



Waste & Delays: Examining VA’s Improper Payments in its Compensation and Pension Programs

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Statement of

Nancy Springer, Associate Director

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Veterans of Foreign Wars of the United States

For the Record

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Committee on Veterans’ Affairs

Subcommittee on Disability Assistance and Memorial Affairs

With Respect To

“Waste & Delays: Examining VA’s Improper Payments in its Compensation and Pension Programs”

NATIONAL HEADQUARTERS

406 W. 34th Street
Kansas City, MO 64111

Office 816.756.3390
Fax 816.968.1157

WASHINGTON OFFICE

200 Maryland Ave., N.E.
Washington, D.C. 20002

Office 202.543.2239
Fax 202.543.6719

info@vfw.org
www.vfw.org

Washington, D.C.

Chairman Luttrell, Ranking Member McGarvey, and members of the subcommittee, on behalf of the men and women of the Veterans of Foreign Wars of the United States (VFW) and its Auxiliary, thank you for the opportunity to provide testimony on this topic.

The Department of Veterans Affairs (VA) may improperly pay beneficiaries for a variety of reasons. However, despite the cause, improper payments adversely affect beneficiaries either by overpayment and subsequent demands to immediately return the excess, or by underpayment that creates financial hardship. We limit our statement to four common causes of improper payments: incorrect effective dates, delayed notification of a life event, untimely VA action, and incarceration.

Incorrect Effective Dates

Assigning erroneous effective dates when a veteran's disability compensation begins has been a major Veterans Benefits Administration (VBA) deficiency in Office of the Inspector General (OIG) reports for the past several years. Additionally, it was one of the top three rating error categories since 2011, as noted in the April 15, 2025, VA OIG report 24-01153-52, *The PACT Act Has Complicated Determining When Veterans' Benefits Should Take Effect*.

Claims processors must assign the most advantageous effective date for each grant, as an incorrect effective date can significantly financially penalize the claimant. Title 38, Code of Federal Regulations, Section 3.400 allows an effective date that is the date on which VA received the claim or the date on which the entitlement arose, whichever is later. Complicating this determination is the veteran's right to submit an "intent to file" establishing the effective date when VA receives the notice but allowing the veteran as long as one year from that date to actually file the claim.

Of the more than 31,000 errors that comprise this OIG report's data sample, the two most prevalent were the assignment of incorrect effective dates and the potential applicability of more advantageous effective dates. According to the report, claims processors likely contributed to the latter error by failing to collect additional evidence that could have led to a more advantageous effective date.

Enactment of the *Honoring our PACT Act of 2022* (hereafter the "PACT Act") exacerbated the situation and magnified the problem. Before passage of the PACT Act, incorrect effective dates comprised 18 percent of the errors the OIG catalogued. However, a combination of complex rules, a sudden influx of claims attributed to PACT Act enactment, and ineffective training for claims processors contributed to the error rate rising to 25 percent post-PACT Act.

Additionally, the PACT Act is a liberalizing law since it substantially changed benefits derived from certain toxic exposures under specific conditions. A claimant may qualify for an effective date of service connection as early as the enactment of the law, which in this case is August 10, 2022. The OIG discovered that claims processors did not pursue all avenues for the most advantageous effective date, and the PACT Act's liberalizing law status could have contributed to these errors.

Delayed Notification of a Life Event

Beneficiaries must notify VA of major life events that could affect the amount of their disability compensation. For example, notification must be given to VA of remarriage or the loss of a spouse through death or divorce. Both situations would affect the amount of the veteran's disability compensation, and could result in either an underpayment or overpayment depending on the specific circumstances.

A survivor's remarriage, under certain conditions, could cause a substantial overpayment that the beneficiary would have to return. Remarriage before age 55 prompts a discontinuance of Dependency and Indemnity Compensation (DIC). VA sends survivors a marital recertification letter every eight years. If the survivor is nonresponsive, VA will send two more letters and then a "due process" letter to which the survivor must respond within 60 days. If the survivor still does not respond, VA will discontinue DIC and require the beneficiary to repay any unauthorized benefits back to the last valid recertification, sometimes as far back as eight years prior, which could cause a substantial overpayment that the beneficiary would have to return. Consequently, the indebtedness of some survivors could reach hundreds of thousands of dollars. Also, reporting a life change that would result in removal of a dependent so close to the next scheduled benefits payment that VA is unable to react in time could cause an overpayment that the beneficiary would have to repay. Last, a VA error such as issuing a double payment would also cause an overpayment.

Untimely VA Action

Untimely VA action can also result in an overpayment. Even if the veteran conscientiously reports a change in status, if VA does not process the request quickly enough the beneficiary will receive an overpayment or underpayment appropriate to the situation. Our VFW Service Officers have provided the following examples as illustrations. In one case, the veteran petitioned VA to remove his dependent child from an educational program when she withdrew from school. VA took 217 days from the time it received the request to remove her from the program, resulting in a \$1653.00 debt to the veteran. In a second case, a veteran submitted a verification of dependents at the end of August 2024 to remove a spouse due to a divorce earlier that same month. VA processed the action four months later in April 2025, causing a \$1031 debt. In each of these cases, overpayment would have been prevented if VA had processed the change request in a timely manner.

Incarceration

VA will reduce disability compensation for felonious beneficiaries incarcerated for more than 60 days and will discontinue pensions for veterans convicted of either a felony or misdemeanor. Upon release, the veteran's compensation and pension payments may resume. However, VA does not reduce payments for beneficiaries participating in work release programs, residing in halfway houses, or under community control. Similar to failing to inform VA of life events, failing to notify VA of incarceration could result in an improper payment. According to the June 28, 2016, VA OIG report 13-02255-276, *Veterans Benefits Administration Audit of Compensation and Pension Benefit Payments to Incarcerated Veterans*, VBA did not consistently adjust benefits for several years for veterans incarcerated in federal institutions. Causative factors included insecure electronic data sharing methods, including a lapsed computer matching agreement with the Federal Bureau of Prisons intended to identify potential incarceration adjustments, and a lower prioritization of these adjustments compared with eliminating the disability claims backlog. As a result, between May 2008 and June 2015, VA did not adjust incarcerated veterans' compensation and pension benefits in an estimated 53 percent of cases, resulting in improper payments totaling approximately \$59.9 million. OIG recommendations to remedy the situation included issuing bills of collection to recover improper payments, increasing the priority placed on making timely compensation and pension benefits adjustments, and

monitoring data sharing agreements with the Federal Bureau of Prisons and extending them when needed. VA will have to continually monitor the incarcerated veteran population to prevent a recurrence.

Chairman Luttrell and Ranking Member McGarvey, this concludes my statement. Again, thank you for the opportunity to offer comments on this issue.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, the VFW has not received any federal grants in Fiscal Year 2025, nor has it received any federal grants in the two previous Fiscal Years.

The VFW has not received payments or contracts from any foreign governments in the current year or preceding two calendar years.