Department of Veterans Affairs

Financial Policy

Volume VII

Financial Reporting

Chapter 9

Payment Integrity and Fraud Reduction

Approved:

Jon J. Rychalski 1367389

Digitally signed by Jon J. Rychalski 1367389
Date: 2021.08.25 12:43:09 -04'00'

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer

0901 Overview

This chapter establishes the Department of Veterans Affairs' (VA) policies and procedures relating to payment integrity activities required by the Payment Integrity Information Act of 2019 (PIIA), Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Payment Integrity Improvement (herein after referred to as OMB Circular A-123, Appendix C) and OMB Circular A-136, Financial Reporting Requirements (herein after referred to as A-136). The VA Payment Oversight Program (POP) provides oversight for Payment Integrity and Fraud Reduction policy. The Office of Management (OM) serves as the lead for the VA's POP via the Improper Payments Remediation and Oversight (IPRO) Office in the Office of Business Oversight (OBO), ensuring a consistent, enterprise approach to the POP.

Key Points:

- VA will follow the pre-payment and pre-award procedures defined in the PIIA legislation and OMB Circular A-123, Appendix C to minimize the issuance of improper payments prior to making a payment;
- Senior Accountable Officials (SAOs) will complete a comprehensive Fraud and Improper Payment Risk Assessment Survey annually. VA must comply with the PIIA requirements to use a risk-based approach;
- Programs or activities deemed susceptible to significant improper payments in one fiscal year, are required to produce a statistically valid estimate of the annual amount of improper payments or other payment estimates and develop a statistically valid sampling plan;
- VA Program SAOs will identify reduction targets, approved by the Director of OMB, and submit to IPRO and other respective parties on an annual basis with oversight from the Administration and Staff Office CFOs;
- VA is required to conduct recovery audits, if cost-effective, for each program and activity that expends $1 million or more annually. SAOs are responsible for overseeing recovery audits, with oversight from the Administration or Staff Office CFOs; and
- VA will report annually on POP activities per OMB guidance. VA will report to Congress and other external entities per PIIA legislation and implementation guidance from OMB.

Responsible program officials should continue to ensure that their programs serve and provide access to their intended beneficiaries while instituting strong Fraud, Waste and Abuse (FWA) prevention and improper payment reduction activities.

0902 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Performed full review	OFP (047G)	Updated policy guidance to reflect changes in OMB Circular A-123, Appendix C issued on March 5, 2021	August 2021
Appendix H: Non-Statistically Sampling and Estimation Plans	Deleted	OBO/ IPRO (045)	Non-statistically sampling and estimation plans are no longer a requirement under the updated OMB Circular A-123, Appendix C issued on March 5, 2021.	August 2021
Appendix R: High-Dollar Overpayment (HDOP) Reporting	Deleted	OBO/ IPRO (045)	OMB Circular A-123, Appendix C issued on March 5, 2021 combined the requirement to report on high-dollar overpayments with high priority programs.	August 2021
Appendix S: Do Not Pay: Implementation and Utilization	Deleted	OBO/ IPRO (045)	Do Not Pay requirements are now under Appendix C	August 2021

Section	Revision	Office	Reason for Change	Effective Date
Appendix T: Adjudication Report Process	Deleted	OBO/ IPRO (045)	No longer needed. The Do Not pay discussion is condensed and found under Appendix C.	August 2021
Various	Updated with new PIIA legislation, OMB Circular A-123, Appendix C, re-ordered appendices and added Appendix M on corrective action effectiveness reviews	OBO /IPRO (045)	Effective March 2, 2019, the Payment Integrity Information Act of 2019 was enacted, repealing the prior legislation, and changing/adding additional requirements	October 2020
Various	Updated throughout to reflect changes in reporting structures	OBO/ IPRO (045)	Effective October 1, 2018, the Office of Internal Controls (OIC) became the Office of Business Oversight (OBO), and began reporting directly to OM	January 2019

Section	Revision	Office	Reason for Change	Effective Date
Various	Updated throughout to reflect changes to VA's IPERA program	OBO/ IPRO (045)	Updated guidance related to the revised OMB Circular A-123, Appendix C (effective 06/26/18), assessing risk, and executive oversight of activities to reduce FWA and improper payments	July 2018
Title	Re-titled chapter to "Payment Integrity and Fraud Reduction" from "Erroneous and Improper Payment Reporting"	OBO/ IPRO (045)	To update chapter title to be more in line with subject matter	February 2018
Various	Reformatted to new policy format and 5-year policy review	OBO/ IPRO (045)	Reorganized chapter layout	February 2018
Various	Added Fraud Act references throughout the policy where necessary	OBO/ IPRO (045)	Fraud Reduction and Data Analytics Act of 2015	February 2018
Appendix F and M	Added appendices F and M to ensure compliance with IPERA	OBO/ IPRO (045)	To add guidance on alternate sampling and estimation approach and non-compliant programs	February 2018

0903 Definitions

Abuse – Involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary in operational practice given the facts and circumstances.

Annual Data Call – In depth payment integrity information provided by the Agency to OMB for publication. The data is collected and subsequently published on paymentaccuracy.gov to fulfill multiple statutory reporting requirements in PIIA for both the Agency and OMB.

Corrective Action – Action to eliminate the cause of an improper payment or unknown payment and to prevent recurrence.

Corrective Action Plan (Action Plan) – Strategy put in place by a program to prevent and reduce the Improper and/or unknown payment amount(s). It is responsive to the root causes of the IPs and UPs and proportional to the severity of the associated amount and rate of the root cause. It typically contains multiple mitigation strategies and corrective actions.

Do Not Pay (DNP) Initiative – An initiative supporting Federal agencies in identifying and preventing improper payments. DNP encompasses multiple resources that are designed to help Federal agencies review payment eligibility for purposes of identifying and preventing improper and/or unknown payments. See the initiative described in 31 U.S.C. § 3354(b).

Fraud – Obtaining something of value through willful misrepresentation.

High-Priority Program –Programs with improper payments resulting in monetary loss that exceed $100,000,000 annually. OMB may determine that a program is high priority for reasons other than exceeding the dollar threshold established above. If this occurs, OMB will notify the agency. Current OMB guidance or inquiries to the IPRO office can provide the thresholds and/or VA programs currently designated High Priority. These programs require additional reporting.

Improper Payment – A payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term improper payment includes; any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payments for a good and service not received, except for those payments authorized by law; and any payment that does not account for credit for applicable discounts. Improper payments include monetary loss improper payments and non-monetary loss improper payments. The improper payment amounts, and unknown payment amounts will be reported as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance.

Improper Payment Estimate – A statistically valid estimate of the total improper payments made annually in a program. The amount in improper payments divided by the amount in program outlays for a given program in a given fiscal year. It is based on dollars rather than number of occurrences. The improper payment estimate will be reported as both a percentage and a dollar amount. The improper payment estimate plus the unknown payment estimate will be reported as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance.

Improper Payment and Unknown Payment Rate – The degree of improper and/or unknown payments measured against the outlays.

Mitigation Strategy – Action designed to reduce or lessen the likelihood or size of an improper payment or an unknown payment.

Monetary Loss – A loss to the Federal Government involving an amount that should not have been paid and in theory should/could be recovered. A monetary loss type improper payment is an overpayment.

Non-Monetary Loss – Non-Monetary loss to the Federal Government is either an underpayment or a payment to the right recipient for the correct amount where the payment process fails to follow applicable regulations and/or statutes (referred to as technically improper payment).

Payment – Any transfer of Federal funds (including a commitment for future transfer, such as cash, securities, loans, loan guarantee, and insurance subsidies) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity.

Paymentaccuracy.gov – A website established to create a centralized location to publish information about improper payments. This website includes current and historical information about improper and/or unknown payments made under Federal programs that have been determined to be susceptible to significant improper and/or unknown payments based on assessments of all government programs, including quarterly scorecards for the Government's high-priority programs. This website also provides a centralized place where the public can report suspected incidents of fraud, waste, and abuse. OMB may also require the reporting of other payment types or estimates.

Recovery Audit – A review and analysis of an agency's or program's 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 covered by Generally Accepted Government Audit Standards (GAGAS). Rather, it is a detective and corrective control activity designed to identify and recover overpayments, and, as such, is a management function and responsibility.

Reduction Target – The estimated improper payment and unknown payment level the program predicts they will achieve in the following fiscal year. A reduction target may be lower, constant, or higher than the current year improper payment estimate(s) plus unknown payment estimate.

Risk Assessment – A process by which the Department assesses the risks facing the entity regarding fraud, improper and/or unknown payments. The assessment provides the basis for establishing well defined goals and objectives for reducing fraud, improper and/or unknown payments.

Root Cause – A root cause is something that would directly lead to an improper payment/unknown payment, and if corrected, would prevent the improper payment/unknown payment. This is also referred to as cause of error.

Significant Improper Payment – Annual improper and/or unknown payments (i.e., the sum of monetary loss improper payments, non-monetary loss improper payments, and unknown payments) in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays).

Statutory Threshold – (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays).

Technically Improper Payment – A payment that was made to an otherwise qualified recipient for the right amount, but the payment failed to meet all regulatory and/or statutory requirements. A technically improper payment is a non-monetary loss type improper payment.

Underpayment – A payment that is less than what is due. When an underpayment occurs, the improper amount is the difference between the amount due and the amount which was actually paid. An underpayment is a non-monetary loss type of improper payment.

Unknown Payment – A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Unknown Payment Estimate – A statistically valid estimate of the total unknown payments made annually in a program. The amount in unknown payments is divided by the amount in program outlays for a given program in a given fiscal year. It is based on dollars rather than number of occurrences. The unknown payment estimate will be reported as both a percentage and a dollar amount. The improper payment estimate plus the unknown payment estimate will be reported as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance.

Waste – The act of using or expending resources carelessly, or to no purpose.

0904 Roles and Responsibilities

Administration and Staff Office Chief Financial Officers (CFOs) are responsible for accurate and complete POP testing and reporting in accordance with PIIA regulation, OMB guidance, and ensuring compliance with the policies and procedures set forth in this chapter. Administration and Staff Office CFOs will coordinate activities with Office of Business Oversight (OBO) through the Improper Payments Remediation and Oversight (IPRO) Office and the Payment Integrity Office (PIO) and are accountable for working with programs to ensure Senior Accountable Officers (SAOs) have accurate testing results and remediation activities that will reduce improper payments and address fraud risks.

Assistant Secretary for Management (ASM)/Chief Financial Officer (CFO)
The VA Secretary has delegated the Department's activities and role of the Agency Accountable Official for payment integrity to the Assistant Secretary for Management and CFO. The ASM/CFO oversees all financial management activities relating to the direction, management, and administration of the Department's required payment integrity reporting and compliance and serves as the Agency Accountable Official. The ASM CFO chairs the VA CFO Council, which will address payment integrity topics either as part of regular meetings or addressed as special sessions of the Council.

Executive Director, OBO is responsible for establishing policies and procedures required to reduce FWA and improper payments as part of VA's POP. The Executive Director, OBO is also responsible for reviewing and approving all required payment integrity reporting and providing guidance, as needed, to ensure consistent and accurate reporting across the Department. In addition, the Executive Director, OBO is the main point of contact responsible for coordinating, consolidating, and providing comments/data as requested by OMB. Within OBO, IPRO and PIO work to provide oversight and consolidate required external reporting. Generally, IPRO focuses on reporting and reducing improper payments and PIO focuses on addressing PIIA requirements for fraud risk identification and related reporting per implementation guidance from OMB.

Senior Accountable Officers (SAOs) are designated by Administration and Staff Office for each POP and are responsible for all aspects of POP reporting and compliance with payment integrity activities in their organization in conjunction with respective CFOs and are accountable for reducing improper and/or unknown payments. SAOs will be at the Senior Executive Service (SES) level. If a program's SES is not available to perform their duties as SAO due to unforeseen circumstances, written justification to delegate responsibilities will be reviewed and approved on a case-by-case basis by the Administration or Staff Office CFO and the OBO Executive Director.

Under Secretaries, Assistant Secretaries, Fiscal Officers, Chief Accountants and Other Key Officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

VA Financial Services Center (FSC), as of April 6, 2018, is the operational lead, also known as the DNP Coordinator, for the management of Treasury's DNP Portal, providing support, guidance, and troubleshooting for VA. The FSC also provides improper payment prevention and recovery services to its customers for payments made.

0905 Policies

A. VA's goal is to reduce improper payments by intensifying efforts to reduce payment errors and identify potential FWA in the major programs administered by the Department, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries (per Payment Integrity Information Act (PIIA) of 2019, Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Payment Integrity Improvement, and OMB Circular A-136, Financial Reporting Requirements). VA will complete all required reporting timely (Programs will follow the guidance in Appendix A to meet this requirement).

   VA will also focus on:
   - Identifying and reducing improper and/or unknown payments, prioritizing in compliance with applicable PIIA legislation and executive guidance;
   - Accountability for payment integrity and reducing improper payments;
   - Coordinating federal, state and local government action in identifying and reducing improper payments where applicable;
   - Developing and implementing effective corrective actions or mitigation strategies that increase oversight and accountability to reduce improper payments; and
   - Reducing FWA to achieve cost savings and improved services to Veterans and beneficiaries.

B. The VA Assistant Secretary for Management and Chief Financial Officer (ASM/CFO), or Executive Director of OBO, may provide guidance via memo or other communication to ensure consistent testing and reporting of improper payments or other payment types. Due to the dynamic nature of addressing questions and VA's programs, this guidance may not always be incorporated into financial policy. This allows increased flexibility for ensuring that guidance is current and updated as needed.

C. Annually, VA will identify its programs via a program analysis, which provides programs' or activities' annual outlays from the previous fiscal year (Programs will follow the guidance in Appendix B to meet this requirement).

D. VA will follow the pre-payment and pre-award procedures defined in PIIA legislation and OMB Circular A-123, Appendix C to minimize the issuance of improper payments prior to making a payment (Programs will follow the guidance in Appendix C to meet this requirement).

1. VA programs will review pre-payment and pre-award procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs, as appropriate, to determine program or award eligibility and prevent improper payments before the release of any federal funds.

2. VA will follow the DNP Initiative policies outlined in PIIA legislation and applicable OMB guidance.

E. VA will complete a comprehensive Fraud and Improper Payment Risk Assessment Survey annually by SAOs (Programs will follow the guidance in Appendix D to meet this requirement). The comprehensive assessment has been developed to reduce the administrative burden associated with different requirements for risk assessments while still ensuring compliance. All programs will be scored for susceptibility to fraud annually. To meet the PIIA requirement for VA to use a risk-based approach to design control activities to mitigate fraud risk, programs identified as high risk for fraud will be required to conduct a fraud risk assessment to identify specific fraud schemes, their likelihood of occurrence and impact to program operations, and corresponding action plans if the program's risk response includes mitigation. Refer to the Payment Integrity Information Act of 2019 (PIIA) and the Council of the Inspectors General Guidance for Payment Integrity Information Act Compliance Reviews November 2020. The annual Fraud and Improper Payment Risk Assessment Survey responses will also be used to determine whether a program requires a risk assessment for improper payments and whether the program is susceptible to significant improper payments.

F. Administration or Staff Office CFOs, in coordination with SAOs, will test and report annually on programs or activities that are determined to be susceptible to significant improper and/or unknown payments by the Fraud and Improper Payment Risk Assessment Survey analysis results. Testing will be performed to adequately estimate the amount of improper and/or unknown payments the program may issue within a 12-month period and include data related error causes to aid in the development of appropriate corrective actions or mitigation strategies. Refer to Appendices D and E for additional details. Programs that have reported error rates below designated OMB thresholds will coordinate with IPRO to revert to risk assessments in accordance with OMB guidance (Programs will follow the guidance in Appendix P to meet this requirement).

G. Programs or activities deemed susceptible to significant improper payments in one fiscal year, are required to produce a statistically valid estimate of the annual amount of improper and unknown payments, and develop a statistically valid sampling plan, as defined in OMB Circular A-123, Appendix C, the following fiscal year (Programs will follow the guidance in Appendix G to meet this requirement).

H. Programs or activities identified as susceptible to significant improper payments or high-priority will develop corrective actions or mitigation strategies appropriate to the amount of improper and/or unknown payments to address each root cause identified during testing and identify reduction targets to reduce these payments and document these within a Corrective Action Plan (CAP) (Programs will follow the guidance in Appendix H to meet this requirement). SAOs are responsible for development and implementation of corrective actions or mitigation strategies with appropriate oversight from Administration or Staff Office CFOs to ensure effective corrective actions or mitigation strategies are developed, implemented, and monitored.

I. VA will identify a reduction target for future improper payment levels for programs reporting an improper payment and unknown payment above designated OMB thresholds (Programs will follow the guidance in Appendix I to meet this requirement). Program SAOs, with appropriate oversight from the Administration or Staff Office CFO, will identify reduction targets and submit to IPRO and other respective parties annually. Program reduction targets may require approval by the Director of OMB via means identified by OMB.

J. VA is required to consider conducting recovery audits for each program and activity that expends $1 million or more annually, if conducting such audits would be cost-effective (Programs will follow the guidance in Appendices J and K to meet this requirement). SAOs are responsible for overseeing recovery audits, with appropriate oversight from the Administration or Staff Office CFOs.

K. VA will review program corrective actions or mitigation strategies to determine the effectiveness in remediating improper and/or unknown payments and assess if they are aligned with the severity of the root cause(s) (Programs will follow the guidance in Appendix L to meet this requirement).

L. VA will report annually on POP activities as required by A-136 and/or any additional guidance provided by OMB (Programs will follow the guidance in Appendix M to meet this requirement). Programs may be required to provide additional information regarding payment types reported in current year or prior year results. In addition, VA will report to Congress and other external entities per PIIA legislation and implementation guidance from OMB (See Appendices A, N, and O).

M. VA may have programs designated as high-priority either by conditions laid out in OMB Circular A-123, Appendix C or specific designation by OMB. VA will comply with additional reporting requirements for high-priority programs. IPRO may provide additional clarification guidance on reporting requirements if needed (Programs will follow the guidance in Appendix N to meet this requirement). SAOs, in collaboration with Administration of Staff Office CFOs, are responsible for providing oversight of progress made to implement corrective actions or mitigation strategies.

N. VA will submit one coordinated response through OMB to Office of Inspector General (OIG) regarding the annual audit of payment integrity compliance. This process will be managed by OBO.

0906 Authorities and References

Council of the Inspectors General on Integrity and Efficiency; Guidance for Payment Integrity Information Act

Federal Acquisition Regulation

GAO's A Framework for Managing Fraud Risks in Federal Programs, July 2015

OMB Circular A-123, Appendix C Requirements for Payment Integrity Improvement, dated March 5, 2021

OMB Circular A-136, Financial Reporting Requirements – Revised August 27, 2020, Section II.4.5. Payment Integrity

Public Law 117-116, Payment Integrity Information Act of 2019

VA Financial Policy, Volume VII, Chapter 1, Financial Reporting

VA Financial Policy, Volume VIII Chapter 1A, Invoice Review and Certification

0907 Rescissions

VA Office of Financial Policy (OFP) Volume VII Chapter 9, Financial Reporting – Erroneous and Improper Payment Reporting under OMB Circular A-123, Appendix C, January 2011, November 2011, January 2013, January 2016, January 2017, and January 2019.

0908 Questions

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

VA IPRO	045 IPRO All Employees (Outlook)
VA PIO	043 PIO MGMT (Outlook)
VHA	VHA CFO Accounting Policy (104A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
FSC/ICARD	FSCICARD@va.gov (Outlook)

All Others	OFP Accounting Policy (Outlook)

Appendix A: Schedule of Activities with Estimated Timelines

A. The below schedule of activities provides an outline of the annual requirements and mandated deadlines. Internal deadlines are created to ensure overall compliance with mandated deadlines but should be considered notional and varies depending on Departmental activities.

Mandated Activities	Authority	Action	From	To	Due
Recovery Auditing	Payment Integrity Information Act (PIIA) of 2019 and Office of Management and Budget (OMB) Circular A-123, Appendix C	Recovery Audit Information	Veterans Affairs (VA) Assistant Secretary of Management (ASM) and Chief Financial Officer (CFO)	OMB	Annually
Do Not Pay	Payment Integrity Information Act (PIIA) of 2019 and, OMB Circular A-123, Appendix C	Do Not Pay (DNP) Initiative	VA ASM and CFO	OMB	Annually
Program Testing	OMB Circular A-123, Appendix C; OMB Circular A-136	Submission of final payment integrity reporting included in either the Agency Financial Report (AFR) or via OMB's Annual Data Call (includes reporting on the following tasks) • Risk Assessment • Testing Results	VA ASM and CFO	OMB	Annually

		• Estimated Improper Payments • Corrective Action Plan • Reduction Targets, and • Recover Efforts			
Mandated Activities	**Authority**	**Action**	**From**	**To**	**Due**
High-Priority Program Reporting	OMB Circular A-123, Appendix C	High-Priority Program Reporting Requirements	Senior Accountable Official (SAO) and Administration/ Staff Office CFO	IPRO (IPRO submits to OMB)	Quarterly

B. At a minimum, programs should be aware of the following potential requirements (note deadlines are final product, not interim drafts and may change based on OMB direction:
   - June 30th - Sampling and estimation plan submission (See Appendices F and G);
   - 180 days after the day the publication date for the Annual Financial Statement of the Agency and the Accompanying Materials to the Annual Financial Statement of the Agency, whichever is later. (reference current OMB guidance) - Agency Inspector General annual review of VA's compliance with payment integrity requirements;
   - All Years of Non-Compliance - Agency submits actions at the next Annual OMB Data Call;
   - 2nd Year Non-Compliant – Agency submits actions at the next Budget submission after publication of the OIG Compliance Report;
   - 30 days after the publication of the OIG Compliance report for programs with

three or more consecutive fiscal years of non-compliance will require VA to submit response actions in accordance with OMB guidance and legislation. (Follow the guidance in Appendix O to meet this requirement);

- November 15th - Annual year end reporting (Follow the guidance in Appendix M to meet this requirement);
- Varies - OMB ad hoc data requests;
- Quarterly - High-priority program reporting requirements (Follow the guidance in Appendix N to meet this requirement); and
- PIIA introduced a new requirement for VA to begin reporting, per OMB guidance, deceased individual's data by March 2, 2021. VA's Veterans Experience Office leads this effort.

Appendix B: Program Analysis

Annually, Veterans Affairs (VA) performs a program analysis to identify all programs within VA and ensure VA's total fiscal year outlays and disbursements are accounted for by appropriation fund code. This review includes formal identification of any new Payment Oversight Program (POP) programs. Currently, VA travel and payroll activities are assessed as POP programs due to the agency-wide guidance/implementation/internal controls related to these activities. Administrations submit completed program analysis templates to the Improper Payments Remediation and Oversight (IPRO) Office by the dates established on the POP Annual Memorandum, for final approval to ensure consistency with the agency.

IPRO completes the program analysis for VA Central Office Staff Offices and Travel/Payroll. New programs identified during the program analysis process need to complete the annual comprehensive Fraud and Improper Payment Risk Assessment Survey (Appendix D) starting the following year. Guidance for completing the program analysis can be found at Payment Oversight Program (POP) Policies (https://dvagov.sharepoint.com/sites/VACOVACOOBOIPERA/POLICY).

For questions related to the Program Analysis, contact IPRO at 045IPROallEmployees@va.gov.

Appendix C: Do Not Pay

A. The Do Not Pay (DNP) Initiative assists agencies with making informed decisions in the identification, mitigation, and elimination of improper payments. The DNP Initiative is comprised of the Department of Treasury Working System and other activities designed to prevent improper payments. The Working System provides a secure online interface to check various data sources to verify eligibility of a vendor, grantee, loan recipient, or beneficiary to receive federal payments. Additionally, VA has incorporated pre-award and pre-payment activities into existing processes. These activities are reportable as DNP activities annually as required by OMB.

B. Each Administration reviews pre-payment and pre-award procedures and ensures that a thorough review of required databases with relevant information on eligibility occurs, as appropriate, in order to determine program or award eligibility and prevent improper payments before the release of any Federal funds in accordance with OMB Circular A-123, Appendix C requirements. VA should have documented policies and procedures for determining whether data matches, including those produced from the Working System, represent improper payments. These procedures should either be at the program, Administration or Staff Office Chief Financial Officer (CFO), or Financial Services Center depending on who is performing the data match activity. This includes verifying matches against a secondary data source and providing individuals an opportunity to contest the matching results prior to taking adverse action. Administrations document any legislative or regulatory requirement which prevents stopping a payment due to a match. Further, Administrations document any concerns with data matching that leads to a high risk of false positives that would lead to VA inaccurately stopping payments. For more information see VA Financial Policy, Volume VIII Chapter 1A, Invoice Review and Certification, Office of General Counsel Memorandum, OMB Circular A-123, Appendix C and Payment Integrity Information Act of 2019.

C. When using DNP, VA recognizes that there may be circumstances under which the law requires a payment or award to be made to a recipient, regardless of whether that recipient is identified as potentially ineligible under DNP. In these instances, VA processes the payment or award.

For questions related to the Working System and/or access of DNP data, contact FSC's DNP group, FSCICARD@va.gov.

Appendix D: Risk Assessment

A. In an effort to reduce duplication, alleviate administrative burden associated with multiple assessments, and streamline activities, the Office of Business Oversight (OBO) developed a comprehensive Fraud and Improper Payment Risk Assessment Survey comprised of both qualitative and quantitative risk factors which, when utilized annually by Veterans Affairs' (VA) programs, satisfies the requirements of both the PIIA and OMB Circular A-123, Appendix C for assessing payment integrity risks.

B. OBO utilizes the responses to the survey to generate a risk rating for fraud annually and a risk rating for improper payments during the years a risk assessment is required per OMB Circular A-123, Appendix C guidance. The Fraud and Improper Payment Risk Assessment Survey provides a systematic method of reviewing a program and identifying if the program is susceptible to significant improper payments and/or fraud by identifying a program's overall risk. Further, the survey provides Senior Accountable Officials (SAOs) and other program officials the ability to track progress in mitigating risks from several vantage points. The survey utilizes SharePoint and provides some insight into risks identified by multiple programs which can be utilized by the Office of Enterprise Integration in its charge to implement Enterprise Risk Management at VA. While existence of an enterprise risk may not result in a risk of significant improper payments within a single program, Administration and Staff Office Chief Financial Officers (CFOs) are required to notify OBO if they identify an enterprise risk that may conflict with individual risk ratings within programs. Guidance for the Fraud and Improper Payment Risk Assessment Survey can be found at Payment Oversight Program (POP) Policies (https://dvagov.sharepoint.com/sites/VACOVACOOBOIPERA/POLICY).

C. OBO, through the Payment Integrity Office (PIO) and Improper Payments Remediation and Oversight (IPRO) Offices, oversees the annual risk assessment activities, including:
  - Maintaining a SharePoint site that contains a comprehensive Fraud and Improper Payment Risk Assessment Survey that consists of questions that incorporate all risk factors outlined in current legislative and OMB Circular A-123, Appendix C requirements. Fraud and improper payment risk factors are also listed in the Risk Assessment Desk Guide which can be found at Payment Oversight Program (POP) Policies; (https://dvagov.sharepoint.com/sites/VACOVACOOBOIPERA/POLICY);
  - Adding new programs to the risk assessment SharePoint site in the year following their establishment in the Program Analysis (Follow the guidance in Appendix B to meet this requirement). This ensures requirements of newly established programs are assessed after the first 12 months in accordance with OMB guidance;
  - Establishing and distributing annual deadlines, instructions, and granting access to the SharePoint site to appropriate program personnel and SAOs. This includes

granting management review access to the SharePoint site to parties with a need for reviewing risk assessment results. For example, Administration and Staff Office CFOs, and offices serving as the fraud hub, are granted read-only access for reviewing fraud and POP risk ratings and rankings across programs;

- Identifying programs with significant changes that require an improper payment risk rating in the following risk assessment year and notifying SAOs and Administration or Staff Office CFOs that an improper payment risk rating is being generated;
- Providing support to program personnel and Administration staff with any questions or technical issues within the SharePoint site through the "045fwa_iperaRiskAssessmentTeam@va.gov" mail group;
- Reviewing risk assessment responses for completeness and reasonableness and working with programs to resolve discrepancies;
- Using the annual risk ratings for fraud, PIO works with the highest risk programs who, as a result of their high risk rating, are required to perform a risk assessment to identify specific fraud schemes; their likelihood of occurrence and impact to program operations; and corresponding action plans if the program's risk response includes mitigation. PIO leads this effort to ensure VA's compliance with the PIIA requirement to evaluate fraud risks periodically. High risk programs share the risk assessments with the Enterprise Risk Management function of their respective Administration or Staff Office; and
- Generating required program risk ratings subsequent to obtaining SAO signatures and providing finalized ratings to administrations and program Points of Contact (POCs). When the SAO signs the risk assessment in the SharePoint site, the assessment automatically routes to OBO and is considered submission of the assessment. SAOs can contact OBO to request the assessment be returned for edits if prematurely submitted; however, this should be a rare occurrence as edits cannot be made to responses solely to reduce a risk assessment rating.

D. Administrations and Staff Office CFOs are responsible for the following risk assessment activities:
   - Providing any non-concurrences to the Director, IPRO no later than December 31 of the year that IPRO identifies programs required to complete an improper payment risk assessment survey in the following year due to significant legislative or programmatic changes occurring or a significant increase in funding;
   - Providing IPRO a current POC list for programs completing a Fraud and Improper Payment Risk Assessment Survey prior to launching the annual risk assessment;
   - Approving any changes to program SAOs and validating that they are at the Senior Executive level; and

- Continually monitoring the progress of the Fraud and Improper Payment Risk Assessment Survey and following up with programs that have not made significant progress.

E. SAOs are responsible for reviewing all program's Fraud and Improper Payment Risk Assessment Survey responses for accuracy, and electronically signing within SharePoint by the deadline established by OBO.

F. Program personnel identified as contributors and/or reviewers in SharePoint are responsible for the following risk assessment activities:
   - Gathering information and documentation to accurately complete the program Fraud and Improper Payment Risk Assessment Survey(s);
   - Responding to all questions except for select OBO pre-populated responses (The data for these responses is maintained centrally within OBO);
   - Reviewing all responses, notes and attachments for accuracy and completeness;
   - Submitting the Fraud and Improper Payment Risk Assessment Survey to the next review level timely to ensure the SAO has ample time to review and sign off by the deadline established by OBO; and
   - Working with OBO personnel to answer any follow-up questions regarding survey responses, if applicable.

For questions related to Risk Assessments contact the PIO and Program Analysis and Risk Assessment Team at 045fwa_iperaRiskAssessmentTeam@va.gov.

Appendix E: Testing

A. All programs or activities identified as susceptible to significant improper payments are tested to adequately estimate the amount of improper payments the program may issue within a 12-month period. Test plans may also include steps for testing other payment types as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance. Administrations and Staff Offices develop test plans that appropriately identify attributes needed to determine the appropriateness of payments in accordance with Office of Management and Budget (OMB) Circular A-123, Appendix C and VA direction. Administration and Staff Office Chief Financial Officers (CFOs) need to verify program testing, in accordance with the OMB definitions, is accurate to ensure projected results truly represent the improper payments in programs and activities. To ensure confidence in annual testing results, Administration and Staff Office CFOs confirm proper segregation of duty in the testing of payments from the Senior Accountable Official (SAO). When subject matter experts from program offices are required to ensure accurate testing, Administration and Staff Office CFOs provide appropriate oversight for testing integrity. It is the segregation of duty which places accountability for the testing of programs on the Administration and Staff Office CFOs and the accountability for reducing improper and/or unknown payments on the SAOs with proper oversight from the CFOs to ensure testing results are appropriately addressed.

B. At a minimum, test plans should contain criteria to be applied in determining whether a payment is proper and should be categorized by program to detail the necessary attributes under each of the high-level topics below or as appropriate for unique program characteristics:
- Eligibility;
- Correct Vendor, Veteran or Beneficiary;
- Correct Amount;
- Valid supporting documentation; and
- Appropriate Delegations of Authorities.

C. Test plans should also include criteria to identify unknown payments. An unknown payment is a payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation. When establishing documentation requirements for payments, agencies should ensure that all documentation requirements are necessary and should refrain from imposing additional burdensome requirements. In September 2018, OMB clarified that if an agency is able to discern that the payment was made to the right recipient, for the right amount, and in accordance with applicable regulation and statute, despite failure to comply with all agency policies, procedures, or documentation requirements surrounding the payment, the payment may be considered proper. Unknown payments are not considered improper payments; however, the unknown payments estimate plus the improper payment estimate will be reported as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance.

D. Administration and Staff Office CFOs and program SAOs develop, and, in coordination with the Improper Payments Remediation and Oversight (IPRO) Office, review test plans for each program. The test plan provides a list of compliance factors to be tested.

E. Annually, program offices and staff are responsible to review and update the electronic review checklists (Test Plans) used for sample testing prior to submitting to IPRO for review. Administrations or Staff Office CFO will review the results of any Office of Inspector General (OIG) or Government Accountability Office (GAO) reports identifying improper payments in their programs or activities and updated testing, as appropriate, to validate an accurate estimation of improper payments.

F. Program offices notify IPRO no less than annually that testing procedures have not been updated or provide updated test plans to IPRO.

For questions related to Test Plans and Testing contact IPRO at 045IPROallEmployees@va.gov.

Appendix F: Statistical Extrapolation and Development

Veterans Affairs (VA) relies on a qualified statistician to develop the estimation methodology and perform the extrapolation and analysis of test results. Administrations and Staff Offices extract all data and sends testing results to its statistician for estimation/projection of annual improper payments as well as other estimations/projections required by OMB Circular A-123 Appendix C. Detailed results, including extensive calculations, are submitted to Administration and Staff Office Chief Financial Officers (CFOs), program Senior Accountable Officials (SAOs), and the Improper Payments Remediation and Oversight (IPRO) Office by the statistician to demonstrate the statistical validity. All testing results to include categories required for reporting and those needed for accurately assessing effectiveness of corrective actions or mitigation strategies to reduce improper and/or unknown payments are included in projections (Follow the guidance in Appendix M to meet this requirement). For additional discussion on effectiveness of corrective actions see appendix L.

For questions on Statistical Extrapolation and Development contact IPRO at 045IPROallEmployees@va.gov.

Appendix G: Statistically Valid Sampling and Estimation Plans

A. All programs or activities identified as susceptible to significant improper payments work with a statistician to design and implement appropriate statistical sampling and estimation methods to produce a statistically valid improper and/or unknown payment estimate, whenever feasible. This may also include preparing other estimates separately as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance. Programs newly identified as susceptible to significant improper payments produce ant estimate in the following fiscal year. Changes in the statistical sample, including changes in sample size, may result in the submission of an updated sampling plan to Office of Management and Budget (OMB) through the Improper Payments Remediation and Oversight (IPRO) Office.

   The requirements for statistically valid sampling plans, as stated in OMB Circular A-123, Appendix C, are summarized below.

B. Step 1: Process – All programs and activities susceptible to significant improper payments design and implement appropriate statistical sampling and estimation methods to produce a statistically valid improper and/or unknown payment estimates.

   1. Annual Estimated Amount – For all programs and activities susceptible to significant improper payments, programs and activities determine an annual improper payment and unknown estimate made in those programs and activities. When calculating the annual improper and/or unknown payment amount, programs should only utilize the amount paid improperly. Programs are required to include in their estimated amount all identified improper payments regardless of whether the improper payment has been or is being recovered. Note, the process for determining the annual estimated amount should be clearly outlined in the Statistical Sampling and Estimation Plans (see Step 4 below).

   2. OMB has clarified that even when a program experiences both overpayments and underpayments, the expectation/requirement is for programs to determine an annual estimate that is a gross total of both over and underpayments (i.e. overpayments plus underpayments). However, in addition to the gross total, VA may calculate and disclose the net total (i.e. overpayments minus underpayments). This clarification can be found via OMB's newly established Payment Integrity Q&A Collection site located on the Max.gov website.

   3. VA Administrations and Staff Offices provide testing details on all primary improper and/or unknown payment errors to the program's statistician. The statistician determines the annual estimated amount of improper and/or unknown payment errors based on the testing results as well as a breakout by required reporting categories and error causes to enable the program to make fully informed decisions when developing corrective actions. The annual estimated

amount and detailed analysis of the testing results are submitted to Administration and Staff Office Chief Financial Officers (CFOs), and to IPRO for review.

4. Statistical Sampling and Estimation Plans – Programs and activities are responsible for designing and documenting their sampling and estimation plans. A sampling and estimation plan will be considered statistically valid if they produce point estimates and confidence intervals around those estimates. Each plan is prepared by a statistician and submitted to OMB no later than June 30 of the fiscal year for which the estimate is being produced (e.g., the sampling methodology to be used for Fiscal Year (FY) 2021 reporting cycle was submitted by June 30, 2021). The Administrations and Staff Offices also include a summary of their sampling methodology plan in annual reporting. The sampling and estimation plan is accompanied by a document certifying "that the methodology will yield a statistically valid improper payment estimate" (see Step 5 below).

5. Certification – The Payment Integrity Information Act of 2019 requires agencies to produce statistically valid estimates of improper payments, and therefore each sampling and estimation plan is accompanied by a signed certification stating, "that the methodology will produce a statistically valid estimate." If a program is unable to develop a statistical sampling and estimation plan that produces a point estimate and confidence interval around that estimate, then it must include in their sampling and estimation plan a detailed explanation as to why it is not possible. The statistician is required to sign the plan as evidence that a statistician was involved in the development of the plan and that the proposed plan should be designed for compliance with OMB guidance for testing precision. The Administration or Staff Office CFO or program or activity SAO certifies they have reviewed the plan, have provided all pertinent knowledge needed to develop an appropriate precision-level, and agree the plan meets the requirements per the PIIA legislation and OMB guidance. A sampling and estimation checklist accompanies all sampling and estimation plans submitted to OMB. Programs submitting a sampling and estimation plan should contact IPRO to obtain the most current OMB checklist. The OBO Executive Director reviews the plan to determine whether the plan requires submission to OMB, signing the plan as evidence of this determination. If the plan requires submission to OMB, IPRO submits the plan. OMB does not provide a formal approval for sampling and estimation sampling plans. It is the agency's responsibility to produce a statistically valid sampling and estimation plan or document why it is not feasible. However, OMB reserves the right to raise questions about the methodology.

6. Working with other Entities – Administrations and Staff Offices should consider working with entities—such as grant recipients—that are subject to Single Audits to leverage audits to assist in the process to estimate an improper payment rate and amount.

7. Incorporating Recommendations – Whenever possible, Administrations and Staff Offices should incorporate refinements to their improper payment methodologies based on recommendations. Recommendations should come from individuals with training and experience designing statistical samples and using statistical methods to calculate population estimates and sampling errors from a probability sample, or auditors (Office of Inspector General (OIG), Government Accountability Office (GAO), or private auditors).

C. Step 2 – Content of Statistical Sampling and Estimation Plan – Statisticians, Administration and Staff Office CFOs, and program or activity SAOs clearly and concisely describe the statistical methods used to design and draw the sample and produce an improper payment estimate for the program in question. The plans explain and justify why the proposed methodology is appropriate for the program in question. This explanation is supported by accurate statistical formulas, tables, and any additional materials to demonstrate how the sampling and estimation is conducted and the appropriateness of those statistical methods for the program. Sampling and estimation plans are complete and internally consistent. Additional statistical sampling and estimation plan requirements are detailed in OMB Circular A-123, Appendix C.

1. Updates and Changes to Agency Plans – Administrations and Staff Office CFOs should update their sampling and estimation plans, as needed, to reflect the current design and methods being used and incorporate refinements based on previous results, consultations with others, and/or recommendations from VA OIG, GAO, or OMB. Any updated plans need to be submitted to OMB by IPRO no later than June 30 of the fiscal year for which the estimate is being produced (e.g., the sampling methodology to be used for FY 2021 reporting cycle was submitted by June 30, 2021). The plans include all the components described in Steps 1 and 2 above. A plan that is being updated or changed should include some language explaining why the plan is changing and how the plan is different from the one previously submitted. Administrations and Staff Office CFOs should error on the side of caution and coordinate with IPRO to resubmit their plans if they are in doubt as to whether resubmission is required.

2. Administrations and Staff Offices CFOs and program SAOs, through the statistician, in coordination with IPRO, submit an explanation and justification to OMB for any instances where a program is not able to fulfill the requirements described in Steps 1 and 2. Administrations and Staff Offices CFOs notify and provide supporting documentation to IPRO if a program is unable to fulfill the requirement described in Steps 1 and 2.

For questions on Statistically Valid Sampling and Estimation Plans contact IPRO at 045IPROallEmployees@va.gov.

Appendix H: Corrective Action Plan (CAP) and Template

A. Offices with programs or activities identified as being susceptible to significant improper payments or are designated as high-priority programs are responsible for developing a CAP that identifies corrective actions or mitigation strategies that will address the root cause(s) of improper payments.

B. The CAP may also include corrective actions or mitigation strategies for other payment types as required by OMB Circular A-123, Appendix C and/or any additional OMB guidance.

C. The CAP will include all corrective actions or mitigation strategies the program is developing/implementing that impact improper payments, to include unfunded system enhancements or other automation.

D. The CAP will include the necessary details to fully understand root causes, milestones, and tasks as well as expected results.

E. The Department may need to summarize/shorten corrective actions or mitigation strategies for external reporting; this does not eliminate the requirement to have all corrective action or mitigation strategies documented within a CAP.

F. Senior Accountable Officials (SAOs) will review and update their corrective action plans no less than quarterly based on results of PIIA testing to ensure that root causes of improper and/or unknown payments are addressed as quickly as possible.

G. CAP updates will be submitted quarterly to the Administration or Staff Office Chief Financial Officers (CFOs) and the Improper Payments Remediation and Oversight (IPRO) Office.

H. Prior to submission updates should be reviewed to ensure corrective actions or mitigation strategies are still appropriate or if additional/alternative actions are needed. Guidance can be found in the CAP Desktop Guide at Payment Oversight Program (POP) Policies. (https://dvagov.sharepoint.com/sites/VACOVACOOBOIPERA/POLICY).

I. A thorough understanding of PIIA testing results is needed to identify the root cause of improper and/or unknown payments and what steps are necessary to address the weakness or weaknesses causing the improper and/or unknown payments.

J. Per OMB Circular A-123, Appendix C, corrective actions should be proportional to the severity of the associated amount and rate of the root cause.

K. Corrective actions or mitigation strategies VA anticipates taking must have an owner and due date, and be measurable, attainable, and quantifiable. The connection between the proposed steps and the expected impact shall be identified in the CAP. For example, if "no documentation available" is the root cause being addressed and it accounted for 20 errors identified during testing, then the expected impact may be a reduction to 10 errors for "no documentation available" in the year following the closure of the corrective action or mitigation strategy.

L. The Department will measure the effectiveness and progress of each individual corrective action or mitigation strategy on an annual basis (Programs will follow guidance in Appendix L to meet this requirement). For questions on Corrective Action Plans and Templates contact IPRO at 045IPROallEmployees@va.gov.

Appendix I: Reduction Targets

A. Reduction targets identify a program's estimated annual decrease of improper and/or unknown payments. Programs reporting an improper payment and unknown payment estimate above designated OMB thresholds are required to set an out-year reduction target. The discussion below presents a standard methodology to develop reduction targets.

B. Upon obtaining the final, approved error rate for a program in the current year, the improper and/or unknown payments identified during testing are analyzed to determine the root cause of the errors. Reduction targets are reviewed approved by Office of Management and Budget (OMB). When establishing reduction targets, program offices should consider the following:
   - Identification of the error type and its root cause;
   - The effect of each error type identified on the most recent error rate calculation for that program. (e.g.,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 (this information is identified when corrective actions or mitigation strategies for the Corrective Action Plan (CAP) are developed); and
   - Estimated effect on the current error rate if all reduction targets were achieved.

C. Reduction targets should be a balance between being aggressive and realistic. If reduction targets are set at current rates or higher, programs should be able to clearly discuss in either required reporting or informally within Veterans Affairs (VA) why this is the appropriate target for the following year.

D. Programs reporting for the first year do not have a reduction target rate.

E. Programs may not always be able to meet reduction targets; however, in these situations, programs should be able to discuss in either required reporting or documentation available upon request improvements that have been made during the year. Generally, improvements can encompass any incremental progress that can be validated, to include but not limited to, reduction in improper payments, reduction in errors, progress in implementing corrective actions or mitigation strategies, etc.

For questions on reduction targets contact IPRO at 045IPROallEmployees@va.gov.

Appendix J: Recovery Audit

A. As required by the Payment Integrity Information Act (PIIA) of 2019, and stated in 3352 Section I, VA programs expending over $1 million annually are required to conduct a recovery audit. The methods to identify and recover overpayments must be cost-effective regardless of whether the recovery audits and activities program utilizes a recovery audit or other mechanisms to identify and recover overpayments. A cost-effective recovery audit and activities program is one in which the benefits (i.e., recovered amounts) exceed the costs (e.g., staff time and resources, or payments for the payment recovery audit contractor) associated with implementing and overseeing the program.

B. To meet reporting requirements in PIIA and Office of Management and Budget (OMB) guidance, the Office of Business Oversight (OBO) collects information from programs.

   1. The following are collected annually by the Payment Integrity Office (PIO):
      - Information pertaining to recommendations made by external contractors performing recovery audits to prevent overpayments, and the programs' efforts to implement those recommendations.

   2. The following information is generally collected annually by the Improper Payments Remediation and Oversight (IPRO) Office via OMB Annual Data Call:
      - Current and future year recovery targets;
      - Dollar amounts of overpayments identified and recovered via recovery audits;
      - Dollar amounts of overpayments identified and recovered outside recovery audits;
      - Information about the disposition of funds recovered through recovery audits;
      - Information about the aging of amounts remaining outstanding from overpayments identified in recovery audits; and
      - Results of analysis conducted, including the completed Recovery Audit Cost-Benefit Analysis (CBA) (Follow the guidance in Appendix K to meet this requirement), if the analysis concluded that conducting a recovery audit would not be cost-effective.

C. General Recovery Audit Guidelines

   1. Recovery audits may be performed by Veterans Affairs (VA) employees, by another department or agency of the Federal government acting on behalf of the VA, by non-Federal entities expending awards, by contractors performing services under contracts awarded by VA, or any combination thereof. Programs using a contractor should consult OMB Circular A-123 Appendix C for additional guidance.

2. Programs that use shared services (i.e., the Financial Services Center (FSC)) to satisfy recovery requirements, work with their shared service provider to develop required plans and ensure required reporting related to recovery and disposition are reported annually as required by established deadlines.

3. Programs should design recovery audits to ensure the greatest financial benefit for the government and prioritize categories of payments that have a higher potential for overpayments and recoveries. Programs should give priority to recent payments and to activities highly susceptible to significant improper payments.

D. Disposition of Funds Recovered – VA's disposition of funds collected in a recovery audit program depends on the type of fund from which the original payment was made and complies with the guidelines provided in OMB Circular A-123, Appendix C.

For questions related to recovery audits contact IPRO at 045IPROallEmployees@va.gov.

Appendix K: Recovery Audit Cost-Benefit Analysis (CBA)

A. The Payment Integrity Information Act (PIIA) of 2019 allows programs to be excluded from the requirement to conduct a recovery audit if the program determines that recovery audits are not a cost-effective method for identifying and recovering improper payments. Programs already conducting or planning recovery audits are not required to complete a recovery audit CBA. Guidance for completing the CBA Analysis template can be found at Payment Oversight Program (POP) Policies (https://dvagov.sharepoint.com/sites/VACOVACOOBOIPERA/POLICY).

B. Upon accomplishing the recovery audit CBA, if the costs exceed the collections expected to be identified/recovered through an audit, then performing the audit would not be beneficial. They must notify Office of Business Oversight (OBO) Improper Payment Remediation and Oversight (IPRO) and provide a copy of the analysis conducted. PIIA requires OBO to include the determination in annual agency reporting.

   In addition, if an agency determines that it would be unable to conduct a cost-effective recovery audit for certain programs, the analysis needs to be repeated only if circumstances change within the program that might make a recovery audit cost-effective.

   OMB may review these materials and determine that Veterans Affairs (VA) should conduct a recovery audit to review these programs. For questions related to recovery audit cost-benefit analysis contact IPRO at 045IPROallEmployees@va.gov.

Appendix L: Corrective Action Plan Effectiveness Reviews

A. The Payment Integrity Act (PIIA) of 2019, Section 3353(a)(4) states annual compliance determinations made by the Inspector General include an evaluation of corrective action plans (CAPs) and whether the plans are adequate and focused on the true causes of improper and/or unknown payments, including whether the CAPs are reducing improper payments and/or unknown payments, effectively implemented, and prioritized within the Executive Agency. In addition, PIIA requires documentation that corrective action (CA) or mitigation strategy implementation efforts meet the severity of the root cause.

B. PIIA testing results are critical to identifying and assessing root causes, or process or control weaknesses (i.e. causes of error), causing improper and/or unknown payments. Veterans Affairs' (VA) programs update CAPs annually as PIIA testing results are made available, and no less than quarterly throughout the fiscal year (FY), to ensure CAPs or mitigation strategies are designed to mitigate risks of improper and/or unknown payments and to report on progress and results. The first CAP effectiveness review is performed two years after a program begins reporting improper and/or unknown payments to allow for identification of error causes and development of corrective actions CAPs unless otherwise approved by IPRO. CAP effectiveness determinations are then updated annually by either the Administration or Staff Office Chief Financial Officer (CFO) and Senior Accountable Official (SAO) or the Improper Payments Remediation and Oversight (IPRO) Office. Administration or Staff Office CFOs must notify IPRO no later than the end of the first quarter of the fiscal year whether they are performing or updating effectiveness reviews and are providing quarterly briefings and year end results/documentation to IPRO or if the program is relying on IPRO to perform the review.

C. CAP Effectiveness Review

1. A CAP effectiveness review measures if a CA or mitigation strategy has reduced or is properly designed to reduce improper and/or unknown payments for a specific root cause, or group of root causes, against a set benchmark or pre-established set of criteria. The type of effectiveness analysis that can be performed is dependent on the status of the CA or mitigation strategy. Open or delayed CAs or mitigation strategies undergo a design effectiveness review and closed or ongoing CAs undergo an operating effectiveness review.

2. Design effectiveness assessments can be performed for CAs or mitigation strategies that have been developed with defined tasks and detailed descriptions of the efforts required to implement the CA or mitigation strategy. This type of analysis relies on qualitative measures. Additional inquiries, observations, demonstrations, or example documentation may be required to determine if the CA or mitigation strategy is properly designed to reduce improper and/or unknown payments. A design effectiveness assessment results in one of the

following conclusions:

a. Designed Effectively – The CA or mitigation strategy is well defined and easily understood based on the description and planned tasks, and the timelines and overall Estimated Completion Date (ECD) of the CA appear reasonable. These factors together with any supporting evidence, if applicable and available, indicate the CA or mitigation strategy appears properly designed to mitigate the risk associated with the root cause(s) and reduce improper and/or unknown payments to the established benchmark or pre-established set of criteria.

b. Designed Ineffectively – The CA or mitigation strategy description, tasks, or supporting evidence indicate the risk of improper and/or unknown payment related to the root cause(s) still exists to the extent that the established benchmark or pre-established set of criteria would not be expected to be met when implemented.

D. An operating effectiveness assessment can be performed for CAs or mitigation strategy that have been fully implemented and may or may not be performed on a recurring basis (ex. a control implemented for a daily pre-payment review). This type of analysis relies on quantitative measures. A benchmark must be set by the SAO for a CA or mitigation strategy that identifies the number (count) of improper payments or unknown payments expected to be remediated once the CA or mitigation strategy is fully implemented and is clearly defined and can be tracked to show the success and measure the effectiveness of the CA or mitigation strategy in reducing improper payments or unknown payments. The operating effectiveness analysis considers the defined benchmark and effectiveness metric to determine if the CA or mitigation strategy was effective in reducing improper payments or unknown payments, and meeting or exceeding the benchmark. An operating effectiveness assessment results in one of the following conclusions:
- Effective – The effectiveness metric is clearly defined and can be tracked in a manner that allows evidence to be assessed against the pre-established benchmark to determine if the benchmark was achieved in reducing improper and/or unknown payments; or
- Ineffective – The effectiveness metric is not clearly defined, cannot be tracked, or evidenced through supporting documentation, or the pre-established benchmark for reducing improper payments or unknown payments was not achieved.

E. During the interim period between when a CA or mitigation strategy is fully implemented and a full year of PIIA testing results are available, quarterly PIIA testing results are used for an interim effectiveness analysis to determine if improper payments or unknown payments are being remediated by the CA or mitigation strategy. Results of an interim effectiveness analysis are meant to allow programs to continuously monitor CA or mitigation strategy effectiveness in advance of an operating effectiveness analysis being performed once a full year of PIIA testing results are available.

F. If a CA or mitigation strategy is determined to be designed ineffectively or is ineffective at remediating improper payments and/or unknown payments, programs should determine if the existing CA or mitigation strategy can be updated to address the area of weakness or if a new CA or mitigation strategy is needed to fully address the underlying root cause(s). A revised or new CA or mitigation strategy should be developed timely, within two (2) quarters from when the effectiveness results were provided to the program. Once a CA or mitigation strategy has been updated or a new CA or mitigation strategy has been created, a new design or operating effectiveness analysis is performed. Programs are encouraged to work with IPRO to identify solutions to remediate identified areas of weakness in their CAPs.

For questions related to CAP effectiveness reviews contact IPRO at 045IPROallEmployees@va.gov.

Appendix M: Annual Reporting of Payment Integrity Activities

A. Annually, Veterans Affairs (VA) is required to report on its Payment Integrity Activities. Based on guidance from the Office of Management and Budget (OMB), this reporting occurs in either the Agency Financial Report (AFR) or via data calls/other methods of data collection established by OMB. For the annual reporting in the AFR for Payment Integrity and Fraud Reduction, VA follows current reporting guidance as prescribed under A-136. The Improper Payment Remediation and Oversight (IPRO) Office provides direction on reporting required information to ensure alignment with A-136 and OMB requirements. Data/information provided to OMB is concurred on/cleared by the applicable Administration and Staff Office Chief Financial Officers (CFOs) via VA's official correspondence management system. IPRO then provides the data/information via OMB's prescribed process.

B. OBO may also collect supplementary current year or prior year information from Administration and Staff Office CFOs, as well as Senior Accountable Officials (SAOs) that is requested by OMB. Administration and Staff Office CFOs and SAOs are required to identify and provide points of contact during the annual reporting process and to ensure that all required concurrences/clearances are obtained prior to submitting any final data/information for reporting outside the AFR to OBO. Data/information included within the AFR is concurred on/cleared through established AFR reporting processes. VA has published Financial Policy, Volume VII, Chapter 1, which outlines internal AFR reporting requirements.

For questions related to annual reporting of payment integrity activities contact IPRO at 045IPROallEmployees@va.gov.

Appendix N: High-Priority Programs

A. The Office of Management and Budget (OMB) establishes thresholds for high-priority programs via OMB Circular A-123, Appendix C or as otherwise identified by OMB. If a program is identified as high-priority but in subsequent years reports below established OMB thresholds, it is no longer considered a high priority program.

B. High priority programs are required to perform additional actions and may be required to report on their activities per OMB guidance. This reporting may also be linked to other OMB or government-wide initiatives.

C. Administration and Staff Office Chief Financial Officers (CFOs), in collaboration with Senior Accountable Officers (SAOs), are responsible for providing oversight of progress made to implement corrective actions or mitigation strategies for high priority programs (Follow the guidance in Appendix I to meet this requirement). SAOs draw on their current corrective action plans to determine the most reasonable action focusing on the areas that align best with OMB guidance and submit to IPRO for timely submission to OMB for publication to PaymentAccuracy.gov.

For questions related to high-priority programs contact IPRO at 045IPROallEmployees@va.gov.

Appendix O: Noncompliant Program Reporting

If the Office of Inspector General (OIG) determines a program(s) is/are not compliant with payment integrity legislation, Veterans Affairs (VA) completes required reporting to Congress and other external parties as required by Office of Management and Budget (OMB) Circular A-123, Appendix C. In order to streamline reporting and reduce duplication of effort, the Improper Payments Remediation and Oversight (IPRO) Office prepares draft reporting on an annual basis that consolidates all requirements, references existing required reporting information that is currently available publicly and identifies any additional required information that must be provided by the Senior Accountable Officials (SAOs). SAOs prepare official program responses and obtain appropriate concurrences, to include the Administration or Staff Office Chief Financial Officer (CFO), prior to timely submission to Office of Business Oversight (OBO) for transmittal to the appropriate receiving office by the reporting deadline. Due to the time constraints associated with VA's concurrence process, it is imperative that Administrations and Staff Offices adhere to deadlines given.

For questions related to noncompliant program reporting contact IPRO at 045IPROallEmployees@va.gov.

Appendix P: Relief from Reporting

If a program or activity that was assessed as susceptible to significant improper payments has reported improper payment estimates below Office of Management and Budget (OMB) thresholds in accordance with OMB Circular A-123, Appendix C and has established a baseline, the program should coordinate with its Administration and Staff Office Chief Financial Officer (CFO) and the Improper Payments Remediation and Oversight (IPRO) Office on appropriate steps to return to the improper payment risk assessment cycle.

Programs reporting improper payments below the OMB thresholds should continue with all required activities until confirmation of removal is received. Close coordination with IPRO is recommended.

For questions related to relief from reporting contact IPRO at 045IPROallEmployees@va.gov.