US DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Audit of VHA's Education Debt Reduction Program

Audit | **25-03991-177** | **November 12, 2026**



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Executive Summary

The VA Office of Inspector General (OIG) conducted this audit to determine whether the Veterans Health Administration (VHA) effectively administered the Education Debt Reduction Program for healthcare positions. VHA uses the Education Debt Reduction Program to help recruit and retain healthcare professionals in hard-to-fill occupations, under the authority of 38 U.S.C. §§ 7681–7683. As set forth in the MISSION Act, the program repays qualifying student loan debt up to $200,000 ($40,000 each year for up to five years) tax-free per employee.[1] From fiscal year (FY) 2023 through FY 2025, VHA's financial data showed program payments to about 15,000 employees, totaling around $445 million.

The audit team analyzed a sample of records for employees who received tuition reimbursements from October 1, 2022, through November 1, 2025. The team examined whether processes related to participant eligibility and student loan debt reimbursement complied with applicable laws and VHA policy. The OIG found that VHA had established a framework for requirements and methods of processing actions in the program and that program participants were generally eligible, despite isolated errors. However, VHA lacked requirements to maintain evidence of employee service and performance before making payments, and VHA leaders reported challenges reconciling program funds.

During the audit, on May 1, 2026, the under secretary for health launched an initiative to modernize VHA's structure to deliver "a more consistent, unified experience for Veterans" across the nation.[2] That same month, the team discussed preliminary findings and recommendations with senior VHA leaders responsible for the Education Debt Reduction Program. VHA leaders agreed there were opportunities to improve governance of the program and to address challenges in reconciling program funds.

What the Audit Found

Overall, the OIG found that VHA's Education Loan Repayment Services (ELRS) processed 95 of 109 sampled applications according to the program procedures required by VHA Handbook 1021.01 and VHA's *Records Control Schedule 10-1*.[3] While the number of correctly processed applications was high, the team noted areas of risk VHA could address to improve accuracy and program governance. Regarding eligibility, the team found isolated errors in maintaining documentation, determining eligibility, and approving education loans other than

[1] VA Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act of 2018, Pub. L. No. 115–182, 132 Stat. 1393.

[2] Office of the Under Secretary for Health, email message to VHA staff, May 1, 2026.

[3] VHA Handbook 1021.01, *Education Debt Reduction Program Procedures*, May 31, 2012; VHA, *Records Control Schedule 10-1*, January 2021.

those that qualified the participant for their position. The OIG classified about $160,400 in reimbursements as questioned costs, including around $63,500 in improper payments. Appendix B presents the questioned costs associated with this audit.

For employees already in the program to be reimbursed, Handbook 1021.01 and VHA Directive 1021 require them to provide proof of payment to a lender, complete 12 months of service, and maintain acceptable performance levels.[4] However, the team could not verify whether 36 sampled employees met service and performance requirements because policies and procedures did not require ELRS or coordinators in the field to maintain these records.

Last, the team found VHA had challenges reconciling program funds for each participant annually—a process meant to ensure financial integrity and accountability and maintain compliance with Office of Management and Budget Circular A-123, which deals with management's responsibility for enterprise risk management and internal control.[5] During the audit, officials at VHA's Workforce Management and Consulting Office expressed their concern over $24.3 million in program funds from FY 2023 through FY 2025 that remained unreconciled. Strengthening reconciliation controls would improve accountability over program expenditures and help VHA to accurately locate and determine the status of program funds.

Overall, improving governance and accountability would also help VHA more effectively safeguard taxpayer funds when reimbursing eligible staff who provide health care to veterans. VHA concurred with the OIG's two recommendations to update VHA procedures to identify and maintain critical documents related to the Education Debt Reduction Program and effectively reconcile program funds to improve accountability for taxpayer dollars.

Next Steps

The OIG will monitor VHA's corrective actions and will close the recommendations once VHA provides sufficient evidence that it has strengthened its oversight of the Education Debt Reduction Program and addressed the risks identified in this report.



LEIGH ANN SEARIGHT
Acting Assistant Inspector General
for Audits and Evaluations

[4] VHA Handbook 1021.01; VHA Directive 1021, *Education Debt Reduction Program*, May 31, 2012.

[5] Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016.

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Abbreviations

ELRS	Education Loan Repayment Services
FY	fiscal year
OIG	Office of Inspector General
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

Introduction

The VA Office of Inspector General (OIG) conducted this audit to determine whether the Veterans Health Administration (VHA) effectively administered the Education Debt Reduction Program for healthcare positions. As of February 2026, VHA had committed around $1.2 billion for current participants in this program—representing the maximum potential expenditure if all participants were reimbursed their approved amount. Previous OIG reports found that VA did not effectively govern the use of other types of incentive programs, such as critical skill incentives and recruitment, relocation, and retention incentives.[6]

The findings and recommendations of this audit address similar risks and aim to help VHA more effectively safeguard funds when reimbursing education loan debt for eligible clinical staff, improve governance and accountability of the Education Debt Reduction Program, and reduce waste and abuse of taxpayer dollars.

Under the authority of 38 U.S.C. §§ 7681–7683, VHA established the Education Debt Reduction Program in May 2002 to help recruit and retain healthcare professionals in hard-to-fill occupations. As set forth in the VA MISSION Act of 2018, the program repays qualifying student loan debt up to $200,000 ($40,000 each year for up to five years) tax-free per employee.[7] According to VHA Directive 1021 (VHA's policy for the program), participants can receive reimbursement for costs related to a course of education or training that led to a degree that was required, used, or qualified them for their position. The program's procedures (outlined in VHA Handbook 1021.01) say that, to be eligible for this program, an employee must

- be in a clinical occupation or an occupation that directly affects clinical care,
- owe any amount of principal and interest under a qualifying loan, and
- be in an occupation identified on their local list of eligible positions and classified under Title 38 or Hybrid Title 38 under 38 U.S.C. § 7401, which permits the VA Secretary to hire staff necessary for the health care of veterans.[8]

[6] VA OIG, *VA Improperly Awarded $10.8 Million in Incentives to Central Office Senior Executives*, Report No. 23-03773-169, May 9, 2024; VA OIG, *Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight*, Report No. 23-01695-94, June 12, 2025; VA OIG, *Supplemental Review of VHA Recruitment, Relocation, and Retention Incentive Service Obligations*, Report No. 25-00631-211, January 13, 2026.

[7] VA Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act of 2018, Pub. L. No. 115–182, 132 Stat. 1393.

[8] VHA Directive 1021, *Education Debt Reduction Program*, May 31, 2012; VHA Handbook 1021.01, *Education Debt Reduction Program Procedures*, May 31, 2012.

Typically, VHA reimburses participants at the end of each one-year service period for the amount paid to approved lenders. VHA advises medical facilities to strategically use the program to mitigate hiring difficulties, close staffing gaps, and reduce turnover.

According to VA's Financial Management System data, from fiscal year (FY) 2023 through FY 2025, VHA paid about 15,000 unique employees around $445 million through the program (as shown in table 1). VHA reimbursed program participants about $17,500 on average each year during that period.

Table 1. Program Payments and Participants, FYs 2023–2025

Program metrics	FY 2023	FY 2024	FY 2025	Total
Reimbursement outlays	$114 million	$136 million	$195 million	**$445 million**
Number of participants reimbursed*	6,400	7,800	11,200	—

Source: VA OIG analysis of data from VA's Financial Management System as of November 2025.

**Employees may be reimbursed over multiple years. Therefore, the number of participants for each fiscal year is not mutually exclusive, and the data in the table do not sum to the 15,000 employees referenced in the previous paragraph.*

Education Debt Reduction Program Processes

According to the program's standard operating procedures, Education Loan Repayment Services (ELRS)—which is part of VHA's Workforce Management and Consulting Office—centrally manages program compliance, develops and implements program policy, allocates funding, provides program oversight, evaluates program effectiveness, and reports key data to the under secretary for health. These data are tracked through a program portal that includes the count of new and continuing participants by occupation, the number of participants per fiscal year, and the number of participants at the national, regional, and medical facility levels. From March 2023 through September 2025, ELRS centralized the eligibility determination process by assuming the responsibility (from field-based human resources staff) to review and approve applicants.

VHA Handbook 1021.01 requires each VA medical facility to identify eligible positions for their location based on available funding and critical staffing needs. To apply for the program, an employee in a qualifying position completes an application. A field-based coordinator provides guidance and helps employees complete and submit their applications to ELRS.

After an approved participant fulfills a service period (typically 12 months), the field-based coordinator verifies proof of payment to the lender and ensures the employee completed the service period in the same position, was not in a leave-without-pay status during the service period, and maintained an acceptable level of performance. The medical facility's finance office also certifies the reimbursable amount. At the end of the service period, the participant provides supporting documentation for the amount they paid, and ELRS releases the funds to the medical

facility under a transfer of disbursement authority—a legal document that transfers the VA Secretary's authority to disburse budgetary resources to VA's three administrations (Veterans Benefits Administration, Veterans Health Administration, and National Cemetery Administration) and staff offices. Facility finance office staff use those funds to reimburse the employee.

Funding for the Education Debt Reduction Program

VHA designated funds to accomplish intended initiatives through specific purpose funds. These funds must be used for a discrete purpose, such as the Education Debt Reduction Program, and cannot be reassigned to another office or a different purpose without the approval of the Office of the Chief Financial Officer. Year-end guidance instructs Veterans Integrated Service Network (VISN) and program offices to return unused funds to VHA's Office of Finance at set times.[9]

The ELRS associate director told the OIG team that VHA finance staff and ELRS staff started using an accelerated transfer of disbursement authority process in FY 2023 to send funds to VA medical facilities, who then disburse them to employees participating in the program. Under the accelerated process, funds are sent to each facility's finance office, which holds the money until the employee completes the required service period.

Organizational Changes

During the audit, VA and VHA officials announced several structural changes. In October 2025, the then–acting under secretary for health directed the consolidation of human resources services within VHA's Workforce Management and Consulting Office.[10] In December 2025, the VA Secretary announced the intent to reorganize VHA's management structure to better define roles and make faster decisions.[11] Furthermore, on February 13, 2026, the VA Secretary issued a memorandum directing the realignment of VHA's finance functions to the VA Office of Management.[12] The assistant secretary for management and chief financial officer assumed authority and functions for overseeing all VA budget and financial management matters.

Finally, on May 1, 2026, the under secretary for health launched an initiative to modernize VHA's organizational structure, with the goal of delivering "a more consistent, unified

[9] VHA, *VHA Office of Finance Comprehensive Year-End Guidance for Veterans Health Administration*, 2025. VISNs are "regional care systems working together to better meet local healthcare needs and provide greater access to care." "Veterans Integrated Service Networks," VA.

[10] Acting under secretary for health, *Consolidation of Veterans Health Administration Human Resources (VIEWS 13806140)*, memorandum to VISN directors and VHA senior leaders, October 1, 2025.

[11] VA Secretary, email message to VA staff, December 15, 2025.

[12] VA Secretary, *Immediate Execution of Approved Realignments (VIEWS 14349115)*, memorandum to under secretaries, assistant secretaries, and other key officials, February 13, 2026.

experience for Veterans" across the nation.[13] This announcement included consolidation of VHA's 18 VISNs into five regions, with a core leadership team in place for the new structure effective that day. On July 15, 2026, the acting under secretary for health announced that the new VISNs had assumed initial operational responsibilities.[14]

[13] Office of the Under Secretary for Health, email message to VHA staff, May 1, 2026.

[14] VISN references in this report reflect the organizational structure in place at the time of the OIG's audit. For more information on this initiative, visit https://digital.va.gov/rise/.

Results and Recommendations

Finding: VHA Effectively Governed the Education Debt Reduction Program but Could Improve Accountability

VHA has established a framework that sets requirements for processing applications for the Education Debt Reduction Program. The OIG team found that ELRS processed 95 of 109 sampled applications in accordance with program procedures in VHA Handbook 1021.01 and VHA's *Records Control Schedule 10-1* requirements.[15] For the remaining 14 applications, the team found isolated errors with maintaining documentation, determining program eligibility, and approving ineligible loans.

For employees already in the program to receive reimbursement, VHA Directive 1021 and Handbook 1021.01 require them to provide proof of payment to a lender, complete 12 months of service, and maintain acceptable performance levels. However, these policies and procedures do not require staff to upload related documents to the central program portal. As a result, the OIG team could not verify that 36 of the sampled employees met service and performance requirements. ELRS officials also noted difficulties in reconciling program funds at the end of each fiscal year—reporting that more than $24.3 million could not be reconciled from FYs 2023 through 2025.

VHA can strengthen program governance by making sure that staff correctly process all documentation and by establishing requirements that they collect and maintain key documents before reimbursements. VHA leaders also can enhance communication and collaboration related to monitoring program financial records. Improving governance and accountability would help VHA more effectively safeguard taxpayer funds when reimbursing eligible staff who provide health care to veterans.

What the OIG Did

The team assessed a sample of records for 109 VHA employees who received Education Debt Reduction Program reimbursements from October 1, 2022, through November 1, 2025. To evaluate whether the reimbursements complied with applicable laws and VHA policy, the team reviewed participant program records. Additionally, the team evaluated the program's annual reconciliation documentation. The team also communicated with VHA staff and leaders from ELRS, the Office of Finance, the Finance and Business Operations Service, VISN human resources and finance offices, and medical facility fiscal service offices. Appendix A further discusses the audit's scope and methodology.

[15] VHA, *Records Control Schedule 10-1*, January 2021.

Assessment of Employee Eligibility

According to VHA Handbook 1021.01, an employee's application package must include documents such as their acceptance of conditions (which outlines the award amount and service period), loan verification forms, and transcripts. These documents are necessary to support an employee's eligibility for the program and reimbursement. VHA's *Records Control Schedule 10-1* requires that ELRS maintains program records for a minimum of six years and three months after an employee completes the service period. Overall, the OIG team found that ELRS processed 95 of 109 sampled applications in accordance with these requirements.

For the 14 applications that were not correctly processed, the OIG team identified three primary issues:

1. ELRS did not maintain documents for three employees who received incentive payments. Adequate documentation is important for VHA to verify participants' program eligibility. After the team shared these results with ELRS, staff obtained missing transcripts for two of the three participants. For the third employee, ELRS officials said the employee's attestation of the medical school start date was sufficient documentation. The audit team questioned around $96,900 associated with the third employee because ELRS could not provide the required documentation.
2. Another of the sampled participants was not eligible for the program. Although the employee's occupation was coded as "staff pharmacist," the individual served in an administrative position that was not authorized for education reimbursement. ELRS officials acknowledged the error in January 2026. During the audit period, this participant received around $63,500 in student loan reimbursements, which the OIG considers improper payments. An ELRS official told the OIG team in March 2026 that ELRS would honor the reimbursement offer to retain the employee and no additional action would be taken. The employee was still active in the program as of June 2026.
3. The remaining 10 program participants were initially approved to receive reimbursements for education loans that did not qualify them for their position, in conflict with 38 U.S.C. §§ 7682–7683. In response to the OIG's finding, an ELRS official said they would correct the approved amounts for four participants to include only eligible loans. For another, ELRS said they unsuccessfully attempted to contact the former employee for additional documentation. For the remaining five participants, the OIG team found that corrections were unnecessary because the cumulative reimbursements VHA provided the employees did not exceed the value of their eligible loans. However, the team has included these eligibility determination errors for VHA's awareness of the potential risk and consideration of whether action is warranted.

The Inspector General Act of 1978 requires inspectors general to report monetary benefits, including questioned costs, in their semiannual reports to Congress.[16] Questioned costs include expenditures lacking required or adequate supporting documentation. Because VHA could not provide required documents for one employee and another employee was deemed ineligible, the OIG must classify about $160,400 as questioned costs, including about $63,500 in improper payments. Appendix B presents the questioned costs associated with this audit.

Support for Education Debt Reimbursements

Field-based coordinators must verify that participants have met three conditions before payments are made: they provided VHA proof of payment to the lender, completed 12 months of paid service, and maintained an acceptable level of performance. The OIG team found that VHA maintained proof of payment for all sampled participants. However, the team could not determine whether VHA verified that participants met service, performance, and conduct requirements because VHA policies and procedures do not require ELRS or field-based coordinators to maintain these records. Based on a review of the program portal and confirmation through field-based coordinators, the team found that program records lacked one or more of these documents for 36 of 109 sampled employees.

While not explicitly required by policy, participants also may complete an annual questionnaire that allows them to declare, among other information, that they had not taken unpaid leave or had performance or conduct issues during their service period. To provide a fair and comprehensive assessment, the OIG team sought these questionnaires for the 36 participants who lacked documentation related to service and performance requirements. The team found that 21 of 36 employees had a self-declaration (by way of this questionnaire) on record.

Nevertheless, by not requiring a complete record of these items, VHA risks improperly reimbursing employees who may not have met the requirements of the service obligation. In turn, VHA risks wasting taxpayer dollars.

The OIG's first recommendation calls on VHA to evaluate the full Education Debt Reduction Program process and update, as necessary, procedures to identify and maintain the documents needed to verify and support participants' eligibility and reimbursement.

Reconciliation of Education Debt Reduction Program Funds

VHA officials reported implementing an accelerated transfer of disbursement authority process in FY 2023 to send funding in advance to medical facilities so they could reimburse program participants at the end of their service periods. ELRS officials and VHA finance staff at various levels told the audit team that a facility may have excess program funds if a participant resigns

[16] Inspector General (IG) Act of 1978, 5 U.S.C. § 405.

before completing their service period or pays the lender less than the amount approved during the application process. Unused funds are supposed to be returned to ELRS and ultimately the VHA Office of Finance at fiscal year closeout. ELRS officials said unused funds can be reallocated to other facilities to reimburse other participants.

After accelerating the transfer process, ELRS officials reported difficulties in tracking the program funds spent and returned for each participant. ELRS financial records confirmed not all unused funds were returned to VHA's Office of Finance. In particular, ELRS could not reconcile over 1,900 records from FY 2023 through FY 2025, totaling about $24.3 million. Reconciliation—the process of comparing related records to explain discrepancies and identify necessary adjustments—is an integral component of VA's system of internal controls as required by the Office of Management and Budget Circular A-123.[17] The audit team identified instances when money remained at the local facility, when facilities returned more money than was initially allocated for a participant, and when they reimbursed the participant with other funds. As shown in table 2, this resulted in about $24.3 million left unreconciled (net surplus).

Table 2. Unreconciled Records, FYs 2023–2025

Program metrics	FY 2023	FY 2024	FY 2025	Total
Unused money at the local level	$13.1 million	$6.3 million	$5.7 million	**$25.1 million**
Excess money returned to ELRS	($200,000)	($300,000)	($200,000)	**($800,000)**
Net surplus	$12.9 million	$5.9 million	$5.5 million	**$24.3 million**
Number of records with discrepancies	920	490	508	**1,918**

Source: VA OIG analysis of data provided by ELRS in December 2025.

Note: Dollar amounts are rounded.

Meanwhile, a VHA Office of Finance supervisor shared data with the audit team showing that about $19.7 million of funds from FYs 2023 through 2025 remained at medical facilities. The supervisor explained tracking returned funds is difficult because facilities send money back as one transfer (rather than a unique transfer for each participant). Consequently, neither ELRS nor VHA Office of Finance officials could fully account for the disposition of all program funds.

VHA's Office of Finance distributed "Comprehensive Year-End Guidance" each year from FYs 2023 through 2025 that instructed VISNs to return unused specific purpose funding. VHA's deputy associate chief financial officer for resource management confirmed to the audit team that unused Education Debt Reduction Program funds should be returned to the VHA Office of Finance because they are one-year money that cannot be obligated in a future year. However,

[17] VA Financial Policy, "Reconciliations," August 2024, chap. 4 in vol. 9, *General Accounting*; Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016.

those funds may stay at a facility to pay prior-year claims. If a facility cannot use the prior-year funds after a five-year period, they expire and should be returned to the VHA Office of Finance.

During the audit, Workforce Management and Consulting officials emphasized their concern over the millions of dollars in unreconciled program funds. However, the ELRS associate director told the audit team the VHA Office of Finance denied her request for a report to help track and reconcile funds.

Because ELRS is expected to reconcile program financial records each year (although there is no clearly defined responsibility at this level), increased communication and collaboration with VHA's Office of Finance is warranted to improve tracking and accountability of program funds. Strengthening financial oversight and reconciliation controls would improve transparency and accountability over program expenditures and help VHA accurately locate and identify the status of program funds.

Recommendation two is for VHA to evaluate whether ELRS should be reconciling program funds annually and improve controls as warranted.

Conclusion

Generally, the OIG team found that a sample of employees who participated in the Education Debt Reduction Program were eligible. However, VHA did not always correctly process the documentation necessary to independently verify participants' eligibility or to ensure employees satisfied leave, performance, and conduct requirements before they were reimbursed. VHA also has not fully reconciled program funds after the program office released the money to facilities, creating a risk that the distributed money may not be used for its intended purpose or reallocated to support program needs.

In May 2026, the team discussed these preliminary findings and recommendations with senior VHA leaders responsible for the program, who agreed there were opportunities to strengthen governance and address challenges in reconciling program funds. Improving governance and accountability of the program will help VHA more effectively safeguard taxpayer dollars when reimbursing eligible staff who provide health care to veterans.

Recommendations 1–2

The OIG made the following recommendations to the under secretary for health:[18]

1. Examine the full Education Debt Reduction Program process and update, as necessary, procedures to identify and maintain all critical program documents necessary to verify and support participants' eligibility and reimbursement.

[18] 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.

2. Evaluate whether the Education Loan Repayment Service should be reconciling program funds annually and, if so, improve controls to ensure accountability for taxpayer funds.

VA Management Comments

The acting under secretary for health concurred with the recommendations and said ELRS has reviewed the Education Debt Reduction Program application and reimbursement processes and implemented actions to strengthen program oversight and documentation requirements. Specifically, ELRS implemented a standardized tool to determine award amounts for applicants with consolidated loans and enhanced processing software to require supporting documentation (such as performance and conduct verification and leave usage reports) during annual reviews. Additionally, ELRS is developing additional functionality to better ensure reimbursements are limited to originally approved loans when lender changes occur. The acting under secretary also reported that Workforce Management and Consulting will coordinate with VHA's Office of Finance to determine roles, responsibilities, and controls for annually reconciling program funds and improving visibility from disbursement through payment issuance and closeout activities. VHA's full response is available in appendix C.

OIG Response

VHA's corrective action plans are responsive to the intent of the recommendations. The OIG will monitor VHA's progress in addressing the recommendations and will close them when VHA provides sufficient evidence that the action plans have been completed.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted its work from November 2025 through September 2026. The audit focused on the Veterans Health Administration's (VHA) controls over the Education Debt Reduction Program and whether VHA effectively governed the program's use for healthcare positions. The team assessed the management of the program by VHA Workforce Management and Consulting's Education Loan Repayment Services (ELRS), Veterans Integrated Service Network (VISN) human resources offices, and VISN and medical facility finance offices. The team reviewed a sample of VHA employees who received reimbursements from October 1, 2022, through November 1, 2025.

Methodology

To accomplish the objective, the team reviewed laws and VHA policies, procedures, and other applicable guidance related to the Education Debt Reduction Program. The team corresponded with officials from all VISNs, including officials from human resources, and with leaders and staff from VHA's Workforce Management and Consulting Office.

After identifying a universe of about 15,000 VHA employees who were reimbursed under the program during the review period, the team selected and reviewed a statistical sample of 109 employee records. Records included employee applications, acceptance of conditions, loan verification forms, transcripts, and other supporting documentation.

The team also reviewed ELRS's reconciliation documentation to determine whether excess funds were returned to VHA's Office of Finance.

Internal Controls

The team assessed internal controls to determine whether they were significant to the audit objective. This included consideration of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[19] In addition, the team reviewed the principles of internal controls as associated with the objective and identified two components and three principles as significant. Because the audit was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that could have existed at the time of this audit.

[19] Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-25-107721, May 2025.

The team identified internal control deficiencies during this audit and proposed recommendations to address those listed in table A.1.

Table A.1. VA OIG Analysis of Internal Control Components and Principles Identified as Significant

Component	Principle	Deficiency identified by this audit
Information and communication	13. Uses quality information	VHA did not require certain documentation to be obtained and maintained to verify participants' compliance before reimbursement.
Monitoring	16. Performs monitoring activities	VHA internal communication did not make sure financial information is shared across the administration to enable managers and staff to monitor program funds.

Source: VA OIG analysis of internal control components and principles consistent with the Government Accountability Office's Standards for Internal Control in the Federal Government.

Data Reliability

The Financial Management System is a VA-customized mainframe system that automates and integrates VA's accounting systems. The OIG team used data from this system to establish the universe of VHA employees who were reimbursed from October 1, 2022, through November 1, 2025.

To test the reliability of the data, the team assessed employee records by comparing data points to the data in two other systems: HR Smart and the Invoice Payment Processing System. The Invoice Payment Processing System creates payment transactions that flow to the Financial Management System. The team reviewed participants' names, participants' identification numbers, facility numbers, payment-related dates, and amounts reimbursed. The team found these data were sufficiently reliable to develop the findings, conclusions, and recommendations of this report.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards.[20] Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

[20] Government Accountability Office, *Government Auditing Standards 2018 Revision*, GAO-21-368G, April 2021.

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

Recommendation	Explanation of benefits	Better use of funds	Questioned costs*
1	The Veterans Health Administration (VHA) did not fully support reimbursements paid to VHA employees.	$0	$96,861
1	VHA reimbursed an ineligible employee.‡	$0	$63,542
	Total	**$0**	**$160,403**

** 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 audit. Of the $160,403 in questioned costs, $96,861 were unsupported costs.*

‡ Office of Management and Budget, "Intentional vs. Unintentional Monetary Loss IP," sec. I.A.1.a in app. C to Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Unintentional monetary loss improper payments are overpayments that are accidental in nature because at the time of the payment the program was unaware that the payment is an overpayment and the recipient has also not purposefully falsified information for gain. The $63,542 would technically be considered improper payments because the employee was ineligible to receive reimbursements.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: October 15, 2026

From: Acting Under Secretary for Health (10)

Subj: Office of Inspector General (OIG) Report, Audit of VHA's Education Debt Reduction Program (VIEWS 15313970).

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

1. Thank you for the opportunity to review and comment on OIG's Audit of VHA's Education Debt Reduction Program. The Veterans Health Administration (VHA) concurs with the recommendations made to the Under Secretary for Health and provides an action plan in the attachment.

2. VHA greatly values the OIG's assistance in ensuring that all stakeholders are unified in supporting VHA's vision of providing all Veterans with access to the highest quality care. Your collaboration is instrumental in helping us achieve our commitment to excellence in health care services for Veterans.

The OIG removed point of contact information prior to publication.

(Original signed by)

John Figueroa

Attachment

Attachment

VETERANS HEALTH ADMINISTRATION (VHA) Action Plan
OIG Draft Report – Audit of VHA's Education Debt Reduction Program
(OIG Project Number 2025-03991-AE-0158)

Recommendation 1: Examine the full Education Debt Reduction Program process and update, as necessary, procedures to identify and maintain all critical program documents necessary to verify and support participants' eligibility and reimbursement.

VHA Comments: Concur. VHA Education Loan Repayment Services (ELRS) has reviewed the application process and has implemented a standardized tool for determining award amounts for those applicants that have consolidated loans ensuring only those qualifying loans are considered for reimbursement. ELRS has reviewed the annual reimbursement process and has developed a software enhancement to the workflow processing system that will require upload of supporting documentation during the annual review process to include the participant's performance and conduct verification via the Education Debt Reduction Program (EDRP) Appendix L and a copy of the Leave Used Summary report. An additional enhancement currently in development will strengthen the program's ability to ensure reimbursement is for the originally awarded loans, even when lender changes occur.

Status: In-Progress **Target Completion Date:** March 2027

Recommendation 2: Evaluate whether the Education Loan Repayment Service should be reconciling program funds annually and, if so, improve controls to ensure accountability for taxpayer funds.

VHA Comments: Concur. Workforce Management and Consulting will work with VHA Finance to determine roles and responsibilities for reconciling program funds annually, including identifying appropriate controls to ensure ELRS has the visibility required to properly reconcile national EDRP specific purpose funding. Controls include visibility of funds from disbursement through facility payment issuance to each participant and the placement of any identified surplus funding that may occur due to the accelerated Transfer of Disbursing Authority (TDA) process. There are currently three different processes for EDRP disbursements. (1) Funds for the exact reimbursement due a participant are disbursed to the facility after the annual review is completed and the proofs of payment provided. (2) The accelerated TDA process requires ELRS to send the maximum award amount possible to facilities prior to the end of a participant's service period, which is when the annual review validating their eligibility for reimbursement payment is completed and proof of payment provided. (3) During the closeout process, any identified field surplus or need, due to the accelerated TDA, is routed through VISN CFOs directly to VHA Finance. As the closeout TDAs pass through the program office's account, the staff manually updates the participant records accordingly.

Status: In-Progress **Target Completion Date:** December 2026

The text of VA's management comments is reprinted verbatim as received from the department. For accessibility, the original format of this appendix has been modified to comply with section 508 of the Rehabilitation Act of 1973, as amended.

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