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BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS,
COMMITTEE ON VETERANS' AFFAIRS, US HOUSE OF REPRESENTATIVES
HEARING ON
"WASTE & DELAYS: EXAMINING VA'S IMPROPER PAYMENTS IN ITS COMPENSATION AND PENSION PROGRAMS"
MAY 14, 2025

Chairman Luttrell, Ranking Member McGarvey, and members of the Subcommittee, thank you for the opportunity to testify on the independent oversight conducted by the Office of Inspector General (OIG) on improper payments made in the compensation and benefit programs administered by the Veterans Benefits Administration (VBA). These benefits provide critical financial support to veterans, their survivors, and family members. The OIG is dedicated to making meaningful findings and practical recommendations that help improve these programs, knowing how errors can risk the well-being of vulnerable recipients and waste taxpayer dollars.

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

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

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

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

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

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

VBA SHOULD IMPROVE STAFF TRAINING

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

Training Improvements Are Needed on PACT Act Provisions

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

Is The Veterans Benefits Administration Properly Processing and Deciding Veterans' Claims?, Before the Subcommittee on Disability Assistance and Memorial Affairs, House Committee on Veterans' Affairs, 118th Cong. (July 23, 2024) (statement of Steve Bracci, Director of the Compensation Programs Inspection Division for the Office of Audits and Evaluations, VA OIG).

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

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

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

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

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

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

VBA's two automated tools referred to as "effective date builders" were also unreliable for determining effective dates. The effective date tool on VBA's internal job aids page is meant to allow claims processors to calculate effective dates for veterans' compensation. But this tool was last updated in

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

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

[8] 38 C.F.R. § 3.114 (2025).

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

December 2019, and as a result, it lacks the functionality to accurately determine effective dates for PACT Act-related claims. The effective date builder in the Veterans' Benefits Management System - Rating system is used to calculate effective dates for disability benefits grants. This tool requires the claims processor to navigate through check boxes to build a suggested effective date with corresponding text that is appended to the rating narrative, but available and required fields vary based on other recorded data. This tool cannot account for recent changes in law, such as those defined by liberalizing law, by the PACT Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Better Training is Needed for Processing Other Claims

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

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

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

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

The OIG also found training deficiencies contributed to VBA claims processors' nonadherence to policies and procedures for deciding veterans' claims related to total disability. Individual employability (TDIU) benefits are granted when a veteran is unable to secure and maintain "a substantially gainful occupation" because of service-connected disabilities.[17] The OIG review team found the errors in individual unemployability claims development and decisions were made by VBA staff at all experience levels.[18] The team estimated, based on two statistical samples, that these claims processing errors resulted in $84.7 million in underpayments and at least $9.8 million in overpayments during the review period from May 1, 2022, to April 30, 2023.[19]

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

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

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

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

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

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

Disability Rating Updates Were Not Consistently Applied

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

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

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

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

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

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

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

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

An improper payment includes any payment that

- was made to an ineligible recipient;
- was made for an ineligible good or service;
- was a duplicate;
- was made for goods or services not received, except for those payments where authorized by law; or
- did not account for credit for applicable discounts.

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

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

[23] Due to timing of VA testing and reporting, there is a lag for the OIG's compliance review. For example, VA reports in the FY 2024 Agency Financial Report on improper payments that occurred in FY 2023. The OIG report is issued in FY 2025. The OIG's FY 2023 (VA OIG, Review of VA's Compliance with the Payment Integrity Information Act for Fiscal Year 2023, May 23, 2024) and pending FY 2024 compliance reviews use a combination of guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency. OMB, "Requirements for Payment Integrity Improvement," app. C in OMB Circular A-123; Management's Responsibility for Enterprise Risk Management and Internal Control, March 5, 2021; OMB Circular A-136, Financial Reporting Requirements, part II, May 30, 2024; OMB, "OMB FY 2023 Payment Integrity Annual Data Call Instructions," February 2024; Council of the Inspectors General on Integrity and Efficiency, Guidance for Payment Integrity Information Act Compliance Reviews, October 22, 2024.

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

An improper payment may be an overpayment, underpayment, or technically improper. In addition, when an agency's review is unable to discern whether a payment was proper because of missing or insufficient documentation, the payment should be considered an unknown payment.

The OIG conducts an annual review to determine whether VA complied with PIIA. The most recent published review was issued in May of 2024, and it reviewed the payment integrity information in the FY 2023 Agency Financial Report (AFR).[25] It is important to note that VA's payment integrity reporting is based on a review of payments made in FY 2022. Currently, the OIG is finalizing its report reviewing VA's assertions based on payments made in FY 2023 as reported in the AFR for FY 2024 (issued on November 15, 2024). The OIG anticipates publishing this review before the required date of May 27.[26]

VA Generally Reported Lower Overall Improper Payments in FY 2024

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

VA satisfied five of six requirements under the PIIA; however, it is not considered to be compliant with the law as it failed to report an improper and unknown payment rate of less than 10 percent for two VA programs that had estimates in the accompanying materials to their financial statements. They were VBA's pension program and the Veterans Health Administration's purchased long-term services and supports program. Regarding its pension program, despite VBA's implementation of a mitigation strategy to decrease improper payments further, FY 2024 saw an increase in improper payments while the health services program's improper payments decreased.

VA Must Report on the Compensation Program Next Fiscal Year

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

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

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

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

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

payments. This is because VA's estimates suggest the program will have more than $100 million in annual reported estimated monetary losses from improper payments. Having met the threshold for reporting, the program will be included in the OIG's review of VA compliance with PIIA in accordance with OMB guidance that will be published in May 2026.[29]

CONCLUSION

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

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