examination of the accounting and financial records of a payment recipient that is performed by a VA official, or an authorized representative of the VA official, pursuant to the audit and records clauses incorporated in the contract or award. An audit is normally performed by an internal or external auditor that serves in an advisory capacity to the VA official. A post-award audit, as distinguished from a payment recapture audit, is normally performed for the purpose of determining if amounts claimed by the recipient are in compliance with the terms of the award or contract, and with applicable laws and regulations. Such reviews involve the recipient's accounting records, including the internal control systems. A post-award audit may also include a review of other pertinent records (e.g., reviews to determine if a proposal was complete, accurate, and current); and reviews of recipients' systems established for identifying and returning any improper payments received under its Federal awards.

Payment Recapture Audit: A review and analysis of VA's program accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is not an audit in the traditional sense. Rather, it is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility.

Payment Recapture and Recovery Audit Program: VA's overall plan for risk analysis and the performance of payment recapture audits and recovery activities. A copy of this program shall be provided to the VA's Inspector General annually.

Cost-Effective Payment Recapture and Recovery Audit Program: A program in which the benefits (i.e., recaptured amounts) exceed the costs (e.g., staff time and resources, or payments for the payment recapture audit contractor) associated with implementing and overseeing the program.

Payment Recapture Audit Contingency Contract: A contract for payment recapture audit services in which the contractor is paid for its services of an agreed amount or as a percentage of overpayments actually collected. Clear evidence of overpayments must be provided by the contractor to the appropriate VA official. More information on

contingency contracts can be found in [Sections 12 and 13 of OMB Circular A123 Appendix C Part I.B.](#)

Recoverable amount: Overpayments that are eligible for VA to recoup or collect back from the recipient. These overpayments are usually entered as accounts receivables and are recovered through VA collection activities.

Management Improvement Program: A VA-wide program to address the deficiencies in VA's internal controls over payments identified during the course of implementing a payment recapture audit program, or other VA activities and reviews.

Recapture Activity: Any activity by VA to recover overpayments identified by a payment recapture audit or a post-award audit.

Financial Incentives: A financial incentive program for State and local governments that administer VA-funded programs to reward performance in reducing, preventing, and identifying improper payments (e.g., States that do a great job of preventing improper payments in a program receive a financial reward).

Predictive modeling: An automated process whereby transactions that have pre-established criteria or characteristics are automatically deemed high risk and therefore receive increased focus both pre-and post-payment.

Forensic accounting tools: Technology-based tools that apply sound analytics to public and government information (i.e., to scan public, governmental, and private data bases to detect patterns, trends, and/or anomalies for use in risk management or other areas of analysis). This technique may be used to build more effective predictive modeling criteria, identify control weaknesses that are leading to improper payments, and/or inform on the most effective oversight and due diligence activities. These data and forensic solutions have a proven track record in the corporate environment for significantly strengthening organizational oversight of fraud and errors while diminishing the amount of resources necessary to execute, and are being utilized by some Federal agencies.

Data matching: Allows Federal, State, local, and private databases holding large amounts of data to perform more precise searches that produce more efficient results, and to discard duplicate content strengthening pre-and post-payment reviews.

Alignment of due diligence and risk oversight: Structure due diligence and oversight activities to ensure higher risk transactions generate additional /oversight and lower risk transactions generate limited /oversight.

Attachment 1: Instructions for Completing the Cost Benefit Analysis

A. PROCEDURES

Qualitative Analysis – Template 1

The following steps are taken to prepare the Qualitative Analysis:

1. Enter the following information at the top of the worksheet, which will automatically populate on the remaining worksheets:
 - Administration
 - Fund group
 - Program Name
2. Answer the questions by using the drop down box, which appears when the cursor is placed in the specific cell of the worksheet. Select “X” in either the “Yes” or “No” column. The definition of the responses are as follows:
 - a. Yes – criteria exists in all required cases; and
 - b. No – criteria exists in none of the required cases.

It is necessary to use yes/no answers in order to calculate the score for the qualitative section of the analysis. For example, the answer would be “yes” in situations where the program office believes the majority of overpayments for the program are recoverable. The answer would be “no” in situations where the program office believes the majority of overpayments for the program are not recoverable.

3. Be sure to answer every question for a total of sixteen responses. All questions should be answered as they apply to the entire population of overpayments for the program rather than individual payments. Also, comments are mandatory to support the reviewer’s response.

The template will automatically calculate a score between one [1] and zero [0].

Quantitative Analysis – Template 2

The following steps are taken to prepare the Quantitative Analysis:

1. Obtain a copy of the Program Identification template for total disbursements and total in scope disbursements [absolute values].

2. Open the “Program Identification” worksheet in the Cost Benefit Analysis workbook. For each program under review, copy the program amounts for total disbursements and total in scope disbursements [absolute value] from the Program Identification template to the same columns in the “Program Identification” worksheet.
3. Obtain a copy of the Total Amounts Reviewed and the Total Costs Incurred for services performed by other organizations (such as the Financial Services Center (FSC), the Chief Business Office (CBO), the Debt Management Center (DMC), or any other shared service organization). Based on the Total Amounts Reviewed, determine a percentage to allocate costs incurred by the service organization to each program.
4. Update the Rate worksheet with the following:
 - a. For the Growth Rate percentage, use the most current consumer price index as the percentage.
 - b. For the Total Costs, enter the Total Costs Incurred for FSC services in the “Total Costs/Allocations for FSC” box, the Total Costs Incurred for CBO services in the “Total Costs/Allocations for CBO” box, the Total Costs Incurred for DMC services in the “Total Costs/Allocations for DMC” box, and Total Costs Incurred for Other Services in the “Total Costs/Allocations for Other” box.
 - c. For the allocation percentage for FSC, CBO, DMC, or Other Services, use the allocation percentage from the Total Amounts Reviewed template for the specific program for services performed by other organizations. The Direct Costs of Collection will automatically populate once the total cost is multiplied by the allocation percentage. The Total Direct Costs of Collection will be the sum of the Direct Costs of Collection for FSC, CBO, DMC, and Other Services. This amount will carry forward to the direct cost of collections line on the quantitative analysis for the program.

Recommended Estimation Methodology for the Quantitative Analysis

For a given fiscal year of reporting, the applicable time period of relevant data will be from the prior fiscal year. For example, for FY2013 reporting, the recovery and cost amounts will be those improper payments identified and payment recapture activity costs incurred from October 1, 2011 through September 30, 2012. For a given program, multiple offices may conduct payment recapture activities. A program may have payment recapture activities conducted by its program office and /or a shared service provider (ex. FSC, CBO, DMC). The total improper payments identified for a program is the sum of the improper payments identified by all of the offices that conduct payment recapture activities for the program. The following instructions are to provide

examples of the type of information that could be used to complete the quantitative analysis. These are examples only, and each program should use information specific to the program. For each of the line items for recovery and cost categories, use the following computations:

1. Program annual outlays - Obtain from the Program Identification tab the absolute value of total in scope disbursements for each program under review.
2. Number of improper payments found - use the actual count of improper payments identified during the year (e.g. transactions log).
3. Amount of improper payments reported:
 - Use the estimate of the amount of improper payments identified by multiplying the program annual outlays by an estimated error rate.
 - For IPERA high-risk programs, the estimated error rate is the prior year improper payment recoverable percentage as listed in Table 7 of the Performance and Accountability Report (PAR).
 - For non IPERA high-risk programs, the estimated error rate is calculated by dividing the total improper payments identified by the total amounts reviewed of all the payment recapture activities conducted for the program.
4. Amount of recoveries disallowed:
 - Obtain the estimate of the non-recoverable amount of improper payments reported by multiplying the amount of improper payments reported by an estimated recoveries disallowed percentage.
 - For IPERA high-risk programs, the estimated recoveries disallowed percentage is calculated by dividing the 'Amount Determined Not To Be Collectible' field by the 'Amount Identified for Recovery' from Table 2 of the previous year's PAR.
 - For non IPERA high-risk programs, the percentage is calculated by dividing any data of recoveries disallowed from the program office or service providers by the amount of improper payments reported.
5. Amount of improper payments cancelled - Obtain the estimate of the total amount of improper payments cancelled or prevented from pre-payment edits and checks. Some of the improper payments cancelled may be supported by a shared service provider. If this occurs, the amount of improper payments cancelled or prevented will be added to total amount of improper payments cancelled identified by the program office.

6. Amount of improper payments recoverable - the amount of improper payments reported minus the amount of recoveries disallowed plus the amount of improper payments cancelled.
7. Amount of improper payments recovered – obtain the estimate of the total amounts recovered by multiplying a recovery percentage by the amount of improper payments reported, added to the total amount of improper payments cancelled.
 - For IPERA high-risk programs, the recovery percentage is the ‘% of Amount Recovered out of Amount Identified’ field from the prior year’s PAR.
 - For non IPERA high-risk programs, the recovery percentage is calculated by dividing the total amount of improper payments recovered by the total amount of improper payments reported for the program.
8. Procurement costs – costs of having a data store, networks to service the receivable database, purchases of systems, software, hardware, etc. For example, \$10,000 for the cost of Statistical Analysis System (SAS®) analytical tools. The Department may contact vendors to price potential purchases.
9. Cost related to assigned staff - costs for program staff assigned to conduct payment recapture and recovery activities and assigned tasks. For example, an estimate based on two FTEs (one GS-13 and one GS-12) whose duties include processing receivables.
10. Contractor cost- costs of contract related activities. For example, using a contingency fee of 25% of improper payments recovered. As applicable, the Department may contact potential contractors or use information from other agencies to estimate these costs.
11. Costs for supplies and materials, and systems usage associated with reporting on the amount of improper payments. These costs are based on professional judgment. The Department may estimate these costs by tracking the inventory of supplies and materials and by reviewing system allocation reports.
12. Direct costs of collection- obtain the costs or allocations for payment recapture activities, including identification of improper payments, collection of improper payments, and reporting of improper payments, performed by shared service providers. These costs should be provided from the shared service providers. Use total amounts reviewed to allocate a portion of these costs to each program.
13. Programs incentives- costs of rewarding recipients, sub-recipients, state and local governments for their efforts in recovering improper payments. These costs are based on professional judgment. The estimated incentive rate is approximately 3%. The Department may obtain their estimate for incentive fees by researching

other agencies agreements with the recipients, sub-recipient, state and local governments.

14. Legal costs - costs for internal and external legal activities such as services performed by the Department of Justice, VA/Office of General Counsel or private attorneys. Legal services were excluded since these estimates are generally based upon specific incidences. The Department may obtain an estimate for legal costs by assessing historical data.
15. Other costs - costs that would not reasonably reside in the other cost categories above. The Department may use this category if an identified cost does not align with the above categories.

Completing the Summary of Results – Template 3

The following steps are taken to complete the overall cost effectiveness analysis:

1. The Summary of Results template automatically populates a decision of “Yes” or “No” after all required information has been populated into the qualitative and quantitative worksheets.
2. The qualitative and quantitative scores are assigned weights by VA management. The qualitative analysis score is 20% of the overall qualitative score. The quantitative analysis score is 80% of the benefit-cost coefficient.
3. If the combined weighted qualitative and quantitative score is equal to or greater than 1.5, then a payment recapture audit should be performed.

B. Templates

1. Qualitative Analysis Template
2. Quantitative Analysis Template
3. Summary of Results Template

Department of Veterans Affairs
 Financial Reporting – Erroneous and Improper
 Payment Reporting under OMB Circular A – 123 Appendix C

September 2013
 Volume VII – Chapter 9
 Appendix B

Department of Veterans Affairs IPERA Program- Qualitative Cost Benefit Analysis Template			
Administration:			
Fund Group:			
Program Name:			
Qualitative Cost Benefit Factors		Insert choice "X" in cell using drop down list	
SECTION (a) The likelihood that identified overpayments will be recaptured	Yes	No	Comments [Mandatory]
1. Are there laws or regulations in place that would allow for recovery of overpayments?			
2. Does the recipient of the overpayment have the ability to repay overpayment (s) from non-Federal funds?			
3. Is the evidence supporting overpayments clear and convincing?			
4. Is the overpayment recoverable?			
SECTION (b) The likelihood that the expected recoveries will be greater than the costs incurred to identify overpayments	Yes	No	Comments [Mandatory]
1. Are there techniques available to recover overpayments at a low cost? (e.g. predictive modeling, data matching and data analytics)			
2. Will the use of manual reviews of paper documentation be minimized?			
3. Are tools available to perform the payment recapture audit at low cost?			
SECTION (c) The degree to which the information systems and other infrastructure contribute to the cost effectiveness of overpayment recoveries	Yes	No	Comments [Mandatory]
1. Are information systems and other infrastructures used to recapture overpayments available, reliable and up-to-date?			
2. Are there key management reports to support the progress of recapturing overpayments?			
3. Is the staff adequately skilled and trained to recapture overpayments?			
4. Are there controls in place to recover overpayments?			
5. Are internal systems and processes used to reduce procurement and contract costs?			
6. Are records centrally located?			
7. Are the records remotely available?			
SECTION (d) Other considerations that may impact the cost effectiveness of overpayment recoveries	Yes	No	Comments [Mandatory]
1. Is the program subject to low public, regulatory or stakeholder interest?			
2. Is the program subject to low occurrence of fraud, waste and abuse?			
SECTION (e) Qualitative Cost Benefit Results	Yes	No	Comments [Mandatory]
Total	0	0	
Point Score (Yes=1 and No=0)	1	0	
Subtotals (Question x Point Score)	0	0	
Total Responses	16	16	
Weighting Calculation	0.00	0.00	
Qualitative Score	0.00		
SECTION (f) Approvals			
Reviewed by: _____			
Date Reviewed: _____			
Source: VA Financial Policies and Procedures, Volume VII, Chapter 9, Appendix B, December 2012; and OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments			

Department of Veterans Affairs
 Financial Reporting – Erroneous and Improper
 Payment Reporting under OMB Circular A – 123 Appendix C

September 2013
 Volume VII – Chapter 9
 Appendix B

Department of Veterans Affairs IPERA Program- Quantitative Cost Benefit Analysis Template Dollars in Thousands			
Administration:	0		
Fund Group:	0		
Program Name:	0		
Quantitative Cost Benefit Factor	FY13 (based on estimated FY12 data)	FY14 (based on projected FY13 data)	FY15 (based on projected FY14 data)
Program Annual Outlays [Covered Payments]	\$0	\$0	\$0
Number of improper payments found	N/A	N/A	N/A
Recovery Categories			
Amount of improper payments reported	\$0	\$0	\$0
Amount of recoveries disallowed	\$0	\$0	\$0
Amount of improper payments cancelled	\$0	\$0	\$0
Amount of improper payments recoverable	\$0	\$0	\$0
Improper payments recovered	\$0	\$0	\$0
Cost Categories			
Procurement costs [software, equipment, etc.]	\$0	\$0	\$0
Cost related to assigned staff	\$0	\$0	\$0
Contractors costs [audits, fees and/or incentives]	\$0	\$0	\$0
Costs of reporting improper payments	\$0	\$0	\$0
Direct costs of collection (see 'Rates' tab)	\$0	\$0	\$0
Program incentives [recipients, sub recipients, and, state and local governments]	\$0	\$0	\$0
Legal Costs	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Cost	\$0	\$0	\$0
Net Benefit (Cost) (Improper payments recovered less total cost)	\$0	\$0	\$0
Benefit-Cost Coefficient [Benefit/Cost]-See Footnote	#DIV/0!	#DIV/0!	#DIV/0!
<p>Footnote: The Benefit-Cost Coefficient equals the improper payments recovered divided by total cost. A coefficient greater than 1.0 means the benefits of establishing a payment recapture audit program exceeds costs associated with recovery of overpayments for the respective programs.</p> <p>Additional Notes:</p>			
<p>Based on _____, the following is the estimated percentage for improper payments reported as a percent of annual outlays; estimated percentage for disallowed recoveries as a percent of improper payments reported; and estimated percentage for improper payments recovered as a percent of improper payments reported.</p>			
Improper payments reported:	0.00%		
Recoveries disallowed:	0.00%		
Improper payments recovered:	0.00%		

Department of Veterans Affairs IPERA Program- Summary of Cost Benefit Analysis			
Administration:	0		
Fund Group:	0		
Program Name:	0		
Description	Continuing Program		
	Qualitative Score	Quantitative Benefit-Cost Coefficient	Cost Effective Yes/No
Weights	20%	80%	
**Summary of Results:	0.00	#DIV/0!	#DIV/0!
** If the combined weighted qualitative and quantitative score is equal to or greater than 1.5, then a payment recapture audit should be performed.			
Conclusion:			

APPENDIX C: HIGH-RISK PROGRAM TESTING

Overview – VA reporting entities are required to annually review all programs and funds they administer to see if any are highly susceptible to significant improper payments (high-risk).

A. Assessing Programs' Risk of Improper Payments. Utilizing the completed Program Identification Template (See Appendix A: Annual Planning Activities for more information), VA will define all of the major programs and activities which are subject to improper payment reporting for the fiscal year. VA will then conduct an evaluation on each program to determine whether or not a risk assessment will be required in the current year. Any program that has not yet completed a risk assessment, one will be required in the current fiscal year. If a program was deemed low or medium risk in a prior fiscal year and not tested under the High-Risk Program Testing activities, a risk assessment is required at least once every three years. However, if a program experiences a significant change in legislation, a significant increase in its funding level, or if any change results in substantial program impact, VA reporting entities are required to reassess the program's risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment. A Pre-Risk Assessment Questionnaire (See Attachment 1 – Pre-Risk Assessment Questionnaire) shall be used to help program managers determine the need for conducting a risk assessment. When the questionnaire indicates that a risk assessment is required in the current year, program managers shall use the Risk Assessment Template (See Attachment 2 – Risk Assessment Template) to determine whether or not their program is highly -susceptible to issuance of improper payments (high-risk).

B. Improper Payment Risk Assessment. When performing risk assessments, all VA applicable reporting entities shall conduct a risk assessment using the standardized risk assessment template included in the appendix as Attachment 2. The risk assessment template provides a systematic method of reviewing all programs and identifying the programs susceptible to significant improper payments to the VA. This systematic method takes into account risk factors likely to contribute to significant improper payments. At a minimum, these risk factors include:

- Whether the program or activity reviewed is new to the agency;
- The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
- The volume of payments made annually;
- Whether payments or payment eligibility decisions are made outside of the agency, for example, by a State or local government, or a regional Federal office;
- Recent major changes in program funding, authorities, practices, or procedures;
- The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;

- Significant deficiencies in the audit reports of the agency including, but not limited to the agency Inspector General or the Government Accountability Office report audit findings, or other relevant management findings that might hinder accurate payment certification; and,
- Results from prior improper payment work.

Completed Pre-Risk Assessment Questionnaires and Risk Assessments should be submitted to the Office of Cash, Cost, and Debt Management Services (Improper Payment Program Office).

C. Test Results Template. All programs deemed highly susceptible to issuing improper payments (high-risk), must be tested to adequately estimate the amount of improper payments the program may issue within a given period. VA reporting entities must use Attachment 3 (Test Plan and Test Results Template) to aid in developing effective test plans and complete and accurate reporting on testing results of identified improper payments. At a minimum, test plans should include:

- The details of each test planned for each program and payment type,
- Criteria to be applied in determining whether a payment is improper, and
- Steps necessary to determine the appropriateness of each payment. For example, the following actions may be performed to validate the sample test plan:
 - a. Perform a review of sample supporting documentation for each payment type;
 - b. Review the relevant documentation necessary to perform a sample payment decision, and determine if that decision was made in accordance with documented procedures;
 - c. Discuss the preliminary results with program managers to obtain assurance that the improper payment decision was based on accurate and complete information.

All test plans and testing results should be submitted to the program office for review. It is expected that test plans may vary widely between programs depending on the nature of the payments.

D. Statistical Sampling for High Risk Programs. For those programs that are identified for testing, VA reporting entities must obtain a statistically valid estimate of the annual amount of improper payments in programs and activities (See Appendix B of this chapter – Department Approach for Statistical Sampling).

E. Corrective Action Plans and Procedures for Preventing and Reducing Improper Payments.

VA reporting entities should utilize the results of their statistical sampling measurements to identify the root causes and implement corrective actions to prevent and reduce associated improper payments. VA reporting entities should ensure that their corrective actions are leveraging new technologies and techniques – such as forensic

tools, pre-payment software, and data matches – that are available and that can assist VA reporting entities in preventing and reducing improper payments.

The Corrective Action Plan (CAP) addresses the factors identified that are contributing to improper payments (See Attachment 4 for instructions on developing Corrective Action Plans). In the CAP, intermediate targets are established for the factors that are directly linked to the root cause of the error. For example, if a set of errors were due to “no documentation”, a goal or target might be set to reduce “no documentation” errors by 50% in the next year. Specific corrective actions are documented in the CAP and implemented as soon as possible to increase the probability that appropriate documentation is available to verify payments. In many cases, VA reporting entities will implement long-term, on-going corrective actions that will be implemented and refined on a continuous basis (e.g., the corrective action is in place for many years, though it may be refined year-to-year). VA reporting entities should annually review their existing corrective actions to determine if any existing action can be intensified or expanded, resulting in a high-impact, high return-on-investment in terms of reduced or prevented improper payments. VA reporting entities must report on their corrective action plans in their annual PAR and Annual Financial Report (AFR) documents according to the reporting instructions in Circular A-136.

1. Root Causes. For all programs and activities as determined with improper payments exceeding the thresholds listed earlier in Step 1 of Part IA, Section 7 to Appendix C of OMB Circular A-123, VA reporting entities shall identify the reasons their programs and activities are at risk of improper payments and put in place a corrective action plan to reduce them. To determine the root causes for improper payments, VA reporting entities may be required to conduct an analysis that produces an improper payment rate at higher levels of confidence and precision than that prescribed by this Guidance. Categories of root causes of an improper payment are defined in OMB Circular A-136 and Part III of Appendix C to Circular A-123.

2. Reduction Targets. When compiling their plans to reduce improper payments, VA reporting entities shall set reduction targets for future improper payment levels and a timeline within which the targets will be reached. VA typically obtains OMB approval of reduction targets during the Performance and Accountability Report (PAR) Section IV IPERA Reporting publication process (See Appendix G: Annual Reporting).

3. Accountability. VA reporting entities must ensure that their managers and accountable officers (including the agency head), programs and program officials, and where applicable States and local partners, are held accountable for reducing improper payments. In addition, for programs that are not implemented directly by Federal or State VA reporting entities or government, VA reporting entities may also consider establishing these accountability mechanisms. For example, non-Federal entities could include colleges that disburse grants and loans to students, or banks that disburse loans to students. VA reporting entities shall assess whether the organizations have the internal controls, human capital, information systems, and other infrastructure needed to

reduce improper payments to minimal cost-effective levels, and identify any statutory or regulatory barriers which may limit the VA reporting entities' corrective actions in reducing improper payments.

4. Accuracy and Integrity. VA reporting entities should take all necessary steps to ensure the accuracy and integrity of Federal payments. Generally speaking, program integrity activities fall into three basic categories: prevention, detection, and recovery.

Prevention. Prevention activities are by definition proactive, and are designed to prevent improper payments from occurring. These actions are performed prior to payment issuance to ensure that the payment is accurate when made. Examples of this type of activity include pre-payment reviews (including, but not limited to, reviews performed by agency certifying officers), due diligence based on risk prioritization, and predictive modeling.

Detection. Detection activities occur subsequent to payment, and are intended to detect improper payments that may have occurred. These actions test the accuracy of payment processes and identify improper payments made during those processes. For example, routine payment verification or quality control would review a universe of payments using different criteria than used on the front-end to detect potential improper payments. Data matching compares two or more data fields or sets to confirm consistent input. Use of forensic tools allows payment patterns or anomalies to be isolated and subjected to further review.

Recovery. Recapture or collection activities refer to efforts directed toward recovering improper payments. For example, the Treasury Offset Program is frequently used to recoup delinquent overpayments. In addition, the payment recapture auditing concept has been shown to be effective when either an internal or external organization reviews payments to determine correctness. An innovative direction that some VA reporting entities have begun utilizing is risk sharing with its contractors. For example, one large agency has its contractors assume financial responsibility for any improper payments as unallowable contract costs. In addition, this agency financially penalizes its contractor when the amount of improper payments exceeds two percent of total contract payments. As a result, this program has virtually no improper payments. (Please note that this practice does not delegate legal responsibility, and VA reporting entities should continue to report the entire improper payment amount.)

- OMB Circular A-123 discusses how agencies should correct internal control deficiencies (Pg. 15 of circular), as well, the VA Office of Business Oversight (OBO) regularly aids VA Program Managers on developing sustainable Corrective Action Plans. Other proven approaches to consider for use in developing corrective action plans for deficient payment controls where improper payments have been identified include:

- Current practices to consider in identifying, preventing, reducing, and recapturing improper payments in certain other federal agencies include:
 - Predictive modeling – an automated process whereby transactions that have pre-established criteria or characteristics are automatically deemed high risk and therefore receive increased focus both pre-and post-payment. For State-administered programs, in which States are utilizing unique predictive models, VA reporting entities should evaluate which States have the most effective methods and ensure that best practices in this area are disseminated to other States.
 - Forensic accounting tools – technology-based tools that apply sound analytics to public and government information (i.e., to scan public, governmental, and private data bases to detect patterns, trends, and/or anomalies for use in risk management or other areas of analysis). This technique can be used to build more effective predictive modeling criteria, identify control weaknesses that are leading to improper payments, and/or inform on the most effective oversight and due diligence activities. These data and forensic solutions have a proven track record in the corporate environment for significantly strengthening organizational oversight of fraud and errors while diminishing the amount of resources necessary to execute, and are being utilized by some VA reporting entities. To the extent possible, Federal VA reporting entities should engage with outside experts -including employees at other VA reporting entities or private sector specialists-that can provide input on data access, aggregation, analytics, algorithms, and more simply, basic fraud or error patterns that the agency should track.
 - Data matches –VA reporting entities should evaluate Federal, State, local, and private databases to assess whether data matches can help strengthen pre-and post-payment reviews.
 - Alignment of due diligence and risk oversight –VA reporting entities should structure due diligence and oversight activities so that higher risk transactions generate additional due diligence/review and lower risk transactions generate limited or no due diligence/review.
 - Prioritization of verification activities based on effectiveness –VA reporting entities should evaluate the return on investment of various outreach efforts (e.g., in-person audits, written notices, phone calls) and utilize those efforts with the greatest return on investment.

F. VA Reduction Target and Estimation Methodology

The Department of Veterans Affairs is required to calculate an estimated error rate for Section 4 in the Performance and Accountability Report (PAR) and reduction targets in Section 3 where Corrective Action Plans (CAPs) are discussed. The discussion below

presents a standard methodology to estimate the error rate and develop reduction targets.

1. Reduction Targets. Upon obtaining the final, approved error rate for a program in the current year, the improper payments identified during testing will be analyzed to determine the factors generating those errors. The root cause of the errors should be determined. Root causes may be due to anomalies and random events, or may be due to process vulnerabilities and other systemic factors (i.e. failure to obtain documentation, failure to update recipient eligibility, or others). For each program that estimates improper payments greater than \$10 million, reduction targets must be established. When establishing reduction targets, program managers should consider the following:

- Identification of each error type and its root cause;
- The effect of each error type identified on the most recent error rate calculation for that program; how much lower would the error rate have been if errors from this source were eliminated?
- A measurable target reduction for each error type identified. For example, if “no documentation available” was the reason for 10% of the errors identified, a target may be to reduce errors due to “no documentation” by 50% in the next year, and
- Estimated effect on the current error rate if all reduction targets were achieved.

2. Estimated Error Rates. The estimated error rate is distinct from the reduction target. The estimated error rate is the calculated estimated improper payment error rate for a program over each of the next three years (See Attachment 6: Estimated Error Rate and Forecasting Methodology). It is based on the most recent testing data for program and other external factors. Listed below are the techniques to be used for estimating the error rate:

a. The upper bound of the 90% confidence interval based on the current year’s testing results for that program. For example, if the estimated error rate for program ‘p’ in year ‘t’, based on a valid IPERA sampling and testing calculation is $R_{p,t}$, and the standard error of that estimate is $\sigma_{p,t}$, then the forecast error rate for next year will be:

$$R_{p,t+1} = R_{p,t} + 1.65 * \sigma_{p,t}$$

Where 1.65 is the appropriate “z” value⁴ for a 90% confidence interval.

⁴ The “z”-value represents the point in a standard normal density curve such that the probability of observing a normally distributed value(having 0 mean and 1 standard deviation) between (-1.65, 1.65) is 90%. Typically for a sampling design the sample sizes are large enough and error rates are assumed to follow a normal distribution.

b. Current year error rate plus a factor. The factor is a quantitative measurement based on potential influences on the program. The magnitude of the adjustment will necessarily be a subjective estimate, but the direction of the adjustment will be based on the likely effect of the factor(s). For example:

- Impending legislative changes,
- Estimates from high dollar overpayment reports, and
- Other administrative changes. For example - Administration is deploying a system to capture all documents associated with a claim. This would reduce the chance of not having associated documentation.

c. Estimated Error rates for programs not yet tested and reported. There will be no prior year data to base an estimate for those programs not tested or reported before. The program will report prior year estimates as zero and footnote in the annual report explaining there is no prior year data for the program. The three succeeding year estimated error rate will be calculated as outlined above.

G. Relief from High-Risk Program Reporting

If a program or activity was risk assessed as highly susceptible to significant improper payments (high-risk) and tested to calculate an improper payment estimate, but has documented for two consecutive years improper payments that are less than the absolute total of amount of overpayments plus underpayments in the program exceeding (1) both 2.5 percent (1.5 percent beginning in 2014) of program outlays and \$10 million of all program or activity payments made during the fiscal year reported, or (2) \$100 million, regardless of the improper payment percentage, of total program outlays, the agency may request relief from the annual reporting requirements for this program or activity (See Attachment 5 – OMB Relief from Reporting Request). This request must be submitted in writing to OMB, and must include an assertion from the OIG it concurs with VA's request for relief. If OMB approves the request, VA will incorporate that program or activity into its risk assessment cycle.

Attachment 1: Pre-Risk Assessment Questionnaire

Purpose: The purpose of the questionnaire is to determine whether the program or activity under review is susceptible to significant improper payments.

Instructions for Section I

Please input the annual dollar amounts of payments made by the program under review by Vendor, Purchase Cards, Travel, Inter-governmental, Payroll, Benefits and Miscellaneous Other. If you input an amount in the Miscellaneous Other box, please describe the nature of payment. Please ensure that the Total (Annual) Disbursements made by the program equal the sum total of the breakdown above. If the totals do not

match, reconcile the difference in the last line and provide the name of the type of payment not covered above. Typically, the reconciliation line would be a new category of payments not covered above.

Instructions for Section II

In order to determine whether or not an IPERA risk assessment is required for this program for the current year, please answer the following questions with either a "Yes" or a "No". If the answer to all six questions is "No", then a risk assessment of this program may not be necessary for the current year.

Pre-Risk Assessment Questionnaire

Section I

Administration:	
Fund Group:	
Program Name:	
Total Disbursements:	
Payment Type:	Dollar Amount
Vendor	
Purchase Cards	
Travel	
Inter-governmental	
Payroll	
Benefits	
Misc. Other (Please specify)	
Total Payment Type Amount	\$
Reconciliation difference of Total disbursements to Total payments:	0.00

Section II

Question:	Answer:
Was this program reported in the PAR/AFR last year and no waiver has been granted by OMB?	
Are known improper payment estimates for this program greater than \$10 million for the prior and/or current fiscal year?	
Was the last IPERA risk assessment done more than 2 years ago?	
Has funding for this program increased significantly since last year?	
Have there been significant changes in the legislation governing this program since last year?	
Has there been any other change that has had a substantial impact to the program since last year?	

Please provide an explanation for concluding that a risk assessment does / does not need to be done, and sign below.

Signed: _____ Date: _____
VA CFO/Administration CFO (or designated representative)

Attachment 2 - Risk Assessment

TAB 1 - IPERA Risk Assessment Instructions:

Pursuant to recent changes in IPERA regarding the improper payments reporting process, all programs must be evaluated every year to determine whether or not a risk assessment needs to be performed.

If a low-risk baseline has been determined for a program, the program may be assessed on a three-year cycle or once every three years. If a program is believed to be low-risk, complete the pre-risk assessment questionnaire before continuing to determine if a risk assessment is needed. If VA CFO or ADMIN CFO concurs with your assessment that a risk assessment is not required for IPERA, simply submit the completed and signed version of the pre-assessment questionnaire to 047GC. To ensure every program has been considered, the questionnaire will be included in the Consolidation worksheet (TAB 4) for reporting purposes.

If a program was reported as a program susceptible to improper payments (as outlined in OMB Circular A123, Appendix C) in the last annual report but was assessed as low-risk for two consecutive fiscal years, a request for waiver may be made with concurrence of the OIG to the OMB. Upon approval by the OMB, the program will be granted a waiver from assessing for the next three years.

For all programs that meet the criteria to be assessed, begin this year's risk assessment in Tabs 2 & 3 (see below). The Consolidation worksheet (Tab 4 not shown) will be automatically populated with data from Tabs 2 & 3 for reporting purposes. If, after completing the risk scoring questions in Tabs 2 and 3, your program's overall risk score (Tab 4 not shown) is high, you must test the program to determine the program's improper payment rate and estimated amount for the current year reporting. Review and approval from CFO or another delegated Senior Executive is evidenced by email transmission.

Risk Assessment Tab 2: Qualitative Risk Scoring

		Administration:				
		Fund Group:				
		Program Name:				
		QUALITATIVE RISK RATING		Not Rated		
		RISK SCORE		0		
		Insert choice "X" in cell using drop down list				
Payment Processing and Internal Control Environment	SECTION I	Yes	Mostly	Partially	No	Explain Choice
	Are procurement, eligibility determinations, payment, and collection policies and procedures well documented and accessible to staff?					
	Does management play an active role in establishing, implementing and monitoring internal controls, and are program management and staff held accountable for adhering to internal controls?					
	Do employees receive appropriate training to perform their duties?					
	Do segregation of duties exist in the procure to payment cycle?					
	Are reviews performed to ensure that the payment is accurate prior to its issuance?					
	Are reviews performed subsequent to the issuance of the payment to ensure accuracy or detection of an improper payment?					
	Does the program have recapture or collection activities designed to recoup improper payments?					
Risk Assessment Criteria OMB Circular 123, Appendix C, Part I, Paragraph (7)(a)(b)	SECTION II	Yes	Mostly	Partially	No	Explain Choice
	Program Length - Has this program existed in the Administration for greater than 2 years?					
	Program Complexity - Is the program not subject to significant complexity (i.e. legislative or regulations barriers) with determining correct payment amounts?					
	Payment Volume - Is the volume of payments processed expected to remain constant or decrease for the next year?					
	Payment Volume - Do the current volume of payments processed annually present a low risk to the program?					
	Eligibility - Are payment eligibility decisions not made outside the agency?					
	Eligibility - Have all levels of supporting documentation been created, approved and retained to support determinations of payment eligibility?					
	Program Changes - Are there are no recent major changes in program funding, authorities, practices, or procedures, and have staffing levels remained unchanged?					
	Personnel - Do personnel responsible for making eligibility determinations or certifying payment accuracy have adequate experience and receive training?					
	Audit Findings - Is the program achieving adequate results from improper payment work (i.e. improper payments are being identified and recovered)?					
	Audit Findings - Are there no significant deficiencies from audit or management findings that might hinder accurate payment certification?					
Information Systems Environment	SECTION III	Yes	Mostly	Partially	No	Explain Choice
	Are the information systems and other infrastructures used to administer the program up to date?					
	Are all key controls identified and tested before any new program is introduced into the production environment?					
	Is the data that is created and updated in the administration of this program protected so that it can only be viewed/changed by authorized personnel, in an approved manner, and are those changes tracked?					

Risk Assessment Tab 2: Qualitative Risk Scoring (continued)

Monitoring Environment	SECTION IV	Yes	Mostly Yes	Partly No	No	Explain Choice
	Do employees have adequate time to complete and review work?					
	Does program management and staff provide oversight and monitor against fraudulent activity?					
	Are the audit reports for this program free of significant deficiencies and material weaknesses for this program?					
	Have all significant deficiencies noted in prior audits been addressed promptly or have a corrective action plan in place?					
Scoring	SECTION V	Totals Yes	Totals Mostly	Totals Partially	Totals No	
	Totals	0	0	0	0	
	Point Score (Yes=1, Mostly Yes=2, Partly No=4, No=5)	1	2	4	5	
	Subtotals (Question x Point Score)	0	0	0	0	
	Total of Questions	24	24	24	24	
	Weighting Calculation	0.00	0.00	0.00	0.00	
	Total Point Score	0.00				
	Risk Rating (1,3,5) per Rating Category	0				
	Low, Medium, High	Not Rated				
	Rating Category					
	Low Risk Score=1, If Point Score is less than or equal to 2					
	Medium Risk Score=3, If Point Score is greater than 2 and less than 4					
High Risk Score=5, If Point Score greater than or equal to 4						
Certification	SECTION VI					
	Reviewed by: <i>Please Print Your Name</i>	_____				
	Signature	_____				
	Dated	_____				

Risk Assessment Tab 3: Quantitative Risk Scoring

	Administration:			
	Fund Group:			
	Program Name:			
	Total Disbursements (\$):			
	Payment Type:	Dollar Amount		
	Vendor			
	Purchase Cards			
	Travel			
	Inter-governmental			
	Payroll			
	Benefits			
	Misc. Other (Please specify)			
	Total Payment Type Amount	\$	-	
	Reconciliation difference of disbursements to payments:		0.00	
	QUANTITATIVE RISK RATING	Unrated		
	RISK SCORE	0		
		Select "Yes" or "No" using drop down list		
High Risk Trigger	SECTION I	Yes/ No	0	Risk Score
	Was the estimated amount of improper payments for the prior year above \$10 million and 1.5% of program outlays?		0	Yes =9, No =1
	Was the estimated amount of improper payments for the prior year above \$100 million?		0	Yes =9, No =1
Future Risk Indicators	SECTION II	Yes/ No	0	Risk Score
	Is the projected amount of improper payments for the next year above \$10 million and 1.5% of program outlays?		0	Yes =9, No =1
	Are the projected improper payments for next year greater than \$100 million?		0	Yes =9, No =1
Program Disbursement	SECTION III	Yes/ No	0	Risk Score
	Less than \$50 million	No	0	1
	Between \$50 million and \$100 million	No	0	2
	Between \$100 million and \$3 billion	No	0	3
	Between \$3 billion and \$7 billion	No	0	4
	Greater than \$7 billion	No	0	5
Scoring	SECTION IV			
	Total Point Score Sections I - III		0	
	Unrated		0	
	Rating Categories:			
	High Risk=5, if Total Point Score is greater than or equal to 7			
	Medium Risk=3, if Total Point Score is greater than 4 and less than 7			
	Low Risk=1, if Total Point Score less than or equal to 4			
Certification	SECTION V			
	Reviewed by: <i>Please Print Your Name</i>			
	Signature			
	Dated			

Risk Assessment Tab 4: Sample Consolidation Worksheet

#	Fund Code	Description	RISK DETERMINATION				REQUIRED DATA												
			Qualitative Risk	Quantitative Risk	Overall Risk Score	High Risk (Overall Score greater than or equal to 3.6)	Total Disbursements	Vendor Payments	Purchase Cards	Travel	Inter-Governmental	Payroll	Benefits	Misc. Other	Estimated Improper Payments at 1.5% Error Rate	Greater of 1.5% or \$10M	Error rate to meet greater of 1.5% and \$10M	Error rate to meet \$10M	Selected for Statistical Sampling
			35%	65%															

Attachment 3 – Test Plan and Testing Template

Instructions for Developing a Test Plan

Objective: Describe objective of the procedure – what is the compliance component you are testing. Generally this should incorporate a requirement documented in policy, procedure, contract or other agreement. For the Test Plan Reference Number, use the format TPXX.XX E.g. TP05.01.01, 05 – stands for Compliance Testing, 01 stands for Program Number, 01 stands for Process Number.

Scope: Define scope of area being tested – what is the universe being tested including time period and type of transactions.

Procedures: Document the steps that evaluator/tester should perform to determine if the objective is achieved. For detailed testing, this would include specific attributes to be tested.

Root Cause: Using the legend at the bottom of the worksheet, provide the cause of improper payment. This column will be used for PAR reporting purposes.

Population and Timeframe:
 Provide a Population Description, including time period, total population size (number), full report names, report sources, etc.

Sample Size and Methodology:
 Provide a Sample Size Description, including control frequency (or approximate frequency if applicable) and sample size methodology of random, judgmental, or haphazard, etc. Include clear explanation when extending sample size due to minimal exceptions noted or when sample size is restricted due to prior exceptions noted.

Results:
 Document what was reviewed during testing (at a high level) and the results of testing. Explain any testing exceptions or recommendations. If a Testing Attribute Sheet is used,

refer to the work paper number of the Testing Attribute Sheet. A high level explanation of results is required in this section even if a Testing Attribute Sheet is used.

All work papers should be cross – referenced in this document.

Determine requirements for maintaining supporting documentation in the work papers. Support for any finding noted must be maintained. Documentation must be sufficient to allow another individual not involved in the current process to understand and re-perform the procedures.

Conclusion:

State final conclusion: No exceptions noted or Exceptions noted. Conclude whether objective tested was achieved. For compliance testing, any finding should include the following:

- **Criteria:** This should be established in the objective above
- **Condition:** This is your finding (5 of 30 payments were processed to ineligible vendors).
- **Cause:** This should state the cause of the finding (Vouchers are not reviewed against eligible vendors as required by company policy and procedure document).
- **Effect:** What is the risk associated with the finding. (Payments were made for services not reimbursable under the contract.)

Recommendations: Provide the recommendation or recommendations for addressing the finding in the future.

Test Template: Summary

Summary Program -Test Analysis			
Program - Test Template #	Program Control Description	Population in \$'s (From the Sampling Universe)	Population (# of invoices/payments in the Sampling Universe)
TP 1.0	Example High-Risk Program #1	\$1,000.00	100
TP 2.0	Example High-Risk Program #2	\$15,000.00	125
TP 3.0	Example High-Risk Program #3	\$2,000.00	30

Department of Veterans Affairs
 Financial Reporting – Erroneous and Improper
 Payment Reporting under OMB Circular A-123 Appendix C

January 2014
 Volume VII - Chapter 9
 Appendix C

Test Template: Attributes, Data, and Testing Results

Department of Veterans Affairs - Test Template									
Program Name: E.g. VBA - Compensation									
IPERA Template Name: E.g. Testing Template									
Fiscal Year: E.g. FY2013									
Tester: E.g. John Doe			Reviewer: E.g. Mary Smith			Reviewer 2 (if needed) E.g. Jane Watson			
Date Completed: 10/18/2013			Date Reviewed: 10/20/2013			Date Reviewed: 10/22/2013			
Testing Summary									
Testing Objective: Example High-Risk Program #1									
Population/Source:									
Procedure Summary									
Procedures: 1. Obtain the expenditure register for the period of testing. 2. Select sample based on statistical analysis. 3. Test for the following attributes:									
Attributes									
Attribute Key		Attribute Description							
a		Payment was made under a Statutory, Contractual, Administrative or other legally acceptable requirement.							
b		The payment is made to an eligible recipient.							
c		The payment was made for eligible goods or services.							
d		The payment was made timely.							
e		The payment was made for the correct calculated amount per the Statutory, Contractual, Administrative or other legally acceptable requirement (to include prompt payment discounts, etc.)							
f		The goods or services received by the eligible recipient were paid for.							
g		The payment is adequately supported. Adequate documentation support includes XXX							
Results/Conclusion: Detailed results are listed below. Final conclusion is documented in lead work paper (Word document).									

Fill in the details of samples selected based on your review. Add or delete lines as needed per sample size. Alternate formatting from bold on one line to non-bold formatting on the next line to enable the reviewer to read testing notes easily.

#	Description				Attributes							\$ Amount of error	Under Payments	Over Payments	No Improper Payments Identified	Root Cause #	Can/Can't Stop	Control Frequency (i.e. weekly, monthly, annually)	Workpaper Reference Number
Totals		2	2,000.79								2								
Total Over/Under Payments											120.00	15.00							
Total Gross Improper Payments											135.00								
1	11/30/2012	A12	Education Reimbursement	1,200.00	X	X	A	B	X	X	X	120.00	120.00		R(3)	X(2)			
2	12/8/2012	A34	Medical Equipment Reimbursement	800.79	X	N(1)	X	X	X	X	X	15.00		15.00		R(1)	X(1)		
3																			
4																			
5																			
6																			
7																			
8																			
9																			

Test Template (Continued)

KEY:	
X	Demonstrates Attribute Tested
Alpha	Demonstrates Attribute Tested, Additional Explanation Provided
N	Fails to Demonstrate Attribute Tested
Numeric e.g. N(1)	Fails to Demonstrate Attribute Tested, Additional Explanation
R	Demonstrates Root Cause categories 1, 2 and 3 per Issuance of
Legend: Root Cause	
R(1)	Documentation and Administrative Errors: Errors caused by the absence of supporting documentation necessary to verify the accuracy of a payment; or errors caused by incorrect inputting, classifying, or processing of applications or payments by a relevant Federal agency, State agency, or third party who is not the beneficiary. Two examples of improper payments due to documentation and administrative errors are: i. A program does not have documentation to support a beneficiary's eligibility for a benefit; or ii. A beneficiary receives a payment that is excessive due to a data entry mistake.
R(2)	Authentication and Medical Necessity Errors: Errors caused by an inability to authenticate eligibility criteria through third-party databases or other resources because no databases or other resources exist i. Being unable to establish that a child lived with a family for a certain amount of time (e.g., making the family eligible for the Earned Income Tax Credit) because no database exists to do so; or, or providing a service that was not medically necessary given the patient's condition. Two examples of improper payments due to authentication and medical necessity errors include: ii. Providing a power wheelchair to a patient that does not need a wheelchair.
R(3)	Verification Errors: Errors caused by the failure or inability to verify recipient information, including earnings, income, assets, or work status, even though verifying information does exist in third-party databases or other resources (in this situation, as contrasted with "authentication" errors, the "inability" to verify may arise due to legal or other restrictions that effectively deny access to an existing database or resource), or errors due to beneficiaries failing to report correct information to an agency. Two examples of verification errors are: i. Not confirming a recipient's earnings or work status (due to either financial or statutory constraints) through existing databases; or ii. A beneficiary failing to provide an agency with information on earnings.
Legend: Can/Can't Stop	
X(1)	Can Stop and amounts are recoverable.
X(2)	Can't Stop and amounts are recoverable. Reasoning explained in "Findings" section below.
X(3)	Can't Stop and amounts are not recoverable. Reasoning explained in "Findings" section below.
Notes:	
A	E.g. The payment voucher is supported with all the pertinent documentation, however, the approval sheet was missing a second signature from XXX - Director of Compensation Expenditure. No exception noted.
B	
C	
Exceptions:	
1	E.g.: This payment was erroneously made to a non-relative who is not the legal beneficiary of the injured veteran, but a step son who helped file the paperwork on the veteran's behalf. The paperwork had been bookmarked for recapture. Exception noted.
2	
3	
Notes:	
Recommendations:	
Findings:	
Conclusion:	

Test Template: Program Results

Report of Improper Payment Testing Results									
Administration/Staff Office									
Point of Contact (Name and Phone Number)									
Sample Test Results									
Program Name	Population (\$)	Sample Paid Amount \$	Under Payment Amount	Over Payment Amount	Absolute Error	Sample Size	# of Errors	Can Stop Sample \$ in error (Absolute)	Can Stop # of Errors
Example High-Risk Program #1	\$1,000.00	\$2,000.79	\$120.00	\$15.00	\$135.00	2	2		
Example High-Risk Program #2	\$15,000.00	\$2,000.79	\$120.00	\$15.00	\$135.00	2	1		
Example High-Risk Program #3	\$2,000.00	\$2,000.79	\$120.00	\$15.00	\$135.00	2	1		
	\$18,000.00	\$6,002.37	\$360.00	\$45.00	\$405.00	6	4		
Prepared By: _____									
Date: _____									
Approved By: _____									
Date: _____									

Attachment 4 - Corrective Action Plan Scorecard

Instructions for Completing the Corrective Action Plan Template and Corrective Action Plan Scorecard

A. PURPOSE

A Corrective Action Plans (CAP) is a mechanism used by management that documents the procedures the agency will use to resolve an identified deficiency. The purpose of the CAP Template and CAP Scorecard are to both document and track a CAPs current

milestones/tasks status respectively. This document will provide instructions to complete both the CAP Template and Scorecard.

B. BACKGROUND

Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments*, requires all programs and activities with "significant improper payments (improper payments exceeding both 2.5% of program outlays and \$10 Million of all program or activity payments made during the fiscal year reported or \$100 Million regardless of improper payments percentage) to identify the reasons their programs or activities are at risk and put in place Corrective Action Plans to reduce and correct the deficiencies causing the improper payments."

C. DEFINITIONS

Corrective Action Plan (CAP) – a written document that spells out the specific steps a reporting entity will take to resolve a deficiency. A CAP includes targeted milestones and completion dates. A CAP can also be referred to as a remediation plan.

Error Amount – the total dollar amount of improper payments resulting from a program deficiency.

Error Rate – the percentage rate that improper payments are occurring due to a program deficiency.

Milestone – sub-objectives or stages into which a project or program is divided, in this case a CAP, for monitoring and measurement. Milestones are measurable and observable and serve as progress markers. Milestones are divided into smaller workable objectives called task. Milestones are completed, or reached, when all the tasks are completed within a given milestone.

OMB Error Category – OMB has established three categories of error: Documentation and Administrative, Authentication and Medical Necessity, and Verification errors. Agencies are required to report the cause of an improper payment in one of the categories listed above.

Root Cause – the underlying cause or causal chain that leads to an improper payment.

Reporting Entity – a department, agency, or instrumentality in the executive branch of the United States as defined in Title 31, Section 102 of the United States Code.

D. PROCEDURES

Part A: Corrective Action Plan Template

Department of Veterans Affairs Corrective Action Plan (CAP)	
Date	
Summary Information:	
CAP Number	
Root Cause	
Fiscal Year	
Business Process	
Primary Process Owner	
Point of Contact	
Reduction Target	
Error Rate	
Error Amount	
Recoverable Amount	
Root Cause	
Effect	* Note: This section would require an explanation on why the root cause would create an improper payment and state if the payment can or can't be stopped.
OMB Error Category	

The following steps are taken to prepare the Corrective Action Plan Template Summary Information section displayed below:

1. **Date** – Enter the date the CAP was created or updated. Format: MM/DD/YYYY
2. **CAP Number** – Enter the unique identifier, as designated by the reporting entity, assigned to CAP.
3. **Root Cause (left side)** – Enter a brief description of the underlying cause or casual chain that will be corrected by the CAP.
4. **Fiscal Year** – Enter the fiscal year the deficiency needing correction by the CAP was identified.
5. **Business Process** – Enter the Program (ex. VHA), Activity (ex. Medical Administration), and Business Process (ex. CHAMPVA).
6. **Primary Process Owner** – Enter the name of the individual responsible for the process where the deficiency was identified.
7. **Point of Contact** – Enter the name of the individual responsible for the day-to-day management of the CAP.
8. **Reduction Target** – Issues VA can address using current year data analysis and set reduction targets for future years. Example: Reduce insufficient documentation by 50% for a program in one year and reduce by 85% by second year; or reduce backlog by 30% that will reduce insufficient documentation by 25%. Enter the percentage target for future improper payment levels.
9. **Error Rate** – Enter the percentage rate of improper payments associated with the deficiency.

10. **Error amount** – Enter the dollar amount of improper payments associated with the deficiency.
11. **Recoverable amount** – Enter the amount recoverable through payment recapture and recovery.
12. **Root Cause (right side)** – Enter a detailed description of the underlying cause or casual chain that will be corrected by the CAP.
13. **Effect** – Enter an explanation on why the root cause would create an improper payment and state if the payment can or can't be stopped.
14. **OMB Error Category** – Enter the OMB established categories of error: Documentation and Administrative, Authentication and Medical Necessity, or Verification errors.

The following steps are taken to prepare the Corrective Action Plan Template milestones and tasks section displayed below.

Milestone No.	Milestone Description	Est. Compl. Date	Task No.	Task Description	Owner (Office, Title)	Est. Completion Date	Actual Completion Date	Open/Closed	Corrective Action Taken (Comments)
1			11						
			12						
2			21						
			22						
			23						
3			31						

15. **Milestone Description** – Enter a measurable event/task that can be divided into smaller measurable events.
16. **Est. Completion Date** – Enter the estimated completion date for each milestone. The estimated completion date for a milestone is the latest estimated completion date associated with a task within a milestone.
17. **Task Description** – Enter the description of the task to be accomplished. Be descriptive.
18. **Owner (Office, Title)** – Enter the name of the office and the individual responsible for completing a task.

19. **Est. Completion Date** – Enter the estimated completion date.
20. **Actual Completion Date** – Enter the date the task is completed.
21. **Open/Closed** – Enter Open for tasks yet to be completed and that are ongoing.
 Enter closed for tasks that have been completed or have been stopped because they were deemed unnecessary.
22. **Corrective Action Taken** – Enter the action taken that completed the task listed.

Part B: Corrective Action Plan Scorecard

The Corrective Action Plan Scorecard is a tool used to summarize the status of CAP. The CAP scorecard also provides a summary of the issues and risks identified during the completion of milestones and tasks within a given CAP.




The following steps are taken to prepare the header portion of the Corrective Action Plan Scorecard:

CAP Scorecard	
Program	
Business Process	
Reporting Entity	
Primary Process Owner	
Point of Contact	
Status as of	

1. **Program** – Enter the program name associated with the deficiency.
2. **Business Process** – Enter the business process associated with the CAP being reported. This entry should mirror the information entered into the CAP Template completed in part A.
3. **Reporting Entity** – Enter the reporting entity associated with the CAP being reported. This entry should mirror the information entered into the CAP Template completed in part A.
4. **Primary Process Owner** – Enter the primary business process owner associated with the CAP being reported. This entry should mirror the information entered into the CAP Template completed in part A.

5. **Primary Point of Contact** – Enter the primary point of contact associated with the CAP being reported. This entry should mirror the information entered into the CAP Template completed in part A.
6. **Status as of** – Enter the reporting date of the CAP Scorecard.

The following steps are taken to prepare the Status Summary of the Corrective Action Plan Scorecard:

Status Summary								
	CAP Start	CAP Finish	Overall Status	Schedule (Milestones)	Scope	Issues/Risks	Stakeholders	
Baseline			G	G	G	G	G	
Revised								
Comments								
	In Control – On schedule, No quality issues, Meeting expectations			Monitor – Potential issues could impact schedule, quality, etc.			At Risk – Adjustments/refinements required to meet expectations	
NOTES: None								

7. **CAP Start/CAP Finish** – Enter the baseline and revised dates (if any). Baseline start and finish dates refer to the initial dates agreed upon. Baseline dates do not change. This information can be found on the CAP template completed in Part A.
8. **Overall Status, Schedule, Scope, Issues/Risks, Stakeholders** – Enter a Green, Yellow, or Red marker as appropriate. To do so, right click on the color icon you want to insert into the cell and copy and paste. Add comments in the cells below if necessary.

Indicator Color	Status
Green	<ul style="list-style-type: none"> • Milestone/task has not started • Started and on-time and on schedule • Milestone/task % complete is consistent with time remaining to due date • Quality issues are not present
Yellow	<ul style="list-style-type: none"> • Schedule may be impacted • Milestone/task % complete is behind schedule • Quality issues may arise
Red	<ul style="list-style-type: none"> • Start date has passed • Milestone/task % complete is grossly behind schedule • Adjustments are required to meet the expectations • Finish date has passed prior to the completion of the milestone/task

The following steps are taken to prepare the Summary Information section of the Corrective Action Plan Scorecard:

Summary Information	
CAP Number	
Root Cause	
Fiscal Year	
OMB Error Category	
Reduction Target	

- 9. Summary Information** – Enter the information required with the information found on the CAP Template completed in Part A.

The following steps are taken to prepare the Milestone section of the Corrective Action Plan Scorecard:

Milestone	Status	Completion Date		Accomplishments/Next Steps/Issue
		Projected	Actual	
	G			•
	G			•
	G			•

- 10. Milestone** – Enter milestones using the CAP template. Each milestone is reported on an individual line.

- 11. Status** – Assign a status to the milestone.

- 12. Completion Dates** – Enter the projected completion date for each milestone. The projected date is the same date as the Estimated Completion Date on the CAP Template. Actual dates are only populated when a milestone is completed.

- 13. Accomplishments/Next Steps/Issues** – Enter a summary of accomplishments/Next Steps/Issues to date.

Issues				
Issue/Impact	Date Identified	Assigned	Due Date and Action/Status	
None	N/A	N/A	• N/A	

Risks				
Risk/Impact/Action	Prob.	Sev.	Assigned	Mitigation/Status
				•

14. **Issues** – Enter any issues identified while performing the tasks for the associated CAP, date identified, who the issue is assigned to, and status. If no issues are identified, enter N/A for all the fields.
15. **Risks** – Enter any risks identified that may impact the completion of the CAP. Assign a probability of the risk occurring and the severity of the risk. Enter the name of the individual assigned to the risk and mitigation strategy. If no risks are identified, enter N/A for all the fields.

**Department of Veterans Affairs
 Financial Reporting – Erroneous and Improper
 Payment Reporting under OMB Circular A-123 Appendix C
 Corrective Action Plan Template**

**September 2013
 Volume VII - Chapter 9
 Appendix C**

**Department of Veterans Affairs
 Corrective Action Plan (CAP)**

Date: _____

Summary Information:

CAP Number	
Root Cause	
Fiscal Year	
Business Process	
Primary Process Owner	
Point of Contact	
Reduction Target	
Error Rate	
Error Amount	
Recoverable Amount	

Root Cause	
Effect	* Note: This section would require an explanation on why the root cause would create an improper payment and state if the payment can or can't be stopped.
OMB Error Category	

Milestone No.	Milestone Description	Est. Compl. Date
1		

Task No.	Task Description	Owner (Office, Title)	Est. Completion Date	Actual Completion Date	Open/Closed	Corrective Action Taken (Comments)
1.1						
1.2						

Milestone No.	Milestone Description	Est. Compl. Date
2		

Task No.	Task Description	Owner (Office, Title)	Est. Completion Date	Actual Completion Date	Open/Closed	Corrective Action Taken (Comments)
2.1						
2.2						
2.3						




Milestone No.	Milestone Description	Est. Compl. Date
3		

Task No.	Task Description	Owner (Office, Title)	Est. Completion Date	Actual Completion Date	Open/Closed	Corrective Action Taken (Comments)
3.1						

Department of Veterans Affairs
 Financial Reporting – Erroneous and Improper
 Payment Reporting under OMB Circular A-123 Appendix C
 Corrective Action Plan Scorecard

September 2013
 Volume VII - Chapter 9
 Appendix C

Program	
Business Process	
Reporting Entity	
Primary Process Owner	
Point of Contact	
Status as of	

Status Summary							
	CAP Start	CAP Finish	Overall Status	Schedule (Milestones)	Scope	Issues/Risks	Stakeholders
Baseline			G	G	G	G	G
Revised							
Comments							
 In Control – On schedule, No quality issues, Meeting expectations			 Monitor – Potential issues could impact schedule, quality, etc.		 At Risk – Adjustments/refinements required to meet expectations		
NOTES: None							

Summary Information	
CAP Number	
Root Cause	
Fiscal Year	
OMB Error Category	
Reduction Target	

Milestone	Status	Completion Date		Accomplishments/Next Steps/Issue
		Projected	Actual	
	G			•
	G			•
	G			•

Issues				
Issue/Impact	Date Identified	Assigned	Due Date and Action/Status	
None	N/A	N/A	• N/A	

Risks				
Risk/Impact/Action	Prob.	Sev.	Assigned	Mitigation/Status
				•

Attachment 5 – Relief from Reporting High-Risk Program

OMB Appropriate Representative
Office of Management and Budget
725 17th Street, N.W.
Washington, DC 20503

Dear___:

The Department of Veterans Affairs (VA), in accordance with OMB Circular, A-123, Appendix C, Part I, requests relief from the annual reporting requirements for the insert Administration – Program Name. The request for relief is allowed for agency programs with a minimum of two consecutive years of documented improper payments below 2.5 percent and \$10 million, or \$100 million of annual estimated erroneous payments.

The insert Program Name has been below the reporting thresholds for two consecutive years. The program's estimated annual improper payments for the last two fiscal years are:

<u>Year</u>	<u>Outlays</u>	<u>Estimated Annual Improper Payments</u>	<u>Percentage</u>
-------------	----------------	-------------------------------------------	-------------------

Insert information

VA's Inspector General concurs with this request (enclosed). Should OMB approve this request, VA shall continue to include the insert Program name in its risk assessment cycle.

Sincerely,

Enclosures:

OIG Concurrence with Request for Relief

cc: Chief Financial Officer, insert Administration (XX)

Attachment 6: Estimated Error Rate and Forecast Methodology

Instructions:														
Column -	A	Enter - Program Name												
	B	Enter - Current Year Rate based on Current Year Testing												
	C	Precision Rate is Established by OMB at 2.5% (in FY14 it will be 1.5%)												
	D	Adjusted Rate is automatically calculated in formula												
	E	Enter - Management Assumptions based on factors such as process improvements, economic factors, etc.												
	F	Adjustment Rate is automatically calculated in formula												
	G through L	In this example, increases in the presidents budget of -0.1%, 0.3%, and -0.2% are assumed for the three out years For your specific programs, your budget office should be contacted to discuss outlays and other factors (such as legislative or program chants) that will impact your presidential budgetary assumptions. It is important that the Out Years are tied to the President's Budget.												

Estimation Methodology

VA PAR Estimated Error Rate and Forecast Methodology												
A	B	C	D	E	F	G	H	I	J	K	L	
Program	Current Rate	Precision Rate	Calculated Rate (B+C)	Management Assumptions % Increase / (Decrease)	Adjusted Rate [D (+/-) E]	Out Year 1 (Presidential Budgetary Assumptions)	Out Year 1 with Assumptions F + G	Out Year 2 (Presidential Budgetary Assumptions)	Out Year 2 with Assumptions H + I	Out Year 3 (Presidential Budgetary Assumptions)	Out Year 3 with Assumptions J + K	
Example 1	0.50	2.50	3.00	1.00	4.00	-0.10	3.90	-0.30	3.60	-0.20	3.40	
Example 2	1.00	2.50	3.50	-1.00	2.50	-0.10	2.40	-0.30	2.10	-0.20	1.90	
Example 3	2.00	2.50	4.50	-3.00	1.50	-0.10	1.40	-0.30	1.10	-0.20	0.90	

APPENDIX D: HIGH-DOLLAR OVERPAYMENTS REPORTING

The President signed Executive Order 13520, “Reducing Improper Payments” on November 20, 2009. On March 22, 2010, the Office of Management and Budget (OMB) issued government-wide guidance on the implementation of the Executive Order. The guidance is under Part III, Appendix C of OMB Circular A-123. This guidance requires agencies with programs susceptible to significant improper payments to submit to the agency’s Office of Inspector General (OIG), and make available to the public, a quarterly report on any high-dollar overpayments identified by the agency. Executive Order 13520 and OMB Circular A-123 Appendix C require Federal agencies report on High-Dollar Overpayments on a quarterly basis.

OMB guidelines define high-dollar improper payments as circumstances: overpayments which exceed 50 percent of the correct amount of the intended payment **and** where the overpayment(s) within the quarter exceeded a single or cumulative payment of \$5,000 to an individual; or \$25,000 to an entity.

OMB guidelines require that agencies submit, on a quarterly basis, a report to:

1. List all high-dollar overpayments identified by the agency during the quarter;
2. Describe whether each high-dollar overpayment was made to an entity or individual, the city or county, and state where that entity or individual was located;
3. List the program responsible for each high-dollar overpayment error;
4. Describe any actions the agency has taken or plans to take to recover high-dollar overpayments; and
5. Describe appropriate actions the agency will take to prevent overpayments from occurring in the future.

Documenting the status of overpayments is a mandatory OMB requirement. When identifying the status of an overpayment, annotate as “collection in progress” or “collection made in full.” Collection in progress is defined as actions taken by VA to recover from future benefit awards or payments, or referral to the Treasury Offset Program. In addition to OMB’s requirement to provide the status of overpayments, VA includes the root cause of the overpayment. The root cause information of each of the high-dollar overpayments **MUST** be reported according to OMB’s three error types. The error types are:

1. **Administrative and Documentation:** Errors which are caused by the absence of supporting documentation to validate the payment, or inputting, classifying, or processing errors made by another other than the recipient of the payment (i.e. the payee or a third-party).

2. **Authentication and Medical Necessity:** Errors which are caused by the payee's inability to authenticate eligibility criteria through third-party databases or other resources because nothing else exists, or the beneficiary was provided a service that was not medically necessary given the patient's condition.
3. **Verification:** Errors which are caused by the payee's failure to verify recipient information (i.e. earnings, income, assets, or work status) even though third-party databases or other resources do exist, the payee's inability to verify recipient information (i.e. earnings, income, assets, or work status) because there are legal or other restrictions that deny access to verify against third-party databases or other resources that do exist, or beneficiaries fail to report correct information to the payee.

Actions Taken to Prevent Recurrence of Overpayments:

When identifying actions to eliminate the recurrence of errors, remediation steps shall include a full and concise explanation to prevent reoccurrence of overpayments. These steps should include such information as "the how", "when" and "time frame" it will take to ensure proper elimination of recurring errors. Other such preventions may include items such as system enhancements, staff training, internal procedural changes, quality review enhancements, etc., to name a few. When identifying these actions they should be detailed in nature as to how such being actions applied will ensure the elimination of such errors. Simply indicating staff training will not provide proven assurance as to how steps will eliminate future reoccurrences. These actions should be documented in a Corrective Action Plan (CAP). The Corrective Action Plan is a mechanism used by management to document the procedures the agency will use to resolve an identified deficiency. The purpose of the CAP Template and CAP Scorecard are to both document and track a CAPs current milestones/tasks status respectively. Instructions to complete both the CAP Template and Scorecard can be found in Appendix C, High-Risk Program Testing, to Chapter 5A of this volume.

Review Process – Refer to the latest PAR for susceptible programs with significant improper payments.

A. Review sources: VA will leverage existing sources of information for reporting on high-dollar overpayments. Areas to consider when reporting high-dollar overpayments include:

1. Statistical samples conducted under the IPERA guidelines (OMB Circular A-123);
2. Agency post-payment reviews;
3. Payment Recapture/Recovery audits;
4. Agency OIG reviews;

5. Self-reports; or
6. Reports from the public through Internet and telephone hotlines and other referrals.

B. Identify Overpayments: Each VA office will develop its own procedures to identify and report high-dollar overpayments in accordance with VA High-Dollar Overpayments (HDOP) policy guidance as described below.

Completing the Template:

A template (see attachment below) has been provided to facilitate the reporting of HDOP's. The following is required for the HDOP report:

1. The name of the program.
2. The number of HDOP's made during the quarter.
3. The payments broken out by error type and which includes:
 - a. Number of overpayments
 - b. The percentage of the total
 - c. The total amount of overpayments by that error type.
4. A summary should be included listing:
 - a. Total number of payments
 - b. Total number of overpayments
 - c. Percentage of the amount of overpayments to the total amount of payments.
5. A table listing each HDOP with the following column headers:
 - a. Amount of overpayment
 - b. Entity or Individual
 - c. City/County
 - d. State
 - e. Cause of Overpayment
 - f. OMB Error Type
 - g. Action Plans to Recover Overpayment
 - h. Status of Overpayment
 - i. Overall Actions of Plans to Prevent Recurrence
6. A Count and Total of HDOPs.

HDOP Report Schedule

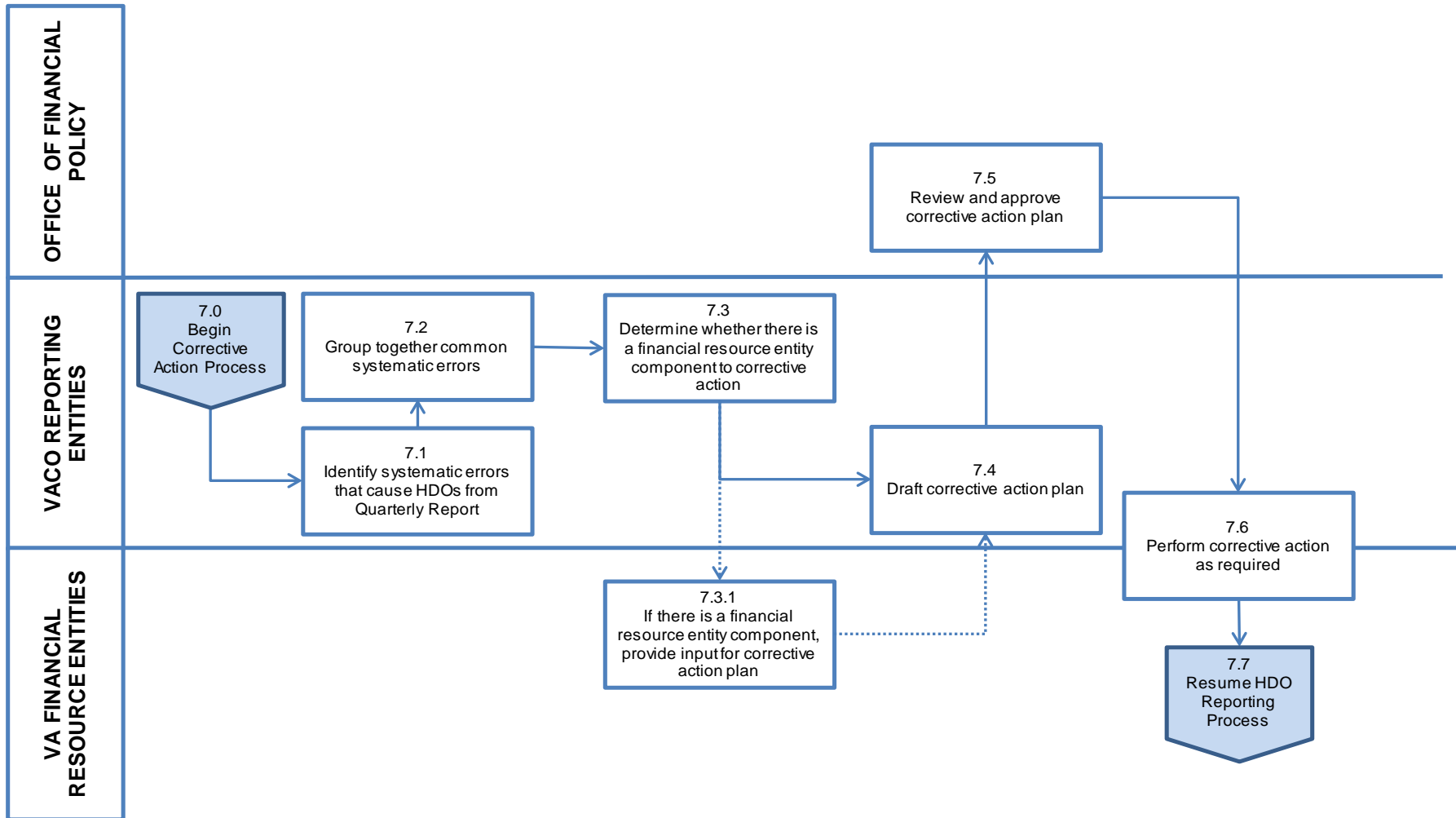
Milestone	Deliverable
1. Fiscal Year First Quarter High-Dollar	<ul style="list-style-type: none"> • For six weeks after December 31, the VA offices

Milestone	Deliverable
Overpayments Report (October – December)	responsible for authorizing the payments review and identify all high-dollar overpayments; <ul style="list-style-type: none"> • February 15, VA offices report high-dollar overpayments to Cash and Debt Management Division (047GC1); • March 15, 047GC1 consolidates reports and forwards to the Secretary; and • April 30, Secretary submits report to IG and posted to the Internet.
2. Fiscal Year Second Quarter High-Dollar Overpayments Report (January - March)	<ul style="list-style-type: none"> • For six weeks after March 31, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments; • May 15, VA offices report high-dollar overpayments to 047GC1; • June 15, 047GC1 consolidates reports and forwards to the Secretary; and • July 31, Secretary submits report to IG and posted to the Internet.
3. Fiscal Year Third Quarter High-Dollar Overpayments Report (April – June)	<ul style="list-style-type: none"> • For six weeks after June 30, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments; • August 15, VA offices report high-dollar overpayments to 047GC1; • September 15, 047GC1 consolidates reports and forwards to the Secretary; and • October 30, Secretary submits report to IG and posted to the Internet.
4. Fiscal Year Fourth Quarter High-Dollar Overpayments Report (July – September)	<ul style="list-style-type: none"> • For six weeks after September 30, VA offices responsible for authorizing the payments review and identify all high-dollar overpayments; • November 15, VA offices report high-dollar overpayments to 047GC1; • December 15, 047GC1 consolidates reports and forwards to the Secretary; and • January 31, Secretary submits report to IG and posted to the Internet.

High-Dollar Overpayments Report Template

Amount of Overpayment	Entity or Individual	City/County	State	Cause of Overpayment	OMB Error Type 1. Administrative & Documentation 2. Authentication & Medical Necessity 3. Verification	Action/Plans to Recover Overpayment	Status of Overpayment	Overall Actions/ Plans to Prevent Re-occurrence

VA HDO CORRECTIVE ACTION PROCESS FOR VACO REPORTING ENTITIES



APPENDIX E: “DO NOT PAY” SOLUTION: IMPLEMENTATION AND UTILIZATION

Overview

This appendix establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding the implementation and utilization of the “Do Not Pay (DNP)” Solution.

On June 18, 2010, the President issued an Executive Memorandum which directed all Federal Government agencies to "review current pre-payment and pre-award procedures and ensure a thorough review of available databases with relevant information on eligibility occurs before the release of any Federal funds." So as, "to ensure that only eligible recipients receive Government benefits or payments," the President directed the establishment of a "single point of entry" through which agencies would access relevant data in a network of databases to be collectively known as the "DNP" before determining eligibility for a benefit, grant or contract award, or other federal funding. Shortly thereafter, the Federal Government's desire to improve the integrity of its payments and the efficiency of its programs and activities was achieved through the enactment of the [Improper Payments Elimination and Recovery Act \(IPERA\)](#), July 22, 2010.

[The Improper Payments Elimination and Recovery Improvement Act of 2012 \(IPERIA\)](#) based on IPERA, July 22, 2010, was passed into law on December 13, 2012 to intensify efforts to identify, prevent, and recover payment error, waste, fraud, and abuse within Federal spending. The Do Not Pay Initiative is found in Section 5 of the Act.

1. DNP Portal Data Sources - The “DNP” Portal is a proactive tool, currently consisting of the following data sources used to identify potential improper payment sources relevant to both Pre-Award and Pre-Payment activities:
 - [Excluded Party List System \(EPLS\)](#) – an electronic, web-based system that identifies those parties excluded from received Federal contracts, certain sub contracts, and certain types of Federal financial and non-financial assistance and benefits. The EPLS keeps its user community aware of administrative and statutory exclusions across the entire government, and individuals barred from entering the United States. EPLS was once maintained by GSA but has been discontinued and is now part of the [System for Award Management \(SAM\)](#).
 - [Death Master File \(DMF\)](#) – list of decedent individuals reported to the Social Security Administration (SSA). The file is divided into Death Master File Public and Private. The DMF Private file includes 32 states', New York City, and Washington DC. The data is provided to DNP by the Department of Commerce's National Technical Information Service (NTIS) on behalf of SSA. Do Not Pay matches the Public Death Master File.
 - [List of Excluded Individuals /Entities \(LEIE\)](#) – Department of Health and Human Services Office of Inspector General has the authority to exclude individuals and

entities from Federally funded health care programs pursuant to sections [1128](#) and [1156](#) of the [Social Security Act](#) and maintains a list of all currently excluded individuals and entities called the List of Excluded Individuals and Entities (LEIE). Anyone who hires an individual or entity on the LEIE may be subject to civil monetary penalties (CMP).

- [Debt Check](#) - allows agencies and outside lenders to obtain information regarding whether applicants for federal loans, loan insurance or loan guarantees owe delinquent child support or delinquent non-tax debt to the federal government. The database is maintained by Department of Treasury, Financial Management Service.
 - [Central Contractor Registration \(CCR\)](#) - a highly secure, single repository of vendor data used Governmentwide. Vendor registration provides common data in one central location. CCR is now part of SAM.
2. Single Online Search – One single entry can be searched and matching records will be returned. Currently, users can search on TIN, SSN, Business or Individual Name.
 3. Batch Processing – Agency sends in large files before or after payments are made. Do Not Pay matches the files to data sources available and returns the results to the user via the online portal.
 4. Continuous Monitoring – Agency sends in large files. Do Not Pay stores the file within the portal and provides the agencies with notifications when matches are found against currently available data sources.
 5. Payment Matching – Do Not Pay matches the participating Agency’s Treasury PACER files to DMF Public and EPLS Public and transmits the results once each month. The results are sent via secured email to the VA DNP Coordinator. VA programs must review and report on match results on a monthly basis. Reference Attachment 3 for more information regarding Payment Matching.
 6. Data Analytics Services - Data Analytical Services are being offered to the agencies to help reduce fraud, errors, and payments being made to ineligible recipients applicable to Post-Payment activities.

Business Process Integration and Application

1. Agreements – The initialization of the “Do Not Pay” Solution will require the establishment of proper Data Sharing Agreements with the owning agency/ organization. VA shall work with the Department of Treasury to establish Data Sharing Agreements to access the databases listed above. Contact the VA DNP Coordinator if a new data source or matching activity is required for your program.
2. Administration Instruction – Each administration shall review prepayment and preaward procedures (currently awaiting OMB guidance) and ensure that a thorough review of available databases with relevant information on eligibility occurs to

determine program or aware eligibility and prevent improper payments before the release of any Federal funds.

Pre-Award:

- Contracting officers shall continue to use the Federal Awardee Performance and Integrity Information System (FAPIIS) to establish whether a contractor has the integrity and business ethics to receive a federal contract, in accordance with applicable [Federal Acquisition Requirements \(FAR\)](#), excluding micro-purchases, and regulations. Contracting officers are encouraged (but not required) to review the DNP solution, given that the additional information provided may be helpful to contracting officers, in their efforts to ensure that the Federal Government does business with responsible parties. Pre-Award reviews for all other grants, agreements, or other awards are to incorporate utilization of the DNP Solution in the process for performing those reviews.

Pre-Payment:

- VA's entity-wide DNP Solution currently focuses on the payments made by VA's three Administrations and Staff Offices, accounting for all disbursed payments and several billions of dollars in outlays annually.
- Payment types not in scope relative to IPERA will be excluded from DNP matching.
- The focus of this process is to provide prevention of improper payments proactively prior to the disbursement of funds; however, due to the regulation of Federal law, the suspension, termination, or reduction of some benefit payments cannot be impacted prior to payment. Specifically, the ability to prevent improper payments of this type will be most effective prior to any new award of benefits is made (and possibly before any increased award is made).
- The consistency of data, effective communication and interface with the DNP Solution portal and its systems is a precursor to the implementation and success of this effort.
- The scheduled and efficient exchange of related pre-payment information must occur together with the cash disbursement process to ensure that improper payments are not made.

3. DNP Working Group – Regular DNP Working Group meetings will occur and progress of project will be managed with an Action Plan. For more information regarding the DNP Working Group, contact the VA DNP Coordinator.

4. Application of DNP Solution Findings – Each administration and staff office must determine an adjudication process for handling Do Not Pay findings on a continual basis.

Documentation / System Flag

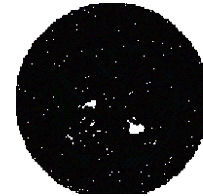
- To refine matching methodology, VA will provide business requirements to Treasury. VA will document, share, and refine requirements in a uniform way. VA will adopt as appropriate, common requirements shared by other agencies.
- Timely documentation must be made in the payment generation system, based on system capabilities. If the findings show the status of the pending payment is deemed improper, the record should be flagged within the system noting that it is a confirmed improper payment. If the Administration's payment system is unable to electronically flag confirmed improper payments, a manual procedure must be put into place.
- If there is no statute or regulation that would prohibit the withholding or termination of payment, this action should be administered promptly to prevent the improper disbursement of funds.
- Should any improper payment be identified and no remedy is available to prevent the disbursement of funds, a process must be put in place to establish a receivable, and record it within the applicable financial management system, in accordance with [VA Financial Debt Management Policy](#)

5. References.

- [Volume VII Chapter 1A - Invoice Review and Certification](#)
- [Office of General Counsel Memorandum.](#)

Attachment 1

DNP Roles and Responsibilities Hierarchy



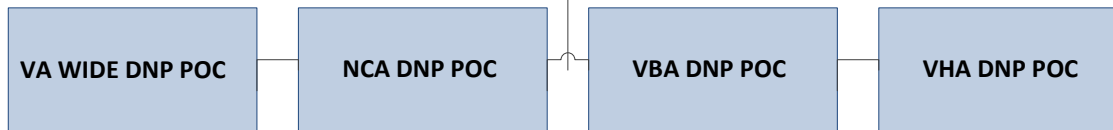
Treasury DNP POC

Addresses Technical Questions
 Reviews forms and provides access :



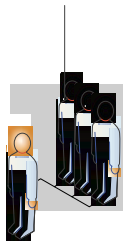
VA DNP Coordinator

- Reviews all access requests
- Coordinates access groups with administrations
- Coordinates data sharing agreements
- Maintains master list of VA users



Administration DNP POCs

- Coordinates access requests
- Coordinates data sharing agreements
- Coordinates and facilitates DNP Policy w/VA DNP Coordinator



VA WIDE End Users



NCA End Users



VBA End Users



VHA End Users

DNP End Users:

- Reviews and accepts Rules of Behavior
- Submit Access Requests
- Conducts Pre and Post Payment Eligibility Review

DNP Roles and Responsibilities Hierarchy

The roles and responsibilities, as documented in this section, are to provide VA administrations, program offices, and end users a clear depiction of their involvement in implementing Treasury and OMB's Do Not Pay Solution at VA.

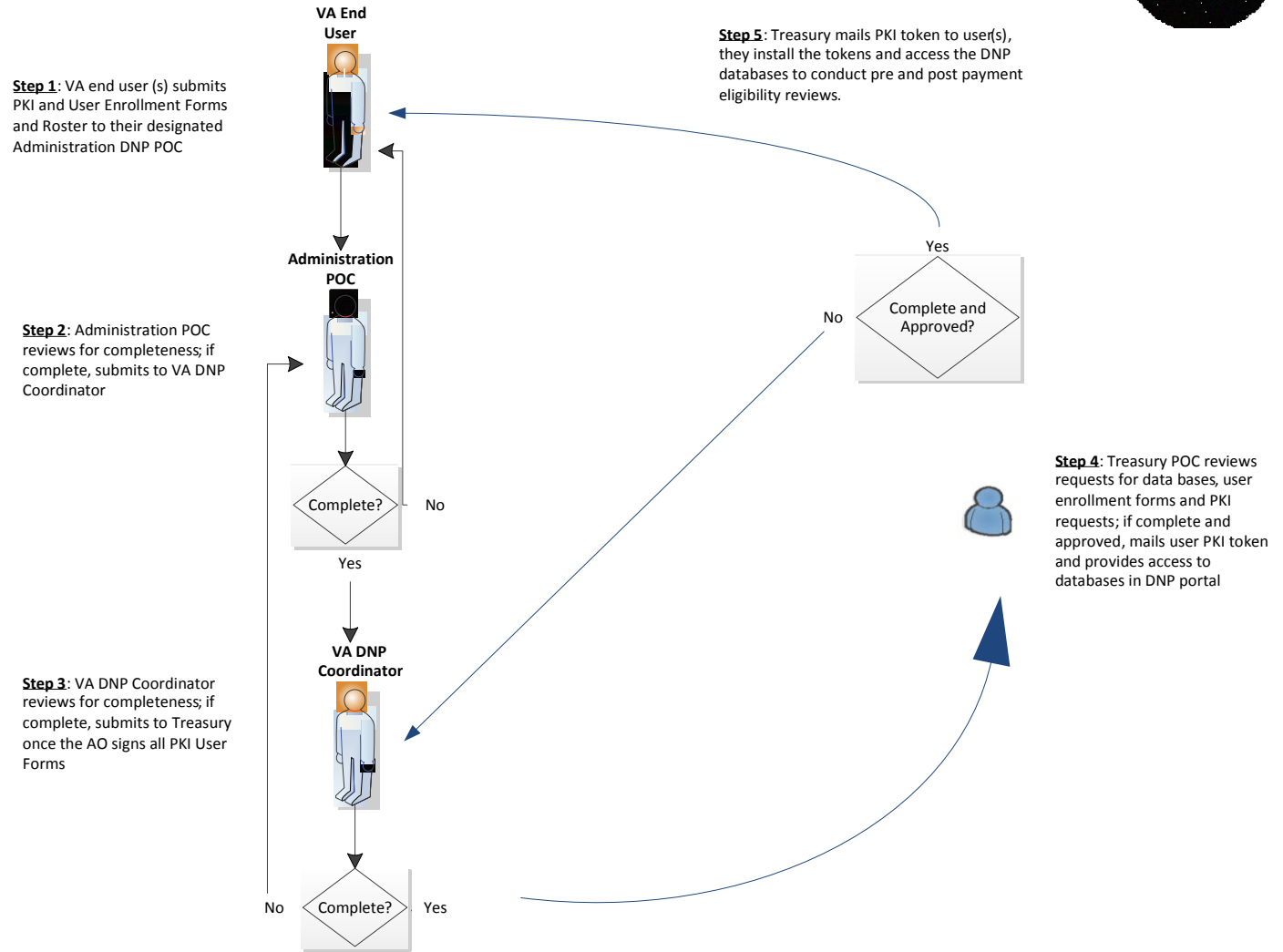
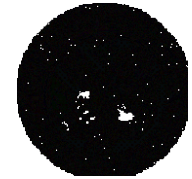
1. The End User is responsible for:
 - a. Reviewing the access process policy guidance..
 - b. Completing the required access forms and submitting to their Administration and/or VACO Staff Office (referenced as DNP POC) Point of Contact:
 - Do Not Pay Rules of Behavior
 - PKI Access Request Form
 - Do Not Pay User Enrollment Form
 - Do Not Pay User Group Access Form (may include multiple individuals on a single form) – Please see example Attachment 2 for a list of the required access forms template.
2. The Administration DNP POC is responsible for:
 - a. Responding to requests for Do Not Pay Solution information, specifically:
 - Requests for access
 - Identifying the specific databases end users will require to conduct pre and post payment reviews within their organization
 - Inquiries about the portal's capabilities and databases
 - Assist with establishment of Data Sharing Agreements between the systems of record and the databases in the portal.
 - b. Establishing access groups for their administrations and programs
 - c. Maintaining user lists to monitor active users and remove inactive users
 - d. Communicating any issues or problems with the system to the VA Do Not Pay Coordinator
 - e. Distributing DNP policy guidance, in collaboration with the VA Do Not Pay Coordinator to:
 - Address when payments can be stopped or withheld based on search results from the DNP Portal
 - Determine when to apply the DNP Portal to the payment process (i.e., pre or post payment review, or both)
 - Identify Administration/Program needs for Continuous Monitoring and Batch Processing
 - Complete Data Sharing Agreements in collaboration with VA DNP Coordinator, and secure leadership approval
 - f. Providing data to VA DNP Coordinator using template and guidance from Treasury.
 - g. Coordinating feedback and troubleshooting technical issues in collaboration with

the VA Do Not Pay Coordinator

3. The VA Do Not Pay Coordinator is responsible for:
 - a. Maintaining the Do Not Pay Solution space on the VA's IPERA SharePoint site
 - b. Reviewing and submitting all access request forms and user rosters to VA's DNP Treasury POC
 - c. Addressing any functionality about the portal from the administration POCs
 - d. Facilitating the DNP policy formulation process, in collaboration with the Administration Points of Contact to:
 - Address when payments can be stopped or withheld based on search results from the DNP Portal
 - Determine when the DNP Portal should be applied to the payment process (i.e., pre or post payment review, or both)
 - e. Coordinate systems of record Data Sharing Agreements in collaboration with DNP POC's and Treasury

Attachment 2

Do Not Pay Solution Access Process Individual User



Do Not Pay Individual Access Instructions

Overview:

This document will provide instructions to individual end users seeking to access the Treasury's Do Not Pay (DNP) Solution. All of the required can be found on the Department's Improper Payments Elimination and Recovery Act SharePoint site:

- DNP Rules of Behavior
- DNP User Enrollment Form
- DNP PKI Access Form
- PKI User Enrollment Help Guide
- DNP User Roster Spreadsheet

Process:

Contact your DNP POC prior to completing the forms.

VHA VHA Accounting Policy (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
Cash, Cost & Debt Management
NCA
FSC VAFSC DNP (Outlook)

Your DNP POC will communicate with you about the nature of your request and answer any questions you may have about the portal and its capabilities. The Administration POCs must authorize your access to ensure it is aligned with VA's overall DNP Implementation Plan.

Once you receive the authorized access from your Administration POC, complete each of the following forms ([located on DNP SharePoint Site](#)) and submit them directly to your Administration POC:

1. **DNP User Enrollment Form**: Before completing this form, review the DNP Rules of Behavior and indicate your acceptance by checking the box in the upper right hand of the form. If you are ensure of your DNP Access Group, contact your DNP POC to determine if you fall into an existing access group or if you and your office will require a new access group to be established with Treasury.
2. **DNP PKI Access Form**: In order to access the tool, you must receive a PKI Token. The tokens are mailed directly from Treasury to the individual users. Consult Treasury's PKI User Enrollment Form Help Guide when completing this form.
3. **DNP User Roster Spreadsheet**: Please populate a copy of this spreadsheet with each individual user's information. If you are submitting multiple requests as an office or as a group, please all of the users on one spreadsheet. VA is responsible

for maintaining a master list of all users and this spreadsheet will enable us to track each authorized user and report on enrollment to OMB and Treasury.

Submit the three required forms electronically to your DNP POC. The DNP POC will review, and forward the documents to the VA's Do Not Pay Coordinator, located in the Cash, Cost & Debt Management Service. The documents will then be reviewed and signed by the VA's Authorizing Official and mailed to Treasury. Each individual end user will then receive a PKI Token used to access the DNP Portal. Please consult the DNP [Installation Instructions/User Guide](#) on the SharePoint Site for the instructions on how to install and access the Portal.

Attachment 3

Monthly Adjudication Report Process

Overview:

Treasury sends Payment Integration matches to participating Agencies each month. Do Not Pay uses Treasury PACER files to automatically match payments made within the month against the Death Master File and Excluded Parties List. Data sent through payment matching is two months in arrears. Agencies must report to Treasury and OMB how results were adjudicated on the Monthly Adjudication Report.

Process:

1. **Receive DMF and EPLS Matches:** The VA POC receives a summary and detail file of the DMF and EPLS matches for the month via Secure Email.
2. **Download and Encrypt File:** The VA POC downloads the summary and detail file. The VA POC encrypts the detail file to protect the included personally identifiable information (PII).
3. **Apply Business Rules & Filter Files by ALC:** The VA POC applies VA specific business rules and filters the detail DMF and EPLS files by ALC. Any business rules that reduce the number of matches should be communicated to Do Not Pay to reduce the amount of manual effort required each month.
4. **Transmit Match Results:** The VA POC transmits the encrypted detail file through encrypted email to ONLY the required recipients. The contents are labeled as “Sensitive but Unclassified.” The summary results are also unclassified but can be distributed to all DNP Working Group team members. The password to the encrypted detail file must be sent in a separate, encrypted email.
5. **Request Adjudication Reports:** The VA POC requests Adjudication Reports at least one week in advance of the due date (the 23rd of each month). A separate reminder email will be sent the morning of the due date. If the due date falls on a non-workday, the report will be due on the following workday.
6. **Receive Adjudication Reports:** Adjudication reports are due on the 23rd of each month. A separate adjudication report is sent for each ALC. Only ALCs that have reportable activity are required to submit an Adjudication Report. This allows for one week of review before transmission to Treasury.
7. **Preparation and Review Process:** The VA POC consolidates each ALC’s Adjudication Report and contacts the preparer with questions if necessary. The VA POC compiles and signs a review package for 047G management review.

8. **Report Certification:** After management review and concurrence the Adjudication Report package is certified and ready for transmission to Treasury.
9. **Transmit Adjudication Report to Treasury:** The VA POC sends a consolidated Adjudication Report to the Treasury DNP POC on or before the last workday of the month and files Adjudication Report package.

Safeguarding of Personally Identifiable Information (PII): Adjudication of DNP Results requires the transmission of PII. Always follow the guidelines below to safeguard PII:

1. Always encrypt files containing PII
2. Do not store files containing PII on shared servers
3. Only send files containing PII to those required to use it.
4. Files used for examples or any other purpose that does not require PII should be scrubbed.
5. Follow all guidelines in [M-07-16](#) or successor documents.

APPENDIX F: ANNUAL REPORTING OF IMPROPER PAYMENTS

IPERA requires that agencies report annually on the estimated amount of improper payments and on payment recapture and recovery audit programs in the Performance and Accountability Report (PAR) or Agency Financial Report (AFR). These reporting requirements are outlined in the Improper Payments Elimination and Recovery Act of 2010 (Public Law 11-204). The reporting requirements of the Act have been implemented through Parts I, II and III of Appendix C of OMB Circular A-123 and through OMB Circular A-136.

Agencies are given some discretion as to how they choose to report some of the required information while other information structures are strictly laid out in the six tables contained in OMB Circular A-136. A summary of the Agency's process for reporting under IPERA must be included in the separate section of the PAR. VA will report all Improper Payments information in a separate section of the PAR Part IV which is dedicated to improper payment reporting. This section of the PAR will start out with an overall assessment of the state of improper payments highlighting accomplishments (narrative format) of the current reporting year. This section will be called Narrative Summary of Implementation Efforts and will also include OIG findings; planned corrective and improvement actions. Each administration, in addition to completing the appropriate tables will narrate the year's accomplishments for consolidation in this narrative included as Part IV of the PAR.

Following this narrative introduction, **Section I**⁵, provides a brief description of the risk assessments performed for the risk susceptible programs and how the inventory of programs is derived. **Section II** describes the sampling techniques used in calculating the improper payment rates; (Refer to Appendix A for details on how to conduct a valid statistical sample). Because each administration has unique qualifiers to the process each will describe how the process was accomplished in their area. **Section III** consists of the VA's corrective action plan for each of the identified high risk areas. This section will include separate write ups for each VA administration. Finally, when describing the corrective action plan, VA administrations will describe the findings, the root cause of the over/underpayment, as well as what actions are being implemented to correct the problem with planned completion dates for those actions. Also included in this section are the reduction targets the agency has set for future improper payment levels and a timeline within which the targets will be reached. Each administration will submit the results of its review for consolidation in the VA PAR.

For any program or activity of an agency which is determined to be susceptible to improper payments after a careful risk analysis, agencies will, in addition to completing the narratives described above, complete numerical estimates given in tabular form

⁵ Section I refers to Section I (of Sections I-IX) of Part IV of the PAR.

(Table 1-6), as required by OMB Circular A-136 and OMB Circular A-123 Appendix C parts 1-3. Detailed information regarding the completion of these tables follows.

J. OMB Circular A-136, Financial Reporting Requirements prescribes the format which must be used in reporting in tabular form in Agency Annual Performance and Accountability Reports. This information is reported in Part IV **Sections IV and V** of VA's Performance and Accountability Report. Tables 1 through 6 apply to the reporting requirements for the IPERA as implemented through A-123 Appendix C. Details for those tables (1-6) follow.

- **Table 1: Improper Payment Reduction Outlook. (Section IV of the VA PAR)**

Table 1: Improper Payment Reduction Outlook (**Section IV** of the PAR)

Program	PY* (based on PY estimate)			CY (based on PY actuals)			CY + 1 (based on CY estimated data)			CY + 2 (based on CY+1 estimated data)			CY + 3 (based on CY+2 estimated data)		
	Outlays (\$)	IP %	IP \$	Outlays (\$)	Est. IP %	Est. IP \$	Outlays (\$)	Est. IP %	Est. IP \$	Est. Outlays	Est. IP %	Est. IP \$	Est. Outlays	Est. IP %	Est. IP \$
#1	#2	#3a	#4a	#5	#6a	#7a	#8	#9a	#10a	#11	#12a	#13a	#14	#15a	#16a
		#3b	#4b		#6b	#7b		#9b	#10b		#12b	#13b		#15b	#16b
Gross Amount	#17														

*For PY, include the improper payment estimates that were included in last year's PAR. If you have a new program that was not included in the PAR last year, refer to the instructions in numbers 1-4b below.

Note: Overpayments are reported in the shaded cells, and underpayments are reported below the shaded cells.

Number 1: List all programs that are susceptible to significant improper payments.

Number 2: Include outlays for prior year estimates (based on what was reported in the PAR the previous year).

Number 3a: Enter improper payment percentage for prior year minus 1 for overpayments.

Number 3b: Enter improper payment percentage for prior year minus 1 for underpayments.

Number 4a: Enter improper payment dollars for prior year minus 1 for overpayments.

Number 4b: Enter improper payment dollars for prior year minus 1 for underpayments.

Number 5: Enter outlays for prior year (representing current year) reporting prior year information for current year reporting.

Number 6a: Enter prior year (representing current year) improper payment percentage for overpayments.

Number 6b: Enter prior year (representing current year) improper payment percentage for underpayments.

Number 7a: Enter prior year (representing current year) improper payment dollars for overpayments.

Number 7b: Enter prior year (representing current year) improper payment dollars for underpayments.

Number 8: Enter current year estimated outlays. For example, when reporting at end of FY 2013, CY+1 would be estimates for FY 2014.

Number 9a: Enter current year estimated improper payment percentage for overpayments.

Number 9b: Enter current year estimated improper payment percentage for underpayments.

Number 10a: Enter current year estimated improper payment dollars for overpayments.

Number 10b: Enter current year estimated improper payment dollars for underpayments.

Number 11: Enter current year plus one year estimated outlays.

Number 12a: Enter current year plus one improper payment estimated percentage for overpayments.

Number 12b: Enter current year plus one improper payment estimated percentage for underpayments.

Number 13a: Enter current year plus one improper payment estimated dollars for overpayments.

Number 13b: Enter current year plus one improper payment estimated dollars for underpayments.

Number 14: Enter current year plus two estimated outlays.

Number 15a: Enter current year plus two estimated improper payment percentage for overpayments.

Number 15b: Enter current year plus two estimated improper payment percentage for underpayments.

Number 16a: Enter current year plus two estimated improper payment dollars for overpayments.

Number 16b: Enter current year plus two estimated improper payment dollars for underpayments.

Number 17: For the gross improper payment amount, take the absolute of over and under amounts in each column.

K. Payment Recapture Audit Reporting. Section V in the PAR

In accordance with both A-123 Appendix C and [OMB Circular A-136](#), detailed annual reporting of the payment recapture audit program and results is required in each VA PAR. In addition, a separate annual report must be submitted to OMB and Congress by November 1 describing VA actions pursued in the prior fiscal year, recommendations to mitigate conditions contributing to overpayments and the result of corrective actions employed.

For the PAR reporting, VA will report on the improper payments identified in and collected in the most previous fiscal year.

2 Each year, VA shall prepare a narrative of the steps used to carry out the recovery audit program showing the total cost of the program (including contract costs and or any in-house costs incurred e.g. cost of federal full time equivalents); the total amount of payments subject to review; the results of payment recapture audit (or recovery auditing) efforts for each program; if applicable for inclusion into the annual Payment Recapture Auditor’s Report to Congress (due by November 1st each year) and the PAR. The discussion will describe: the agency’s payment recapture audit program; recommendations made by the payment recapture auditors on how to mitigate conditions (root causes) giving rise to overpayments; actions (corrective action plan) taken by the VA to address auditor recommendations; the actions and methods used by VA to recoup overpayments; description and evaluation of any management improvement programs that are in place; a justification of any overpayments that have been determined not to be collectible; and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If VA has excluded any programs or activities from review under its payment recapture auditing program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as the justification for doing so (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost effective). The discussion will include the dollar amount of cumulative recoveries collected beginning with FY 2004. For the purposes of this section, the year indicated in the tables in this section by the abbreviation “PY” is the prior fiscal year being reported. VA is using prior year actual amounts in lieu of current year (CY) in all of its reporting. Refer to Appendix B for details on Recapture and Recovery Audits.

Payment Recapture Audit Plan Reporting Timeline. The final Payment Recapture Audit Plan is due to Congress on November 1. The draft plan from each VA administration and reporting entity shall be submitted to the Office of Financial Policy each year for review and comment. The Office of Financial Policy will work closely with program managers to develop their Payment Recapture Audit Program Plans. VA administrations, program managers and accountable officials shall collect the data

necessary to populate the tables included in VA’s annual PAR that include information on recovered amounts, recovery targets and recovery activities. Each of these tables is discussed below.

- **Table 2: Payment Recapture Audit Reporting.** VA program managers shall prepare the Payment Recapture Audit Reporting Table on an annual basis for each of their relevant programs or activities to discuss (in the form of a narrative to accompany the table) their payment recapture audit (or recovery auditing) efforts. In addition to the information captured within the table, the accompanying narrative should provide: a general description of the program; a timeline for completion of relevant program milestones; total amounts of payments reviewed along with the amounts recovered; a breakdown of the VA’s internal activities and any activities external to VA; a description of VA’s corrective action plans (if applicable) complete with improper payment root cause information, business process modifications and improved internal control information; and monthly collection status information that details the number of open collections at the beginning and end of the fiscal year.

Table 2: Payment Recapture Audit Reporting

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Program or activity	Type of Payment (contract, Grant, Benefit, Loan, or Other)	Amount Subject to Review for PY Reporting	Actual Amount Reviewed and Reported (PY)	Amount Identified for Recovery (PY)	Amount Recovered (PY)	% of Amount Recovered out of Amount Identified (PY) ⁶	Amount Outstanding	% of Amount Outstanding out of Amount Identified	Amount Determined Not to be Collectable (PY)	% of Amount Determined Not to be Collectable out of Amount Identified (PY)	Amounts Identified For Recovery (PY-1 and All other Prior yrs.)	Amounts Recovered (PY-1 and All other Prior yrs.)	Cumulative Amounts Identified For Recovery (All PYs)	Cumulative Amounts Recovered (All PYs)	Cumulative Amounts Outstanding (All PYs)	Cumulative Amounts Determined Not to be Collectable (All PYs)
Example 1	Other	\$492	\$459	\$0.087	\$0.065	75%	\$0.022	25%	0	0%	n/a	n/a	\$0.087	\$0.065	\$0.022	0
Example 2	Other	\$400	\$400	\$0.08	\$0.09	112.5%	(-) \$0.01	(-) 12.5%	0	0%	n/a	n/a	\$0.08	\$0.09	(-) \$0.01	0

The data required by each of the columns are outlined and explained below.

Column 1: Program or Activity. This column reports the title of each program for which a recovery audit was performed. Programs may be grouped where logical and in order to make for a more succinct presentation; however, they may not be combined if

⁶ If column 7 is more than 100%, must add a footnote in the PAR with explanation.

that would result in a loss of transparency into the reported program amounts. If you decide to group programs together, a footnote must be added with an explanation.

Column 2: Type of Payment (contract, grant, benefit, loan, or other). This column reports the payment type(s) made by the program identified in column 1.

Column 3: Amount Subject to Review for PY Reporting. This column reports the total amount of disbursements that will be audited for overpayments for the prior fiscal year's reporting cycle.

Column 4: Actual Amount Reviewed and Reported (PY). The actual amount of disbursements that were subject to review by the auditors in the prior fiscal year.

Column 5: Amount Identified for Recovery (PY). This column reports the amount of potential recoveries identified by the auditor during the recovery audit in the prior fiscal year.

Column 6: Amount Recovered (PY). This column reports the actual dollar value of recaptured funds in the prior fiscal year.

Column 7: Percent (%) of Amount Recovered out of Amount Identified (PY). This column reports the ratio of the actual amount recovered out of the amount identified. To derive this value divide amount in column 6 by the amount in column 5 and multiply by 100.

Column 8: (PY) Amount Outstanding. This column reports the amount of identified recoverable funds that have not yet been recovered in the prior fiscal year. To derive this number subtract the value in column 6 from the value in column 5 for those amounts in column 6 which were also identified in column 5. Add to these amounts any identified in prior years but not yet collected.

Column 9: Percent (%) of Amount Outstanding out of Amount Identified (CY). This column reports the ratio of identified recoverable funds outstanding to the total funds identified for recovery. To derive this value divide the value in column 8 by the value in column 5 and multiply by 100.

Column 10: (PY) Amount Determined not to be Collectable. The amount of funds identified by the auditor as recoverable that the auditor, in collaboration with program management, has determined to be uncollectible in the prior fiscal year. This could result from a complete inability to recover the funds or from a cost benefit analysis that determines the costs exceed the amount identified for recovery in the prior fiscal year.

Column 11: Percent (%) of Amount Determined not to be Collectable out of Amount Identified (PY). Ratio of the amount determined to be uncollectible to the total amount of funds identified as recoverable in the prior fiscal year. To derive this value, divide the value in column 10 by the value in column 5 and multiply by 100.

Column 12: Amounts Identified for Recovery (PY minus 1 plus other older prior years). Total amount of funds identified in the prior year minus 1 year and before where recovery audits were performed going back to 2004.

Column 13: Amounts Recovered. Total amounts recovered in PY-1 and older (prior year minus one year and before). For example, for reporting at the end of FY 2013 this would be amounts recovered for FY 2011 and before.

Column 14: Cumulative Amounts Identified for Recovery (All PYs). This column reports the amount of funds identified for recovery in the prior fiscal year plus the total amount of funds identified in all previous fiscal years going back to 2004. To derive this value add the value in column 12 to value in column 5.

Column 15: Cumulative Amounts Recovered (All PYs). This column reports the actual amount of funds recovered in all previous fiscal years (starting in 2004). To derive this value add the value in column 6 to the value in column 13.

Column 16: Cumulative Amounts Outstanding (All PYs). This column reports the amount of identified recoverable funds that have not yet been recovered in the prior fiscal year plus all previous fiscal years (beginning in 2004). To derive this number add the value in column 8 to the total amount of funds outstanding in all previous fiscal years.

Column 17: Cumulative Amounts Determined Not to be Collectable (All PYs). The amount of funds identified by the auditor as recoverable that the auditor, in collaboration with program management, has determined to be uncollectible in the prior fiscal year plus all previous fiscal years, beginning in 2004. To derive this value add the value in column 10 to the total amount of funds identified as non collectible in all previous fiscal years where an audit was performed.

- **Table 3: Payment Recapture Audit Targets.** If a VA program has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Although agencies are expected to report CY amounts and rates, VA is reporting prior year actual amounts and rates as well as recovery rate targets for three years (CY, CY + 1, and CY+2), as follows:

Table 3: Payment Recapture Audit Targets

1	2	3	4	5	6	7	8
Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	PY Amount Identified	PY Amount Recovered	PY Recovery Rate (Amount Recovered / Amount Identified)	CY Recovery Rate Target	CY+1 Recovery Rate Target	CY+2 Recovery Rate Target

The data required by each of the columns are outlined and explained below.

Column 1: Program or Activity. This column reports the title of each program for which a recovery audit was performed.

Column 2: Type of Payment (contract, grant, benefit, loan, or other). This column reports the payment type(s) made by the program identified in column 1.

Column 3: PY Amount Identified. This column reports the amount of potential recoveries identified by the auditor during the recovery audit in the prior fiscal year.

Column 4: PY Amount Recovered. This column reports the actual dollar value of recaptured funds in the prior fiscal year.

Column 5: PY Recovery Rate (Amount Recovered / Amount Identified). This column reports the ratio of the actual amount recovered (col 4) out of the amount identified (col 3) in the prior fiscal year. To derive this value, divide the value in column 4 by the amount in column 3 and multiply by 100.

Column 6: CY Recovery Rate Target. This column reports the targeted rate of recovery (amount recovered divided by amount identified) during the current fiscal year.

Column 7: CY+1 Recovery Rate Target. This column reports the targeted rate of recovery (amount recovered divided by amount identified) one year in the future from the current fiscal year and two years for the prior year where actual as opposed to targeted numbers are used.

Column 8: CY+2 Recovery Rate Target. This column reports the targeted rate of recovery (amount recovered divided by amount identified) two years in the future from the current fiscal year (three years from the prior (actual) reporting year.)

- **Table 4: Aging of Outstanding Overpayments.** The following table provides the reporting structure for an aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recovered). Typically, the aging of an overpayment begins at the time the overpayment is detected. If a different time period than date of identification is used as the basis for the aging schedule, describe the basis in a note to Table 4.

Table 4: Aging of Outstanding Overpayments

1	2	3	4	5
Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Outstanding (0-18 months)	Amount Outstanding (18 months to 2 year)	Amount Outstanding (over 2 year)

The data required by each of the columns are outlined and explained below.

Column 1: Program or Activity. This column reports the title of each program for which a recovery audit was performed.

Column 2: Type of Payment (contract, grant, benefit, loan, or other). This column reports the payment type(s) made by the program identified in column 1.

Column 3: Amount Outstanding (0-18 months). This column reports the amount of funds identified as recoverable in the prior fiscal year that have been outstanding for less than 18 months.

Column 4: Amount Outstanding (18 months to 2 year). This column reports the amount of funds identified as recoverable in the prior fiscal year that have been outstanding for more than 18 months but less than two years.

Column 5: Amount Outstanding (over 2 year). This column reports the amount of funds identified as recoverable in the prior fiscal year that have been outstanding for more than two years.

C. Disposition of Recaptured Funds VA programs are required to provide program specific information regarding the disposition of recovered funds in the annual VA PAR.

- **Table 5: Disposition of Recaptured Funds.** The following table requires information of how recovered amounts have been disposed of for each relevant program or activity (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell).

Table 5: Disposition of Recaptured Funds

1	2	3	4	5	6	7	8
Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury

The data required by each of the columns are outlined and explained below.

Column 1: Program or Activity. This column reports the title of each program for which a recovery audit was performed.

Column 2: Type of Payment (contract, grant, benefit, loan, or other). This column reports the payment type(s) made by the program identified in column 1.

Column 3: Agency Expenses to Administer the Program. This column reports the total expenses, not including payment recapture auditor fees, associated with the administration of the recovery audit program at the VA program level. This may include Federal salaries (if performed by in-house staff, etc.). If agencies have a cost accounting system in place this could be a program cost measured.

Column 4: Payment Recapture Auditor Fees. This column reports the total fees paid to the payment recapture auditor.

Column 5: Financial Management Improvement Activities. This column reports the amount of funds recovered within the program identified in column 1, that are allocated to financial management improvement activities. This amount may not exceed 25

percent of the value listed in column 4 of Table 2 (above), remaining after the agency expenses and auditor fees have been reimbursed.

Column 6: Original Purpose. This column reports the amount of funds recovered within the program identified in column 1 that are allocated to the original purpose. This amount may not exceed 25 percent of the value listed in column 4 of Table 2 (above), remaining after the agency expenses and auditor fees have been reimbursed.

Column 7: Office of Inspector General. This column reports the amount of funds recovered within the program identified in column 1 that are allocated to the VA Office of Inspector General. This amount may not exceed 5 percent of the value listed in column 4 of Table 2 (above), remaining after the agency expenses and auditor fees have been reimbursed.

Column 8: Returned to Treasury. This column reports the amount of funds recovered within the program identified in column 1, that are to be returned to the Treasury as miscellaneous receipts.

D. Overpayments Captured outside of Recapture Audit Process. Agencies must also report any improper payments identified and recovered through sources other than payment recapture audits.

- **Table 6: Overpayments Recaptured Outside of Recapture Audits.**

Table 6: Overpayments recaptured outside of recapture audits

1	2	3	4	5	6	7
Source of Recovery	Amount Identified (PY)	Amount Recovered (PY)	Amount Identified (PY-1)	Amount Recovered (PY-1)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
Activity A						
Activity B						
Activity C						
Other						

Column 1: Source of Recovery (other than through Payment recapture audits) For Example: Agency self-identification, thru stat samples conducted under IPIA; high risk program identification; agency post payment reviews or audits; OIG reviews; self-reported overpayments; high dollar overpayment reviews; or reports from the public.

Column 2: Amount identified PY- any amounts identified as overpayments subject to recapture during the prior year, thru means other than recapture audits.

Column 3: Amount recovered PY- any amounts recovered (either those identified during the prior year (above b) or any other recovered which were not overpayments realized through the Recovery audit process.

Column 4: Amount identified PY-1- any amounts identified as overpayments subject to recapture during the year preceding the prior year, through means other than recapture audits.

Column 5: Amount recovered PY-1- any amounts recovered (either those identified during the year preceding the prior year (above d) or any other recovered which were not overpayments realized through the Recovery audit process.

Column 6: Cumulative Amounts Identified- Sum of Columns 2 and 4.

Column 7: Cumulative amount recovered- Sum of columns 3 and 5.

VA will describe the steps taken to hold managers and leadership accountable for reducing and recovering improper payments. This information is reported in **Section VI** of the PAR. Each administration must draft a narrative description of specific steps being taken by it for consolidation in the agency PAR.

VA will describe the information systems and other infrastructure that VA is using to reduce improper payments. Each administration must highlight the techniques being used in its area for inclusion in a consolidated VA description under **Section VII** of the Agency PAR.

VA will discuss any statutory or regulatory barriers that limit VA's corrective actions in reducing improper payments and the actions taken to remove these barriers' effects. This information is reported by administration and consolidated under **Section VIII** for the VA.

VA will include under **Section IX** any additional comments on overall agency efforts, specific programs' best practices, or common challenges identified, as a result of IPERA implementation.

E. MAX Reporting System. In addition to requirements for reporting of improper payment information in the Agency PAR or AFR, agencies are also required to provide selected information to OMB through the MAX reporting system. This information is required annually and is input centrally as consolidated numbers for the Department of Veteran Affairs. The 047GC will report these numbers through the MAX reporting system. The information is used by OMB to prepare and provide government-wide numbers for improper payments.