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VETERANS HEALTH ADMINISTRATION

Supplemental Review of VHA Recruitment, Relocation, and Retention Incentive Service Obligations

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Executive Summary

This report presents the results of the VA Office of Inspector General's (OIG) supplemental review of service obligations for the Veterans Health Administration's (VHA) recruitment, relocation, and retention incentives, which follows on a report published in June 2025.[1] In that report, the OIG found that VA did not (1) consistently capture mandatory information supporting incentive awards or (2) ensure incentive payments stopped on time. The OIG made eight recommendations to help VA improve these areas. This review focused specifically on employee service agreements for those incentives, which were not covered in the prior report.

While completing that audit, the OIG team became aware of a third issue area occurring at the back end of the incentive process when VA employees breached their required service obligations.[2] Accordingly, the OIG initiated this supplemental review to determine whether VA issued debt notices for these employees. Overall, the review found that VHA did not consistently take action to initiate debt notices to employees who accepted an incentive but did not fulfill their required service agreement.

VHA has been responsive to both reports' recommendations and has taken steps to improve how it governs the recruitment, relocation, and retention incentive process. In response to the June 2025 report, VA officials concurred with all eight recommendations and began implementing actions. Related to this supplemental report, VHA has concurred with all four recommendations.

What the Review Found

The OIG team found that Veterans Integrated Service Network (VISN) human resources staff could not consistently provide evidence that required actions were taken to initiate debt notices to VHA employees who accepted an incentive but did not fulfill their required service obligations. When medical facility or VISN staff breach a service agreement, VISN human resources staff must act to collect the excess payment or submit the overpayment determination for debt billing and collection.[3] This includes notifying the employee of the debt and requesting repayment through the Defense Finance and Accounting Service. The OIG team corroborated

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[1] VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*, Report No. 23-01695-94, June 12, 2025.

[2] The OIG team first became aware of the conditions described in this supplemental report during the final stages of the June 2025 report. By December 2024, the team had confirmed additional work was warranted and notified VA of this supplemental review to avoid any delay in reporting on the significant governance issues identified in the earlier project.

[3] VA Handbook 5007, part VI, chap. 2, 3, and app. P.

that debt initiation actions were not taken with responsible VA officials and through checks of payroll and personnel data.

The team estimated that in fiscal years (FYs) 2020 through 2023, VA did not initiate debt notices to at least 1,100 employees who moved to another VISN or left VA before fulfilling their agreements. As a result, over these four years, VHA paid an estimated $17.5 million for the breached portion of incentive service obligations.[4] The breach of service obligation periods—the unfulfilled time required by the service agreement—ranged from about one month to one and a half years. The employees and estimated monetary impact identified here are in addition to what the OIG reported in June 2025.

The OIG team found that issues with HR Smart, VA's personnel system of record, contributed to why VISN human resources staff were not always initiating debt notices. HR Smart should alert a user who is completing a personnel action for an employee who has an active incentive or service obligation.[5] However, these HR Smart notifications do not prevent VISN human resources staff from processing personnel actions even when service obligations would be breached. VISN human resources officials also told the OIG team that several incentives included in the team's sample were not coded correctly in HR Smart and, as a result, the system did not alert human resources staff of an ongoing incentive obligation. According to these officials, some of the service obligation breaches were not identified because staff did not thoroughly review records, or the breach of service was simply missed.

Finally, VISN human resources officials could not access personnel records when an employee left their network.[6] Without these records, the VISN that awarded the incentive could not determine whether action was taken to terminate incentives or initiate the debt notice process (if warranted) after the employee separated from the network. From FYs 2020 through 2023, the team estimated that VISN human resources officials could not determine whether at least 92 employees met the required service obligations.

Recommendations, VA Management Comments, and OIG Response

The OIG made four additional recommendations to the under secretary for health to improve how VHA initiates debt notices to VHA employees who accepted an incentive but did not fulfill

[4] For details about the review's scope and methodology, please see appendix A. Appendix B provides more information on the statistical methodology. The OIG questioned these costs because VHA did not provide evidence that VISN human resources staff took appropriate action to initiate debt notices, as required. For more information about monetary benefits, please see appendix C.

[5] 5 U.S.C. § 2302 defines a personnel action as any change that affects an employee's appointment, compensation, performance evaluation, or other significant change in their duties, responsibilities, or working conditions.

[6] Federal agencies use the electronic official personnel folder system to maintain federal employee personnel records.

their required service obligations.[7] These recommendations include (1) enforcing procedures for VHA human resource officials to monitor employee service obligations and initiate debt notices when warranted; (2) identifying and reviewing active incentives of VHA employees who transferred within or left VA and taking action, if appropriate; (3) establishing enhanced internal controls to ensure compliance with relevant laws and take appropriate action when an employee with an active service obligation transfers within VHA; and (4) completing the evaluation of the incentives awarded to the employees identified by the OIG who may not have fulfilled their service obligations and then take any appropriate action.

The acting under secretary for health concurred with the recommendations and provided corrective action plans. The acting under secretary said that VHA continues to partner with VA's Office of Business Oversight to monitor and correct incentives and personnel records that are found to be noncompliant and has been actively auditing and recouping funds that were paid in error. He further stated that VHA formally identified roles in the review process in April 2025 and continues to develop internal guidance to monitor service obligations and initiate a debt notice when an employee breaches the agreement. The acting under secretary requested closure of recommendation 4, stating that VHA's Workforce Management and Consulting Office reviewed the 17 employees identified in this report and initiated debts for 14 cases because the breaches of incentive service agreements were substantiated. The full text of the management comments is provided in appendix D.

Overall, VHA's proposed corrective measures are responsive to the recommendations. Before closing recommendation 4, the OIG requested further evidence demonstrating that the debt had been collected or a waiver had been issued for each employee. For all recommendations, the OIG will monitor the implementation of the planned actions and will close the recommendations when VHA provides sufficient documentation demonstrating the actions are completed.

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

[7] The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

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Abbreviations

FY	fiscal year
HRA/OSP	Human Resources and Administration/Operations, Security, and Preparedness
OIG	Office of Inspector General
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network
WMC	Workforce Management and Consulting

Introduction

The VA Office of Inspector General (OIG) conducted this review to supplement a June 2025 report on recruitment, relocation, and retention incentives. This review focused specifically on employee service agreements for those incentives, which were not covered in the prior report. The June 2025 report identified two main issues. First, that VA did not effectively govern the incentive process to ensure Veterans Health Administration (VHA) officials captured mandatory information to support an incentive award.[8] Second, the audit identified employees who received payments after their incentive awards had expired.

The OIG team first became aware of a distinct set of employees who had potentially breached their incentive service obligations during the end stages of the earlier project (the June 2025 report) and began assessing the issues and causes that may exist related to ineffective monitoring of those agreements made with VHA personnel. By December 2024, the team had confirmed additional work was warranted and, as a result, formally notified VA of a supplemental review of these issues and employees in an effort to not delay reporting on the significant governance issues identified in that earlier project.

This review draws on the prior findings and information and focused on whether VHA employees who received recruitment, relocation, or retention incentive payments fulfilled the requirements of their service obligations. That is, the team evaluated whether the employees remained in their designated position and duty station for the period set by their respective agreements. If an employee did not, the OIG team examined whether VA took action to initiate a debt notice, if warranted.

The team communicated with leaders from the Office of Human Resources and Administration/Operations, Security, and Preparedness, VHA's Workforce Management and Consulting Office, and Veterans Integrated Service Network (VISN) human resources offices through July 2025 to understand actions concerning the oversight of incentive service agreements, including those intended to address prior OIG reports. Such actions include monitoring compliance with incentive service agreements and the initiation of debt collection when appropriate.

Incentive Service Obligations

As required by 5 U.S.C. §§ 5753 and 5754, employees who receive a recruitment, relocation, or retention incentive must sign a service agreement and fulfill the period of employment (up to four years) with VA. The agreement sets the employee's position and duty station for the

[8] VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*, Report No. 23-01695-94, June 12, 2025.

obligation, among other requirements set by VA Handbook 5007.[9] If the employee does not fulfill the requirements of the agreement, they may incur a debt to the government and be required to repay the amount for the breached portion of the service period.[10]

An employee's voluntary transfer or change of position, or departure from VA, before completing the designated service period would constitute a breach of the incentive service obligation. When an employee breaches the agreement, staff from the VISN human resources office will take appropriate action to initiate the debt collection process to recover the excess payment.[11] This includes notifying the employee of the debt and requesting repayment through the Defense Finance and Accounting Service.[12] The service center issues a debt letter to the employee with instructions for repayment.

Each VA administration and staff office is responsible for annually certifying the use of recruitment, relocation, and retention incentives. This certification includes reviewing an annual incentive report for accuracy. They are also required to certify that appropriate action has been taken to initiate debt collection from individuals who did not fulfill approved service obligations.

[9] VA Handbook 5007, part VI, chap. 2, 3, and app. P.

[10] VA Handbook 5007, part VI, chap. 2 and 3. Generally, the unfulfilled portion of the service period is calculated by dividing the total incentive amount authorized by the total number of pay periods in the service obligation to determine the portion paid each pay period. This amount is then multiplied by the number of pay periods remaining in the service obligation to determine the amount the employee must repay.

[11] VA Handbook 5007, part VI, chap. 2, 3, and app. P. VHA divides the United States into 18 regional networks, known as VISNs, which manage day-to-day functions of medical centers and provide administrative and clinical oversight. See www.va.gov/HEALTH/visns.asp.

[12] VA Financial Policy, "Employee Debt," in vol. 12, *Debt Management* (March 2022), chap. 3. The Defense Finance and Accounting Service provides payroll services to VA.

Results and Recommendations

Finding: VHA Did Not Always Identify Employees Who Breached Their Service Obligations and Initiate Debt Notices When Warranted

VA did not always initiate the debt notice process for VHA employees who did not fulfill the required service obligation for an incentive. When an employee breaches a service agreement, they are required to repay the amount for the unfulfilled portion of the agreement unless a waiver is granted.[13] Based on the sample analysis, the OIG team estimated that VHA did not initiate debt notices to at least 1,100 employees who did not fulfill their incentive service agreements during the review period of fiscal years (FYs) 2020 through 2023.[14] As a result, VHA paid an estimated $17.5 million over those four years for the breached portion of the service obligations.[15]

This occurred because VA and VHA did not take sufficient steps to sustain corrective actions or enforce VA guidance for the oversight of incentives and the initiation of debt collection for breached service obligations. Additionally, HR Smart controls allowed human resources staff to process personnel actions, even when service agreements would be breached.[16] Manual data entry errors of the initial incentive information also nullified those HR Smart controls and associated notifications. Last, controls that were meant to protect sensitive employee information limited access to employee records, so VISN human resources officials could not determine whether action was taken to terminate an incentive or initiate a debt notice when an individual transferred out of their network.

What the OIG Did

VHA awarded incentives to an estimated 134,000 employees who worked at a VA medical facility or a VISN during FYs 2020 through 2023. During the previous audit, the team assessed a sample of records for 244 VHA employees who received a recruitment, relocation, or retention incentive payment during the same period. Within that sample, the team identified 25 VHA employees who did not complete their service obligations and were paid in annual installments,

[13] VA Handbook 5007, part VI, chap. 2 and 3.

[14] For details about the review's scope and methodology, please see appendix A. Appendix B provides more information on the statistical methodology.

[15] The OIG questioned these costs because VA did not provide evidence that VISN human resources staff took appropriate action to initiate debt notices, as required. For more information about monetary benefits, please see appendix C.

[16] 5 U.S.C. § 2302 defines a personnel action as any change that affects an employee's appointment, compensation, performance evaluation, or other significant change in their duties, responsibilities, or working conditions. Examples also include reassignment, change of duty station, retirement, resignation, and termination, among others.

received an advance lump sum, or were missing documentation that prevented the audit team from being able to determine the payment method.[17]

The OIG team analyzed the records of these 25 VHA employees and assessed whether responsible officials took the required steps to initiate a debt notice. The team also interviewed and verified results with responsible officials from VA's Office of Human Resources and Administration/Operations, Security, and Preparedness (HRA/OSP), VA's Financial Services Center, VHA's Workforce Management and Consulting (WMC) Office, VISN quality assurance teams, and VISN human resources personnel. This coordination occurred from August 2024 through July 2025 and addressed the results identified in this report.

Initiating Debt Notices for Employees Who Did Not Fulfill Service Obligations

When an employee leaves the designated position before fulfilling their incentive service obligation, even if the employee remains with VHA, VA policy requires them to repay the amount received for the unfulfilled portion of the agreement unless a waiver is approved. Responsible VISN human resources officials must take appropriate action to collect the payment or submit the overpayment determination for debt billing and collection.[18]

VISN human resources office staff could not consistently provide the OIG team with evidence that the debt notice process was initiated for employees who breached an incentive service agreement. The audit team provided the list of 25 employees to the responsible VISN human resources officials to review and determine whether the employees should have been issued a debt notice. Based on the available evidence, the OIG team determined that 17 employees should have been issued a debt.[19] The breach of service obligation periods—the time the employee was no longer eligible for the incentive—ranged from about 12 days to 29 months. From the sample results, the team used statistical methods to estimate that VHA failed to initiate debt notices to at least 1,100 employees who worked at a VA medical facility or a VISN during FYs 2020 through 2023 who transferred out of the network or left VA before fulfilling their obligations. As a result, VHA paid an estimated $17.5 million over those four years for the breached portion of the incentive service obligations.

[17] Annual (or biannual) installment payments are typically paid up to four years. A lump sum payment is a onetime payment, typically at the beginning or end of a one-year service agreement. For this report, the OIG team focused on these payment types because the money had already been paid to the employees, and so VA was at a higher risk for overpaying if a service agreement was breached.

[18] VA Handbook 5007, part VI, chap. 2, 3, and app. P.

[19] If action had been taken, OIG auditors would have seen evidence in the personnel records. The inaction was confirmed by VISN human resources staff who agreed that they should have initiated the debt notice but had not. OIG auditors also corroborated the lack of debt notices with the Financial Services Center (via leave and earning statement data), the Defense Finance and Accounting Service that provides VA payroll services (noting the lack of debt letters), and ultimately with the Workforce Management and Consulting Office.

Example 1 illustrates an employee who breached their service obligation and was not issued a debt notice until the OIG team alerted the appropriate VISN human resources official in August 2024.

Example 1

A VISN 12 recruitment incentive paid an employee a lump sum of $38,156 in April 2022 and included a two-year service agreement. Personnel files show that the employee left VA in October 2022.[20] *However, according to a VHA official, the debt notice was never initiated to collect the amount for the breached portion of the agreement, totaling $28,615 (75 percent), which was one of the largest amounts owed by an employee in the review sample. VISN officials initiated a debt notice for the employee after the OIG team notified them of the service agreement breach.*

The OIG concluded that VISN human resources officials were not properly identifying and enforcing service obligation requirements.[21]

HR Smart Controls to Process Personnel Actions

In response to the OIG's 2017 report, HRA/OSP updated VA policy to establish internal controls and improve oversight of incentives.[22] This included requiring each VA administration and staff office to monitor compliance with initiating debt collection for employees who did not fulfill the service obligations. However, the results of the June 2025 OIG audit and this review indicate that VHA did not take sufficient steps to sustain or enforce updated guidance.[23]

As part of its corrective actions in response to the 2017 OIG report, HRA/OSP also modified the HR Smart system to alert human resources office staff whenever they process a personnel action and the employee has an active service obligation. For example, according to VISN human resources officials, when completing an employee personnel action in HR Smart, the user should receive a pop-up notification warning that the employee has an active incentive.[24] An HRA/OSP leader provided the review team with screenshots (figures 1 and 2) showing the types of

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[20] Numbers are rounded in this example for reporting purposes.

[21] VA Handbook 5007, part VI, chap. 2 and 3.

[22] VA OIG, *Audit of VA's Recruitment, Relocation, and Retention Incentives*.

[23] VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*.

[24] 5 U.S.C. § 2302 defines personnel action as an any change that affects an employee's appointment, compensation, performance evaluation, or other significant change in their duties, responsibilities, or working conditions. Examples also include reassignment, change of duty station, retirement, resignation, and termination, among others. HR Smart, VA's personnel system of record, contains VA position and employee data, such as employee compensation and benefits.

notification alerts the VISN human resources officers may receive if an employee has an active incentive with a service obligation.

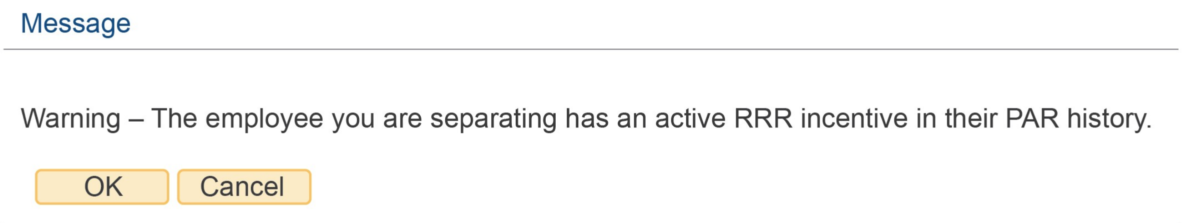

Figure 1. *HR Smart active incentive alert notification for a separating employee.*

Source: Obtained from HRA/OSP in December 2024.

Note: RRR refers to recrutiment, relocation, and retention incentives and PAR refers to personnel action request.

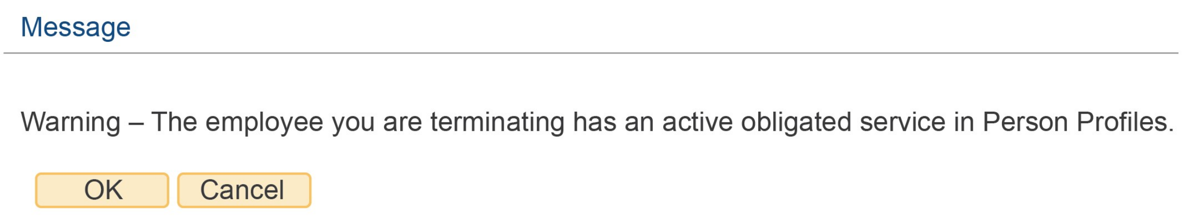

Figure 2. *HR Smart service obligation alert notification for a terminated employee.*

Source: Obtained from HRA/OSP in December 2024.

If the personnel action will result in a breached service obligation, the VISN human resources officials are required to terminate the incentive and notify the employee in writing of the termination.[25] According to VISN human resources staff, the Defense Finance and Accounting Service will request repayment from the employee for the amount owed due to the breach of their service obligation (if applicable).

The HR Smart notifications described above do not prevent VISN human resources staff from processing actions and do not require certification that the incentive was terminated. Furthermore, while HR Smart alerts a user if an employee has an active incentive or service obligation, that control depends on accurate data entry by human resources staff.[26] According to VISN human resources officials, several employees' incentives in the OIG sample were not coded correctly in HR Smart. One official said, "If the service obligation period is not entered in HR Smart, then the pop-up warning will not happen." As a result, VISN human resources

[25] VA Handbook 5007, part VI, chap. 2 and 3. As stated previously, an employee's voluntary transfer or change of position, or if the employee leaves VA, before completing the designated service period would constitute a breached service obligation.

[26] When VA awards an incentive, human resources staff manually enter data, such as the award type, dollar value, and date of the award into HR Smart.

officials were not alerted of an ongoing incentive, and the OIG team did not identify evidence, such as a debt notice or financial data, to suggest action was taken on the breach of service.

Furthermore, according to VISN human resources officials, staff did not always thoroughly review records or simply missed these breached service agreements. One official said, "Staff processing personnel actions might not be aware of the importance of the service obligation pop up that should appear when processing personnel actions." Another human resources official said, "There is no appropriate reason to not process the termination [of the incentive] once notified the employee is separating or changing positions with an existing service agreement."

VISN Human Resources Officials' Access to Employee Records

VA's internal controls also did not ensure appropriate action was taken when an employee working under a service obligation moved to a new duty station or accepted a new position within the department.

The OIG team found that VISN human resources officials did not have access to records in electronic official personnel folders or HR Smart when an employee transferred or otherwise separated from their network.[27] In these instances, the VISN human resources office that awarded the incentive could not ensure action was taken, or determine whether any subsequent action was taken, to terminate it or issue a debt notice (if applicable) after the employee transferred out of the network (and breached the service agreement). The team estimated that VISN human resources officials could not determine whether at least 92 employees met the required service obligations because they did not have access to these records.

A WMC official said restrictions are in place within HR Smart that prevent nationwide access to all personnel records and limit access to those records that are necessary for the servicing human resources office. An HRA/OSP leader stated that when an employee transfers to a new facility or VISN, the electronic official personnel folder transfers with the employee, as demonstrated in example 2.

Example 2

VISN 8 awarded an employee a $4,000 relocation incentive with a service agreement beginning in December 2019 and ending in December 2021. The employee transferred to another VISN in May 2020. VISN 8 human resources officials were unable to determine whether the incentive was terminated, and a debt notice was not initiated because they no longer had access to the employee's personnel records in HR Smart or the employee's electronic official personnel

[27] Federal agencies use the electronic official personnel folder system to maintain federal employee personnel records.

folder. After reviewing Financial Service Center data and personnel files, the OIG team concluded that a debt notice to collect around $3,000 was not initiated.

While the OIG supports VA's efforts to protect sensitive employee records, VA and VHA's responsibility to enforce service obligations and initiate the debt notice process when applicable does not cease when an employee transfers. Therefore, mechanisms are needed to ensure accountability throughout a service agreement.

WMC Personnel and VISN Officials Have Initiated Corrective Action

As of December 2025, WMC and VISN human resources officials had reviewed the incentives and service obligations for the 17 employees identified in this report and initiated debt notices to 14 of those individuals. WMC also reported that they are coordinating with VA's Office of Management, Office of Business Oversight to monitor incentives and service agreements through internal audits.

Conclusion

In this review, the OIG estimated that VHA paid $17.5 million in incentives to at least 1,100 employees who breached required service obligations in FYs 2020 through 2023. Without due diligence and effective controls, VA and VHA continue to risk paying incentives to employees who did not fulfill the service obligation. Stronger controls and monitoring could help VA use these incentives effectively to retain high-quality staff in service of the nation's veterans and prevent waste of taxpayer dollars.

Recommendations 1–4

In addition to the eight recommendations made in the June 2025 report, the OIG made the following recommendations to the under secretary for health:[28]

1. Enforce procedures for Veterans Health Administration human resources officials to monitor employee service obligations and initiate a debt notice when an employee breaches that agreement, if warranted.
2. Identify and review active incentives of Veterans Health Administration employees who transferred within or left VA and take action, if appropriate.
3. Establish enhanced internal controls to ensure compliance with the law on recruitment, relocation, and retention incentives and take appropriate action when

[28] VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*. The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

an employee with an active service obligation transfers within the Veterans Health Administration.

4. Complete the evaluation of the incentives awarded to the employees identified in this report who may not have fulfilled their service obligations, determine whether a debt was incurred, and take any appropriate action.

VA Management Comments

The acting under secretary for health concurred with recommendations 1 through 4 and provided corrective action plans. The acting under secretary said that VHA continues to partner with VA's Office of Business Oversight to monitor and correct incentives and personnel records that are found to be noncompliant and has been actively auditing and recouping funds that were paid in error. He further stated that VHA formally identified roles in the review process in April 2025 and continues to develop internal guidance to monitor service obligations and initiate a debt notice when an employee breaches the agreement.

In response to recommendations 1 and 3, VHA will develop a plan to address process failures in HR Smart and set internal guidance to ensure human resources officials monitor service obligations and initiate a debt notice when necessary. VHA will also establish quarterly monitoring with a target goal of 90 percent compliance with VA policy.

Regarding recommendation 2, VHA will identify and review active incentives from FYs 2024 and 2025 for employees who transferred within or left VA and take action, if appropriate. For recommendation 4, the acting under secretary stated that WMC reviewed the 17 employees identified in this report and initiated debts for 14 cases because the breaches of incentive service agreements were substantiated. Based on these actions, the acting under secretary requested closure of recommendation 4. The full text of the management comments is provided in appendix D.

OIG Response

VHA's comments and corrective action plans are responsive to the intent of the recommendations. Regarding recommendations 1 through 3, the OIG will close the recommendations when VHA provides sufficient evidence that the action plans have been completed. Before closing recommendation 4, the OIG requested further evidence demonstrating that the debt had been collected or a waiver had been issued for each employee.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted this review from December 2024 through July 2025. The review focused on VA's controls over recruitment, relocation, and retention incentives and whether VA effectively identified Veterans Health Administration (VHA) employees who did not fulfill their incentive service obligations and, if so, initiated debt notices. The team assessed oversight of incentives by the Office of the Chief of Human Capital Officer within VA's Office of Human Resources Administration/Operations, Security, and Preparedness (HRA/OSP), VHA's Workforce Management and Consulting (WMC) Office, and VHA's Veterans Integrated Service Network (VISN) human resources staff. The team reviewed incentives paid to employees in fiscal years (FYs) 2020 through 2023 across 15 VISNs.

Methodology

To accomplish the objective, the team reviewed VA directives, policies, procedures, and other applicable guidance related to oversight of recruitment, relocation, and retention incentives. The team corresponded with responsible officials from the 15 VISNs, including officials from quality assurance and VISN human resources.[29] The team also corresponded with leaders and staff from HRA/OSP, the Financial Services Center, and WMC.

The team identified a universe of about 134,000 VHA employees who were paid a recruitment, relocation, or retention incentive in fiscal years (FYs) 2020 through 2023. For the OIG's June 2025 audit, the team reviewed a sample population of 244 recruitment, relocation, and retention incentive records from the same period (FYs 2020 through 2023).[30] Of those incentives, 184 employees were paid in annual installments, received an advanced lump sum, or were missing documentation so the audit team could not determine the payment method.[31] The team determined that 25 of those employees did not fulfill the service obligations and focused additional analysis on that subset. The team reviewed incentive forms, Standard Form 50, service obligations, leave and earning statement data, and other supporting documentation.[32]

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[29] The OIG team did not identify any employees who received a recruitment, relocation, or retention incentive but did not fulfill their service obligation and were not issued a debt notice in VISNs 1, 16, and 22.

[30] VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*, Report No. 23-01695-94, June 12, 2025.

[31] The OIG focused on these payment types because the money had already been paid to the employees, and thus these types were high risk if a service agreement was breached.

[32] The Standard Form 50 contains federal employee information such as payment data related to the incentive awarded.

Internal Controls

The review team assessed the internal controls of VA's and VHA's recruitment, relocation, and retention incentive program significant to the review objective. This included consideration of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[33] In addition, the team reviewed the principles of internal controls as associated with the objective and identified three components and four principles as significant.[34] The team proposed recommendations to address control deficiencies pertaining to control environment, control activities, and monitoring.

Data Reliability

The OIG used computer-processed data from VHA Support Service Center capital assets, a web-based project application and tracking database, and assessed the reliability of the data used to support findings, conclusions, or recommendations related to the review objective. Specifically, the team used these data to identify VHA employees who received incentive payments during the review period (FYs 2020 through 2023). To assess the reliability of these data, the team tested payroll data from various employee occupations and incentive types by comparing them to data points in HR Smart. To verify the likelihood that the payroll transactions were associated with an incentive award, the team also compared the data from VHA Support Service Center capital assets to recruitment, relocation, and retention data obtained from employees' Standard Form 50 Notification of Personnel Action. Based on the results from testing data points such as effective dates and incentive types, the team did not have any concerns with data reliability. Therefore, the team concluded that the data obtained from the database were sufficiently reliable to support the review objectives, conclusions, and recommendations.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

[33] Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

[34] Since the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that may have existed at the time of this review.

Appendix B: Statistical Sampling Methodology

Approach

The team reviewed a statistical sample of recruitment, relocation, and retention incentive awards that were paid to Veterans Health Administration (VHA) employees from fiscal year (FY) 2020 through FY 2023 (the review period). The team used statistical sampling to quantify the incentives that were not effectively governed by VA and VHA.

Population

The team used VHA Support Service Center capital assets to obtain a list of employees who were paid a recruitment, relocation, or retention incentive during the review period. From this, the team identified a review population of 134,320 VHA employees who were paid an incentive. However, based on sampling results (described below), the team determined that some of these employees were out of scope because the Veterans Integrated Service Network (VISN) and the facility location were not identified in the data. The team estimates that the actual population included 129,720 unique employees.

Sampling Design

During the June 2025 audit, the VA Office of Inspector General (OIG) selected a statistical sample of 259 employees, which was also used for this review's analysis.[35] Of those, 244 employees were within this review's scope. The sample was stratified by incentive type. For each incentive type, employees were selected with probability proportional to the total dollar amount received during the review period. This dollar amount could potentially pertain to more than one award for the employee. If these cases were identified, because one award might be supported while the other might not, the team reviewed the awards separately for possible errors.

The employees were selected systematically, with the sampling frame (the list of employees in the review population) sorted by VISN. In this way, the team was able to ensure representation of employees from each VISN in the sample. However, for VISNs with smaller values of monetary amounts awarded, systematic sampling would not guarantee the selection of any of their employees into the sample. Therefore, each of these VISNs were separated into their own substratum for sampling. A single employee was then selected from each of these VISNs.

[35] VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*, Report No. 23-01695-94, June 12, 2025.

For the FYs 2020 through 2022 data, a sample of 58 employees was selected for each incentive type. Any employee deemed “out of scope” of the review was replaced with another employee to ensure that a total of 58 in-scope employees were selected.

For FY 2023 data, the sample size varied for the different incentive types: 25 employees were selected for review of recruitment incentives, 10 employees were selected for review of relocation incentives, and 35 employees were selected for review of retention incentives. For the FY 2023 sample, all the selected employees were in scope.

Projections

The following tables present projections from the sample results, including the estimate and the margin of error. Tables B.1 and B.2 include a one-sided 90 percent confidence interval lower limit. Table B.3 includes the upper and lower limits of a two-sided 90 percent confidence interval.

Table B.1 summarizes the statistical projection for the estimated count of employees who were not issued a debt notice when they failed to fulfill their obligated service period.

Table B.1. Statistical Projections Summary for Employees for Whom No Debt Notice Was Issued, with a One-Sided 90 Percent Confidence Interval*

Estimate name	Estimate number	Margin of error	Lower limit	Sample size	Sample count
No debt notice issued	2,107	958	1,150‡	259	17

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

** Because the margin of error for this estimate is large relative to the estimated value itself, a one-sided lower bound (instead of the standard two-sided interval) is reported as a conservative estimate of the number of employees who were not issued debt notices when they did not fulfill their service obligation.*

‡ The statistical estimate was 1,149.764 (a noninteger, based on the underlying assumption of a normal sampling distribution). Therefore, the lower limit was reported as 1,150 within table B.1 because it was rounded to the nearest integer. However, for reporting purposes, because OIG guidelines round to the nearest hundred, the OIG reported a minimum of 1,100 employees who were not issued a debt notice when required.

Table B.2 summarizes the statistical projection for the estimated count of employees for whom VISN human resources officials did not have access to supporting documentation once the employees left VA or transferred to another VISN.

Table B.2. Statistical Projections Summary for Employees for Whom Information Was Not Readily Available, with a One-Sided 90 Percent Confidence Interval*

Estimate name	Estimate number	Margin of error	Lower limit	Sample size	Sample count
Employees' information not readily available	418	326	92	259	7

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

** Because the margin of error for this estimate is large relative to the estimated value itself, a one-sided lower bound (instead of the standard two-sided interval) is reported as a conservative estimate of the number of employees whose information was not readily available.*

Table B.3 summarizes the statistical projection for the estimated dollar value of payments made to employees who did not fulfill their service obligation and were not issued a debt notice. Specifically, this dollar amount consists of payments that should have been converted to debt. For example, if an employee met half of their service agreement, only half of the employee's incentive payments would be included in this estimated sum, since the other half of the payment is legitimate based on the employee's partial service.

Table B.3. Statistical Projections Summary for Incentive Payments to Employees That Should Have, But Did Not, Result in Debt, with a Two-Sided 90 Percent Confidence Interval*

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Dollar value of incentives paid to employees who were not issued debt notices when warranted	$17,511,510	$11,300,596	$9,543,848	$32,145,040	259	16

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

** The OIG team used a bootstrapping statistical method for estimating this total based on skewed data. The advantage of this method is that it accounts for the skew, resulting in intervals that appropriately account for uncertainty associated with limited information on large dollar values, relative to smaller dollar values, in the sample. Based on the method by which bootstrapped intervals are constructed, the margin of error cannot be simply subtracted from or added to the estimate to calculate the lower and upper limits, respectively.*

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs[36]
1–4	The team's analysis of VHA's recruitment, relocation, and retention incentive data showed that VHA paid an estimated $17.5 million during FYs 2020–2023 attributable to the breached portion of employees' incentive service obligations without initiating debt notices.	$0	$17,511,510
	Total	**$0**	**$17,511,510**

[36] The OIG questions costs when VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; when costs are not supported by adequate documentation; or when they are expended for purposes that are unnecessary or unreasonable under governing authorities. Within questioned costs, the OIG must, as required by section 405 of the IG Act, report unsupported costs. Unsupported costs are those determined by the OIG to lack adequate documentation at the time of the review. Therefore, the OIG questions all $17.5 million because VA did not provide evidence that VISN human resources staff abided by policy and took appropriate action to initiate debt when required. In fact, inaction was corroborated by VISN and WMC officials and through OIG checks of payroll and personnel data.

Appendix D: VA Management Comments, Acting Under Secretary for Health

Department of Veterans Affairs Memorandum

Date: September 2, 2025

From: Acting Under Secretary for Health (10)

Subj: Office of Inspector General Report, Department of Veterans Affairs Did Not Initiate Debt Notices for Veterans Health Administration Employees Who Did Not Fulfill Recruitment, Relocation, and Retention Incentive Service Obligations (VIEWS 13562130)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) draft report. The Veterans Health Administration (VHA) Workforce Management and Consulting office initiated corrective action on all cases referred by the OIG, to include terminating incentives where appropriate and initiating the debt process, as necessary.

2. VHA continues to partner with the Department of Veteran Affairs' Office of Business Oversight to monitor and correct incentives and personnel records that are found to be non-compliant. VHA has been actively auditing for over a year and has successfully recouped funds that were paid in error. In addition, VHA formally identified roles in the service obligation review process with the approval of a process map in April 2025 and continues to develop internal guidance to ensure human resources officials monitor service obligations and initiate a debt notice when an employee breaches the agreement.

The OIG removed point of contact information prior to publication.

(Original signed by)

Steven L. Lieberman, MD, MBA, FACHE

Attachment

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan

OIG Draft Report – VA Did Not Initiate Debt Notices For VHA Employees Who Did Not Fulfill Recruitment, Relocation, and Retention Incentive Service Obligations (2025-00631-AE-0032)

Recommendation 1: Enforce procedures for Veterans Health Administration human resources officials to monitor employee service obligations and initiate a debt notice when an employee breaches that agreement, if warranted.

VHA Comments: Concur. VHA will develop a plan to address process failures in the Human Resources (HR) Smart system. VHA will develop internal guidance to ensure human resources officials monitor service obligations and initiate a debt notice when an employee breaches the agreement. VHA will establish quarterly monitoring with a target goal of 90% compliance with VA policy and guidance.

Status: In-Progress

Target Completion Date: December 2025

Recommendation 2: Identify and review active incentives of Veterans Health Administration employees who transferred within or left VA and take action, if appropriate.

VHA Comments: Concur. VHA will identify and review fiscal year (FY) 2024 and FY 2025 active incentives of VHA employees who transferred within or left the Department of Veterans Affairs (VA) and take action, if appropriate.

Status: In-Progress

Target Completion Date: December 2025

Recommendation 3: Establish enhanced internal controls to ensure compliance with the law on recruitment, relocation, and retention incentives and take appropriate action when an employee with an active service obligation transfers within the Veterans Health Administration.

VHA Comments: Concur. VHA will develop a plan to address process failures in the HR Smart system. The development of the plan is dependent on system capabilities and funding, and will include employee notification of the service obligation, if possible. VHA will develop internal guidance to ensure human resources officials monitor service obligations and initiate a debt notice when an employee breaches the agreement. VHA will establish quarterly monitoring with a target goal of 90% compliance with VA policy and guidance.

Status: In-Progress

Target Completion Date: December 2025

Recommendation 4: Complete the evaluation of the incentives awarded to the employees identified in this report who may not have fulfilled their service obligations, determine whether a debt was incurred, and take any appropriate action.

VHA Comments: Concur. VHA Workforce Management and Consulting Office reviewed the 17 referred employees. Debts have been initiated for 14 cases, as breaches of the incentive service agreements were substantiated. VHA considers this recommendation fully implemented and requests closure based on the evidence provided.

Status: Complete

Target Completion Date: August 2025

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Review Team	Shawn Steele, Director Chris Carrera Scott Godin Elaina Parman LeAnne Weakley
Other Contributors	Kendal Ferguson Victor Rhee Jill Russell Rashiya Washington

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