

VA FINANCIAL MANAGEMENT

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VA FINANCIAL MANAGEMENT

Wednesday, May 24, 2017

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON DISABILITY ASSISTANCE
AND MEMORIAL AFFAIRS,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:00 p.m., in Room 334, Cannon House Office Building, Hon. Jack Bergman [Chairman of the Subcommittee] presiding.

Present: Representatives Bergman, Bost, Poliquin, Dunn, Arrington, Kuster, and Peters.

Also present: Representative Roe.

OPENING STATEMENT OF JACK BERGMAN, CHAIRMAN

Mr. BERGMAN. Good afternoon. This hearing will come to order. I want to welcome everyone to today's hearing.

Earlier today, we had the opportunity to hear from Secretary Shulkin about the administration's budget priorities for the Department of Veterans Affairs. Now, we will examine how VA actually manages the money that taxpayers provide.

Many of the numbers involved are astoundingly large and the audit speak can be confusing, but the core of the issue is very simple. The VA chief financial officer must move the right amount of money from Point A to Point B at the right time. The CFO must have strong internal controls, effective employees, and IT systems that work in order to accomplish that.

We will hear about VA's fiscal year 2016 financial report and the officer of the Inspector General will present its audit of those financial statements.

OIG and the Government Accountability Office will explain their work on the troubling issue of improper payments. The American Legion will also share its observations on VA's debt-collection practices.

The department has a troubling number of weaknesses and deficiencies in internal financial controls. First, persistent IT security weaknesses are, unfortunately, well known to this Committee. The financial IT systems are inadequate, obsolete, and potentially only a few years away from complete failure; however, the problems go well beyond IT. The CFO organization is weak and hobbled by fragmentation. VA struggled to account for its education, mortgage, compensation, and pension liabilities.

For years, VA has had difficulties in obligating and de-obligating funds, especially in the area of Community Care and undelivered

orders; in other words, VA has a hard time estimating how much a purchase will cost, setting aside the money when it will be needed, and then reclaiming the unspent money to use for other purposes. Billions of dollars are often tied up on the books, unavailable for the intended use. Last year, VA had about \$5.5 billion in improper payments.

An improper payment, as our fine witnesses will explain, is one that should not have been made, is the wrong amount, went to the wrong person, was made for items not received, or lacks necessary documentation.

Not all improper payments are lost, but they represent a significant amount of government waste. VA has never been able to fully comply with the Improper Payments Elimination and Recovery Act and the improper payments are forecast to continue rising.

VA deserves credit for its transparency on improper payments, but beyond transparency, I look forward to hearing a credible plan to solve the problem.

Finally, sometimes, benefits are paid out incorrectly and recouping those improper payments necessarily entails debt collection. VA's debt management center in St. Paul, Minnesota, does the work. In most instances, especially when the improper payment is through no fault of the veteran, the debt management center operates flexibly and constructively. VA policy is not to charge interest on these debts; however, after a payment is delinquent for 120 or 180 days, the law requires VA to turn it over to the Treasury for collection.

The Treasury operates much more aggressively and adds interest and fees that can be substantial. This debt-collection system must operate to the highest standard. Administrative errors have grave consequences for veterans and their beneficiaries.

In conclusion, Members of Congress and presidents of both parties have demonstrated a commitment to funding the benefits our veterans have earned. But no matter how many resources are provided, if the dollars are mismanaged or wasted, VA will not succeed in its mission.

And now, I will yield to my friend, colleague, Ranking Member Kuster for her opening remarks.

OPENING STATEMENT OF ANN KUSTER, RANKING MEMBER

Ms. KUSTER. Thank you, Mr. Chairman.

Good afternoon and welcome to the Oversight and Investigations Committee. This afternoon's hearing is an opportunity to discuss current issues facing VA financial mismanagement or management.

VA's financial management system is of critical importance to the VA, especially VA health care. The VA relies on these systems to account for the procurement of needed medical and surgical supplies, prosthetics, adaptive sports equipment, which are critical to a veteran's quality of life, and VA's extensive community-care programs that we have discussed so frequently in our Committee.

Year after year, the VA fails to fully comply with the Improper Payments Elimination and Recovery Act and year after year, this Committee struggles to ensure that the VA has the funds necessary

to provide veterans with the benefits and care that they have earned.

We know that in fiscal year 2015, \$5.5 billion in improper payments were made which went mostly to providing veterans care in the community, but this is unacceptable and we need to get this under control. I will have some questions today, however, about the definition, so we all have a common understanding of what that—how those funds were expended.

The issues facing the VA's financial management system are complex and I appreciate the opportunity to gain insight from the expert witnesses assembled today from the VA, the GAO, the IG, and The American Legion.

As you are all aware, this morning, our Committee heard from Secretary Shulkin about the VA's proposed budget. With VA's financial management challenges, I am concerned that the VA is unable to properly forecast its requirements, which contributes to VA's many challenges that we discussed in our hearing this morning.

Toward that end—toward the end of last year, the VA announced its selection of the Department of Agriculture as its Federal shared service provider. While I understand that selection of an FSSP can allow a department to better focus on its mission and replace its 50-year-old financial management system, I would like more details on the costs and implementation of this shared system and whether this will meet VA's needs going forward.

VA's IT system is the backbone of the organization. All too often, this Subcommittee discuss the lack of IT infrastructure when we are discussing the agitating factors that led to a particular crisis. The VA's partnership with the USDA seems to be a move in the right direction, but the VA's financial IT system is not the only cause, as the Chairman has mentioned, for the VA's faulty finances.

As in many other departments, the VA's chief financial officers operate under piecemeal protocols and cannot follow recommendations intended to remedy complex and expensive problems within the system.

I hope to learn more about these witnesses within the VA from our witnesses. The GAO and IG have completed multiple investigations into the VA's improper payments and financial structure; however, the VA has not always agreed with the recommendations made by the agencies and today I hope to hear about why that is.

We have been asked to pass legislation that would allow VA to enter into provider agreements and other contracts that do not require compliance with certain parts of the Federal acquisition regulations. Well, in some circumstances, this appears to be the best solution. I also know from previous hearings, that VA's failure to follow policies, its broken promises, and lack of oversight still contribute to many of VA's challenges and I am not convinced that simply passing such a legislation will solve this problem.

I look forward to the discussion ahead of us this afternoon, so we can get VA's financial management program on track so that it can support the important VA mission to get veterans the benefits, care, and support they so desperately need and deserve.

So, thank you, Chairman Bergman. I yield back the balance of my time.

Mr. BERGMAN. Thank you, Ranking Member Kuster.

I ask that all Members waive their opening remarks, as per this Committee's custom.

With that, I invite the first and only panel to the witness table. On the panel we have Ms. Laurie Park, Deputy Assistant Secretary for Finance in the VA Office of Management; she is accompanied by Mr. Mitchel Sturm, Acting Deputy Chief financial officer for VBA.

We have Ms. Beryl Davis, Director of Financial Management and Assurance for GAO.

We also have Mr. Nick Dahl, Deputy Assistant Inspector General for Audits and Evaluations; he is accompanied by Ms. Sue Schwendiman, Director of OIG's Financial Audit Division.

And we have Ms. Julie Larsen, Team Leader for Debt Management and The Pension Maintenance center The American Legion.

I ask the witnesses to please stand and raise your right hand.

[Witnesses sworn.]

Mr. BERGMAN. And let the record reflect that all witnesses have answered in the affirmative.

Ms. Park, you are now recognized for five minutes.

STATEMENT OF LAURIE PARK

Ms. PARK. Good afternoon, Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee. Thank you for the opportunity to discuss the actions the Department of Veterans Affairs is taking to improve financial management.

As the VA Deputy Assistant Secretary for Finance, I am responsible for department-wide financial management activities.

I am here today with my esteemed colleague, Mitch Sturm, Acting Deputy Chief Financial Officer for the Veterans Benefits Administration.

Over the last several years, through our improper-payment reviews, insights from the Office of Inspector General reports and detailed deep dives into root causes of audit findings, it has become clear that the foundation of our financial management practices is failing us. We have based our day-to-day acquisition and financial management process on a fragile network of systems that routinely require our workforce in the field to rely upon manual double-entry processes, complex workarounds, manual reconciliations, and procedures that cannot keep pace with current financial management requirements, set forth by the Office of Management and Budget and the Department of the Treasury.

Efforts to remediate these complex issues within our current foundation, coupled with a workforce that has not been trained in best practices has limited our progress. VA must focus on modernizing our financial management and acquisition systems, strengthening our internal controls, reengineering business processes, and investing in a trained workforce.

Recognizing these challenges, we have recruited talented financial management professionals, seasoned project managers, experienced data architects, and a strong leadership team to lead initiatives that will improve financial management at VA.

Examples of this important work include:

In October of 2016, we kicked off VA's financial management business transformation initiative. This agency top-priority, brings acquisition, financial, information technology, supply-chain, and frontline health care and benefit experts from across the department in collaborative sessions to transform the way that VA does business. This multi-year effort will standardize, integrate, and streamline financial management and acquisition processes within Department of Agriculture's shared service solution.

My office is charged with the responsibility to spearhead a new department-wide effort, the financial management training initiative, providing education to financial management and acquisition professionals across the department through a centralized and standardized curriculum. An important aspect of this initiative is the partnership between financial management and acquisition professionals, which is needed to address many of our complex challenges and support VA's financial management business transformation.

In the last ten months, we have held both, virtual web-based and in-person events where VA employees participated in a total of 71 separate classes. Two more events, one virtual and one in-person, are planned over the next nine months.

Over the past three years, VA has completed a deep-dive review of over 75 programs to identify internal control failures that result in improper payments. This led to a significant increase of VA's reported improper payments.

Currently the legislative improper payment definition includes any payment that experienced an error during the acquisition or payment process, as well as those made to the wrong person, the wrong amount, and where services were not received. This results in many payments being reported as improper, even though the government has not lost money.

Currently, we estimate about 90 percent of our \$5.5 billion in reported improper payments do not represent a loss to the government and cannot be recovered; further, about 80 percent are attributed to errors in the acquisition process, specifically in our programs providing care in the community, because a contract did not exist that followed Federal acquisition regulations.

While we are committed to recovering identified losses, VA can only collect payments that have been specifically identified during an internal review process. VA cannot collect on a projected amount of improper payments, even a loss, because the payees or documentation supporting a collection cannot be identified or created from projections.

Debt collection is also an essential part of strong financial management where VA is making improvements. VA balances Veteran debt collection with a strong sense of compassion, as well as compliance with Federal debt-collection statutes and policy. We have collaborated closely with Veterans and veteran service organizations to understand the challenges facing Veterans when a debt exists.

Our approach includes educating Veterans on strategies to avoid debt, understanding the debt-collection process, and leveraging options available when a debt is established. Even with these many

efforts, VA recognizes it has many challenges to overcome, while at the same time, providing Veterans the benefits and services that they have earned and deserve.

VA acknowledges its current challenges and audit findings in financial management that reflect a need for improved financial stewardship. We believe that the initiatives we are working on will improve VA's financial management and better serve our Veterans.

Thank you for the opportunity to appear before you today and for your continued support of Veterans. I look forward to your questions.

[THE PREPARED STATEMENT OF LAURIE PARK APPEARS IN THE APPENDIX]

Mr. BERGMAN. Okay. Thank you.

You have got to turn the microphone on first. It doesn't—it is not voice-activated.

Thank you, Ms. Park.

Ms. Davis, you are recognized.

STATEMENT OF BERYL DAVIS

Ms. DAVIS. Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee, I am pleased to be here today to discuss the issue of improper payments at both the government-wide level and at the Department of Veterans Affairs.

Improper payments remain a significant and pervasive government-wide issue. For several years, GAO has reported that the Federal government is unable to determine the full extent to which improper payments occur and reasonably assure that actions are taken to reduce them.

Since fiscal year 2003, when certain agencies began reporting improper payments, as required by law, cumulative government-wide improper payment estimates have totaled over \$1.2 trillion. For fiscal year 2016, agencies reported improper payment estimates totaling over \$144 billion, an increase of more than \$7 billion from the previous year's estimate. For the same year, the Department of Veterans Affairs reported an improper payment estimate that totaled 5.5 billion, an increase of about 500 million from the prior year. The VA improper payment error rate was 4.5 percent of related program outlays; the VA Community Care Program, reporting \$3.6 billion in improper payments; and the Purchase Long-Term Services and Support Program, reporting \$1.2 billion in improper payments accounted for about 87 percent of VA's estimated improper payments for fiscal year 2016.

These two programs also had the two highest error rates government-wide in that fiscal year with error rates of about 76 percent and 69 percent respectively.

VA has not developed improper payment estimates for all of the programs and activities it has identified as susceptible to significant improper payments. For fiscal year 2016, VA did not report improper payment estimates for four such programs. Because VA did not report estimates for these programs, its overall improper payment estimate is understated and the agency is hindered in its efforts to reduce improper payments in these programs. Strong financial management practices, including effective internal control,

are important for Federal agencies to better detect and prevent improper payments.

The VA faces significant financial management challenges. In 2015, GAO designated VA health care as a high-risk area because of concern about VA's ability to ensure its resources are being used cost-effectively and efficiently and to improve veterans' timely access to health care and to ensure the quality and safety of that care.

In addition, in VA's fiscal year 2016 agency financial report, the independent auditor cited material weaknesses and significant deficiencies in the design or operation of internal controls of our financial reporting. To reduce improper payments, VA can use root-cause analysis to identify why improper payments are occurring and to develop corrective actions.

According to VA's fiscal year 2016 agency financial report, the root cause for over three-quarters of VA's improper payments was program design or structural issues. To reduce the amount of improper payments in this area, VA stated that it will make the procurement practices more compliant with Federal acquisition regulation provisions.

In addition, to help reduce improper payments, VA can complete its implementation of GAO's recommendations. VA pays billions of dollars to millions of disabled veterans, thus, accurate claims decisions help ensure that VA is paying disability benefits only to those eligible for such benefits and in the correct amounts; however, two GAO reports have found problems with how VA processed its claims to reasonably assure the accuracy of or eligibility for the disability benefits, increasing the risk of the improper payments.

For example, in a November 2014 report, GAO found that VA had, among other things, shortcomings in its quality review practices that could reduce its ability to ensure accurate and consistent processing of disability compensation claims decisions. To date, VA has implemented six of the report's eight recommendations and expects to implement the other two this summer.

In conclusion, in light of VA's significant financial management challenges, we continue to be concerned about VA's ability to ensure its resources are being used cost-effectively and efficiently. It is critical that VA take actions to reduce improper payments, especially given that VA's payments amounts are likely to increase in fiscal year 2017.

While VA has taken several actions to prevent improper payments, further efforts are needed to help minimize the risk of improper payments across its programs.

Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee, this concludes my prepared remarks. I look forward to answering any questions you may have.

[THE PREPARED STATEMENT OF BERYL DAVIS APPEARS IN THE APPENDIX]

Mr. BERGMAN. Thank you, Ms. Davis.

Mr. Dahl, you are now recognized for five minutes.

STATEMENT OF NICK DAHL

Mr. DAHL. Mr. Chairman, Ranking Member Kuster, and Members of the Subcommittee, thank you for the opportunity to discuss our work regarding VA's financial management.

I will focus on the results of the fiscal year 2016 audit of VA's consolidated financial statements and our work related to IPERA. As mentioned, I am joined by my colleague, Sue Schwendiman.

Effective financial management is important because it enables an agency to plan, direct, monitor, and control its financial resources. The CFO Act requires the OIG to conduct an audit of VA's financial statements. We contracted with the independent public accounting firm, CliftonLarsonAllen, to perform the audit.

Although VA has received an unmodified or clean opinion on its consolidated financial statements from our contracted auditors, VA has continuously faced challenges in achieving that result. A clean opinion means that financial statements are presented fairly in all material respects, in accordance with accounting principles, generally accepted in the United States. It does not, however, mean VA easily obtained that opinion or that VA does not have internal control weaknesses.

The most recent audit of VA's financial statements identified six material weaknesses and two significant deficiencies, which was two more in total than the previous year. A material weakness is a deficiency in internal controls, such that there is a reasonable possibility a material misstatement will not be prevented or detected and corrected in a timely basis.

Three of these material weaknesses are repeated from the prior year's audit, including information technology security controls; Community Care obligations, reconciliations, and accrued expenses; and, financial reporting.

Three others were new material weaknesses; first, education benefits accrued liability. For this, CLA reported VA did not use the appropriate method to account for veterans education benefits and, therefore, did not report an estimated liability for future benefit payments until fiscal year 2016.

Second, the control environment surrounding the compensation, pension, and burial actuarial estimates. After VA's chief actuary retired, CLA noted the lack of succession planning to replace the actuary, who was responsible for calculating VA's unfunded veterans compensation and burial liability, which totaled over \$2 trillion.

Third, the CFO organizational structure for VA and the Veterans Health Administration, CLA elevated this from a significant deficiency to a material weakness and reported VA's decentralized and fragmented organizational structure for financial management and reporting did not operate in a fully integrated manner.

CLA also reported two significant deficiencies, which are deficiencies in internal controls, less severe than material weaknesses, yet important enough to merit attention by those charged with governance. First, procurement, undelivered orders, accrued expenses, and reconciliations: CLA reported issues concerning reconciliation among various procurement systems and VA's financial management system, VA's extensive use of miscellaneous obligating documents, the lack of an adequate process to validate estimated accrued expenses against payment data, and procurement issues,

such as untimely liquidation of undelivered orders or the untimely recording of contracts in FMS.

Second, VA's loan guarantee liability: CLA reported the Veterans Benefits Administration needed to revise certain model assumptions used for estimating future cash flows and determining the cost of its loan guarantees for financial reporting purposes, which led to a reduced reported liability.

Overall, CLA reported VA's legacy financial management system no longer met increasingly stringent and demanding financial management and reporting requirements. CLA made recommendations to address identified issues.

Additionally, VA is currently working with the U.S. Department of Agriculture as a shared services provider to obtain financial services.

In fiscal year 2017, VA began efforts to standardize business processes and identify changes required for this systems modernization effort.

Last week, we issued our annual determination on VA's compliance with IPERA. We reported VA did not comply with two of OMB's six IPERA requirements, specifically, that VA did not maintain a gross improper payment rate of less than 10 percent for the VA Community Care Program and the Purchased Long Term Services and Support Program, and also, VA did not meet reduction targets for six VHA programs.

We made several recommendations to agency leadership to take steps to reduce improper payment rates, achieve reduction targets, and improve improper payment estimates.

In conclusion, VA's financial management and system challenges are many and complex. VA plans to move to a shared services provider to gain access to modern technology, but VA will need strong organizational leadership and coordination or cooperation to manage this significant change.

Mr. Chairman, this concludes my statement. We would be happy to answer any questions you or other Members of the Subcommittee may have.

[THE PREPARED STATEMENT OF NICK DAHL APPEARS IN THE APPENDIX]

Mr. BERGMAN. Thank you, Mr. Dahl.

Ms. Larsen, you are now recognized for five minutes.

STATEMENT OF JULIE LARSEN

Ms. LARSEN. Chairman Bergman, Ranking Member Kuster, and distinguished Members who proudly serve on the Subcommittee, on behalf of Charles E. Schmidt, the national commander of the largest veterans service organization in the United States, representing more than two million members, it is my duty and honor to present The American Legion's position on this important issue regarding veteran debt and collection and assist the Committee in understanding the Department of Veterans Affairs debt-collection process, and highlight areas of improvement, as well as provide insight as to how The American Legion assists the veterans in these matters.

I am The American Legion subject matter expert on debt collection within the VA and work at the VA's Regional Office in St. Paul, Minnesota. There, I assist veterans who have incurred debts.

Often, these debts are being collected from VA benefits or other sources of income, such as tax refunds. Older debts are referred for collection to the U.S. Treasury Department, which will employ collection methods, such as garnishment of wages or Social Security benefits.

Once a debt is owed to the VA, the case is referred to the debt management center for collection. The DMC sends the claimant a letter detailing the reason for the debt, along with the amount due. It also provides information on repayment options and requesting a waiver and rights of appeal.

If there is no response to the letter within 30 days and the person is receiving VA benefits, the VA will recover the full amount of debt from those benefits.

In cases where an individual is not receiving VA benefits, demand letters will be sent and credit agencies are notified. Eventually, these debts will be referred to the U.S. Treasury Department for further collection action.

There are a number of ways that The American Legion tries to assist claimants. For example, we help explain the process to the claimant and inform them of their options. We will request additional information from debt management center staff to develop a repayment plan; additionally, we will contact the Regional Office staff if the debt appears to be erroneous.

I would like now to share a few case scenarios with you. A case where the daughter of a veteran incurred a sixteen-thousand-dollar overpayment, because she was incorrectly receiving death and education benefits when she was not entitled to receive both. She had applied for a waiver on time, but because her request was misplaced, the waiver was never processed. As a result, DMC garnished her entire-eight-thousand-dollar tax refund in order to recover a portion of the debt.

I later learned that the daughter had a delivery confirmation from the U.S. Postal Service, verifying that the waiver request had, indeed, been received by the VA. Fortunately, in this case, the VA granted the waiver, due to the financial hardship and the \$8,000 was later refunded.

The next case concerns a homeless female veteran who incurred a large debt after the VA removed her dependence from her benefits retroactively to 2005. Due to her homelessness, she was unable to receive the VA's letter advising her of the debt. Because she was unaware of her options such as a repayment plan, DMC began recovering all of the debt from her compensation. This went on for about a year before we intervened.

What made matters even worse for this female veteran, and if being homeless wasn't hard enough, she also had to deal with her vehicle being repossessed. Fortunately, we were successful in getting two months of her benefits refunded and a small withholding set up. I am pleased to report that her benefits were restored completely and she received a retroactive payment.

As you all well know, the VA system is complex and difficult for many veterans to understand. In both the examples that we have

shared with you, the primary issue is how the VA collected and processed that information; letters sent to homeless veterans were returned and a debt was incurred. Veterans who submitted requested information never made it to the debt management center. These are areas we feel the VA can improve upon.

Fortunately, The American Legion and other veteran service organizations maintain staff in every Regional Office to aid veterans and their dependents with claims and other VA issues, such as debts. We specialize in identifying VA errors and solving problems for veterans and their families. Thank you.

[THE PREPARED STATEMENT OF JULIE LARSEN APPEARS IN THE APPENDIX]

Mr. BERGMAN. Thank you, Ms. Larsen.

The written statements of those who have just provided oral testimony will be entered into the hearing record.

We will now proceed with questioning. I will yield myself the first five minutes. Ms. Park, I would like to start with the headline here, "Community Care and purchased long term services and supports have the highest improper payments in the Federal government"; about 3.5 billion and 1.2 billion of overpayments, respectively.

I understand VA's position that most of this money is not necessarily misspent, just designated as improper, because it is not backed up by bona fide contracts. VA categorizes about 3.3 billion and 900 million that way.

Can you assure me and all of us that none of that money is wasted?

Ms. PARK. So, thank you for the question, sir.

So, in doing the test of those two programs, Community Care and PLTSS, our testers do sample and they dig into the actual, did we have the proper paperwork that supports those payments? Did they get to the right place? The right amount? Were they paid the Medicare rate?

So, yes, I can assure you that they were correct.

Mr. BERGMAN. So, yes or no, regardless, is it fair to say a payment that lacks a bona fide contract could also be made in the wrong amount or sent to the wrong place?

Ms. PARK. So, when you talk about the huge number of payments that we have, I think there is always opportunity for something to go wrong; however, during our sampling, we found that the payments were made to the right person for the right amounts.

Mr. BERGMAN. Ms. Davis, putting aside this issue of contracts or no contracts, there was still about \$200 million and \$300 million of overpayment in the two programs respectively. Can you tell us about what they are?

Ms. DAVIS. I cannot speak to what they are. I can state that in addition to the structural issues that have been referred to regarding the two programs, Community Care and Purchase Long Term Services and Support, there are a number of improper payments that are made in the compensation program and those are due to administrative errors.

This is based on information that is provided by the agency itself as to how it is categorizing its improper payments, using the cat-

egories that are established by the Office of Management and Budget.

Mr. BERGMAN. Thank you.

Mr. Dahl, OIG rejected the improper payment estimates VA submitted for two programs: VHA Purchasing of Supplies and Materials and the Post-9/11 G.I. Bill.

VA said the improper payments were 22 million and 3.9 million, respectively, and OIG said they were 78 million and 250 million, respectively; that is a huge difference.

Can you explain how OIG came up with its numbers?

Mr. DAHL. What we did was questioned the depth of the testing that they did when they were verifying those payments, and we found that, for example, with the Post-9/11 G.I. Bill, that they weren't verifying the tuition charges against, in the old days, it would be a course catalog; today it might be more likely something posted on a Web site. But in our opinion, they didn't independently validate that the tuition that they were billed was proper. So that is why there was such a large delta there.

Mr. BERGMAN. Ms. Park, would you like to comment on that?

Ms. PARK. Sure. For the supplies and materials—so, the supplies and materials issue actually ended up being that when the IG actually sampled, they were looking for precise schedule—fee schedules that actually matched the time in which we were invoiced from someone—Care in the Community was—for a supply—I'm sorry—for a supply.

So, what we found was, because of the disconnect between our acquisition and our financial systems, we couldn't make that link. We didn't have a report that we could actually demonstrate to the IG that we had actually paid the right amount for those supplies, so that was generally the issue. I can defer to Mitch about the education.

Mr. STURM. Thank you. Yeah, for education, we did go back and look at 30 of the samples the IG pulled and they were right; we were not verifying back to the old catalog, but all 30—all 30 of them were proper. But because we didn't have the proper support, the IG determined them to be improper for this review, is we are going to expand our testing for next year and this year to include that look at those catalogs or online Web sites.

Mr. BERGMAN. Thank you. I see my time has expired.

Ranking Member Kuster is recognized for five minutes.

Ms. KUSTER. Thank you, Mr. Chair.

I want to follow up on this whole issue about the improper payments, because I have a concern about expectations going forward based on the White House budget presentation. The White House has stated the budget will save the American people \$150 billion in improper payment savings and we have discussed here today that according to the 2016 agency financial report, the VA issued over 5.5 billion in improper payments in fiscal year 2016; 5.3 billion of this is overpayments.

But Ms. Park, your testimony is that 90 percent of that cannot be recovered. And would you please clarify for my colleagues and for anyone watching this hearing, this whole issue about the contracts in the Community Care programs, because we have a serious disconnect if the White House is assuming that these funds can be

recovered and, in fact, we are not going to go back—these services have been provided. We are not going to go back out into the community—I hope not, in my district—and take these monies back from rural hospitals that barely get by.

So, could you explain the reality of this situation?

Ms. PARK. Yeah, I am very happy to do that.

So, take the example for a Veteran that receives care in the community where there is no Federal acquisition regulation based contract exists; they are going to get care in the community. What our sampling and testing has indicated is that this payment was for the correct amount to the right person—we verified the rate—but because the provider agreement was not based on a FAR[NMF1] contract, it is improper.

According to the improper payment rate, we should be able to go back to that provider and collect that payment. And that is something that we don't want to do because we did receive a service. The Veteran was helped, so we are not going to move forward with those collections.[NMF2]

Ms. KUSTER. Thank you very much, Ms. Park.

And I just want to say to Ms. Larsen, you broke my heart. I cannot imagine that we—the U.S. Government, through the VA, goes after a homeless woman because of some retroactive change in her benefits that she knew nothing about and takes money out of her paycheck and repossesses her car.

So, I certainly hope we don't go forward with going after rural hospitals for services that have already been provided.

All right. So we are going to move toward this USDA financial product—I am sorry, I don't have the correct term—and the VA, how is this going to help with the payments of veterans benefits, medical center operations, non-far based contracts? I feel like we are going to be back here for another hearing another day, so help us understand how this is going to get better and is there anything that we could do to help with legislation if these Community Care contracts are not going to be far-based contracts, let's not put them under this improper payment category; let's define it some other way.

Ms. PARK. So, when we talk about moving to a Federal financial system and how it is actually going to help us with the issues that you have seen, so the way—VA is different than what you look at for most big departments. They will have a singular financial system where they do all of their accounting activities, so I am talking about status of funds, funds distribution, obligations, contract ordering, payments, accounts receivable.

So, VA built things way differently and it started out a program area, so they built programs like care in the community, veteran benefit programs, the education programs; they built systems to meet those needs and then they slapped accounting on top of it. So, that causes all of these disconnects. That is why we rely so heavily on these reconciliations between systems out in the field.

So, what we are going to do with a new shared service provider, just like any other Federal government agency, we are going to put that finance stuff into one financial and acquisition system that is already integrated, so we are not going to have the fat fingering in between the systems and all the reconciliations that occur.

So that will give us, not only visibility into our financials, but it is also going to resolve a lot of our issues. So—and so it will also make our programs more efficient, I believe, as well.

Ms. KUSTER. Yeah, I appreciate it. My time is up, but I do think we are going to have to deal with this community contract as an issue.

And I just want to say for myself, having worked for many, many years with hospitals and hospital economics, the quote that I have heard over and over is “Hospital economics are wear the rubber meets the blue sky.” So, good luck with keeping track of how these dollars are spent.

Thank you, I yield back.

Mr. BERGMAN. Thank you.

Mr. Poliquin, you are recognized for five minutes, sir.

Mr. POLIQUIN. Thank you, Mr. Chairman, very much.

Ms. Park, let me ask you a couple of questions. I want to make sure I understand this. The VA contracts for goods and services, whether it be providing health care for our heroes in a community setting or to buy band aids or aspirin, correct?

Ms. PARK. Yes, sir.

Mr. POLIQUIN. Okay. And anytime you use those or you don’t use those monies, you return them to the United States Treasury, correct?

Ms. PARK. In some cases. There are some authorities where we are allowed to keep the money, but, generally, yeah.

Mr. POLIQUIN. Okay. Yeah, and in 2016, there was \$4.2 billion of funds that were contracted for various purposes that were unused by the VA; is that correct?

Ms. PARK. I am not familiar with that number, sir.

Mr. POLIQUIN. Okay. Well, that is the number that I have here, but there is a lot of money every year that goes back to the U.S. Treasury. We appreciate it so the taxpayers don’t have to spend it because it wasn’t used for whatever purposes it was supposed to, right?

Do you tell this Committee how much money in each category was unused so we don’t have to appropriate the money to you every year?

Ms. PARK. So, through our financial reporting, that information is available. I don’t have it on hand right now.

Mr. POLIQUIN. Okay. So I want to make sure I understand this. So, your budget is \$185 billion this year; that is what the president has asked for, okay. And six years ago, it was 50 percent less. So, it has it gone up 50 percent from 120 to about \$185 billion in six years. That is a lot of money and we want to make sure it goes to our veterans, okay.

So, I want to make sure I understand this. So, when money is appropriated to the VA, but not used, you send it back to the Treasury, but you don’t tell this Committee that it was unused in a specific category, so we don’t know if we appropriate that amount of money to you or not; is that right?

Ms. PARK. No, I don’t agree with that statement at all.

Mr. POLIQUIN. All right.

Ms. PARK. So, first of all, there are many different appropriations that govern the way that we do business at VA. And a lot of those

appropriations are no-year accounts and that money doesn't expire, so that is—so put that aside.

For money that is expired, we do report that through our financial management—

Mr. POLIQUIN. Well, here is what I am trying to get at, Ms. Park—

Ms. PARK [continued]. —reporting.

Mr. POLIQUIN [continued]. —is there a way that you can tell us beforehand, before the budgeting process or the executive branch—but you are in the executive branch—the White House, such that money is not appropriated to you that you don't use, then you send it back to the U.S. Treasury, can we avoid that step to make sure we don't lose any of that money and to make sure that we are budgeting properly—

Ms. PARK. That information is reported to the Department of Treasury on a monthly basis.

Mr. POLIQUIN. Okay. But we appropriate it. Is it reported to us?

Ms. PARK. I assume you guys get the Treasury reports, but we are happy to give you that information.

Mr. POLIQUIN. That would be great.

Ms. PARK. Uh-huh.

Mr. POLIQUIN. Let's move on to something else.

Improper payments, I want to make sure I understand this. Ms. Davis would probably be the person that I should ask. Did you say—did I hear this correctly—that since 2003, which is roughly 15 years, over one—I almost can't say this—one trillion dollars of improper payments have been made throughout the Federal government?

Ms. DAVIS. One point—over \$1.2 trillion—

Mr. POLIQUIN. \$1.2 trillion—

Ms. DAVIS [continued]. —have been estimated, yes.

Mr. POLIQUIN [continued]. —in this year alone.

2016, alone, last year, it was about \$140 billion?

Ms. DAVIS. Yes, reported as estimate.

Mr. POLIQUIN. Okay. And we found out about that because of audits that we are doing; is that correct?

Ms. DAVIS. It is some—it comes from the agency's financial reports on an annual basis and we at GAO have accumulated those statistics.

Mr. POLIQUIN. Okay. And at the VA, it was 5.5 billion, right?

Ms. DAVIS. Correct.

Mr. POLIQUIN. Okay. I come from a state—in Maine and we have an annual budget in the state of Maine, an annual budget of about three and a half billion dollars. This is 5.5 billion of improper payments. This is about 70 percent larger than our entire state budget.

And then I see something right here, a request from you folks, saying that you want to now, discontinue the use of outside auditors when it deals with improper payments and do it internally. Why in the Dickens would we trust you people to audit yourself internally when you can't keep track of this money? Why would we do that? Somebody answer the question; who wants to take a shot at it?

Okay. So, for the record, nobody wants to defend the fact that they are asking us to discontinue the use of—

Ms. PARK. Sir, I don't know where that reference came from, but it didn't come from the department.

Mr. POLIQUIN. Okay. Well, go ahead and tell us why you think you can audit yourself better when you can't keep track of \$5.5 billion—

Ms. PARK. I don't believe that came from the VA, sir.

Mr. POLIQUIN. Who did this come from?

Ms. PARK. I am not familiar with it.

Mr. POLIQUIN. Okay. Let me ask you this, does anybody—okay, fine; I have four seconds left—does anybody on this panel think it is a good idea to let you audit yourself instead of outside folks doing it?

Thank you, Mr. Chairman.

Mr. BERGMAN. Mr. Arrington, you are recognized for five minutes, sir.

Mr. ARRINGTON. Thank you, Mr. Chairman.

Sorry to come in late, and we have a few hearings today, so today is a challenge to keep up, but this is incredibly important and I just have a few questions—pretty broad questions for you.

I guess, Ms. Park, are you the senior-most VA official here today?

Ms. PARK. Yes, I am, sir.

Mr. ARRINGTON. Who is responsible for improper payments and reducing improper payments, managing, having a game plan, if you would, for reducing improper payments at the VA?

Ms. PARK. Sure. So, we do have a structure of accountability for improper payments. Our chief financial officer, Ed Murray, is responsible to ensure that we have an appropriate program to address improper payments.

In addition to that, for every high-risk program, we designate a senior accountable official. So, for all of our large programs with large improper payments, we do have a senior accountable official, and they are responsible for developing corrective actions and making sure that, you know, each year they are making progress on those.

Mr. ARRINGTON. Has anybody ever been fired for not managing the improper payments down, as you described, is the job description of those folks accountable?

Ms. PARK. So, I would not be aware of that because those programs are in those—within the agency. We would have to refer that to the Office of Accountability.

Mr. ARRINGTON. Okay. Could you—I am a new Member, but I would like to get the answer to who has been and when was the last time somebody was fired because they didn't perform in oversight to manage improper payments down. The improper payments actually went up and they didn't achieve whatever the desired outcome, whatever the management goal, I would like to know the answer to that question.

Ms. PARK. So, if I may, I would like to say that part of the work we have done is actually doing a deep dive to identify the improper payments, so that was very purposeful so that we knew what our baseline was for improvement.

So, in this case, I think that in some ways it is positive that we are being very open and honest about this rate, sir.

Mr. ARRINGTON. Yeah, I guess being open and honest is positive, but a change in behavior and change in delivery and performance is the goal. So, the VBA, VHA, NCA, I assume they all have heads. I don't know if they are political in career, but is there a political in career senior-most person at each of those bureaus?

Ms. PARK. Yes, sir, there are.

Mr. ARRINGTON. Has any—when is the last time somebody in those roles were fired because they didn't do their job to manage their financial affairs, in this case, improper payments?

Ms. PARK. Again, sir, I am not aware of anything—

Mr. ARRINGTON. Could you get me the answer for that?

Ms. PARK [continued]. —but we can take that for the record.

Mr. ARRINGTON. So, rank order for me the most important factor in not being able to manage improper payments better: organizational structure, H.R. policies or policies that govern how you manage people, IT systems—I will just start there; rank order the most challenging aspect to the desired outcome here, based on those three.

Ms. PARK. I would say IT systems, sir.

Mr. ARRINGTON. And I understand there is a legacy system, financial management system that is in play to replace or to upgrade, modernize; is that correct?

Ms. PARK. It will replace several systems, yes.

Mr. ARRINGTON. And how long will that take?

Ms. PARK. So, we are looking at a five-year plan right now—five-to eight-year plan.

Mr. ARRINGTON. And how much money is that?

Ms. PARK. So, the current—so we—this is our first year of really diving into this project and our initial estimates with our shared service provider are about 400 million, but we do need to do a deep dive over the next 18 months where we are really looking at—I talked a little bit earlier about is we really need to pull this financial management information out of all of these program systems and we really need to do a deep dive into how much that is going to cost, so we will be refining that in the next 18 months.

Mr. ARRINGTON. Did you mention how much it cost, I am sorry?

Ms. PARK. Four hundred million, sir. We—in our initial estimates, without the work that we are doing over the next 18 months.

Mr. ARRINGTON. I appreciate your time and I yield back to the Chairman.

Mr. BERGMAN. Thank you.

And it appears as though we have got time for a second round and I would like to start the second round by yielding to myself for five minutes.

Ms. Davis, your report notes that 20—the 24 biggest agencies only reported preventing \$680,000 worth of improper payments in 2015 using the “do not pay” system. That under is astoundingly low, considering the billions and billions of dollars of improper payments that we are talking about.

Why are agencies not using the “do not pay” system effectively?

Ms. DAVIS. Our audit at the “do not pay” system, which was recently completed, determined that not all the databases that the agency has access to are actually being used. Also, the databases

are—the two databases that are most frequently used are the death master file and then what is commonly referred to as the “excluded parties list,” which includes contractors who cannot do business with the Federal government.

The process includes payment integration, which is a process whereby Treasury’s payments at the time of payment are bumped up against certain databases and if there is an issue of a potential improper payment, that payment is flagged and it goes back to the agency for adjudication.

Now, there is a time lag there, so, for example, if it is determined upon adjudication that there is an improper payment, that can affect future payments or future flows of that particular stream of improper payments; for example, a benefit that goes on a recurring basis, you can stop future payments, but you cannot stop the improper payment at the time that it goes through the “do not pay” system. So, there are limitations.

Mr. BERGMAN. Did I hear you say on the front-end that there are more system capabilities than being utilized?

Ms. DAVIS. That is correct, yes.

Mr. BERGMAN. So, we got some folks who are using the system, they are just kind of cherry-picking what they want?

Ms. DAVIS. Not exactly. There are issues with agreements in order to obtain the six databases that are supposed to be utilized and those agreements have not been finalized and those databases have not been pulled in by Treasury in order to, you know, utilize the payment streams that come from the various agencies.

We have made recommendations, a number of recommendations, to Treasury and OMB, including recommendations for OMB to look at its guidance in how agencies are utilizing the system.

Mr. BERGMAN. So, two of six are being used?

Ms. DAVIS. Correct.

Mr. BERGMAN. Okay. Well, how long have the four—how long—we have four other possible tools out there that are not being used.

Ms. DAVIS. Yeah, right.

Mr. BERGMAN. How long has that been going on?

Ms. DAVIS. I cannot answer that. That is a question for the agency to answer.

I want to be very clear that there are certain aspects of some of those other day streams or databases that are being utilized, but they are not fully integrated. They are not fully utilized by the agencies. The only two that are being fully utilized are the ones that I just mentioned.

Mr. BERGMAN. Okay. Well, then I guess it is fair to then—Ms. Park, how is the VA, you know, using the “do not pay” system now and what are the plans to use more widely in the future?

Ms. PARK. Okay. So we have a really great partnership with Treasury. My team and that finance service center in Austin works directly with Treasury; they meet monthly[NMF3] with them. One of the things that we found with do not pay is that you really have to look at it for—you can’t run all of your payments through it at once. You really have to look at it from a program-by-program perspective, so that takes time.

And that is what we are doing with Treasury right now, is we are going through each one of our programs with them. We are tai-

loring the “do not pay” tool and we are using it to not only improve the way Treasury does business, but the way that we do business.

Mr. BERGMAN. Okay. And one final, and more of a comment with a follow-up: Ms. Park, I would be remiss if I did not raise an important and related issue. On the 14th of April, I requested purchase card transactions data from the DC VA Medical Center. So far, nothing has been provided.

An environment with no inventory controls is the sort of environment where government credit cards could be misused. Can you estimate for me or tell me when the data listed in my letter will be provided.

Ms. PARK. Sir, I was not aware of that request, but I will go back and I will get that to you in the next day or two. I can get that pretty quickly.

Mr. BERGMAN. Great. Thank you very much.

I yield back. Ranking Member Kuster is recognized for five minutes.

Ms. KUSTER. Thank you very much, Mr. Chair.

I think we still have some misunderstanding, at least from Members of this Committee and perhaps from the public at large, about these—the impact of our provider agreements on this dramatically inflated improper payment, that people are getting the impression that there is improper payments that could be recouped and you walked us through that. But would it be helpful—I understand that there is legislation that we have considered with regard to provider payments that could maybe take them out from underneath the far so that we need to get to the reality, if there are questions that have been asked, if there are improper payments the way that any layperson would understand that—too much money being paid or paid to the wrong person—vendor, but we are going to expend a tremendous amount of time and energy here on something that is not ever going to be recouped and if we don’t correct this going forward, we are just going to pass this on to future generations.

I just want to get to the bottom of this at this hearing, because otherwise, we are sending the wrong impression.

Ms. PARK. So, I don’t feel that there is an easy answer; that is always the case here, isn’t it?

Ms. KUSTER. Well, I am just trying to say this whole testimony—with all due respect to my colleague about your—and by the way, this language, it has nothing to do with you; it showed up in the budget. It sounds like maybe it didn’t even come through the VA—so that is another question; there is a mystery as to why it came to us—we have language in the budget asking that there not be an annual outside audit, asking that the audit be done internally and we would like to get to the bottom of the mystery behind this, but if you don’t know about it, you are not going to be the person who can help us.

But, I am just guessing that somebody has decided that calling these payments to our community providers—this is Community Care in our communities, rural hospitals, providing services to veterans, getting paid, and that has been characterized as improper because of a Federal regulation that is typically in place when you have a different contracting system.

Ms. PARK. Right. So, I think would be good to read the Improper Payment Act and see if it is really effective, right, and especially the definition of the improper payment rate. The problem is when you start talking about let's move away from far-based contracts, you do put the veteran at risk, because the far-based contracts do protect them in a lot of instances.

So, that is where, from my perspective, it gets a little dicey.

Ms. KUSTER. But I think—look, I can't speak for the secretary and I can't speak for this administration, I just think it is duplicitous for them to pretend that we are going to recoup millions, billions of dollars—my colleague is talking about trillions of dollars—we are not getting that back, but hopefully, you can take it back to the secretary that colleagues on both sides of the aisle want improvement in the process of community-based care contracts that do not lead to this level of misunderstanding in an O & I hearing about trillions of dollars that may be recouped. That is all.

Ms. PARK. Yes, and we are working with OMB, too, on that definition. They are looking at revising some of their guidance, too, and we hope that will have some impact on this.

Ms. KUSTER. Great. Thank you very much.

Thank you for your service to our country and our veterans.

I yield back.

Mr. BERGMAN. Thank you.

Mr. Poliquin, you are recognized for five minutes, sir.

Mr. POLIQUIN. Thank you, Mr. Chairman, very much.

Just for the record, my colleagues on the Committee and for you folks right here, this is Page 333 of the medical programs and information technology volume of the VA budget request 2018 congressional submission, Page 333 where somebody at the VA requests, since you hired more people at the VA to do this, you are able to better audit yourselves than have outside folks audit yourselves. And I would strongly disagree and will object to any effort to go forward in that regard.

Let me ask you folks, you have an agency that you help run or are connected with that has 360—365,000 employees. You have a budget of about \$185 billion per year and we are here to hear about the problems in seeing how the money is spent, where it is going, who is keeping track of it to make sure that we get every dollar we can to provide clinical services to our veterans and at the same time, the taxpayers.

So, I will start with you, Mr. Sturm. You are there; I am not. What is the biggest problem you see at the VA when it comes to financial management?

Mr. STURM. I would say it is my legacy systems and not being fully integrated between my business-line systems and into the modern—

Mr. POLIQUIN. Okay. So, we know we have addressed that this morning in another hearing is that the information technology, the IT systems, you have several of them that have come up through the years, and so now the VA is in the computer software business, and I know you are about to replace that with one system that is integrated across all platforms; is that what you mean?

Mr. STURM. Yes, sir.

Mr. POLIQUIN. Okay. Ms. Park, what is the biggest problem you see in making sure that we keep track of all this money so we know where it is gone—going and to make sure that we help our veterans the maximum amount?

Ms. PARK. Again, sir, it is our IT systems.

Mr. POLIQUIN. Okay. Ms. Davis?

Ms. DAVIS. I am not in a position to address that question.

Mr. POLIQUIN. Okay. Ms. Davis, when you look at the financial management at the VA, you look, if I am not mistaken, at different financial problems across different agencies, not just the VA; is that right?

Ms. DAVIS. Correct.

Mr. POLIQUIN. How is the VA doing, relative to the—how many different agencies do you look at?

Ms. DAVIS. Oh, we look at numerous agencies—

Mr. POLIQUIN. How many, 10, 15, 20?

Ms. DAVIS. Oh, many more than that.

Mr. POLIQUIN. Okay. Thirty, 40?

Ms. DAVIS. If you are talking GAO-wide, we can look at any agency; we have the ability to do that.

Mr. POLIQUIN. Okay. So, I am not going to get an answer here. I am just going to say—I will pick a number—30: how are we doing at the VA, relative to the other 29?

Ms. DAVIS. Are you referring to improper payments or—

Mr. POLIQUIN. Yes, let's start with improper payments.

Ms. DAVIS. Okay.

Mr. POLIQUIN. The \$5.5 billion of improper payments that were transacted last year.

Ms. DAVIS. Okay. The agency that has the largest amount of improper payments is HHS and that is because it includes Medicare, the three Medicare programs—

Mr. POLIQUIN. So, how is the VA doing, relative to the other 29 agencies?

Ms. DAVIS. Well, if you want to look at the rate, we can refer to the rate, as I mentioned in my oral statement, that the rate for those two programs are 76 and 69 percent and that—those are the highest rates government-wise.

The next highest rate is 24 percent and that is the earned income tax credit.

Mr. POLIQUIN. Okay. So, if I understood this correctly, the VA is doing a poor job, relative to the other people you are looking at?

Ms. DAVIS. I would not make that statement; I would only give you the facts that I have.

Mr. POLIQUIN. Well, the facts lead us somewhere, right? You have the responsibility of looking at multiple agencies; I am just trying to figure out how the VA is doing.

Ms. DAVIS. Yeah, well, and the numbers there, the total number for this past fiscal year was 144 billion government-wide, and you know, a large portion of that or not a large portion, but certainly a significant portion, is the 5.5 billion.

Mr. POLIQUIN. At the VA?

Ms. DAVIS. Correct.

Mr. POLIQUIN. Ms. Larsen—thank you, Ms. Davis—Ms. Larsen, what is the biggest problem you see at the VA when it comes to financial management and keeping track of all this money?

Ms. LARSEN. Sir, a lot of it is just that people don't take care of what they need to do when something is sent out to them and that creates their own issues. So—and they ignore letters that are sent out to them and then they all of a sudden, the veteran calls and says, what happened, how come I didn't get my check?

Mr. POLIQUIN. Uh-huh.

Ms. LARSEN. And I am like, well, sir, you didn't respond to what the VA wanted you to do or debt management or whatever.

Mr. POLIQUIN. Uh-huh.

Ms. LARSEN. And a lot of it is on their own accord, but yet I am there—

Mr. POLIQUIN. So, it is the veteran's fault?

Ms. LARSEN. Oh, in some respects it is.

Mr. POLIQUIN. Uh-huh.

Ms. LARSEN. And that is when they get kind of—they call me and go, what can you do for me, can you get me my money back? And I say I will try.

Mr. POLIQUIN. Uh-huh. Do you think, given all of that, that it is a good idea to have the inside people at the VA audit themselves, which has been requested at Page 333 of this document?

Ms. LARSEN. I am really not one that would be able to answer that.

Mr. POLIQUIN. Mr. Dahl, do you have an opinion—if I may, Mr. Chair—of what the biggest thing we need to fix when it comes to financial management at the VA?

Mr. DAHL. I would just like to point out that we are the independent auditors.

Mr. POLIQUIN. Good. I should have started with you.

Mr. DAHL. Not to get into too much detail—but we report on the financial statements year after year. This year we did have the six material weaknesses and the two significant deficiencies.

Mr. POLIQUIN. And do you do individual audits for other agencies, not just the VA?

Mr. DAHL. No, we are the Office of Inspector General. Our purview is any VA program.

Mr. POLIQUIN. Does any other agency you know in the Federal government ask to audit themselves?

Mr. DAHL. I hesitate to answer that because I am not exactly clear on what—

Mr. POLIQUIN. Do you think it is a good idea that any agency audits itself?

Mr. DAHL. Excuse me?

Mr. POLIQUIN. Do you think that it is a good idea that any agency requests to audit themselves?

Mr. DAHL. It may be a useful tool for them, but I would think that there would still need to be someone like the Inspector General or maybe a contract auditor to also come in behind that.

Mr. POLIQUIN. Thank you, Mr. Chairman, for the additional time. Thank you, sir.

Mr. BERGMAN. Thank you.

Mr. Arrington, you are recognized for five minutes.

Mr. ARRINGTON. Thank you, Mr. Chair.

Mr. Dahl, you report to the secretary, correct?

Mr. DAHL. No, I report to the Inspector General, who is independent of the Secretary.

Mr. ARRINGTON. Who manages his budget and who manages him?

Mr. DAHL. We have oversight committees like this. The IG manages our office's budget.

Mr. ARRINGTON. That is kind of how I felt when I was working at the—in the Federal government, I never knew who the OIG was accountable to, but I think they serve an appropriate role, and so I am going to ask you some of the same questions I asked Ms. Park.

What are your—what do you see as the challenge—and maybe I am reiterating a question and point that my colleague made about organizational structure. I saw that you made mention of the convoluted system and the lack of authority with CFOs.

So maybe start there, but just give me a comprehensive view of the breakdown and potentially even the dysfunction to managing for the desired outcome of reducing improper payments.

Mr. DAHL. The organizational structure, from our perspective, is a concern. We don't know what the solution is, but we do believe that there needs to be more integration and cooperation within the department in that you have a CFO in the Office of Management, but then within VHA, VBA, NCA, they all have their own CFO structures and VHA takes it even further with further levels of reporting.

It probably is fair to say it makes it difficult for the CFO to pull together all that he or she needs to prepare financial statements every year. The folks from the department have mentioned the systems. The systems are certainly a challenge, but the systems are just a tool to get where they need to be. VA has had challenges with implementing financial systems before.

I remain guardedly optimistic that this solution will be more successful than the last attempt.

Mr. ARRINGTON. Was the last attempt to implement an IT system a fail?

Mr. DAHL. Well, there have been a couple of high-profile systems, Core FLS and FLITE, where they have been mainly developed in-house and they have not been successful and that is why we still have FMS a quarter century after it started.

Mr. ARRINGTON. Yeah, it seems like we had a hearing on IT—I think it was one of the first hearings we had—and it just seemed like this there was an agency-wide issue with getting the systems in place. They would start and stop things. They would spend millions of dollars on a project. They would try to do it in-house, instead of going, you know, off the shelf or custom, and it was just the most convoluted thing I have ever heard.

There was no real architecture, enterprise-wide architecture, no sensible, well-managed IT system across the agency, it seemed to me. Is that fair to say—

Mr. DAHL. Well, there are a lot of different users in the department with a lot of different needs and I think that challenges a de-

partment, making sure that they can define and meet all those needs.

Mr. ARRINGTON. Is there a CIO?

Mr. DAHL. There is. Well, there is currently—I believe he is an acting CIO—but there is that position.

Mr. ARRINGTON. Okay. Who is accountable for the—ultimately—for improper payments, the management of improper payments or the poor management or even good management, ultimately?

Mr. DAHL. Overall, I would say that the Assistant Secretary for Management bears the highest level of responsibility.

Mr. ARRINGTON. And what is the senior most career person that is responsible for?

Mr. DAHL. I believe he is a career employee.

Mr. ARRINGTON. The assistant secretary?

Mr. DAHL. For management, yeah. He is acting right now.

Mr. ARRINGTON. But if he weren't acting, would it be a political appointee?

Mr. DAHL. I believe so.

Mr. ARRINGTON. So, who is the career, senior most person responsible; is it decentralized? Is it centralized? Who is accountable?

Mr. DAHL. I think that I would have to have the department answer that question.

Mr. ARRINGTON. Yeah, I am not sure who is accountable. That has been my problem, quite frankly, Mr. Chairman, in just about every issue I have sat on this dais and listened issue after issue; that becomes my recurring theme, accountability. I am never clear about it and the results speak for themselves.

So, anyway, thank you for your time. I yield back to the Chairman.

Mr. BERGMAN. Our thanks to all the witnesses. You are now excused.

Today, we have had the opportunity to hear from an impressive panel of financial and audit experts. I hope everyone watching will carry with them a focus on managing the money after the budget is agreed upon.

Partisan and interest group battles over spending get much of the attention. Internal controls are deficient is not a very good headline, but the nuts and bolts of financial management have a huge impact.

This Subcommittee will continue to monitor VA's progress in resolving the internal control weaknesses and deficiencies and eliminating the improper payments. Modernizing the financial IT systems is a major part of the effort, so the Subcommittee is giving that special scrutiny.

But obsolete IT is not the whole story and organizational and procedural problems cannot be ignored. VA's financial challenges are hardly unique, but they are substantial and I would like to be able to hold the department up as an example of sound financial management.

I ask unanimous consent that all Members have five legislative days to revise and extend their remarks and include extraneous material.

Without objection, so ordered.

I would like, once again, to thank all of our witnesses and the audience members for joining in today's conversation. With that, this hearing is adjourned.

[Whereupon, at 3:25 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of Laurie Park

Introduction

Good afternoon, Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee. Thank you for the opportunity to discuss the actions the Department of Veterans Affairs (VA) is taking to improve financial management. As the VA Deputy Assistant Secretary for Finance, I am responsible to the Acting Chief Financial Officer (CFO) for Department-wide financial management activities.

Over the last several years, through our improper payment reviews, insights from the Office of Inspector General (OIG) reports, and detailed deep dives into root causes of audit findings, it has become clear that the foundation of our financial management practices is failing us. We have based our day-to-day acquisition and financial management processes on a fragile network of systems that routinely require our workforce in the field to rely on manual double entry processes, complex work-arounds, manual reconciliations, and processes that cannot keep pace with current financial management best practices set forth by guidance from the Office of Management and Budget (OMB) and the Department of the Treasury. Efforts to remediate these complex issues within our current foundation, coupled with a workforce that has not been trained in best practices, has limited our success. VA must focus on modernizing our financial management and acquisition systems, strengthen our internal controls, adopt best practices, and invest in a trained workforce.

Reforming VA at the Root Cause: Financial Management Business Transformation

Recognizing these challenges, with support from Secretary Shulkin, Interim Deputy Secretary Blackburn, and my boss, Ed Murray, the Acting CFO, we have recruited talented financial management professionals, seasoned project managers, experienced data architects, and a strong leadership team to lead initiatives to modernize our systems, adopt best practices, and train our workforce. Our Financial Management Business Transformation (FMBT) initiative is ongoing now and with continued management support and openness to change will take a focused effort over the next 5–8 years to be successful. We are committed to addressing audit findings in our current environment as much as possible, but because many of the findings are a result of our aged systems, our main focus will be on the transformation.

We have made progress on ensuring FMBT is well managed and headed for success. During fiscal year (FY) 2016, following guidance from OMB to migrate to a Federal Shared Service Provider, VA explored two Federal shared service providers as directed by the Unified Shared Service Management Office and conducted in-depth evaluation sessions. I utilized subject matter experts from across the agency to determine which provider was the best fit for VA. After a detailed and thorough process, VA selected the United States Department of Agriculture (USDA). In collaboration with USDA, we are in the engagement phase of the effort, performing business process engineering, developing conversion strategies, and evaluating technical data interface alternatives. It is imperative that the FMBT initiative take the necessary steps to ensure that VA is fully prepared to replace our legacy systems with an integrated, modern system and reap the functional and technical benefits.

Independent Auditor's Report on VA's Financial Statements

OIG, utilizing an independent auditor, issued VA's 18th consecutive unmodified ("clean") audit opinion in FY 2016 reporting six material weaknesses:

1. Office of Information Technology (OIT) security controls - The material weakness in OIT Information Technology security controls is a long-standing issue and the Chief Information Officer has taken aggressive action to remediate these findings. In 2018, OIT fully expects to remedy this finding.

2. Veterans Benefits Administration's (VBA) education benefits accrued liability - This new finding relates to the inaccurate interpretations of accounting standards for post-employment benefits. In addition, several education programs were not included in the FY 2016 estimates. Currently VBA is building valid models that meet actuarial standards for all required education programs. Difficulties in hiring certified actuaries and initiating necessary experience studies will most likely delay resolution of this finding until FY 2018.

3. VBA control environment surrounding the compensation, pension, and burial actuarial estimates - This new finding resulted from the unexpected retirement of VA's Chief Actuary. The lack of a qualified actuary managing and taking full responsibility for VA's compensation, pension, and burial actuarial model resulted in a lack of segregation of duties and outdated assumptions used in the model. Difficulties in hiring certified actuaries and initiating necessary updates to critical assumptions will most likely delay resolution of this finding until FY 2018.

4. Veterans Health Administration (VHA) Community Care obligations, reconciliations, and accrued expenses - This long-standing issue is directly related to the lack of modern integrated financial and acquisition systems. While efforts have been made to strengthen manual workarounds and improve reconciliations, these processes are short-term solutions and are not sustainable for the long-term. Until the new FMBT system is implemented, the burden to resolve these findings relies on the workforce rather than a modern system. Many of the issues identified here also contributed to the improper payment rates and findings in the Improper Payments Elimination & Recovery Act (IPERA) review for Community Care. This finding will remain until we move to a new system.

5. Financial reporting - This long-standing issue is a result of our antiquated financial system. Due to our legacy financial system's limited functionality, VA has to exercise complex analysis and inefficient work-arounds to fully meet Treasury and OMB reporting requirements. This finding will remain until we move to a new system.

6. CFO organizational structure for VA and VHA - VA's CFO community has worked to improve their communication and cooperation through a series of joint initiatives. The FY 2017 audit is ongoing, and we expect to receive OIG's feedback on our efforts.

Many of the findings are due to long-standing problems inherent in the legacy financial management system. VA will continue to work to address audit findings that will improve our position in the short-term. We will not see the large-scale improvements needed to remediate VA's financial management challenges and audit findings until the legacy Financial Management System is replaced.

Commitment to Training VA's Workforce

In the spring of 2016, I instituted the Financial Management Training Initiative (FMTI). The overall objective of FMTI is to educate financial management professionals across the Department in order to help remediate current audit findings and avoid repeat or new findings during the annual financial statement audit. My FMTI strategy is to centralize and standardize a financial management training curriculum throughout the Department. The initiative will reinforce accurate daily financial transactional processes; increase employee levels of knowledge, skill, and proficiency; remediate audit findings and deficiencies with targeted sessions related to findings and recommendations; and support change management for the FMBT effort-our new financial management system. In pursuit of this goal, my office held a virtual, 3-day, web-based event in August 2016 and an in-person, 3-day event in Nashville, Tennessee, in January 2017. In total, 1,560 VA employees participated in a total of 71 separate classes. Many of the classes were focused directly on remediating audit findings, including: capitalization of assets; reconciliations; undelivered orders; interagency agreements and intragovernmental reconciliation; accounting for community care; essentials of Federal appropriations and fiscal law; the Anti-Deficiency Act; major, minor, and non-recurring maintenance accounting; future of VA Form 1358; helping VA fight fraud; improper payments; and internal controls. There are two more events planned over the next 9 months-another virtual event in August 2017 and another in-person event in late January 2018.

Commitment to Accurate Reporting, Remediating, and Ensuring Accountability for VA Resources

Whereas modernizing VA's financial management system is a desperately needed, multi-year effort that will truly transform VA's ability to address root causes of audit findings, VA is also leading initiatives in areas that can affect change now.

Over the past three years, VA has worked to increase senior leadership collaboration and awareness of improper payment challenges. We also established a new oversight office, the Improper Payments Remediation and Oversight Office (IPRO), focused on driving identification and remediation of improper payments. We recruited staff with expertise in IPERA compliance, internal control assessment, systemic issue identification, and corrective action development. This office will also lead Secretary Shulkin's new "Seek to Prevent Fraud, Waste, and Abuse (STOP)" effort. Recent accomplishments include:

- Ensuring consistent application of the definition of improper payments across the Department in the area of acquisitions. VA issued acquisition guidance mandating testing procedures and providing instructions on what constitutes a proper payment. This guidance is iterative and is updated to address complex acquisition issues identified during testing;
- Revision of IPERA policy to clearly define roles and responsibilities, in addition to processes and procedures; and
- Review of improper payment risk assessments, testing plans, and corrective action plans for each program to ensure a consistent enterprise-wide approach and compliance with policy.

Although these efforts have not yet resulted in an overall reduction of improper payments, VA did report a decrease in improper payments in more than half of the 14 programs reporting in FY 2016. VA cannot fully address systemic issues without accurate identification of errors and root causes and acknowledges that this means its reported improper payment rate will continue to rise until such time as efforts underway in program's such as VA's Community Care begin to garner results.

In FY 2017, VA is leading efforts to analyze improper payments to determine the percentage that are accurate, but must still be reported as improper due to failure to comply with policy versus those that represent a true loss to the Government. This will aid leadership in targeting resources to areas that will result in cost-benefits to VA. Further, as part of VA's STOP fraud, waste, and abuse initiative, VA will establish the baseline of existing fraud, waste, and abuse activities, to include identifying savings; determine areas most at risk of fraud, waste, and abuse; explore partnership opportunities with the private sector and other federal agencies to maximize efficiencies; and leverage the Financial Services Center Data Analytics capabilities to improve VA's fraud, waste, and abuse prevention efforts. These capabilities are enabled by a robust, enterprise-level analytics technology platform leveraging commercial-off-the-shelf and advanced open source programming/analytic tools; a team of data scientists, statisticians, data engineers, and data/program analysts; and an extended organizational ecosystem that includes internal and external partners in fraud, waste, and abuse analytics and management. Organizations included in the analytic ecosystem include the top ranked McCombs School of Business, University of Texas; Centers for Medicare and Medicaid Services; Interagency Fraud and Risk Data Mining Workgroup; VA's Office of Compliance and Business Integrity; VA's Office of Internal Controls; IPRO; and others. This important initiative will reap great rewards for VA.

Debt collection is also an essential part of strong financial management where VA is making improvements. VA balances Veteran debt collection with a strong sense of compassion, as well as compliance with Federal debt collection statutes and policy. VA works with Veterans to resolve their debt through extended payment plans, benefit offset, waivers, dispute resolution, and even refunds, if Veterans are found to be in hardship. Federal statutes also require VA to send non-tax debt to Treasury for collection. In December 2016, VA began transferring delinquent debt for non-service connected medical care co-payments to the Treasury Cross Servicing program for collection. As of April 30, over 800 thousand delinquent debts totaling about \$71 million were referred for recovery. Veterans receive at least three debt notices before Treasury takes offsets from tax refunds and/or Federal salaries.

The Department's comprehensive efforts to improve financial management will assist in improving activities to identify fraud, waste, and abuse, reducing improper payments, and strengthening VA's financial statements. However, VA cannot emphasize enough how important the FMBT effort is to strengthen VA's overall financial management position. This includes VA's ability to meet Federal regulations and mandates and remediate VA's material weaknesses for the financial statements.

Path Forward

Even with these efforts, VA recognizes it has many challenges to overcome, while at the same time providing Veterans the benefits and services they have earned and deserve. VA acknowledges its current challenges and audit findings in financial management that reflect a need for improved financial stewardship. We believe that the initiatives we are working on will improve VA's financial management and better serve our Veterans.

Thank you for the opportunity to appear before you today and for your continued support of Veterans. I look forward to your questions.

Prepared Statement of Beryl H. Davis

VETERANS AFFAIRS

IMPROPER PAYMENT ESTIMATES AND ONGOING EFFORTS FOR REDUCTION

Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee:

As the steward of taxpayer dollars, the federal government is accountable for how it spends hundreds of billions of taxpayer dollars annually. However, improper payments remain a significant and pervasive government-wide issue. For several years, we have reported improper payments as a material weakness¹ in our audit reports on the consolidated financial statements of the U.S. government because the federal government is unable to determine the full extent to which improper payments occur and reasonably assure that actions are taken to reduce them.² In addition, agency auditors continued to report internal control deficiencies over financial reporting in their 2016 financial statement audit reports, such as financial system limitations and information system control weaknesses. Such deficiencies could significantly increase the risk that improper payments may occur and not be detected promptly.

Under the Improper Payments Information Act of 2002 (IPIA), as amended, an improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Among other things, an improper payment includes payment to an ineligible recipient, payment for an ineligible good or service, and any duplicate payment. In addition, Office of Management and Budget (OMB) guidance instructs agencies to report as improper payments any payments for which insufficient or no documentation was found. Reducing improper payments is critical to safeguarding federal funds and could help achieve cost savings and improve the government's fiscal position.

Strong financial management practices, including effective internal controls, are important for federal agencies to better detect and prevent improper payments. The Department of Veterans Affairs (VA) faces significant financial management challenges. In 2015, we designated VA health care as a high-risk area because of our concern about VA's ability to ensure that its resources are being used cost-effectively and efficiently to improve veterans' timely access to health care, and to ensure the quality and safety of that care.³ Further, improving and modernizing federal disability programs has been on GAO's high-risk list since 2003, in part because of challenges that VA has faced in providing accurate, timely, and consistent decisions related to disability compensation.⁴ In addition, in VA's fiscal year 2016 agency financial report, the independent auditor reported material weaknesses and significant deficiencies in internal control over financial reporting. Finally, the VA Office of Inspector General (OIG) has reported that VA has been noncompliant with the

¹A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

²GAO, Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government, GAO 17 283R (Washington, D.C.: Jan. 12, 2017).

³GAO, High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others, GAO 17 317 (Washington, D.C.: Feb. 15, 2017).

⁴GAO 17 317.

criteria listed in Section 3 of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) since fiscal year 2011, the first year that the OIG reported on the agency's compliance under that provision.⁵

Today, my statement will discuss improper payments on both the government-wide level and at VA. It will also discuss certain actions that VA has taken and other actions that VA can take to reduce improper payments. My statement is primarily based on VA's financial reports, VA OIG reports, and our recent improper payments related work at VA.⁶ The products cited throughout this statement include details on the scope and methodology used to conduct that work. The work upon which this statement is based was conducted in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

BACKGROUND

VA's mission is to promote the health, welfare, and dignity of all veterans in recognition of their service to the nation by ensuring that they receive medical care, benefits, social support, and lasting memorials. It is the second largest federal department and, in addition to its central office located in Washington, D.C., has field offices throughout the United States, as well as the U.S. territories and the Philippines.

The department has three major components that are primarily responsible for carrying out its mission:

- the Veterans Benefits Administration (VBA), which provides a variety of benefits to veterans and their families, including disability compensation, educational opportunities, assistance with home ownership, and life insurance;
- the Veterans Health Administration (VHA), which provides health care services, including primary care and specialized care, and performs research and development to serve veterans' needs; and
- the National Cemetery Administration (NCA), which provides burial and memorial benefits to veterans and their families.

Collectively, the three components rely on approximately 340,000 employees to provide services and benefits. These employees work in 167 VA medical centers, approximately 800 community-based outpatient clinics, 300 veterans centers, 56 regional offices, and 131 national and 90 state or tribal cemeteries.

For fiscal year 2016, VA reported about \$176 billion in net outlays, an increase of about \$16 billion from the prior fiscal year.⁷ VBA and VHA account for about \$102 billion (about 58 percent) and \$72 billion (about 41 percent) of VA's reported net outlays, respectively. The remaining net outlays were for NCA and VA's administrative costs. The fiscal year 2017 appropriations act that covered VA provided approximately \$177 billion to the agency, about a \$14 billion increase from the prior fiscal year.⁸

⁵IPERA, Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), established a requirement for entity inspectors general to report annually on entities' compliance with specific criteria. The six criteria are that the entity has (1) published an annual financial statement and accompanying materials in the form and content required by the Office of Management and Budget for the most recent fiscal year and posted that report on the entity website; (2) conducted a risk assessment for each specific program or activity that conforms with IPIA, as amended; (3) published estimates of improper payments for all programs and activities identified as susceptible to significant improper payments under the entity's risk assessment; (4) published corrective action plans for programs and activities identified as susceptible to significant improper payments; (5) published and met annual reduction targets for all programs and activities identified as susceptible to significant improper payments; and (6) reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published. For purposes of this report, program encompasses both programs and activities.

⁶GAO, Veterans' Disability Benefits: Improvements Could Further Enhance Quality Assurance Efforts, GAO 15 50 (Washington, D.C.: Nov. 19, 2014) and GAO, Veterans' Disability Benefits: VA Can Better Ensure Unemployability Decisions Are Well Supported, GAO 15 464 (Washington, D.C.: June 2, 2015).

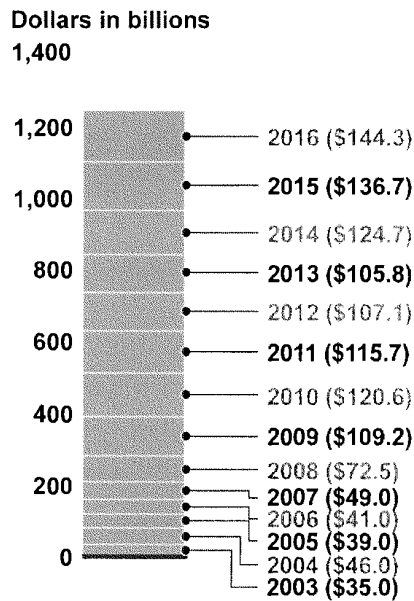
⁷The amount of money paid out by the government is known as outlays. Because of the timing of agency payments, appropriations may not correspond to outlays in a given fiscal year. Net outlays are disbursements net of offsetting collections.

⁸Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, Pub. L. No. 114-223, div A, 130 Stat. 857 (Sept. 29, 2016). Appropriations provide budget authority

Improper Payments Remain a Significant and Pervasive Government-Wide Issue

As we recently reported, improper payments remain a significant and pervasive government-wide issue.⁹ Since fiscal year 2003-when certain agencies began reporting improper payments as required by IPIA-cumulative reported improper payment estimates have totaled over \$1.2 trillion, as shown in figure 1.¹⁰

Figure 1: Cumulative Reported Government-Wide Improper Payment Estimates for Fiscal Years 2003 through 2016



Source: GAO. | GAO-17-633T

Note: Generally, the specific programs and total number of programs that constitute the government-wide improper payment estimate vary from year to year. In earlier years, the number of programs included in the government-wide estimate generally increased as programs reported improper payment estimates for the first time.

For fiscal year 2016, agencies reported improper payment estimates totaling \$144.3 billion, an increase of over \$7 billion from the prior year's estimate of \$136.7 billion.¹¹ The reported estimated government-wide improper payment error rate

to federal agencies to make financial commitments ("obligations") and make payments from the Department of the Treasury for specified purposes in specified amounts. Some payments for obligations are made soon after being incurred (for example, employees' salaries) and some are made over several years (for example, payments to contractors for major construction projects).

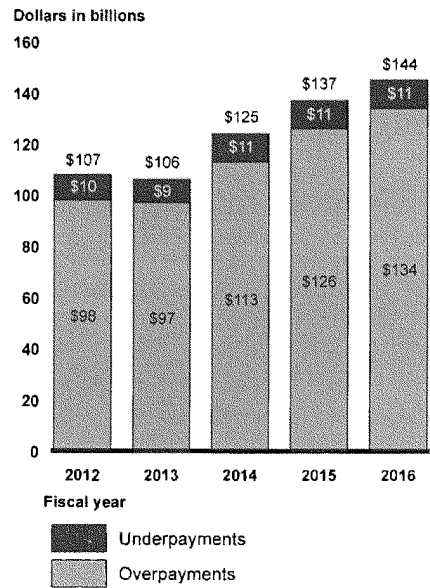
⁹ GAO, *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*, GAO 17 579T (Washington, D.C.: May 3, 2017).

¹⁰ IPIA-as amended by IPERA-requires executive branch agencies to (1) review all programs and activities, (2) identify those that may be susceptible to significant improper payments, (3) estimate the annual amount of improper payments for those programs and activities, (4) implement actions to reduce improper payments and set reduction targets, and (5) report on the results of addressing the foregoing requirements. "Significant improper payments" are defined as gross annual improper payments in a program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments during the fiscal year reported or (2) \$100 million (regardless of the percentage of outlays).

¹¹ These amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial Pay program because of concerns about the reliability of the program's estimate.

was 5.1 percent of related program outlays.¹² As shown in figures 2 and 3, the government-wide reported improper payment estimates—both dollar estimates and error rates—have increased over the past 3 years, largely because of increases in Medicaid’s reported improper payment estimates.

Figure 2: Government-Wide Reported Improper Payment Estimates for Fiscal Years 2012 through 2016

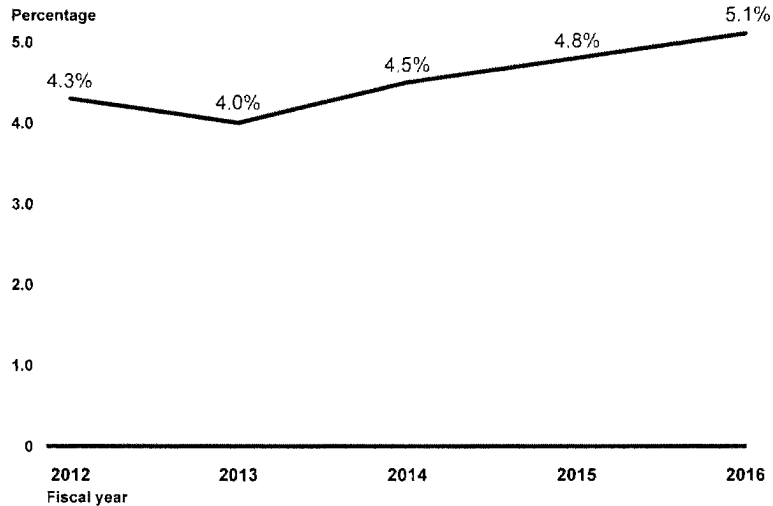


Source: GAO analysis of Office of Management and Budget data and *The Financial Report of the United States Government* for fiscal years 2013 through 2016. | GAO-17-633T

Notes: Improper payment estimate amounts do not include the Department of Defense’s Defense Finance and Accounting Service Commercial Pay program because of issues related to the reliability of the program’s estimate. Numbers may not add to totals because of rounding.

¹² Reported error rates reflect the estimated improper payments as a percentage of total program outlays.

Figure 3: Government-Wide Reported Improper Payment Error Rates for Fiscal Years 2012 through 2016



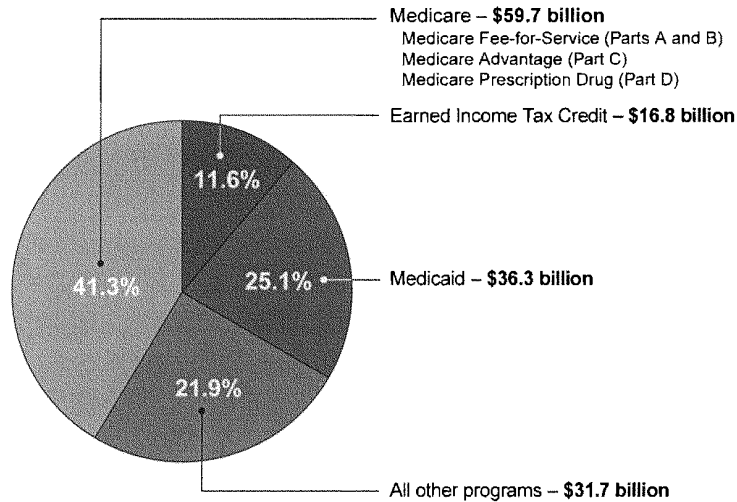
Source: *Financial Report of the United States Government* for fiscal years 2013 through 2016. | GAO-17-633T

Note: Improper payment estimate amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial Pay program because of issues related to the reliability of the program's estimate.

For fiscal year 2016, overpayments accounted for approximately 93 percent of the government-wide reported improper payment estimate, according to www.paymentaccuracy.gov, with underpayments accounting for the remaining 7 percent.

Although primarily concentrated in three areas (Medicare, Medicaid, and the Earned Income Tax Credit), the government-wide reported improper payment estimates for fiscal year 2016 were attributable to 112 programs spread among 22 agencies. (See fig. 4.)

Figure 4: Government-wide Reported Improper Payment Estimates Were Primarily Concentrated in Three Areas for Fiscal Year 2016



Source: GAO analysis of agencies' fiscal year 2016 data. | GAO-17-633T

Notes: Improper payment estimate amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial Pay program because of issues related to the reliability of the program's estimate. Because of rounding, numbers may not add to 100 percent or match the government-wide improper payment estimate (\$144.3 billion).

We found that not all agencies had developed improper payment estimates for all of the programs they identified as susceptible to significant improper payments. Eight agencies did not report improper payment estimates for 18 risk-susceptible programs. (See table 1.)

Table 1: Agencies That Did Not Report Improper Payment Estimates for Fiscal Year 2016 for 18 Risk-Susceptible Programs

Program	Agency
Supplemental Nutrition Assistance Program	Department of Agriculture (USDA)
Child and Adult Food Care Program	USDA
Temporary Assistance for Needy Families	Department of Health and Human Services (HHS)
Advance Premium Tax Credit	HHS
Cost-Sharing Reduction	HHS
Navy Commercial Bill Pay – Singapore	Department of Defense
Single Family Insurance Claims	Department of Housing and Urban Development (HUD)
Community Planning and Development Entitlement Grants	HUD
HOME Investments Program	HUD
Additional Child Tax Credit	Department of the Treasury (Treasury)
American Opportunity Tax Credit	Treasury
Premium Tax Credit	Treasury
Communications, Utilities, and Other Rent	Department of Veterans Affairs (VA)
Medical Care Contracts and Agreements	VA
Prosthetics	VA
VA Community Care Choice payments made from the Veterans Choice Fund	VA
Grants	Environmental Protection Agency
AmeriCorps	Corporation for National and Community Service

Source: GAO summary of agencies' fiscal year 2016 agency financial reports. | GAO-17-633T

As we have previously reported, the federal government faces multiple challenges that hinder its efforts to determine the full extent of and reduce improper pay-

ments.¹³ These challenges include potentially inaccurate risk assessments, agencies that do not report improper payment estimates for risk-susceptible programs or report unreliable or understated estimates, and noncompliance issues.

Changes in VA's Evaluation Procedures Caused Significant Increases in Reported Improper Payment Estimates since Fiscal Year 2013

For fiscal year 2016, VA's reported improper payment estimate totaled \$5.5 billion, an increase of about \$500 million from the prior year. The reported VA improper payment error rate was 4.5 percent of related program outlays for fiscal year 2016, a slight increase from the 4.4 percent reported error rate for fiscal year 2015. As shown in table 2, VA's Community Care and Purchased Long-Term Services and Support programs accounted for the majority of VA's estimated improper payments.¹⁴ Specifically, for fiscal year 2016, VA's reported improper payment estimate for VA's Community Care was approximately \$3.6 billion (about 65 percent of VA's total reported improper payments estimate) and for VA's Purchased Long-Term Services and Support was approximately \$1.2 billion (about 22 percent of VA's total reported improper payments estimate).

Table 2: Department of Veterans Affairs' Reported Improper Payment Estimates and Error Rates by Program for Fiscal Year 2016

Dollars in millions

Program	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage of outlays)
Community Care	4,729	3,587	75.9
Purchased Long Term Services and Support	1,706	1,179	69.2
Compensation	63,864	377	0.6
Pension	5,595	127	2.3
Beneficiary Travel	890	66	7.4
Civilian Health and Medical Program of the Department of Veterans Affairs	1,146	57	4.7
Payments to Federal Employees – Payroll	27,368	32	0.1
State Home Per Diem Grants	1,126	29	2.6
Supplies and Materials	2,477	22	0.9
Vocational Rehabilitation and Employment	1,260	7	0.6
Education – Chapter 33	11,344	4	0.03
Disaster Relief Act	24	1	3.7
Education – Chapter 1607	48	1	1.3
Education – Chapter 1606	143	0.1	0.1
Total	121,720	5,486	4.5

Source: Department of Veterans Affairs Agency Financial Report for fiscal year 2016. | GAO-17-633T

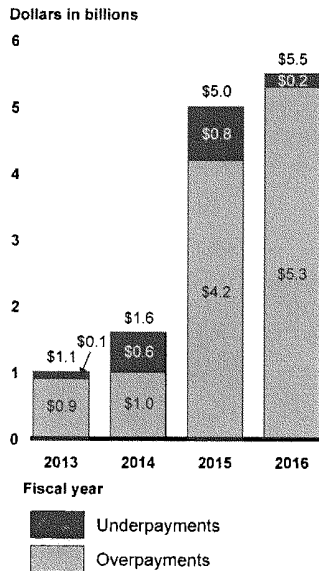
Note: Numbers may not add up totals because of rounding. Also, fiscal year 2016 outlays in this table do not include programs for which the Department of Veterans Affairs did not report estimated improper payments.

As shown in figures 5 and 6, VA's reported improper payment estimates have increased over the past 3 years, and the reported improper payment error rates have increased over the past 2 years.

¹³ GAO 17 579T.

¹⁴ Community Care is a program through which VA authorizes veteran care at community care facilities when the needed services are not available through VA, or when a veteran is unable to travel to a VA facility. Purchased Long-Term Services and Support strives to advance quality care for aging and chronically ill veterans by providing policy direction for the development, coordination, and integration of geriatrics and long-term care clinical programs.

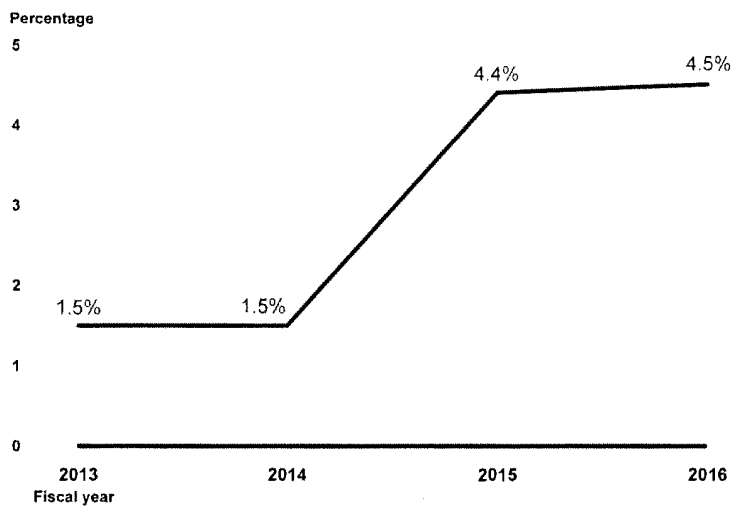
Figure 5: Department of Veterans Affairs' Reported Improper Payment Estimates for Fiscal Years 2013 through 2016



Source: Department of Veterans Affairs Agency Financial Report for fiscal years 2014 through 2016. | GAO-17-633T

Note: Figures may not add up to totals due to rounding.

Figure 6: Department of Veterans Affairs' Reported Improper Payment Error Rates for Fiscal Years 2013 through 2016



Source: Department of Veterans Affairs Agency Financial Report for fiscal years 2014 through 2016. | GAO-17-633T

The significant increase in VA's reported improper payment estimates and error rates primarily occurred, according to the VA OIG, because VA changed its sample

evaluation procedures in fiscal year 2015, which resulted in more improper payments being identified. In response to a finding by the VA OIG,¹⁵ VA began classifying every payment as improper when it made a payment that did not follow all applicable Federal Acquisition Regulation (FAR) and Veterans Affairs Acquisition Regulation (VAAR) provisions. The OIG reported that when those purchases do not follow applicable legal requirements, such as having FAR-compliant contracts in place, the resulting payments are improper because they “should not have been made or were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, according to the definition of improper payments set forth in OMB Circular A–123, Appendix C.” As a result of the change in its sample evaluation procedures, VA reported significant increases in estimated improper payments for both its Community Care and Purchased Long-Term Services and Support programs.

As shown in table 3, VA’s Community Care and Purchased Long-Term Services and Support programs’ reported improper payment error rates are the two highest reported error rates government-wide for fiscal year 2016. Specifically, VA’s Community Care and Purchased Long-Term Services and Support programs had reported improper payment error rates of about 75.9 percent and 69.2 percent, respectively. The reported improper payment error rates for these two programs were each over 45 percentage points higher than the reported improper payment error rate for the next highest federal program—the Department of the Treasury’s Earned Income Tax Credit program.

Table 3: Federal Programs with Reported Improper Payment Error Rates over 10 Percent for Fiscal Year 2016

Program	Agency	Reported improper payment error rate (percentage of outlays)
Community Care	Department of Veterans Affairs (VA)	75.9
Purchased Long-Term Services and Support	VA	69.2
Earned Income Tax Credit	Department of the Treasury	24.0
School Breakfast Program	Department of Agriculture (USDA)	22.5
National School Lunch Program	USDA	16.2
Livestock Indemnity Program	USDA	12.9
Unemployment Insurance	Department of Labor	11.7
Supplemental Revenue Assistance Payments	USDA	11.4
Medicare Fee-for-Service	Department of Health and Human Services (HHS)	11.0
Medicaid	HHS	10.5
Disbursements for Goods and Services	Small Business Administration	10.4

Source: GAO summary of agencies’ data. | GAO-17-633T

In its fiscal year 2016 agency financial report, VA did not report improper payment estimates for four programs it identified as susceptible to significant improper payments. These four programs were

- Communications, Utilities, and Other Rent;
- Medical Care Contracts and Agreements;
- Prosthetics; and
- VA Community Care Choice payments made from the Veterans Choice Fund.

Because VA did not report improper payment estimates for these risk-susceptible programs, VA’s improper payment estimate is understated and the agency is hindered in its efforts to reduce improper payments in these programs. In its fiscal year 2016 agency financial report, VA stated that it will report improper payment estimates for these programs in its fiscal year 2017 agency financial report.

Ongoing Efforts for Reducing Improper Payments at VA

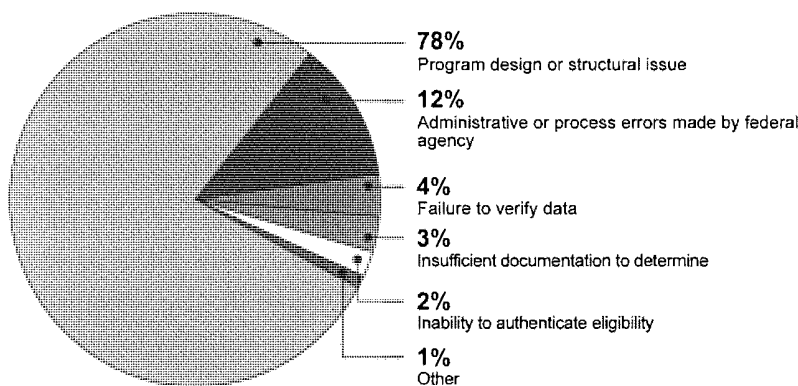
According to OMB guidance, to reduce improper payments, VA can use root cause analysis to identify why improper payments are occurring and develop effective corrective actions to address those causes. In addition, our two prior reports identified problems with how VA processed its claims to reasonably assure the accuracy of or eligibility for the disability benefits, increasing the risk of improper payments. VA can implement our recommendations from these two reports to better ensure the accuracy of or eligibility for disability benefits.

¹⁵ Department of Veterans Affairs Office of Inspector General, FY 2014 Review of VA’s Compliance With the Improper Payments Elimination and Recovery Act, 14–03380–356 (Washington, D.C.: May 14, 2015).

Root Cause Analysis

Root cause analysis is key to understanding why improper payments occur and to developing and implementing corrective actions to prevent them. In 2014, OMB established new guidance to assist agencies in better identifying the root causes of improper payments and assessing their relevant internal controls.¹⁶ Agencies across the federal government began reporting improper payments using these more detailed root cause categories for the first time in their fiscal year 2015 financial reports. Figure 7 shows the root causes of VA's estimated improper payments for fiscal year 2016, as reported by VA.

Figure 7: Department of Veterans Affairs' Reported Root Causes of Estimated Improper Payments for Fiscal Year 2016



Source: Department of Veterans Affairs Agency Financial Report for fiscal year 2016. | GAO-17-633T

According to VA's fiscal year 2016 agency financial report, the root cause for over three-fourths of VA's reported fiscal year 2016 improper payment estimates was program design or structural issues. As noted above, most of the improper payments occurred in VA's Community Care and Purchased Long-Term Services and Support programs. In the fiscal year 2016 agency financial report, VA provided details on how it plans to correct some program design issues by making its procurement practices compliant with relevant laws and regulations. The agency stated that it has made certain changes, such as issuing of new policies that can reduce the amount of improper payments in this area. For example, in VA's fiscal year 2016 agency financial report, VA stated that it issued guidance in May 2015 to appropriately purchase care, such as hospital care or medical services, in the community through the use of VAAR-compliant contracts. VA stated that the implementation of this guidance is ongoing with full impact and compliance anticipated during fiscal year 2017.

According to VA's fiscal year 2016 agency financial report, the second largest root cause for VA's reported improper payments was administrative or process errors made by the federal agency. VA reported that most of these errors occurred in its Compensation program. These errors, such as failure to reduce benefits appropriately, affected the payment amounts that veterans and beneficiaries received. To address this root cause, VA stated in its fiscal year 2016 agency financial report that it is updating procedural guidance to reflect such things as changes in legislation and policy. In addition, VA stated that it will train employees on specific subjects related to errors found during improper payment testing and quality reviews.

VA Has Implemented Steps to Improve the Accuracy of and Eligibility Determinations for its Disability Benefits

Accurate claim decisions help ensure that VA is paying disability benefits only to those eligible for such benefits and in the correct amounts. Thus, it is critical that

¹⁶ Office of Management and Budget, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, OMB Memorandum M-15-02 (Washington, D.C.: 2014).

VA follows its claims processes accurately and consistently. However, we previously reported problems with how VA processed its claims to reasonably assure the accuracy of or eligibility for the disability benefits, increasing the risk of improper payments.

In November 2014, we reported that while VA pays billions of dollars to millions of disabled veterans, there were problems with VA's ability to ensure that claims were processed accurately and consistently by its regional offices.¹⁷ VA measures the accuracy of disability compensation claim decisions mainly through its Systematic Technical Accuracy Review (STAR). Specifically, for each of the regional offices, completed claims are randomly sampled each month and the data are used to produce estimates of the accuracy of all completed claims.

In our November 2014 report, we reported that VA had not always followed generally accepted statistical practices when calculating accuracy rates through STAR reviews, resulting in imprecise performance information. We also identified shortcomings in quality review practices that could reduce their effectiveness. We made eight recommendations to VA to review the multiple sources of policy guidance available to claims processors and evaluate the effectiveness of quality assurance activities, among other things. In response to the draft report, VA agreed with each of our recommendations and identified steps it planned to take to implement them.

To date, VA has implemented six of the report's eight recommendations. For example, VA has revised its sampling methodology and has made its guidance more accessible. VA has initiated action on the remaining two recommendations related to quality review of the claims processes. VA reported that it is in the process of making systems modifications to its electronic claims processing system that will allow VA to identify deficiencies during the claims process. In addition, VA is developing a new quality assurance database that will capture data from all types of quality reviews at various stages of the claims process. VA stated that this new database will support increased data analysis capabilities and allow the agency to evaluate the effectiveness of quality assurance activities through improved and vigorous error rate trend analysis. VA stated that it anticipates deploying the systems modifications and the new quality assurance database by July 2017.

In June 2015,¹⁸ we reported that VA's procedures did not ensure that Total Disability Individual Unemployability (TDIU) benefit decisions were well-supported.¹⁹ To begin receiving and remain eligible for TDIU benefits, veterans must meet the income eligibility requirements. VA first determines a claimant's income by requesting information on the last 5 years of employment on the claim form and subsequently requires beneficiaries to annually attest to any income changes. VA uses the information provided by claimants to request additional information from employers and, when possible, verifies the claimant's reported income, especially for the year prior to applying for the benefit. In order to receive verification, VA sends a form to the employers identified on the veteran's benefit claim and asks them to provide the amount of income earned by the veteran. However, VA officials indicated that employers provided the requested information only about 50 percent of the time.

In our 2015 report, we reported that VA previously conducted audits of beneficiaries' reported income by obtaining income verification matches from Internal Revenue Service (IRS) earnings data through an agreement with the Social Security Administration (SSA), but was no longer doing so despite the standing agreement. In 2012, VA suspended income verification matches in order to develop a new system that would allow for more frequent, electronic information sharing. VA officials told us that they planned to roll out a new electronic data system that would allow for compatibility with SSA data sources in fiscal year 2015. They noted that they planned to use this system to conduct more frequent and focused income verifications to help ensure beneficiaries' continued entitlement. VA officials also anticipated being able to use the system to conduct income verifications for initial TDIU applicants. However, at the time of our 2015 report, VA could not provide us with a plan or timeline for implementing this verification system. In the 2015 report, we recommended that VA verify the self-reported income provided by veterans (1) applying for TDIU benefits and (2) undergoing the annual eligibility review process by comparing such information against IRS earnings data, which VA currently has access to for this purpose.

To date, VA is developing processes to use IRS earnings data from SSA in verifying income eligibility requirements. According to VA, in February 2016, it

¹⁷GAO 15 50.

¹⁸GAO 15 464.

¹⁹VA generally provides TDIU benefits to disabled veterans of any age who are unable to maintain employment with earnings above the federal poverty guidelines because of service-connected disabilities.

launched a national workload distribution tool within its management system to improve its overall production capacity and assist with reaching claims processing goals that will be used in implementing our recommendation. To determine if new beneficiaries are eligible for TDIU benefits, VA stated that it is expanding the data-sharing agreement with SSA to develop an upfront verification process. Specifically, when VA receives a TDIU claim, it will electronically request the reported IRS income information from SSA and receive a response within 16 days. In addition, according to VA, it is also planning to begin a process for checking incomes of veterans to determine whether they remain eligible for TDIU benefits. Specifically, VA has reinstituted the data match agreement with SSA that was set to expire in December 2016 to allow VA to compare reported income earnings of TDIU beneficiaries to earnings actually received. According to VA, it also has drafted a new guidance manual for the annual eligibility review process. VA stated that it planned to fully implement the upfront and annual eligibility verification processes by the summer of 2017.

In conclusion, in light of VA's significant financial management challenges, we continue to be concerned about VA's ability to reasonably assure its resources are being used cost-effectively and efficiently. Because VA's payment amounts are likely to increase with the increase in appropriations for fiscal year 2017, it is critical that VA takes actions to reduce the risks of improper payments. While VA has taken several actions to help prevent improper payments, further efforts are needed to help minimize the risks of improper payments across its programs.

Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgements

If you or your staff have any question about this testimony, please contact Beryl H. Davis, Director, Financial Management and Assurance, at (202) 512-2623 or davisbh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Matthew Valenta (Assistant Director), Daniel Flavin (Analyst in Charge), Marcia Carlsen, Francine Delvecchio, Robert Hildebrandt, Melissa Jaynes, Jason Kelly, and Jason Kirwan.

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Prepared Statement of Nicholas Dahl

Mr. Chairman, Ranking Member Kuster, and Members of the Subcommittee, thank you for the opportunity to discuss the Office of Inspector General's (OIG) work regarding VA's financial management. Our statement today focuses on the results of the fiscal year (FY) 2016 Audit of VA's Consolidated Financial Statements, and our work related to the Improper Payments and Recovery Act (IPERA). I am accompanied by Ms. Sue Schwendiman, Director, OIG's Financial Audits Division.

BACKGROUND

Effective financial management is important because it enables VA to plan, direct, monitor, and control its financial resources. It supports the safeguarding of VA's assets and the timely payment of its obligations. Good financial information helps users identify links between resources and results, and to understand and improve value for appropriated funds. It can also be used to manage risk effectively and support decisions through financial analysis.

The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the OIG to conduct an audit of VA's consolidated financial statements. Since 2000, we have contracted with an independent public accounting firm to conduct the audit; and since 2010, we have contracted with CliftonLarsonAllen LLP (CLA). This work helps ensure accountability for public resources.

VA's consolidated financial statements are published in VA's annual Agency Financial Report, and these statements summarize VA's financial results, financial condition, and the status of budgetary resources. Although VA has received an unmodified or "clean" opinion, on its consolidated financial statements from our contracted auditors, VA has continuously faced challenges in achieving those results. A clean opinion means the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. It does not, however, mean VA can easily obtain that opinion or that VA does not have internal control weaknesses.

The contract auditor has regularly identified and reported on material weaknesses and significant deficiencies. A material weakness is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of VA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

FISCAL YEAR 2016 FINANCIAL STATEMENT AUDIT RESULTS

The audit of VA's FY 2016 consolidated financial statements identified six material weaknesses and two significant deficiencies—two more in total than the prior

year. As described above, these material weaknesses make it more difficult for management to ensure the accuracy of VA's financial statements and also more difficult to audit the statements.

The material weaknesses are:

- Information technology security controls - This is a repeat finding that our contract auditors have reported since FY 2000. Weaknesses existed in configuration management, such as untimely patching to mitigate security vulnerabilities; access controls, including inconsistent enforcement of password standards; security management; and contingency planning. Without good information technology security controls, VA's financial information may not be safe in terms of confidentiality, integrity, and availability.
- Community care obligations, reconciliations, and accrued expenses - This is a repeat finding from the FY 2015 audit. CLA identified numerous examples of obligations for Community Care Programs that were overstated compared to actual payments. As a result, VA management performed its own analysis and recorded journal entries of approximately \$1.9 billion to reduce overstated Choice Program obligations and \$2.6 billion to reduce other overstated Community Care Program obligations in VA's general ledger on September 30, 2016. The overestimation of obligations also resulted in a large overstatement of accrued expenses, which management also reduced through journal entries.

CLA identified several causes of these overstatements, but overall, significant system limitations hindered effective and efficient operations and controls. CLA also reported that methods to estimate the cost of care were inconsistent at medical centers and the Office of Community Care's procedures for its monitoring activities were not adequate. For most of FY 2016, the Office of Community Care had not performed a nationwide consolidated reconciliation of obligations and disbursements between VA's Financial Management System (FMS) and the system used to authorize and process individual non-VA care claims.

- Financial reporting - This is a repeat finding from the FY 2015 audit. VA's financial management and general ledger system is FMS. Since its implementation in 1992, Federal financial reporting requirements have become more complicated and the level of financial information needed by management and oversight bodies has become increasingly complex. Due to FMS' limited functionality to meet current financial reporting needs, VA utilizes another system to create financial statements for external reporting. However, this process requires significant manual intervention and workarounds to ensure accurate financial reporting. CLA reported that VA recorded a large number of adjustments (called journal vouchers) to its accounts in order to prepare VA's financial statements. Also, significant abnormal account balances (that is, an account balance that shows a debit balance when it should be a credit balance or vice versa) were not researched and cleared timely. These weaknesses increase the risk of material errors in financial reporting. Although VA has made improvements in areas such as the reduced use of journal vouchers, many issues have existed for years and require extensive efforts to implement solutions to resolve them.
- Education benefits accrued liability - This is a new finding identified during the FY 2016 audit. CLA reported VA did not use the appropriate method to account for veterans' education benefits. VA manages several education benefit programs with total disbursements of approximately \$14.5 billion in FY 2016, with the Post 9/11 G.I. Bill Program being the largest. Prior to FY 2016, management did not view education benefit payments as post-employment benefits. As a result, VA did not report an estimated liability for future benefit payments as required by accounting standards. In FY 2016, VA reported this liability in the amount of approximately \$60 billion for the first time on its balance sheet.
- Control environment surrounding the compensation, pension, and burial actuarial estimates - This is a new finding identified during the FY 2016 audit. It resulted from the lack of succession planning for the chief actuary who was responsible for the calculation of VA's unfunded veterans' compensation and burial liability amount. This amount was reported on VA's balance sheet as of September 30, 2016, as approximately \$2.5 trillion. The chief actuary left VA in July 2016, and VA did not have a successor actuary with the appropriate qualifications and experience to take full responsibility to manage the actuarial model assumptions and review the related calculations. Management subsequently obtained the services of a credentialed actuary on detail from another department. VA also noted its model's assumption for the rate of new compensation cases was outdated and adjusted its balance sheet by \$277 billion. CLA reported VA needed to review the reasonableness of its key model assumption.

tions, which would include comparing relevant actuarial information from the Department of Defense.

- CFO organizational structure for VA and VHA - This was elevated from a significant deficiency in FY 2015 to a material weakness in FY 2016. CLA reported VA has a decentralized and fragmented organizational structure for financial management and reporting that did not operate in a fully integrated manner. The VA CFO establishes financial policy and produces VA's consolidated financial statements. Business components, such as the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration, have their own CFOs, who oversee financial management operations and follow the chain of command within those organizations. VHA's financial management structure was further fragmented, with three different CFO organizational structures within the Administration. CLA observed instances where procedures the VA CFO depended on were not completed by VA components or communication issues existed.

CLA concluded the decentralization of financial management functions among the VA component entities without organizational reporting and accountability back to the VA CFO decreased the VA CFO's ability to affect financial management at the component level and across the VA enterprise, and also presented a risk to VA's planned conversion to a shared service provider in order to modernize its financial systems.

CLA also reported two significant deficiencies. As stated above, a significant deficiency is a deficiency or combination of deficiencies in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

- Procurement, Undelivered Orders, Accrued Expenses, and Reconciliations - Regarding this significant deficiency, CLA reported:
 - Centralized, complete, and consolidated reconciliations among various procurement subsidiary systems and FMS were not performed.
 - VA used miscellaneous obligating documents, also called "1358s", extensively, but lacked sufficient controls, such as monitoring to ensure obligations and accrued expenses were not overstated.
 - VA did not have an adequate process to validate estimated accrued expenses against actual payment data.
 - Pervasive and long standing procurement related issues, including instances of untimely liquidation of undelivered orders, untimely recording of contracts and modifications in FMS, recording of obligations prior to contract execution, over-obligation of funds, and obligations recorded months or years after receiving goods or services.
- Loan Guaranty Liability - VBA uses complex models to estimate future cash flows and determine the cost of its loan guarantees on a present value basis for budgetary and financial reporting purposes. CLA reported structural deficiencies in model design have impacted VA's ability to forecast future program cash flows following the housing crisis. VBA's models have consistently shown significant differences between model forecasts and actual program performance. Based on the auditor's discussions with management regarding this issue, VBA revised certain model assumptions, thus reducing the Loan Guaranty Liability as of September 30, 2016, by \$830 million.

Additionally, CLA noted that VA reported two violations of the Antideficiency Act¹ in August 2016 and was in the process of reporting four other violations at the time of their audit report.

Overall, CLA reported VA's financial management systems do not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.² VA's complex, disjointed, and legacy financial management system architecture continued to deteriorate and no longer met increasingly stringent and demanding financial management and reporting requirements mandated by the U.S. Department of the Treasury and the Office of Management and Budget (OMB). VA continued to be challenged in its efforts to apply consistent and proactive enforcement of established policies and procedures throughout its geographically dispersed portfolio of legacy applications and systems.

FMS' limitations required VA to use another system to produce financial statements. However, VA still had to re-enter or re-perform numerous manual journal

¹ 31 CFR §1341(a) and 1517(a)

² Public Law-104-208, §803(a), Federal Financial Management Improvement Act of 1996

vouchers, reconciliations, and analyses for each reporting period to produce VA's financial statements and trial balances for submission to the U.S. Department of the Treasury. During FY 2016, FMS was not centrally and completely reconciled with key subsidiary systems such as the Electronic Contract Management System; Integrated Funds Distribution Control Point Activity, Accounting and Procurement System; and the Fee Basis Claims System.

VA is currently working with the U.S. Department of Agriculture to obtain financial services, which is consistent with OMB guidance to obtain financial services from a shared service provider.³ The VA Office of Finance, within the Office of Management, is leading the Financial Management Business Transformation program along with the Office of Acquisition and Logistics and the Office of Information and Technology. In FY 2017, VA began efforts to standardize business processes and identify potential levels of change required for the transformation.

In the FY 2016 audit report,⁴ CLA made recommendations for VA to address the identified material weaknesses and significant deficiencies. Those recommendations ranged from specific, targeted actions to broader improvements in policies, processes, and systems.

THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT

We recently issued our annual determination on VA's compliance with the Improper Payments Elimination and Recovery Act (IPERA)⁵ finding VA did not comply with two of the six requirements in OMB's guidance for compliance with IPERA⁶. Specifically, VA did not:

- Maintain a gross improper payment rate of less than 10 percent for two programs -the VA Community Care Program and the Purchased Long Term Services and Support (PLTSS) Program-reported in the Agency Financial Report.
- Meet reduction targets for six programs reported in the Agency Financial Report.

VA met the other four IPERA requirements:

- Published the FY 2016 Agency Financial Report on VA's website
- Performed risk assessments
- Published improper payments estimates for programs identified as susceptible to significant improper payments
- Provided information on corrective action plans.

Although VA published improper payment estimates as required, we determined estimates for the Supplies and Materials Program and the Post-9/11 G.I. Bill Program were not reliable because of weaknesses in sample evaluation procedures. Overall, VA reported improper payment estimates totaling approximately \$5.5 billion in VA's Agency Financial Report for FY 2016, compared with \$5 billion for FY 2015.

Areas of Non-Compliance

The two programs that exceeded the 10 percent improper payment rate threshold were the VA Community Care Program and the PLTSS Program. Improper payment rates for these programs were high at approximately 76 percent and 69 percent, respectively. This is a repeat of last year's determination of noncompliance, but the rates were lower last year at approximately 55 percent and 59 percent, respectively. VA reported the improper payment rate for the VA Community Care Program was high because VHA purchased a significant amount of medical care from non-VA providers using individual authorizations. The individual authorizations were not compliant with the Federal Acquisition Regulation (FAR). The high PLTSS improper payment rate was also due to the lack of FAR-compliant contracts. VA must generally follow the FAR when other legal authorities are not available for the procurement of goods and services. According to OMB's definition of improper payments, "an improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements." Therefore, when purchases do not follow applicable legal requirements, such as having contracts in place that comply with the FAR, the

³ OMB Memorandum 13-08, Improving Financial Management Through Shared Services

⁴ Audit of VA's Financial Statements for Fiscal Years 2016 and 2015 (Report No. 16-01484-82, November 15, 2016)

⁵ Review of VA's Compliance With the Improper Payments Elimination and Recovery Act for FY 2016 (Report No. 16-04416-231, May 15, 2017)

⁶ OMB Circular A-123, Appendix C, Part II-A(1), Responsibilities of Agency Inspectors General.

resulting payments are improper. As such, VA counted payments for non-FAR compliant medical care purchases as improper.

VA also did not meet its annual reduction targets for six programs. VA provided the following explanations for missing the reduction targets in these programs:

- VA Community Care Program - The improper payment rate increased due to the inclusion of individual authorizations under \$2,500 in the improper payment estimate.
- PLTSS - The higher improper payment rate was due to contracting errors and the inclusion of individual authorizations under \$2,500 in the improper payment estimate.
- Beneficiary Travel - Other priorities, such as access to care and timely payment processing, have taken precedence over meeting the reduction target.
- Civilian Health and Medical Program of the Department of Veterans Affairs - System improvements are needed to address identified system issues and expand automated business rules that would reduce the number of human entries and decisions.
- State Home Per Diem Grants - VHA identified an increase in improper payments associated with missing or incomplete documentation for domiciliary residents, due in part to a change in sampling stratification.
- Supplies and Materials Program—Our review identified additional improper payments, primarily due to insufficient supporting documentation that increased the improper payment rate above the target rate.

We also noted the VA Community Care Program and PLTSS Program did not achieve the expected level of precision for their improper payment estimates because of larger than expected variances in sample results. Despite not meeting expectations, VHA did design its sampling methodology appropriately.

We made several recommendations to Agency leadership in VHA, VBA, the Office of Management, and the Office of Acquisition, Logistics, and Construction, to take steps to reduce improper payment rates, achieve reduction targets, and improve improper payment estimates. VA management agreed with our recommendations and provided plans for corrective action. We will follow-up on their implementation during the FY 2017 IPERA review.

CONCLUSION

VA's financial management and system challenges are many and complex. VA plans to move from FMS to a shared services provider to gain access to modern technology. Initial operational capacity is scheduled for FY 2020. VA will need strong organizational leadership and cooperation to manage this significant change. VA also faces challenges in reducing improper payments related to the procurement of medical care through contracts that are not compliant with the Federal Acquisition Regulation. As we review these areas annually, we will monitor VA's actions to address its financial management and systems challenges and its compliance with IPERA.

Mr. Chairman, this concludes my statement. We would be happy to answer any questions you or other Members of the Committee may have.

Prepared Statement of Julie L. Larsen

Chairman Bergman, Ranking Member Kuster, and distinguished members who proudly serve on this subcommittee; On behalf of Charles E. Schmidt, the National Commander of the largest Veteran Service Organization in the United States of America representing more than 2.2 million members; we thank you for the opportunity to comment on this important issue regarding veteran debt collection. It is my duty and honor to represent The American Legion and assist this Committee in understanding the Department of Veterans Affairs (VA) debt collection process and touch on areas of improvement, as well as provide insight on how The American Legion assists in these matters.

The American Legion has worked extensively on matters concerning VA debt management and recognizing the importance of these issues has had a dedicated representative at the Debt Management Center (DMC) in Saint Paul, MN since 1978 specifically to support and assist veterans who fall into debt with VA. With nearly 40 years of service our representative has been instrumental in assisting thousands of veterans avoid financial hardships by; filing waivers, negotiating offsets of current VA benefits, establishing reasonable monthly payment plans to avoid

financial burdens, and has assisted in ending erroneous collection actions; and has correct or helped to reclaim improper collections.

The VA categorizes debt into six different areas;

- Benefit debt, (including benefits for veterans and burial, and first and third party debts for medical care and hospital services),
- VA program debt (including capital grants, and emergency and humanitarian care debt),
- Vendor debt,
- Employee debt (including payroll, travel, agent cashier, property),
- Intra-governmental debt, and
- Freedom of Information Act debt.¹

Benefit debt is the most common type of debt affecting veterans, which is why The American Legion's primary focus in our debt collection management office is assisting veterans affected by overpayments of benefits, and addressing how to best mitigate or repay the funds owed. Of the millions of dollars in benefits awarded to veterans by the VA every year, thousands of veterans are paid incorrect amounts. When these incorrect payments are more than the amount due to a veteran, debt is incurred and collection actions will ultimately be triggered. A VA benefit debt can be generated through a number of actions, like; change in income or net worth, dependent status, receipt of retired pay, school attendance, failure to obtain the release of home loan liability, hospitalization, treatment co-payments, overpayments to schools while using the G.I. Bill, and double payments of drill pay and VA benefits pay to members of the Reserves and National Guard.

VA Debt Collection Process within the VHA

According to VA, in 2014, 88% of all debts owed were related to the Veteran Health Administration (VHA), whereas only 8% of all debts owed originated at the Veteran Benefits Administration (VBA).² Once a debt has been created at the regional office of jurisdiction, VA is required to send notice in writing to the subject of the alleged debt. This notice must include the exact amount of the debt, the reason for the debt, and the individuals' rights and remedies in connection with the debt. Additionally, it must inform the debtor that collection may be made through offset of current or future benefits and that interest and administrative costs may be assessed. Once the debt is generated, it is referred to the Debt Management Center (DMC) for collection actions.

Within 30 days the DMC sends a collection due process letter advising the debtor of the debt amount and provides a notice of their rights and obligations. If the debtor is actively drawing benefits, the letter will indicate that failure to respond will result in a full benefit offset beginning with the first pay period 60 days after the date of the notification letter. If the debtor is not actively drawing benefits a second letter is mailed 30 days later as a reminder to take action. The letter advises that if the debt is not satisfied, or an agreeable repayment plan is not established within 60 days, the account will be reported to Credit Collection Agencies as delinquent. The letter will further state that the Treasury Department may refer the account to private collecting agencies and the account may be subject to garnishment of non-federal wages under the Treasury's Administrative Wage Garnishment Program. If no action is taken, third and fourth letters are mailed 30 days apart. If no action is taken 60 days after the third letter, the account is referred to the Treasury Department for active collection.

In our experience, the VA makes every attempt to keep these debts "in-house" and tries to notify the veteran in numerous ways. According to the Code of Federal Regulations (C.F.R.) 1.911 (d), VA is required to send a notice of debt that must include the exact amount of the debt, the reason for the debt, the individual's rights and remedies in connection with the debt, and inform the debtor that collection may be made through offset of current or future benefits and that interest and administrative costs may be added.

Sometimes, notification letters are sent to wrong addresses due to updated information not being provided to the VA debt collection team. Failure to update the system with the correct and current contact information can lead to a veteran who owes a debt not being properly informed of their rights. The American Legion calls upon VA to continually update their contact database to ensure the most up-to-date

¹ <https://drive.google.com/file/d/0B70—mGYT1tJETzZGWUZKYzdGXzg/view>

² <https://drive.google.com/file/d/0B70—mGYT1tJETzZGWUZKYzdGXzg/view>

information for a veteran is available so the VA may contact the veteran for a multitude of reasons, including debt collection.

Additionally, a veteran may request copies of the debt and coinciding information from the original office of jurisdiction where the overpayment was created. If the veterans feels necessary, they may file an appeal with VA. If the veteran chooses to file an appeal, then they will need to notify the VA in writing before the 30-day deadline if they are requesting a hearing to contest the debt. The debtor's right to inspect the record is also included in the original debt notification letter.

Many of the issues associated with a veteran incurring a VA based debt is caused by the lack of an integrated records system within the VA. The American Legion recommends the VA implement an integrated system that all VA branches can access for the most up-to-date information regarding a veteran's most recent contact information. Through American Legion Resolution No. 44, we support the VA in creating and implementing an updated and modernized integrated system.³

Furthermore, The American Legion believes that overpayments to veterans who receive benefit pay and drill pay during their Reserve, National Guard drill or Active Duty period can be easily remedied if the VA and Department of Defense (DOD) compare drill records once a month, and not once year or however often they currently do it. When a soldier is activated for their Reserve or National Guard training, or even Active Duty, they are not eligible to receive VA disability payments. The soldier has the option of either receiving either drill or VA disability, and they typically choose the higher of the two. If VA does not stop the payment, then an overpayment is created. It has been our experience that DOD and VA only compare this information every year, or sometimes every few years, sending servicemembers into debt that accumulates over many years. Errors like this are preventable and put unnecessary stress on our nation's heroes. We support any legislation that aims to address this issue using Resolution No. 228: Timely Processing of Overpayments for Reserve Components and/or Active Duty Pay, which states that The American Legion supports "plac[ing] greater emphasis on processing of these overpayments for the performance of Reserved Component and/or Active Duty pay so not to have multiple years processed at the same time".⁴

VA Debt Collection Process within the VBA

When a veteran is attending an institution of higher learning VA pays the institution the amount owed for the veteran to attend the school. Sometimes, because of improper reporting, the school is overpaid, and other times the veteran may change his or her course schedule which often results in an overpayment of benefits to the school. Many veterans are unaware their schedule adjustment triggers an overpayment because there is little or no guidance provided to enrolled veterans on VA's policy.

In a study conducted by the Government Accountability Office (GAO), GAO noted that education institutions make frequent errors when reporting enrollment information to VBA and that not all schools send their certifying officials to attend the various training opportunities offered by VBA, contributing to additional improper education claims being filed on behalf of the veteran.⁵

The American Legion recommends that educational institutions authorized to accept GI Bill payments review GAO's report and ensure that they comply with all findings in an effort to avoid future overpayments.

VA Partnership with the Treasury

In most cases, delinquent accounts over 120 days are referred to the Treasury Department for collection. Once a debt is referred to the Treasury Department the debtor is subjected to the Treasury's collection tools, interest, and any administrative fees and veteran service organizations are no longer empowered to assist. The American Legion strongly recommends that veterans who receive debt notification letters from DMC immediately contact an advocate like The American Legion for assistance to prevent the debt from spiraling out of control. It has been the experience of The American Legion that the VA DMC office is much easier and sensitive to the veterans particular circumstances and needs than the Treasury department,

³The American Legion Resolution No. 44 (2016): Department of Veterans Affairs Rural Healthcare Program

⁴American Legion Resolution No. 228 (2016): Timely Processing of Overpayments for Reserve Components and/or Active Duty Pay

⁵<https://www.gao.gov/products/GAO-16-42>

which is why veterans need to act quickly to avoid garnishment actions and negative credit reporting.

Finally, the DMC does not charge interest or fees when collecting on compensation and pension debt, a policy that The American Legion strongly. While the DMC does not charge interest on compensation and pension debt, they do assess interest on Home Loan Guaranty, Chapter 34 and Chapter 35 education debts where the rate of interest is 4% for these types of debt.

Conclusion

Debt collection within the VA and Treasury Departments are complicated and nuanced. The American Legion sees room for improvement, and we have highlighted some of those suggestions in this testimony. Overall The American Legion believes that VA does an adequate job in protecting veterans from added exposure when they are identified as having been overpaid and want to ensure that veterans are aware of their rights, resources, and consequences should they neglect to address these issues right away.

And finally, The American Legion calls on DoD and VA to integrate their systems seamlessly so that the responsibility does not fall to the veteran to make notifications to either VA or DoD that should be the responsibility of the departments and the Administration as highlighted in GAO report 16-42.

As always, The American Legion thanks this committee for the opportunity to elucidate the position of the over 2.2 million veteran members of this organization. For additional information regarding this testimony, please contact Mr. Derek Fronabarger, Deputy Director of The American Legion Legislative Division at dfronabarger@legion.org or (202) 861-2700.

Statements For The Record

Attachment 1

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings

Course Title	Course Description	Date (Method)
A New Paradigm for Internal Controls - Entity Level Internal Control Assessment (ELICA) Tool Processes/ Statement of Assurance (SOA).	This course provides a demonstration of the integration of internal controls into all aspects of management; explanation of the necessity of internal controls for mission completion; walk-through of ELICA Tool along with a demonstration of effectiveness of the internal controls system..	August 2016 (via Webinar)
Avoiding Travel Pitfalls: Travel with Data Analytics Tool.	This course will help attendees gain an understanding of the Concur.Gov "How To" when certifying, reviewing or approving travel documents; gain a basic understanding of the Federal Travel Regulations (FTR) and Department of Veterans Affairs (VA) Policy requirements when certifying, reviewing or approving travel documents..	August 2016 (via Webinar)
Capitalization - Know Your Assets	This course explains policies related to Capitalization of Construction Projects and Real Property; explains the VA Capitalization process related to Construction and Real Property; expresses when timely capitalization of Construction Projects and Real Property should occur; identifies supporting documentation required for capitalization of Construction Projects and Real Property; identifies useful reports and potential general ledger issues..	August 2016 (via Webinar)
Financial Management Business Transformation (FMBT).	The course will increase awareness of the Department's decision to migrate to a Federal Shared Service Provider (FSSP) offering of an integrated financial management and acquisition system solution; provide an overview and current status of the FMBT program..	August 2016 (via Webinar)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Financial Management Vision	The course provides an opportunity for the Acting Deputy CFO to share her vision and major goals for the VA financial management community. From encouraging attendees to assist in maintaining our clean audit opinion by reducing the number of Material Weakness and Significant Deficiencies to pressing forward with modernization of our Financial Management System through our FMBT initiative, this served as the opening to virtual training event..	August 2016 (via Webinar)
Fiscal Law Basics - Appropriation Law	This course serves as an introduction to fiscal law basics-where federal money comes from, what it can be used for, when you can spend it, and when you can't. In addition attendees will understand how federal funding moves, gets used, and budget planning tools. The course also covers the Anti-Deficiency Act-how to avoid obligating appropriations you do not have and avoiding jail and a career-ending fiscal disaster; how agencies do business between themselves; explanation of the Economy Act as the basis for intra and interagency transactions; and securing services and supplies without going to the private sector..	August 2016 (via Webinar)
Hey! Got Debt?: Debt Collection	This course helps attendees develop greater understanding of Federal laws and VA policies and procedures related to Debt Collection; increase awareness and the impact Debt Collection has on Veterans, schools, tax payers, and other stakeholders; ensure compliance throughout VA with Debt Collection statutes..	August 2016 (via Webinar)
Interagency Agreements (IAA) and the General Post Fund: Lawful Agreements.	This course discusses the General Post Fund-the softer side of funding aid for patients, members, and residents in VA medical facilities; along with where philanthropy and government come together..	August 2016 (via Webinar)
Purchase Cards - Avoiding Common Purchase Card Errors.	This course provides a clear understanding of what constitutes a split purchase transaction; the consequences of intentionally splitting a transaction in order to circumvent the micro-purchase limit; and alternate procurement options in order to prevent a split transaction..	August 2016 (via Webinar)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
The Joys of Balancing: Reconciliations	This course provides information to promote the Veteran Integrated Service Network (VISN)/Medical Center staff compliance with reconciliation policies and procedures; focus station resources and attention on critical reconciliations; provide better oversight and guidance to station staff on key reconciliation tools and techniques..	August 2016 (via Webinar)
Undelivered Orders (UDO) and Accruals - UDOs not UFOs.	This course promotes compliance with Federal and VA policies related to obligations and accruals; record an obligation in FMS with the proper accrual flag; and perform timely reviews of open undelivered orders..	August 2016 (via Webinar)
Understanding Interagency Agreements (IAA) and Intragovernmental Reconciliation.	This course highlights the successful process for an IAA to help with proper reconciliation within and between federal agencies; comply with applicable VA and Treasury policy relating to IAAs; and identify the types of agreements and when to use each form..	August 2016 (via Webinar)
2017 Audit Site Visit Preparation	This course will provide an understanding of the audit cycle; associated roles and responsibilities; how to be prepared and effective during the site audit; how to work with the auditors to address audit exceptions and findings; proper preparation for the audit site visit, collecting and providing source and evidentiary documents to the auditors, answering auditors' questions, and ask questions for clarification..	January 2017 (In-Person)
A Day in the Life of a Fiscal Officer ...	This course provides insight into the daily work of the Chief Fiscal Officer at a VA medical center, and provides best practices along with helpful hints in the areas of the financial statement audit, allocation of resources, travel, payroll, budget, and care in the community..	January 2017 (In-Person)

**Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial
Management Leadership Training (FMLT) Course Offerings—Continued**

Course Title	Course Description	Date (Method)
Accounting for Community Care	This course provides an overview of standard process within the Medical Center, VISN and all of the Veterans Health Administration (VHA), including mandatory uses for estimates, obligations and reconciliations of purchased care. In addition the course provided tips on how to avoid year end adjusting entries; develop a greater understanding of Federal and VA policies over obligations in order to prevent overstating obligations; provide tools and options to reduce rework and make the new financial management system transition easier; prior year obligations clean-up and an overview of when you can use prior year funds..	January 2017 (In-Person)
Anti-deficiency act (ADA) violations, Major, Minor and NRM Accounting.	This course offers an increased understanding of ADA, Major, Minor, and NRM construction programs; root causes of ADA violations; and oversight techniques to detect and prevent ADA violations on Minor and NRM projects..	January 2017 (In-Person)
Appropriations Law Basics	The course provides an understanding of the basic principles of how federal funds are used; the Anti-Deficiency Act and why you want to avoid it; understanding enough about fiscal law to know if there is a problem, or at least, what questions to ask; how to comply with funding requirements; know how to partner with the Office of General Counsel (OGC)..	January 2017 (In-Person)
Budget Execution - Getting More Bang for Your Buck.	The course provides an understanding of how to improve the accuracy and management of reported obligations, the impact of improperly managed funds, and the ways to improve the accuracy of reported information..	January 2017 (In-Person)
Budget Process	The course provides an increased understanding of the Federal and Department's budget processes; unique aspects of the FY 2018 budget cycle; anticipated FY 2019-2020 budget process and timeline; and where to obtain information on the budget status for the Department..	January 2017 (In-Person)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Business Process Reengineering (BPR) - Your World is Changing.	The course provides an overview, vision and goals of Business Process Reengineering (BPR) and the importance of this endeavor to the successful implementation of a federal shared service provider solution at the Department of Veterans Affairs..	January 2017 (In-Person)
Business Processing Reengineering: BPR 101 What to Expect.	The course provides a detailed look at business process reengineering and the necessities of business process standardization efforts for the success of the FMBT program..	January 2017 (In-Person)
Corrective Action Plan (CAP) Development and Execution.	The course provides an overview of the Office of Financial Process Improvement and Audit Readiness (FPIAR) fiscal year (FY) 17 CAP oversight approach; understand the relationship between the CAP cycle and audit timeline; introduce the enhanced CAP template; define the key elements of a deficiency; discuss how to identify the root causes of the FY16 audit material weaknesses (MW) and significant deficiencies..	January 2017 (In-Person)
Cash Reconciliations: Suspense and Deposit Funds.	The course provides an understanding of audit findings relating to reconciliations and timely clearing of suspense accounts (clearing and deposit funds) and how to take appropriate action to remediate..	January 2017 (In-Person)
Centralized Receivables Service (CRS)	The course educates business partners on how the Debt Management Center (DMC) can ease the burden of the debt collection process by using Treasury's CRS tool..	January 2017 (In-Person)
Chief Financial Officer (CFO) Dotted Line of Accountability.	The course provides an overview of VA's actions to address the FY 2016 financial statement audit finding concerning the CFO Organizational Structure with financial leaders from the Administrations and Staff Offices detailing how VA is building a collaborative work environment to resolve emerging challenges.	January 2017 (In-Person)
Debt Collection - From Treasury Offset Program (TOP) to the Treasury Report on Receivables (TROR).	The course provides an overview of the debt collection process from establishment to collection and clarifies the Agency's legal responsibility.	January 2017 (In-Person)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Enterprise Risk Management	The course provides an orientation on establishing and achieving goals, seizing opportunities to improve operations, providing reliable reporting, and maintaining compliance with laws and regulations..	January 2017 (In-Person)
Financial Management Vision: Status Update.	This course provides an update regarding expectations to achieve VA's vision for financial management, including best practices in preparing facilities to support activities related to the financial statement audit and FMBT..	January 2017 (In-Person)
Financial Policy - Making it Work for You!.	The course provides an overview of the hierarchy of laws, regulations and policies; a walkthrough of the financial policy process & web layout; an update on recent policy changes; and potential policy changes derived during FMBT..	January 2017 (In-Person)
Financial Services Center (FSC): Strategy Drivers in Delivery of Services.	This course shares the Financial Service Center's (FSC) core services and explores additional opportunities to leverage their shared service platform..	January 2017 (In-Person)
Financial Statement Audit Review	This course provides a high level review of the FY2016 material weaknesses and significant deficiencies and highlights major challenges to maintain a clean audit opinion..	January 2017 (In-Person)
Financial Management Business Transformation: Change Management.	This course provides an overview of impacts that changes have on daily activities in people's work assignment and discusses the organizational change management (OCM) approach and best practices as they are applicable to the participant's organizations as we begin FMBT..	January 2017 (In-Person)
Financial Management Business Transformation Overview: Setting Expectations.	This course provided an opportunity for the financial management leadership from both VA and the United States Department of Agriculture (USDA) to discuss the selection of the Momentum solution utilizing the shared service model. This question and answer platform offers attendees the chance to gain insight on the new financial management system and how it will be implemented at VA..	January 2017 (In-Person)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Funding Follies: Cautionary Tales	The course provides an understanding of the color of money, bonafide needs rule, Anti-Deficiency Act, Purpose Statute and how to avoid embarrassing fiscal mistakes of the past..	January 2017 (In-Person)
Future of VA Form 1358	This interactive session serves as an opportunity to gather information on how and why VA offices use 1358s and discusses potential changes to the 1358 process as the result of the financial management system modernization..	January 2017 (In-Person)
Great Responsibility: Certifying Invoices Correctly.	This course demonstrates responsibilities and potential legal ramifications for Invoice Review and Certification as promulgated by Treasury Financial Policy and VA Financial Policy Volume VIII - Chapter 1A and the relevant capabilities of the FSC Invoice Payment Processing System (IPPS)..	January 2017 (In-Person)
Help VA Fight Fraud	This course highlights the definition of fraud, waste and abuse; introduces the Data Analytics and Fraud Act of 2015; discusses fraud cases within the VA; and explains how you can help fight fraud, waste and abuse..	January 2017 (In-Person)
How to Avoid A-123 Appendix A Findings at the Facility.	This course provides a brief history of Office of Management and Budget (OMB) Circular A-123 and how employees can use its principals to strengthen financial reporting within the Department..	January 2017 (In-Person)
Improper Payments - Do This, Not That	This course provides an overview of legislation and the circular covering improper payments, all reporting requirements, VA's Improper Payments and Elimination and Recovery Act (IPERA) Program, the importance of corrective actions, and examples of actions that result in Improper Payments..	January 2017 (In-Person)
Internal Control Overview: What Are You Responsible For?.	The course provides an overview of internal controls; internal control requirements under relevant laws and regulations; how internal controls ensure organizations meet their objectives; how internal controls are an integral part of every aspect of management through explaining necessity of carrying out the agency mission at all levels and in all operations..	January 2017 (In-Person)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Information Technology (IT) /Non-IT Policy.	This course highlights the revision of VA Directive 6008-Acquisition and Management of VA Information Technology Resources along with the recent significant steps towards implementing improved internal controls across VA for making proper funding decisions for all IT related acquisitions..	January 2017 (In-Person)
Meet the Chief Financial Officers	This course illustrates the changing role of the CFO function in the face of various challenges as we move the Department forward in improving financial management..	January 2017 (In-Person)
Moving Forward - VA Agreements and You.	The course provides an understanding of accounting elements within Interagency Agreements (IAAs); new requirements for processing IAAs within VA, including requirements for Intra-agency and IAAs and use of the Agreement Repository; and how IAAs affect the federal financial audit..	January 2017 (In-Person)
Navigating the National Acquisition Center (NAC), Strategic Acquisition Center (SAC) & Technology Acquisition Center (TAC).	The course provides an overview of the acquisition organization and processes, highlighting key enterprise vehicles available at the NAC, SAC & TAC, and how to gain access to them..	January 2017 (In-Person)
Preparing for Your VA Time and Attendance System (VATAS) Deployment.	The course provides and understanding of the VATAS deployment model and strategies along with lessons learned and keys to a successful deployment..	January 2017 (In-Person)
Preparing Now for the Future of Financial Management.	This course outlines the importance of the Financial Management Training Initiative in support of the Department's goal to: reduce material weaknesses and significant deficiencies; modernize our Financial Management System; and incorporate a dotted line of accountability for financial officers across VA..	January 2017 (In-Person)
Preventing Late Capitalization	This course provides an overview of VA's capitalization policy and the need for timely capitalization, including a discussion of widespread capitalization issues identified in prior Financial Statement Audits..	January 2017 (In-Person)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Procurement/Purchase Card Violations	This course highlights the importance of internal controls in the purchase card program, as well as the common pitfalls to avoid; and provides the auditors perspective related to recent reviews by the Office of Internal Controls..	January 2017 (In-Person)
Project Management Best Practices: How FMBT Will Be Run.	This course provides an overview of the program and project management; FMBT Program Objectives; how best practices will be leveraged for FMBT..	January 2017 (In-Person)
Reconciliation and Data Cleanup	This course discusses the data cleanup and migration framework as part of our move to the new financial management system solution; outlines best practices on data cleanup and migration approaches; identifies specific but preliminary options that organizations may want to consider; discusses preliminary timelines and requirements..	January 2017 (In-Person)
Role of the Inspector General	This course informs the attendees about the role of the Inspector General and the various activities of Office of the Inspector General..	January 2017 (In-Person)
Shared Services - Adopting the Common Solution.	This course provides an overview of why the government is utilizing shared services; potential challenges for FMBT, and a high level vision for how to achieve our objectives..	January 2017 (In-Person)
Solutions to Navigating Public Law 111-163.	This course promotes intra-agency understanding to better leverage knowledge, insight and skill across the agency; understanding the challenges associated with Public Law 111-163, the progress made to date, and the agency's solution to becoming compliant..	January 2017 (In-Person)
The Power of Data Analytics in VA Charge Card Programs.	This course provides a high-level overview of data analytics and how to use its power to improve program performance, including a demonstration of the FSC's Travel/Purchase Card Dashboards and the VATAS scorecard..	January 2017 (In-Person)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
The Power of Programming and Cost Analysis.	This course provides an introduction to the Programming, Analysis and Evaluation (PA&E) organization and its responsibilities. PA&E is new to the Office of Management and has the lead for one of VHA's GAO High Risk list items, related to the proper allocation of resources and accurate cost analysis, for both VHA and Department level improvements..	January 2017 (In-Person)
Undelivered Orders (UDOs) and Accruals - The Lookback Analysis.	This course provides an understanding of how to maintain valid general ledger balances for UDOs and accruals with proper supporting documentation..	January 2017 (In-Person)
Understanding the Payroll Process and Resources.	This course provides an understanding of the inter-dependencies of the various systems involved to produce a payroll check, as well as the avenues and point of contacts to resolve payroll issues..	January 2017 (In-Person)
Anti-Deficiency Act (ADA), Major, Minor and Non-Recurring Maintenance (NRM) Accounting.	This course provides information to assist with the decrease of Anti-Deficiency Act (ADA) violations involving VA construction programs; educate VA financial managers on ADA and ways to detect and prevent violations on Minor and Non-Recurring Maintenance (NRM) projects..	August 2017 (via Webinar)
Appropriations Law	This course provides an overview of basic fiscal law for federal employees..	August 2017 (via Webinar)
Capitalization	This course provides a policy overview and best practices to resolve widespread issues with capitalizing fixed assets late along with educating VA on the timely capitalization of assets to remediate audit findings..	August 2017 (via Webinar)
Cash Reconciliations	This course details the FSC's application for matching Treasury and General Ledger Transactions; Treasury Reconciliation matching and reclassification; effective use of Treasury Reconciliation Website; and tips for reconciling specific transactions..	August 2017 (via Webinar)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Commitment Accounting	This course answers the question, what is commitment accounting? In addition it highlights VA's current financial environment; how commitment accounting will improve funds management; and commitment accounting in the shared services environment..	August 2017 (via Webinar)
Interagency Agreements (IAAs) and Intragovernmental Reconciliation.	This course will provide information regarding recent audit issues; types of IAAs; real-world examples of reimbursable activity; important accounting elements required within an IAA; new requirements for processing IAAs within VA; accounting treatment for IAAs within the Financial Management System (FMS)..	August 2017 (via Webinar)
Internal Control Review (ICR) Fundamentals.	This course details major financial statement assertions which all transactions and accounts at VA must satisfy for users of the financial statements; including controls, the purpose, objective and attributes of a control, designing a control and how to design a control..	August 2017 (via Webinar)
Improper Payments	This course provides an understanding VA's Improper payments, causes, and impact..	August 2017 (via Webinar)
Reconciling the Fee Basis Claims System (FBCS) to FMS.	This course provides an overview of Public Law 112-194 compliance; basic internal controls; the importance of timely reconciliation; new account applications; and reducing unnecessary accounts..	August 2017 (via Webinar)
Travel Update	This course highlights how to avoid pitfalls when on official travel..	August 2017 (via Webinar)
Undelivered Orders (UDO) and Accruals	This course provides an overview of Public Law 112-194 compliance; basic internal controls; the importance of timely reconciliation; new account applications; and reducing unnecessary accounts..	August 2017 (via Webinar)
Travel Update	This course highlights how to avoid pitfalls when on official travel..	August 2017 (via Webinar)

Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial Management Leadership Training (FMLT) Course Offerings—Continued

Course Title	Course Description	Date (Method)
Undelivered Orders (UDO) and Accruals	This course provides information on how an obligation originates, accruals recorded, and close out; how obligations and accruals are recorded and monitored at VA (automated and manual processes); accounting guidelines for recognizing accruals (automated and manual processes); undelivered orders and how we should monitor the information to be fiscally responsible with our funds..	August 2017 (via Webinar)
VA Form 1358	This course highlights the importance of reducing the use of Form 1358 (miscellaneous obligations) for legal compliance; strategy for reducing the use of miscellaneous obligations pre and post-Momentum implementation..	August 2017 (via Webinar)
VA Time and Attendance System (VATAS) Update.	This course provides a VATAS progress update, deployment status; system enhancements and development; VATAS and payroll processes; time and attendance metrics; compliance metrics; and VATAS helpdesk support..	August 2017 (via Webinar)
Accounting Classification Structure (ACS).	This course provides an overview of the ACS; key definitions and concepts of the ACS in Momentum; how the ACS relates to the budget, general ledger and spending transactions; and how current functionality in FMS translates into Momentum capabilities..	August 2017 (via Webinar)
Data Cleanup	The course addresses data cleanse activities and the necessity of their occurrence after a data quality assessment is performed. This training will cover the data cleansing framework, process to cleanse data and the roles and responsibilities of the administrations, FSC and Veterans Affairs Central Office (VACO). This will be accomplished by provided a use cases to provide practical examples for attendees..	August 2017 (via Webinar)
Financial Business Process Re-engineering.	This course provides an overview of business process reengineering principals, concepts, and application for the VA Financial Management Business Transformation (FMBT) to a Federal Shared Service Provider as well as an update of activities that have occurred to date..	August 2017 (via Webinar)

**Department of Veterans Affairs (VA) Financial Management Training Initiative (FMTI) Financial
Management Leadership Training (FMLT) Course Offerings—Continued**

Course Title	Course Description	Date (Method)
Office of Information and Technology (OI&T) Update.	This course details the role of OI&T in the FMBT program, the relationship with USDA, and the challenges to be overcome in the future..	August 2017 (via Webinar)

Attachment 2

Fund Resources										Fund Expenses		Unexpended Balance as of 6/30/2017 (tab 9 = 11)
Treasury Appropriations					Borrowing and		Appropriations		Fund Expenses			
Preexisting Contract		Contract Authority and		Authority and		Borrowing and		Appropriations		Fund Expenses		
Unexpended Balance (1)		Unexpended Balance (2)		Unexpended Balance (3)		Unexpended Balance (4)		Unexpended Balance (5)		Unexpended Balance (6)		
536		3012500		3012500		3012500		3012500		3012500		
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45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
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45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
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45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
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45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00		0.00		
45,335,480,385.14		0.00		0.00		0.00		0.00				

0302012014 E142000	2,200,644.00	0.00	0.00	0.00	2,200,644.00	0.00	0.00	1,000,051.62	615,046.36	495,546.02
TAB Total	2,200,644.00	0.00	0.00	0.00	2,200,644.00	0.00	0.00	1,000,051.62	615,046.36	495,546.02
0302012014 E142000	103,423.33	0.00	0.00	0.00	103,423.33	0.00	0.00	53,326,453.38	79,326,453.38	41,744,976.69
TAB Total	103,423.33	0.00	0.00	0.00	103,423.33	0.00	0.00	53,326,453.38	79,326,453.38	41,744,976.69
0302012017 E142000	19,394,766.88	0.00	0.00	0.00	19,394,766.88	0.00	0.00	12,342,611.94	5,937,452.08	1,144,692.80
TAB Total	19,394,766.88	0.00	0.00	0.00	19,394,766.88	0.00	0.00	12,342,611.94	5,937,452.08	1,144,692.80
0302012017 E142000	3,352,497,475.89	0.00	0.00	0.00	3,352,497,475.89	0.00	0.00	103,332,522.07	254,333,973.81	2,145,737,181.91
TAB Total	3,352,497,475.89	0.00	0.00	0.00	3,352,497,475.89	0.00	0.00	103,332,522.07	254,333,973.81	2,145,737,181.91
0302012017 E142000	146,973,676.16	0.00	0.00	0.00	146,973,676.16	0.00	0.00	837,971.76	179,313.48	145,964,489.93
TAB Total	146,973,676.16	0.00	0.00	0.00	146,973,676.16	0.00	0.00	837,971.76	179,313.48	145,964,489.93
Grand Family 03020183 Total	5,600,843,646.52	0.00	0.00	0.00	5,600,843,646.52	0.00	0.00	2,481,516,935.57	360,797,880.58	2,748,833,633.74
030 3016000	33,789,266.08	0.00	0.00	0.00	33,789,266.08	0.00	0.00	6,241,640.68	1,200,984.64	26,346,640.76
TAB Total	33,789,266.08	0.00	0.00	0.00	33,789,266.08	0.00	0.00	6,241,640.68	1,200,984.64	26,346,640.76
030304 3016000	47,895,443.84	0.00	0.00	0.00	47,895,443.84	0.00	0.00	26,057,424.65	4,446,901.36	17,491,117.83
TAB Total	47,895,443.84	0.00	0.00	0.00	47,895,443.84	0.00	0.00	26,057,424.65	4,446,901.36	17,491,117.83
Grand Family 03030183 Total	81,783,630.83	0.00	0.00	0.00	81,783,630.83	0.00	0.00	32,325,045.31	5,647,886.00	43,804,779.52
030 30161000	228,333,315.04	0.00	0.00	0.00	228,333,315.04	0.00	0.00	25,999,064.69	3,789,328.42	198,344,921.93
TAB Total	228,333,315.04	0.00	0.00	0.00	228,333,315.04	0.00	0.00	25,999,064.69	3,789,328.42	198,344,921.93
0303012012 E142000	32,837,623.87	0.00	0.00	0.00	32,837,623.87	0.00	0.00	8,893,348.63	2,148,233.82	19,796,041.42
TAB Total	32,837,623.87	0.00	0.00	0.00	32,837,623.87	0.00	0.00	8,893,348.63	2,148,233.82	19,796,041.42
0303012012 E142000	25,460,020.21	0.00	0.00	0.00	25,460,020.21	0.00	0.00	4,546,697.63	3,788,427.16	17,145,895.42
TAB Total	25,460,020.21	0.00	0.00	0.00	25,460,020.21	0.00	0.00	4,546,697.63	3,788,427.16	17,145,895.42
0303012013 E142000	13,438,143.87	0.00	0.00	0.00	13,438,143.87	0.00	0.00	1,706,318.02	303,317.47	11,428,508.38
TAB Total	13,438,143.87	0.00	0.00	0.00	13,438,143.87	0.00	0.00	1,706,318.02	303,317.47	11,428,508.38
0303012013 E142000	74,565,307.76	0.00	0.00	0.00	74,565,307.76	0.00	0.00	5,013,143.68	2,428,384.93	67,148,779.15
TAB Total	74,565,307.76	0.00	0.00	0.00	74,565,307.76	0.00	0.00	5,013,143.68	2,428,384.93	67,148,779.15
0303012014 E142000	26,037,336.84	0.00	0.00	0.00	26,037,336.84	0.00	0.00	11,668,702.43	612,774.32	13,856,860.09
TAB Total	26,037,336.84	0.00	0.00	0.00	26,037,336.84	0.00	0.00	11,668,702.43	612,774.32	13,856,860.09
0303014014 E142000	17,302,302.87	0.00	0.00	0.00	17,302,302.87	0.00	0.00	12,108,971.32	7,229,814.74	37,453,893.21
TAB Total	17,302,302.87	0.00	0.00	0.00	17,302,302.87	0.00	0.00	12,108,971.32	7,229,814.74	37,453,893.21
0303014015 E142000	19,834,665.00	0.00	0.00	0.00	19,834,665.00	0.00	0.00	11,789,566.72	598,060.47	7,646,447.81
TAB Total	19,834,665.00	0.00	0.00	0.00	19,834,665.00	0.00	0.00	11,789,566.72	598,060.47	7,646,447.81
0303012015 E142000	112,416,931.87	0.00	0.00	0.00	112,416,931.87	0.00	0.00	1,881,306.48	37,303,485.89	73,249,349.50
TAB Total	112,416,931.87	0.00	0.00	0.00	112,416,931.87	0.00	0.00	1,881,306.48	37,303,485.89	73,249,349.50
0303012015 E142000	74,333,677.68	0.00	0.00	0.00	74,333,677.68	0.00	0.00	36,560,456.84	4,328,721.77	33,464,299.78
TAB Total	74,333,677.68	0.00	0.00	0.00	74,333,677.68	0.00	0.00	36,560,456.84	4,328,721.77	33,464,299.78
0303014016 E142000	298,335,143.68	0.00	0.00	0.00	298,335,143.68	0.00	0.00	135,060,223.16	135,967,544.81	27,316,953.15
TAB Total	298,335,143.68	0.00	0.00	0.00	298,335,143.68	0.00	0.00	135,060,223.16	135,967,544.81	27,316,953.15
0303014017 E142000	295,833,627.85	0.00	0.00	0.00	295,833,627.85	0.00	0.00	142,618,676.30	12,817,843.76	114,418,932.65
TAB Total	295,833,627.85	0.00	0.00	0.00	295,833,627.85	0.00	0.00	142,618,676.30	12,817,843.76	114,418,932.65

1,586,916.64
1,586,916.64
639,771,526.29
639,771,526.29
13,537,274.80
13,537,274.80
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146,794,487.68
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28,424,386.22
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66,869,844.33
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19,338,064.53
75,439,764.48
75,439,764.48
89,964,716.82
89,964,716.82
162,689,276.31
162,689,276.31
297,687,000.15
297,687,000.15

0342012017 E16500	2,607,189,875.98	0.00	0.00	0.00	2,607,189,875.98	1,479.82	24,000,000.00	1,317,495,033.93	199,588,560.83	1,419,107,552.64	2,431,602,586.97
TAB Total	2,607,189,875.98	0.00	0.00	0.00	2,607,189,875.98	1,479.82	24,000,000.00	1,317,495,033.93	199,588,560.83	1,419,107,552.64	2,431,602,586.97
0342012018 E16500	13,431,455.31	0.00	0.00	0.00	13,431,455.31	0.00	0.00	13,431,455.31	0.00	13,431,455.31	13,431,455.31
TAB Total	13,431,455.31	0.00	0.00	0.00	13,431,455.31	0.00	0.00	13,431,455.31	0.00	13,431,455.31	13,431,455.31
0342012019 E16500	179,440,658.31	0.00	0.00	0.00	179,440,658.31	0.00	0.00	179,440,658.31	0.00	179,440,658.31	179,440,658.31
TAB Total	179,440,658.31	0.00	0.00	0.00	179,440,658.31	0.00	0.00	179,440,658.31	0.00	179,440,658.31	179,440,658.31
Grand Total	4,437,423,984.42	0.00	0.00	0.00	4,437,423,984.42	1,479.82	24,000,000.00	1,330,936,543.55	200,577,121.83	1,531,513,665.38	4,611,544,745.90
0342012020 E16500	1,14	0.00	0.00	0.00	1,14	0.00	0.00	1,14	0.00	1,14	1,14
TAB Total	1,14	0.00	0.00	0.00	1,14	0.00	0.00	1,14	0.00	1,14	1,14
0342012021 E16500	10,377,338.65	0.00	0.00	0.00	10,377,338.65	0.00	0.00	10,377,338.65	0.00	10,377,338.65	10,377,338.65
TAB Total	10,377,338.65	0.00	0.00	0.00	10,377,338.65	0.00	0.00	10,377,338.65	0.00	10,377,338.65	10,377,338.65
0342012022 E16500	1,254,522.43	0.00	0.00	0.00	1,254,522.43	0.00	0.00	1,254,522.43	0.00	1,254,522.43	1,254,522.43
TAB Total	1,254,522.43	0.00	0.00	0.00	1,254,522.43	0.00	0.00	1,254,522.43	0.00	1,254,522.43	1,254,522.43
0342012023 E16500	13,260,775.88	0.00	0.00	0.00	13,260,775.88	0.00	0.00	13,260,775.88	0.00	13,260,775.88	13,260,775.88
TAB Total	13,260,775.88	0.00	0.00	0.00	13,260,775.88	0.00	0.00	13,260,775.88	0.00	13,260,775.88	13,260,775.88
0342012024 E16500	2,134,388.58	0.00	0.00	0.00	2,134,388.58	0.00	0.00	2,134,388.58	0.00	2,134,388.58	2,134,388.58
TAB Total	2,134,388.58	0.00	0.00	0.00	2,134,388.58	0.00	0.00	2,134,388.58	0.00	2,134,388.58	2,134,388.58
0342012025 E16500	13,752,814.16	0.00	0.00	0.00	13,752,814.16	0.00	0.00	13,752,814.16	0.00	13,752,814.16	13,752,814.16
TAB Total	13,752,814.16	0.00	0.00	0.00	13,752,814.16	0.00	0.00	13,752,814.16	0.00	13,752,814.16	13,752,814.16
0342012026 E16500	5,449,664.42	0.00	0.00	0.00	5,449,664.42	0.00	0.00	5,449,664.42	0.00	5,449,664.42	5,449,664.42
TAB Total	5,449,664.42	0.00	0.00	0.00	5,449,664.42	0.00	0.00	5,449,664.42	0.00	5,449,664.42	5,449,664.42
0342012027 E16500	6,867,515.16	0.00	0.00	0.00	6,867,515.16	0.00	0.00	6,867,515.16	0.00	6,867,515.16	6,867,515.16
TAB Total	6,867,515.16	0.00	0.00	0.00	6,867,515.16	0.00	0.00	6,867,515.16	0.00	6,867,515.16	6,867,515.16
0342012028 E16500	1,009,484.85	0.00	0.00	0.00	1,009,484.85	0.00	0.00	1,009,484.85	0.00	1,009,484.85	1,009,484.85
TAB Total	1,009,484.85	0.00	0.00	0.00	1,009,484.85	0.00	0.00	1,009,484.85	0.00	1,009,484.85	1,009,484.85
0342012029 E16500	20,785,851.00	0.00	0.00	0.00	20,785,851.00	1,332.00	0.00	14,841,481.08	10,800,841.44	4,034,879.48	18,878,441.56
TAB Total	20,785,851.00	0.00	0.00	0.00	20,785,851.00	1,332.00	0.00	14,841,481.08	10,800,841.44	4,034,879.48	18,878,441.56
0342012030 E16500	6,860,324.64	0.00	0.00	0.00	6,860,324.64	0.00	0.00	6,860,324.64	0.00	6,860,324.64	6,860,324.64
TAB Total	6,860,324.64	0.00	0.00	0.00	6,860,324.64	0.00	0.00	6,860,324.64	0.00	6,860,324.64	6,860,324.64
0342012031 E16500	168,447,933.76	0.00	0.00	0.00	168,447,933.76	4,896.60	0.00	27,600,000.87	22,803,422.74	118,040,509.75	165,700,894.20
TAB Total	168,447,933.76	0.00	0.00	0.00	168,447,933.76	4,896.60	0.00	27,600,000.87	22,803,422.74	118,040,509.75	165,700,894.20
0342012032 E16500	7,314,888.96	0.00	0.00	0.00	7,314,888.96	0.00	0.00	7,314,888.96	0.00	7,314,888.96	7,314,888.96
TAB Total	7,314,888.96	0.00	0.00	0.00	7,314,888.96	0.00	0.00	7,314,888.96	0.00	7,314,888.96	7,314,888.96
Grand Total	287,450,134.64	0.00	0.00	0.00	287,450,134.64	6,238.40	0.00	57,764,605.75	54,890,842.21	280,700,894.20	344,600,586.97
034 20170000	3,012.75	0.00	0.00	0.00	3,012.75	0.00	0.00	3,012.75	0.00	3,012.75	3,012.75
TAB Total	3,012.75	0.00	0.00	0.00	3,012.75	0.00	0.00	3,012.75	0.00	3,012.75	3,012.75
0342012033 E170000	28,857.20	0.00	0.00	0.00	28,857.20	0.00	0.00	28,857.20	0.00	28,857.20	28,857.20
TAB Total	28,857.20	0.00	0.00	0.00	28,857.20	0.00	0.00	28,857.20	0.00	28,857.20	28,857.20
0342012034 E170000	2,120,881.12	0.00	0.00	0.00	2,120,881.12	0.00	0.00	2,120,881.12	0.00	2,120,881.12	2,120,881.12
TAB Total	2,120,881.12	0.00	0.00	0.00	2,120,881.12	0.00	0.00	2,120,881.12	0.00	2,120,881.12	2,120,881.12
0342012035 E170000	374,602.96	0.00	0.00	0.00	374,602.96	0.00	0.00	374,602.96	0.00	374,602.96	374,602.96
TAB Total	374,602.96	0.00	0.00	0.00	374,602.96	0.00	0.00	374,602.96	0.00	374,602.96	374,602.96

CSA 201720714 6776600	1,458,338.30	0.00	0.00	0.00	1,458,338.30	0.00	1,458,338.15	0.00	30,865.15	1,489,203.45
TAB Total	1,458,338.30	0.00	0.00	0.00	1,458,338.30	0.00	1,458,338.15	0.00	30,865.15	1,489,203.45
CSA 201720714 6776600	144,807.34	0.00	0.00	0.00	144,807.34	0.00	144,807.34	0.00	144,807.34	144,807.34
TAB Total	144,807.34	0.00	0.00	0.00	144,807.34	0.00	144,807.34	0.00	144,807.34	144,807.34
CSA 201720714 6776600	1,095,292.43	0.00	0.00	0.00	1,095,292.43	0.00	1,095,292.43	0.00	1,095,292.43	1,095,292.43
TAB Total	1,095,292.43	0.00	0.00	0.00	1,095,292.43	0.00	1,095,292.43	0.00	1,095,292.43	1,095,292.43
CSA 201720714 6776600	817,625.34	0.00	0.00	0.00	817,625.34	0.00	817,625.34	0.00	795,366.18	795,366.18
TAB Total	817,625.34	0.00	0.00	0.00	817,625.34	0.00	817,625.34	0.00	795,366.18	795,366.18
CSA 201720714 6776600	2,376,831.22	0.00	0.00	0.00	2,376,831.22	0.00	2,376,831.22	0.00	1,686,038.71	1,686,038.71
TAB Total	2,376,831.22	0.00	0.00	0.00	2,376,831.22	0.00	2,376,831.22	0.00	1,686,038.71	1,686,038.71
CSA 201720714 6776600	451,892.42	0.00	0.00	0.00	451,892.42	0.00	451,892.42	0.00	34,011.83	34,011.83
TAB Total	451,892.42	0.00	0.00	0.00	451,892.42	0.00	451,892.42	0.00	34,011.83	34,011.83
CSA 201720714 6776600	4,310,911.98	0.00	0.00	0.00	4,310,911.98	0.00	4,310,911.98	0.00	2,860,216.65	2,860,216.65
TAB Total	4,310,911.98	0.00	0.00	0.00	4,310,911.98	0.00	4,310,911.98	0.00	2,860,216.65	2,860,216.65
CSA 201720714 6776600	4,472,443.17	0.00	0.00	0.00	4,472,443.17	0.00	4,472,443.17	0.00	3,681,174.71	3,681,174.71
TAB Total	4,472,443.17	0.00	0.00	0.00	4,472,443.17	0.00	4,472,443.17	0.00	3,681,174.71	3,681,174.71
CSA 201720714 6776600	85,123,625.35	0.00	0.00	0.00	85,123,625.35	0.00	85,123,625.35	0.00	80,389,301.30	80,389,301.30
TAB Total	85,123,625.35	0.00	0.00	0.00	85,123,625.35	0.00	85,123,625.35	0.00	80,389,301.30	80,389,301.30
CSA 201720714 6776600	108,924,127.47	0.00	0.00	0.00	108,924,127.47	0.00	108,924,127.47	0.00	102,955,521.07	102,955,521.07
TAB Total	108,924,127.47	0.00	0.00	0.00	108,924,127.47	0.00	108,924,127.47	0.00	102,955,521.07	102,955,521.07
CSA 201720714 6776600	3,443,799,292.97	0.00	0.00	0.00	3,443,799,292.97	0.00	3,443,799,292.97	0.00	2,294,482,822.99	2,294,482,822.99
TAB Total	3,443,799,292.97	0.00	0.00	0.00	3,443,799,292.97	0.00	3,443,799,292.97	0.00	2,294,482,822.99	2,294,482,822.99
CSA 201720714 6776600	3,443,799,292.97	0.00	0.00	0.00	3,443,799,292.97	0.00	3,443,799,292.97	0.00	2,294,482,822.99	2,294,482,822.99
TAB Total	3,443,799,292.97	0.00	0.00	0.00	3,443,799,292.97	0.00	3,443,799,292.97	0.00	2,294,482,822.99	2,294,482,822.99
CSA 201720714 6776600	316,282,384.83	0.00	0.00	0.00	316,282,384.83	0.00	316,282,384.83	0.00	341,042,784.44	341,042,784.44
TAB Total	316,282,384.83	0.00	0.00	0.00	316,282,384.83	0.00	316,282,384.83	0.00	341,042,784.44	341,042,784.44
CSA 201720714 6776600	117,899,000.18	0.00	0.00	0.00	117,899,000.18	0.00	117,899,000.18	0.00	101,389,318.78	101,389,318.78
TAB Total	117,899,000.18	0.00	0.00	0.00	117,899,000.18	0.00	117,899,000.18	0.00	101,389,318.78	101,389,318.78
CSA 201720714 6776600	117,899,000.18	0.00	0.00	0.00	117,899,000.18	0.00	117,899,000.18	0.00	101,389,318.78	101,389,318.78
TAB Total	117,899,000.18	0.00	0.00	0.00	117,899,000.18	0.00	117,899,000.18	0.00	101,389,318.78	101,389,318.78
CSA 201720714 6776600	2,814.41	0.00	0.00	0.00	2,814.41	0.00	2,814.41	0.00	2,814.41	2,814.41
TAB Total	2,814.41	0.00	0.00	0.00	2,814.41	0.00	2,814.41	0.00	2,814.41	2,814.41
CSA 201720714 6776600	413,891.20	0.00	0.00	0.00	413,891.20	0.00	413,891.20	0.00	187,074.53	187,074.53
TAB Total	413,891.20	0.00	0.00	0.00	413,891.20	0.00	413,891.20	0.00	187,074.53	187,074.53
CSA 201720714 6776600	416,805.86	0.00	0.00	0.00	416,805.86	0.00	416,805.86	0.00	189,888.48	189,888.48
TAB Total	416,805.86	0.00	0.00	0.00	416,805.86	0.00	416,805.86	0.00	189,888.48	189,888.48
CSA 201720714 6776600	13,424,110.00	0.00	0.00	0.00	13,424,110.00	0.00	13,424,110.00	0.00	13,424,110.00	13,424,110.00
TAB Total	13,424,110.00	0.00	0.00	0.00	13,424,110.00	0.00	13,424,110.00	0.00	13,424,110.00	13,424,110.00
CSA 201720714 6776600	7,879,145.31	0.00	0.00	0.00	7,879,145.31	0.00	7,879,145.31	0.00	7,879,145.31	7,879,145.31
TAB Total	7,879,145.31	0.00	0.00	0.00	7,879,145.31	0.00	7,879,145.31	0.00	7,879,145.31	7,879,145.31
CSA 201720714 6776600	7,879,145.31	0.00	0.00	0.00	7,879,145.31	0.00	7,879,145.31	0.00	7,879,145.31	7,879,145.31
TAB Total	7,879,145.31	0.00	0.00	0.00	7,879,145.31	0.00	7,879,145.31	0.00	7,879,145.31	7,879,145.31

Fund Family 0364014 Total										
	65,275,491.43	0.00	0.00	0.00	65,275,491.43	8,654,446.98	0.00	0.00	42,284,962.74	31,645,375.67
036 X4010000	2,265,435.97	0.00	0.00	0.00	2,265,435.97	0.00	0.00	8,088.28	(1,052.00)	2,331,909.25
TAS Total	2,265,435.97	0.00	0.00	0.00	2,265,435.97	0.00	0.00	8,088.28	(1,052.00)	2,331,909.25
Fund Family 0364018 Total										
	2,265,435.97	0.00	0.00	0.00	2,265,435.97	0.00	0.00	8,088.28	(1,052.00)	2,331,909.25
036 X4020000	8,351,073.04	0.00	0.00	0.00	8,351,073.04	0.00	0.00	0.00	1,982,761.96	1,114,084.56
TAS Total	8,351,073.04	0.00	0.00	0.00	8,351,073.04	0.00	0.00	0.00	1,982,761.96	1,114,084.56
Fund Family 0364025 Total										
	8,351,073.04	0.00	0.00	0.00	8,351,073.04	0.00	0.00	0.00	1,982,761.96	1,114,084.56
036 X4120000	2,963,700.99	0.00	0.00	0.00	2,963,700.99	14,231.42	0.00	0.00	32,337.74	1,716,347.69
BAT	0.00	2,481,483.00	2,481,482.52	0.00	0.48	0.00	0.00	0.00	0.00	0.00
TAS Total	2,963,700.99	2,481,483.00	2,481,482.52	0.00	2,963,701.47	14,231.42	0.00	0.00	32,337.74	1,716,347.69
Fund Family 0364112 Total										
	2,963,700.99	2,481,483.00	2,481,482.52	0.00	2,963,701.47	14,231.42	0.00	0.00	32,337.74	1,716,347.69
036 X4124000	119,616,572.11	0.00	0.00	0.00	119,616,572.11	4,455,353.95	0.00	0.00	475,852.72	129,948,784.00
TAS Total	119,616,572.11	0.00	0.00	0.00	119,616,572.11	4,455,353.95	0.00	0.00	475,852.72	129,948,784.00
Fund Family 0364124 Total										
	119,616,572.11	0.00	0.00	0.00	119,616,572.11	4,455,353.95	0.00	0.00	475,852.72	129,948,784.00
036 X4127000	118,149,119.19	0.00	0.00	0.00	118,149,119.19	3,407,960.42	0.00	0.00	12,757,130.96	758,787,548.05
BAT	0.00	724,446,206.00	70,000,000.00	0.00	654,446,206.00	0.00	0.00	0.00	0.00	0.00
TAS Total	118,149,119.19	724,446,206.00	70,000,000.00	0.00	772,595,325.19	3,407,960.42	0.00	0.00	12,757,130.96	758,787,548.05
Fund Family 0364127 Total										
	118,149,119.19	724,446,206.00	70,000,000.00	0.00	772,595,325.19	3,407,960.42	0.00	0.00	12,757,130.96	758,787,548.05
036 X4129000	10,129,467,875.15	0.00	0.00	0.00	10,129,467,875.15	119,937,230.36	0.00	0.00	631,494,790.46	14,566,281,860.79
TAS Total	10,129,467,875.15	0.00	0.00	0.00	10,129,467,875.15	119,937,230.36	0.00	0.00	631,494,790.46	14,566,281,860.79
Fund Family 0364129 Total										
	10,129,467,875.15	0.00	0.00	0.00	10,129,467,875.15	119,937,230.36	0.00	0.00	631,494,790.46	14,566,281,860.79
036 X4130000	9,705,240.88	0.00	0.00	0.00	9,705,240.88	172,988.72	0.00	1,067,072.01	3,256,541.79	4,168,444.44
BAT	0.00	14,897,281.00	6,000,000.00	0.00	8,897,281.00	0.00	0.00	0.00	0.00	0.00
TAS Total	9,705,240.88	14,897,281.00	6,000,000.00	0.00	16,602,521.88	172,988.72	0.00	1,067,072.01	3,256,541.79	4,168,444.44
Fund Family 0364133 Total										
	9,705,240.88	14,897,281.00	6,000,000.00	0.00	16,602,521.88	172,988.72	0.00	1,067,072.01	3,256,541.79	4,168,444.44
036 X4150000	4,312,936.26	0.00	0.00	0.00	4,312,936.26	123,381.30	0.00	0.00	59,706.49	4,881,466.70
TAS Total	4,312,936.26	0.00	0.00	0.00	4,312,936.26	123,381.30	0.00	0.00	59,706.49	4,881,466.70
Fund Family 0364268 Total										
	4,312,936.26	0.00	0.00	0.00	4,312,936.26	123,381.30	0.00	0.00	59,706.49	4,881,466.70
036 X4537000	229,713,208.72	0.00	0.00	0.00	229,713,208.72	51,811,592.48	1,241,194,224.84	986,170,496.29	64,828,530.54	451,719,999.13
TAS Total	229,713,208.72	0.00	0.00	0.00	229,713,208.72	51,811,592.48	1,241,194,224.84	986,170,496.29	64,828,530.54	451,719,999.13
Fund Family 0364337 Total										
	229,713,208.72	0.00	0.00	0.00	229,713,208.72	51,811,592.48	1,241,194,224.84	986,170,496.29	64,828,530.54	451,719,999.13
036 X4539000	257,526,543.54	0.00	0.00	0.00	257,526,543.54	78,870,497.33	435,470,935.30	264,243,378.45	100,278,365.42	407,345,832.30
TAS Total	257,526,543.54	0.00	0.00	0.00	257,526,543.54	78,870,497.33	435,470,935.30	264,243,378.45	100,278,365.42	407,345,832.30
Fund Family 0364339 Total										
	257,526,543.54	0.00	0.00	0.00	257,526,543.54	78,870,497.33	435,470,935.30	264,243,378.45	100,278,365.42	407,345,832.30
036 X5287000	268,487,933.51	0.00	0.00	0.00	268,487,933.51	0.00	0.00	0.00	0.00	268,487,933.51
TAS Total	268,487,933.51	0.00	0.00	0.00	268,487,933.51	0.00	0.00	0.00	0.00	268,487,933.51
Fund Family 0365287 Total										
	268,487,933.51	0.00	0.00	0.00	268,487,933.51	0.00	0.00	0.00	0.00	268,487,933.51
036 X5320000	1,030,448.10	0.00	0.00	0.00	1,030,448.10	0.00	0.00	0.00	0.00	1,030,448.10
TAS Total	1,030,448.10	0.00	0.00	0.00	1,030,448.10	0.00	0.00	0.00	0.00	1,030,448.10
Fund Family 0365392 Total										
	1,030,448.10	0.00	0.00	0.00	1,030,448.10	0.00	0.00	0.00	0.00	1,030,448.10
036 X8129000	1,702,768.52	0.00	0.00	0.00	1,702,768.52	0.00	0.00	15,096.47	0.00	1,687,672.05

31,645,375.67

2,339,996.56

2,339,996.56

2,339,996.56

1,114,084.56

1,114,084.56

1,114,084.56

1,716,347.69

1,716,347.69

1,716,347.69

129,948,784.00

129,948,784.00

758,787,548.05

758,787,548.05

758,787,548.05

14,566,281,860.79

14,566,281,860.79

5,235,516.45

5,235,516.45

4,881,466.70

4,881,466.70

1,437,890,495.42

1,437,890,495.42

671,589,210.75

671,589,210.75

268,487,933.51

268,487,933.51

1,030,448.10

1,030,448.10

1,702,768.52

Attachment 3

Program	SAO	Title	Office	Performance Measure	Other Discussion on Accountability Provided by the Program Office/SAO
Beneficiary Travel.	Tammy Czarnecki.	Assistant Deputy Under Secretary for Health for Administrative Operations.	VHA Operations and Management (10NC).	2016 Non-Compliant Program (program did not meet reduction target): SAO is accountable for ensuring execution of corrective action plans. The SAO's FY2017 performance plan includes a measure to meet the measurable milestones with 90 percent success based on date and action. Step down performance measures is set as 80 percent and 70 percent..	Each individual reporting Program Office Director and corresponding subordinates are also held accountable to the Senior Executive performance plan expectations. Unique program corrective action plans are tracked and monitored for routine reporting. In November 2015, Member Services added a Compliance and Internal Controls Program Office to assist in creating additional internal controls for its programs inclusive of Beneficiary Travel. This increases accountability and Senior Executive knowledge and understanding of the complexity related to Beneficiary Travel payments and the IPERA process. The additional oversight also allows for new insight into the root causes of improper payments most notably identifying how VA is streamlining business practices to align payment processing to abide with laws while vigilantly upholding core values. VA's evaluation of the Veteran experience from transportation request to reimbursement has fostered key collaborative efforts and initiatives leading to long-term solutions.
CHAMPVA	Gene Migliaccio	Executive Director of Delivery Operations.	VHA Office of Community Care (10D1B).	2016 Non-Compliant Program (program did not meet reduction target): SAO is accountable for ensuring execution of corrective action plans. The SAO's FY2017 performance plan includes a measure to meet the measurable milestones with 90 percent success based on date and action. Step down performance measures is set as 80 percent and 70 percent..	OCC has the primary responsibility for the processing of CHAMPVA claims and works to address and correct improper payments. When errors are identified, OCC supervisors work to identify trends and provide education to the voucher examiners regarding the issue both individually and as a group. The Director of Claims Adjudication and Reimbursement's performance plan includes goals for financial stewardship and the identification and implementation of corrective actions to address improper payments.

Program	SAO	Title	Office	Performance Measure	Other Discussion on Accountability Provided by the Program Office/SAO
VA Community Care (part of Non-VA Medical Care (NVC) fee program in 2013, separated in 2014).	Gene Migliaccio	Executive Director of Delivery Operations.	VHA Office of Community Care (10D1B).	2016 High-Priority Program/ Non-Compliant Program (did not meet reduction target and error rate is > 10%): SAO is accountable for ensuring execution of corrective action plans. The SAO's FY2017 performance plan includes a measure to meet the measurable milestones with 90 percent success based on date and action. Step down performance measures is set as 80 percent and 70 percent..	OCC has the primary responsibility for the processing of CHAMPVA claims and works to address and correct improper payments. When errors are identified, OCC supervisors work to identify trends and provide education to the voucher examiners regarding the issue both individually and as a group. The Director of Claims Adjudication and Reimbursement's performance plan includes goals for financial stewardship and the identification and implementation of corrective actions to address improper payments.
PLTSS (part of NVC fee program in 2013, separated in 2014).	Richard Allman	GEC Chief Consultant.	VHA Geriatrics and Extended Care (10P).	2016 High-Priority Program/ Non-Compliant (did not meet reduction target and error rate is > 10%): SAO is accountable for ensuring execution of corrective action plans. The SAO's FY2017 performance plan includes a measure to meet the measurable milestones with 90 percent success based on date and action. Step down performance measures is set as 80 percent and 70 percent..	
State Home Per Diem.	Gene Migliaccio	Executive Director of Delivery Operations.	VHA Office of Community Care (10D1B).	2016 Non-Compliant Program (program did not meet reduction target): SAO is accountable for ensuring execution of corrective action plans. The SAO's FY2017 performance plan includes a measure to meet the measurable milestones with 90 percent success based on date and action. Step down performance measures is set as 80 percent and 70 percent..	The State Home Per Diem Program Office has the primary responsibility for overseeing the processing claims and works directly with the facility when improper payments are identified, as well as broadly across the program through monthly training events. The Director of Claims Adjudication and Reimbursement's performance plan includes goals for financial stewardship and the identification and implementation of corrective actions to address improper payments.

Program	SAO	Title	Office	Performance Measure	Other Discussion on Accountability Provided by the Program Office/SAO
Supplies and Materials.	Tammy Czarnecki.	Assistant Deputy Under Secretary for Health for Administrative Operations.	VHA Operations and Management (10NC).	2016 Non-Compliant Program (program did not meet reduction target): SAO is accountable for ensuring execution of corrective action plans. The SAO's FY2017 performance plan includes a measure to meet the measurable milestones with 90 percent success based on date and action. Step down performance measures are set as 80 percent and 70 percent..	
Prosthetics	Penny Nechanicky.	National Program Director for Prosthetic & Sensory Aids Service.	VHA Rehabilitation and Prosthetic Services (10P4R).	2016 Newly Identified High-Risk Program. Projected improper payments, corrective action plans, and accountability measures will be reported in agencies 2017 Annual Financial Report..	New programs determined to be susceptible to improper payments as a result of the FY 2016 risk assessments will design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates the fiscal year following (FY 2017) the fiscal year in which the risk assessment was conducted in accordance with OMB Circular A-123 Appendix C.
Medical Care Contracts and Agreements.	Tammy Czarnecki.	Assistant Deputy Under Secretary for Health for Administrative Operations.	VHA Operations and Management (10NC).	2017 Newly Identified High-Risk Program. Projected improper payments, corrective action plans, and accountability measures will be reported in agencies 2017 Annual Financial Report..	New programs determined to be susceptible to improper payments as a result of the FY 2016 risk assessments will design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates the fiscal year following (FY 2017) the fiscal year in which the risk assessment was conducted in accordance with OMB Circular A-123 Appendix C.
Communications, Utilities, and Other Rents.	Tammy Czarnecki.	Assistant Deputy Under Secretary for Health for Administrative Operations.	VHA Operations and Management (10NC).	2018 Newly Identified High-Risk Program. Projected improper payments, corrective action plans, and accountability measures will be reported in agencies 2017 Annual Financial Report..	New programs determined to be susceptible to improper payments as a result of the FY 2016 risk assessments will design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates the fiscal year following (FY 2017) the fiscal year in which the risk assessment was conducted in accordance with OMB Circular A-123 Appendix C.

Program	SAO	Title	Office	Performance Measure	Other Discussion on Accountability Provided by the Program Office/SAO
Compensation	Danny Devine	Deputy Director of Policy and Procedures.	Compensation Service.	2016 Compliant, but High-Priority Program - From the SAO's performance measure: Critical Element 5; Performance Requirement 5: "Oversee the development of policy guidance and promulgation of regulations that improve VA's compensation benefits programs. Conduct systematic reviews of current policies and procedures to identify changes that may improve program integrity or facilitate efficient delivery of benefits. Take action to implement all necessary changes.".	<p>The Compensation Service (CS) Senior Accountable Official (SAO) is responsible for all completed CS IPERIA activities to include:</p> <ul style="list-style-type: none"> - approval of IPERIA test sampling plans, - IPERIA testing and review of all improper payments for the given annual fiscal year (FY), - annual corrective action plan creation and execution, - implementation and monitoring of CS supplemental measures as a high priority program, and - reports of CS' progress to the periodic Governing Board meetings held by the Office of Management. <p>The CS SAO is further responsible for:</p> <ul style="list-style-type: none"> - determining, and meeting reduction targets in an annual testing FY, - monitoring recapture and recovery activities that are performed and, - identifying high dollar over-payments. <p>The SAO reports annually on the CS program assessment of risk, as a high priority program. He/she maintains all fiscal activity with annual FY testing to include monitoring for any fraud activities involving CS payments.</p>

Program	SAO	Title	Office	Performance Measure	Other Discussion on Accountability Provided by the Program Office/SAO
Pension	Cheryl Rawls	Director	Pension & Fiduciary.	<p>Ensures Service develops and maintains efficient systems of internal and external program integrity controls..</p> <ul style="list-style-type: none"> - Manages the Service responsibilities under the Improper Payment Elimination and Recovery Act and other internal auditing practices established by law.. - Ensures recommendations for business requirements for IT systems are IPERA compliant and certifies that system designs meet program needs.. - Makes certain that transactions performed are in accordance to established policies, regulations and procedures.. - Discuss and coordinates program integrity issues with the VA Office of Inspector General and Government Accountability Office.. - Develops and certifies that Service corrective measures are implemented as part of the operations function.. - Conducts on-site visits, national reviews and meets with management/leadership to address hindrances and provides constructive feedback with regards to goals of significant impact on Service outcomes.. - Ensures organizational standards related to quality, customer service and timeliness are met.. 	None
VR&E	Jack Kammerer	Director	Vocational Rehabilitation & Employment.	<p>Performance evaluation criteria such as a performance agreement on the success of the elimination of improper payments has not been implemented. While VR&E Service can implement policy changes to assist with eliminating improper payments, the business line does not have direct authority over the field offices who make the individual payments..</p>	<p>"The SAO oversees the reduction of improper payments for the Chapter 31 program. Responsibilities include but are not limited to</p> <ul style="list-style-type: none"> - coordinating and monitoring improper payment testing - reviewing improper payment results - reporting improper payments results to appropriate stakeholders - identifying potential areas of fraud and risk for improper payments, - developing and implementing corrective action plans to reduce improper payments, and - addressing inquiries from IPRO and ORM

Program	SAO	Title	Office	Performance Measure	Other Discussion on Accountability Provided by the Program Office/SAO
Education - Chapter 33. Education - Chapter 1606. Education - Chapter 1607.	Robert Worley	Director	Education Services.	The Senior Accountable Official (SAO)- Robert M. Worley II, Director, Education Service currently does not have a performance evaluation criteria for improper payment metrics. However, the SAO is responsible for overseeing improper payments. Oversight includes quality reviews conducted by Education Service to include quarterly reviews, special projects, and Improper Payment Elimination and Recover Act audits. In addition, the SAO is held accountable by being directly responsible for passing IPERA audits each fiscal year and ensuring Corrective Action Plans are developed and implemented. Overpayments are audited and referred back to the Regional Processing Offices for corrections and potential collections where appropriate..	The SAO current performance standards includes a performance evaluation criteria that requires the individual to assess and adjust to changing situations, implementing innovative solutions to make organizational improvements, ranging from incremental improvements to major shifts in direction or approach, as appropriate. Balances change and continuity; continually strives to improve service and program performance; creates a work environment that encourages creative thinking, collaboration, and transparency; and maintains program focus, even under adversity.
Disaster Relief - Hurricane Sandy.	George Szwarcman.	Associate Executive Director.	003C4	Ensure improper payments are improved by exceeding the reduction target estimated in 2016.	
Payments to Federal Employees- Payroll.	Carin Otero, Acting.	Associate Deputy Assistant Secretary, HR Policy and Planning.	HR&A/OHRM	The "Payments to Federal Employees - Payroll" SAO left VA in May 2017. While Carin Otero is acting in this role to ensure that ongoing corrective action activities continue, a performance metric will be added to the new SAO's performance plan once HRA has recruited and filled the position..	By establishing continued collaborative efforts between HR&A and the Office of Finance, communication plans can be developed that facilitates better sharing of information with station HR and payroll offices as it relates to audit findings, corrective action plans, and strategies to reduce improper payments.

VA Responses to HVAC

1. Please provide a copy of the financial management training initiative curriculum that Ms. Park referenced in her testimony. This should include, at a minimum, course titles, a summary of each course's content, whether the course is taught in person or through the internet, and information about how frequently and to whom the courses are taught.

VA Response: The Financial Management Training Initiative (FMTI) offers two mandatory Financial Management Leadership Training (FMLT) events annually to VA's financial community. The Office of Management hosted an online training event in August 2016 and an in person one in January 2017. Currently, there is an online session planned for August 2017, and an in person event scheduled for January or February 2018. Select sessions will offer Continuing Professional Education (CPE) credits. The complete course offerings for all sessions are seen in attachment 1.

2. Please provide the most recent monthly unexpended funds report that VA submitted to the Treasury. The Subcommittee's intent is to evaluate

whether the content of this report meets the Subcommittee's needs and then decide whether the report should be provided on an ongoing basis.

VA Response: Please see April 2017 Unexpended Funds Report (Attachment 2.)

3. Please identify the accountable officials, to include at a minimum their names and offices, for each program designed as high risk for improper payments. Please explain how they are accountable, for example being assigned performance evaluation criteria that include improper payment metrics. Please also identify the formal responsibilities for overseeing improper payments detection, elimination, and recovery of the VBA, VHA, and NCA chief financial officers and any chief financial officers for major subdivisions of the three administrations.

VA Response: The accountable officials and detailed information regarding their accountability and performance evaluation criteria for each program designated as a high risk for improper payments are included in Attachment 3.

Department of Veterans Affairs Financial Policy "Volume VII Financial Reporting - Erroneous and Improper Volume VII - Chapter 9 Payment Reporting under OMB Circular A - 123 Appendix C," January 2017, assigns roles and responsibilities, and requires the establishment of an accountability mechanism with appropriate incentives and consequences tied to the success of the senior officials who lead efforts to achieve improper payment compliance. The complete policy can be found at: <https://www.va.gov/finance/docs/VA-FinancialPolicyVolumeVIIChapter09.pdf>

Specific policy excerpts to address formal responsibilities for CFOs and other accountable officials include:

0904 ROLES AND RESPONSIBILITIES

(pgs. 6-7 of 84) Administration and Staff Office CFOs are responsible for accurate testing, projections and reporting and must coordinate activities with OM through the IPRO Office. The Administration and Staff Office CFOs are responsible for oversight of the Senior Accountable Officials (SAOs) in their Administrations and Staff Offices to ensure that corrective action plans are created and monitored and that recapture and recovery activities are performed - all in accordance with VA policy. Administration and Staff Office CFOs in collaboration with SAOs are also responsible for providing oversight of progress made to implement supplemental measures and preparation of the request for relief from reporting high-risk programs. Administration and Staff Office CFOs in collaboration with SAOs are responsible for coordinating all data analytics activities with FSC and IPRO regarding the Fraud Reduction and Data Analytics Act of 2015 (herein after referred to as Fraud Act) as well as identifying any fraud risk within their respective programs. Administration and Staff Office CFOs will ensure that test plans include attributes designed to identify potential fraud and ensure any risks identified during testing are properly addressed by the SAO in the program CAPs.

(pg. 7 of 84) Senior Accountable Officials (SAOs) are responsible for remediating improper payments and overseeing payment recapture audits, development and implementation of CAPs, and development of supplemental measures when the program or activity is deemed high-priority as well as quality of testing reviews. Additionally, SAOs are responsible for focusing on identifying and eliminating the highest improper payments, reducing improper payments, and coordinating Federal, State, and local government action in identifying and eliminating improper payments. SAOs are also responsible for notifying and coordinating with the IPRO Office and their Administration or Staff Office CFO on any reviews or audits that are associated with improper payments. SAOs, in conjunction with responsible Administration or Staff Office CFOs, are responsible for preparing the request for relief from reporting high-risk programs. SAOs, in collaboration with Administration and Staff Office CFOs, are responsible for coordinating all data analytics activities with FSC and IPRO regarding the Fraud Act, identifying any fraud risk within their respective programs, testing for potential fraud, and ensuring CAPs address any identified fraud risk.

090609 Improper Payment Reporting B. ii. For Noncompliant Programs (pg. 21 of 84) - The designation of a SAO, a member of the SES, who shall be accountable for the progress of the program coming into compliance. As such, the SAO must have the span of control necessary to affect change in the program or activity determined to be noncompliant; and the establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the SAO in leading efforts to achieve compliance

for the program or activity. VA interprets this requirement to mean a performance measure that provides transparency into whether the measure was met and when incentives/consequences are enforced.

