



Report to the Ranking Member,  
Committee on Veterans' Affairs, House  
of Representatives

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# VA HEALTH CARE

## Actions Needed to Improve Oversight of Graduate Medical Education Reimbursement

Accessible Version

July 2020

# GAO Highlights

Highlights of [GAO-20-553](#), a report to the Ranking Member, Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

Under VHA's GME program, VA medical facilities use disbursement agreements to reimburse affiliated academic institutions for residents' salaries and benefits. VHA developed policy related to establishing and administering disbursement agreements, but audits have found that facilities have not always adhered to VHA policy—resulting in improper payments to affiliates.

GAO was asked to review VHA policies and procedures related to reimbursements to affiliates for GME. This report examines (1) oversight roles and responsibilities for GME disbursement agreements and (2) VHA's mechanisms for ensuring VA medical facilities adhere to policy.

GAO reviewed relevant VHA documents and federal internal control standards and interviewed VHA officials. GAO also reviewed ReDPro checklist responses and documentation from 13 VA medical facilities—selected based on factors including geographic variation, GME program size, and number of affiliates. GAO also visited four of the 13 facilities and interviewed officials at the other nine facilities.

## What GAO Recommends

GAO is making seven recommendations to VA to define key roles in policy, reduce overlap between the ReDPro checklist and facility periodic audits, and improve the oversight mechanisms' tools, guidance, and training. VA concurred with GAO's recommendations.

View [GAO-20-553](#). For more information, contact Sharon M. Silas at (202) 512-7114 or [silass@gao.gov](mailto:silass@gao.gov).

July 2020

## VA HEALTH CARE

### Actions Needed to Improve Oversight of Graduate Medical Education Reimbursement

## What GAO Found

The Department of Veterans Affairs' (VA) Veterans Health Administration (VHA) provides training to more than 45,000 medical and dental residents annually through its Graduate Medical Education (GME) program. VHA has established policy for its GME program that details many roles and responsibilities for overseeing VA medical facilities' reimbursements to affiliated academic institutions for residents' salaries and benefits. However, this policy does not define key roles and responsibilities for VHA's central office components, its regional networks, or its medical facilities. For example, VHA's regional networks do not have defined roles and responsibilities for overseeing GME disbursements—contributing to noninvolvement or inconsistent involvement in disbursement agreement oversight. VHA officials reported that they are in the process of updating disbursement agreement policy, but did not indicate if the updates would address all identified concerns.

While VHA officials said that VHA's two disbursement agreement oversight mechanisms—facility periodic audits and the Resident Disbursement Audit Process (ReDPro) checklist—are meant to have distinct but complementary purposes, GAO found that VHA policy, guidance, and the tools distributed for these oversight mechanisms did not reflect the distinct purposes officials described. VHA officials said that periodic audits are intended to be a first level of defense and to review actual payments to affiliates, whereas the ReDPro checklist is intended to be a second level of defense, aimed at reviewing the process to see if the rules related to disbursement agreements are being followed by VA medical facilities. However, the ReDPro checklist tool and VHA's recommended periodic audit tool have numerous areas of overlap, including duplicative questions. This overlap causes inefficiencies and unnecessary burden on VA medical facility staff.

GAO also found additional weaknesses in the tools, guidance, and training for the two oversight mechanisms. For example, GAO found

- an unclear ReDPro checklist tool, along with insufficient guidance and training related to conducting the ReDPro reviews. Officials from eight of 13 facilities in GAO's review indicated that the ReDPro checklist instructions were unclear regarding appropriate supporting documents for checklist responses. These weaknesses contributed to errors and inconsistencies in ReDPro responses.
- the lack of a standard audit tool, and inadequate guidance and training for periodic audit teams that contributed to problematic inconsistencies in the methodologies used by the audit teams and deficiencies in some of the audits conducted. Officials from 10 of 13 facilities in GAO's review indicated that they would benefit from more tools, guidance, or training related to conducting periodic audits.

These weaknesses limit the effectiveness of VHA's oversight mechanisms, and put VHA at increased risk of both not being able to identify and correct facilities' lack of adherence to disbursement agreement policy and of possible improper payments to GME affiliates.

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# Contents

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Letter		1
	Background	5
	GME Disbursement Agreement Oversight Roles and Responsibilities Have Generally Been Established, but Some Are Not Defined in VHA Policy	10
	Overlap between Tools, Insufficient Guidance, and Other Issues Limit the Effectiveness of VHA's Disbursement Agreement Oversight Mechanisms	14
	Conclusions	29
	Recommendations for Executive Action	30
	Agency Comments	31
Appendix I: Comments from the Department of Veterans Affairs		32
Appendix II: GAO Contact and Staff Acknowledgments		36
	GAO Contact	36
	Staff Acknowledgments	36
Appendix III: Accessible Data		37
	Agency Comment Letter	37
Table	Table 1: Examples of Overlapping Questions between the ReDPro Checklist and the Office of Academic Affiliations' Recommended Independent Audit Checklist	16

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## Abbreviations

CBI	Office of Compliance and Business Integrity
DEO	designated education officer
GME	graduate medical education
OAA	Office of Academic Affiliations
OIG	Office of Inspector General
ReDPro	Resident Disbursement Audit Process
VA	Department of Veterans Affairs

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VHA  
VISN

Veterans Health Administration  
Veterans Integrated Service Network

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July 17, 2020

The Honorable Phil Roe, M.D.  
Ranking Member  
Committee on Veterans' Affairs  
House of Representatives

Dear Dr. Roe:

To enhance the quality of care provided to veteran patients within its Veterans Health Administration (VHA), one of the Department of Veterans Affairs' (VA) key missions is educating health professionals, such as medical and dental residents.<sup>1</sup> VHA is the nation's largest graduate medical education (GME) provider and reports that its GME program has a significant impact on its workforce, as physician residents represent about a third of the physicians in VHA's workforce. In academic year 2019, VHA's GME program provided clinical education and training for more than 45,000 residents. Additionally, VHA's GME program is an important physician recruitment tool, with nearly 60 percent of VHA physicians training at a VA medical facility prior to employment.

VHA's GME program is administered by its Office of Academic Affiliations (OAA). Under the program, VA medical facilities enter into agreements with affiliated academic institutions (affiliates), such as medical schools and teaching hospitals, to share responsibility for training residents in their academic programs. VA medical facilities also enter into GME disbursement agreements to reimburse affiliates for residents' salaries and benefits for the period of time those residents are assigned to VA medical facilities.<sup>2</sup> In fiscal year 2019, VA spent about \$765 million on

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<sup>1</sup>Unless otherwise specified, we use the term resident to refer to both medical and dental residents.

<sup>2</sup>A disbursement agreement is a payroll mechanism by which VA allows a "disbursing agent" to centrally administer salary payments and fringe benefits for medical and dental residents assigned to a VA medical facility. The disbursing agent may be the affiliate itself or an entity delegated by the affiliate to handle stipend and benefit disbursements (e.g., a GME consortium).

salaries and benefits for residents who received some or all of their clinical training at VA medical facilities.<sup>3</sup>

VHA, through OAA, has established policies and procedures governing the oversight of GME programs, including disbursement agreements. However, VA Office of Inspector General (OIG) reviews of several VA medical facilities found inconsistencies and a lack of compliance with operational and oversight requirements in VHA policy, leading to improper payments by VHA to affiliates. For example, a 2018 VA OIG review classified all of one VA medical facility's approximately \$6.9 million in reimbursements to an affiliate as improper payments due to the facility's failure to follow VHA policy requirements.<sup>4</sup> In response to the OIG's findings, VHA's OAA and Office of Compliance and Business Integrity (CBI) collaborated to implement a new oversight mechanism in December 2018—the Resident Disbursement Audit Process (ReDPro) checklist—intended to enhance oversight and monitor VA medical facilities' adherence with GME disbursement agreement policy. The ReDPro checklist examines, among other things, whether facilities are completing periodic independent audits of disbursement agreements, as required by VHA policy.

You asked us to conduct a review of VHA policies and procedures related to oversight of GME disbursement agreements and VA medical facilities' compliance with these disbursement agreement policies and procedures. This report examines

1. the extent to which VHA has established oversight roles and responsibilities for GME disbursement agreements; and
2. VHA's mechanisms to ensure VA medical facilities' adhere to GME disbursement agreement policy.

To address these two objectives, including obtaining the perspectives of VA medical facilities, we interviewed GME program and compliance

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<sup>3</sup>This cost includes both medical and dental residents. According to OAA officials, because most physician residents rotate through many different sites in their residency programs, it would be rare for a physician resident to spend all of his or her clinical training at VA.

<sup>4</sup>Department of Veterans Affairs Office of Inspector General, Office of Audits and Evaluations, *Veterans Health Administration, Review of Resident and Part-Time Physician Time and Attendance at Oklahoma City VA Health Care System*, 17-00253-93 (Washington, D.C.: Mar. 28, 2018).

officials from a nonrandom sample of 13 VA medical facilities.<sup>5</sup> We selected these facilities using fiscal year 2018 affiliation and resident allocation data provided by OAA, to reflect variation in a number of criteria, including: the facility's number and distribution of full-time equivalent resident positions, the Veterans Integrated Service Network (VISN) in which the facility was located, and the number of affiliates with disbursement agreements at the VA medical facility.<sup>6</sup> Our 13 selected facilities were in 12 different VISNs, chosen to represent geographic variation. We selected these 13 facilities—about 10 percent of all facilities with disbursement agreements in fiscal year 2018—to represent a range of all of the VA medical facilities with GME programs, although we weighted the sample more heavily towards facilities with more resident positions and higher overall GME spending because these facilities represent more potential risk to VHA of higher improper payments if disbursement agreement policy is not followed. Specifically, we chose six facilities that we classified as having a large number of full-time equivalent resident positions (more than 150), five with a moderate number of full-time equivalent resident positions (between 50 to 150), and two with a small number of full-time equivalent resident positions (less than 50). We also interviewed VISN compliance officers in two of the 12 VISNs associated with the 13 selected VA medical facilities.<sup>7</sup> Our findings

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<sup>5</sup>Of these 13 VA medical facilities, we conducted in-person site visits at four facilities located in: Boston, Los Angeles, San Antonio, and San Diego. We conducted two phone interviews with each of the other nine VA medical facilities in our sample located in: Decatur, Georgia; Boise, Idaho; Chicago, Illinois; Chillicothe, Ohio; Houston, Texas; Louisville, Kentucky; Northport, N.Y.; Omaha, Nebraska; and Salisbury, N.C.

<sup>6</sup>We considered distribution of full-time equivalent resident positions among a facility's affiliates to select facilities with both a relatively even distribution of residents among affiliates, and a distribution of residents weighted unevenly toward one or more affiliates.

VISNs are VA regional networks that manage the day-to-day functions of VA medical facilities within defined geographic areas, which also provide administrative and clinical oversight of medical facilities.

<sup>7</sup>CBI officers, referred to in this report as compliance officers, are located in most VA medical facilities and VISNs. Upon completion of our facility interviews, given what we learned from VHA documents and from our facility interviews about the lack of clarity in the role of the VISN in GME disbursement agreement oversight, we decided not to interview VISN officials from the other 10 VISNs represented in our review. The two VISNs in our review were included based on learning that one VISN was doing its own analysis of ReDPro data (VISN 17) and on the other VISN's compliance officer's decision to participate in an interview with one of the VA medical facilities in the network (VISN 10).

from these interviews are not generalizable to all VA medical facilities or VISNs.

To examine the extent to which VHA has established oversight roles and responsibilities for GME disbursement agreements, we reviewed VHA policies and other relevant documents that describe oversight responsibilities, such as the *Disbursement Agreement Procedures for Physician and Dentist Residents* handbook.<sup>8</sup> We interviewed officials from VHA's OAA and CBI about their oversight responsibilities and activities related to GME disbursement agreement oversight. We compared the oversight activities and responsibilities identified in VHA policies and documents to those described by VHA, VISN, and VA medical facility officials. We also compared the oversight activities and responsibilities to federal standards for internal control related to control environment and control activities.<sup>9</sup>

To examine VHA's mechanisms to ensure VA medical facilities' adherence to its GME disbursement agreement policy, we reviewed documents related to two VHA oversight mechanisms—the ReDPro checklist reviews, and the periodic independent audits of the facilities' disbursement agreements. These documents included the Disbursement Agreement Handbook, any tools provided by VHA for each mechanism, and guidance documents, if any, for each mechanism. We also reviewed the training VHA offered for each mechanism. We requested and reviewed ReDPro checklist responses and supporting documentation for our sample of 13 VA medical facilities. This included, if provided by the facility, documentation related to their independent audits. We compared checklist responses to the supporting documentation provided to determine if we could corroborate the facility's response to each question. We conducted these reviews in order to assess the reliability of the ReDPro checklist, and did not independently evaluate the extent to which the 13 selected facilities were adhering to disbursement agreement policy. After reviewing ReDPro checklist responses and supporting documentation, we conducted interviews with officials at our 13 facilities

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<sup>8</sup>Department of Veterans Affairs, Veterans Health Administration, *Disbursement Agreement Procedures for Physician and Dentist Residents*, VHA Handbook 1400.05 (Washington, D.C.: Aug. 14, 2015).

<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014). Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.



to obtain more information about their ReDPro checklist responses, their experiences with implementing ReDPro, and the facilities' periodic independent audits.<sup>10</sup> We compared the information collected about VHA's GME disbursement agreement oversight mechanisms to federal standards for internal control related to control environment, control activities, and information and communication.<sup>11</sup> Additionally, using our Duplication, Overlap, and Fragmentation guide, we analyzed the effects of overlap and duplication between VHA's two GME disbursement agreement oversight mechanisms.<sup>12</sup>

We conducted this performance audit from February 2019 through July 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

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## Background

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### VHA Oversight Structure

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VHA operates one of the nation's largest health care systems, and is made up of several components. Its central office is responsible for the development of policies and for ensuring VISNs and their respective VA medical facilities are adhering to these policies. More specifically, within VHA, the following components have relevant oversight roles and responsibilities:

- According to VHA policies, within VHA's central office, OAA is to establish and oversee policy related to graduate medical education and CBI evaluates and assesses policies, procedures, and controls established by VHA. For example, OAA is to provide oversight of policies pertaining to health professions trainees, including residents; training program activities, and relationships with VHA's academic partners. CBI sets the strategic direction for VHA's nationwide

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<sup>10</sup>VHA Handbook 1400.05.

<sup>11</sup>See [GAO-14-704G](#).

<sup>12</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015).

compliance and business integrity program. The office is to conduct national-level activities including audits, monitoring activities, risk management assessments, education, and communication. CBI officers, or compliance officers as we refer to them in this report, are located in most VA medical facilities and VISNs.

- VISNs are to manage the day-to-day functions of medical facilities within 18 defined geographic areas and typically provide administrative and clinical oversight of medical facilities.
- VA medical facilities provide health care to veterans, and are responsible for implementing VHA's policies.<sup>13</sup> Each VA medical facility typically has an Education Office, of which the Designated Education Officer (DEO) is the head.<sup>14</sup> The DEO is a single, dedicated VA employee who has oversight responsibility for all health professions training at the VA medical facility.

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## VHA's GME Program

VHA reports that more than 65 percent of all U.S. trained physicians received training in VA medical facilities, and VHA officials said that as of December 2019, about 130 VA medical facilities had active GME programs, most with multiple affiliates. However, in the vast majority of cases, VA medical facilities do not serve as the primary sponsor and training site for medical residents. According to VHA, 99 percent of its GME programs are sponsored by an affiliate—generally a medical school or teaching hospital. These affiliate partnerships are overseen by VHA's OAA. In fiscal year 2019, OAA received funding for 11,245 GME positions, each of which may be filled by multiple residents within the year.

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<sup>13</sup>VHA provides care through various types of medical facilities, including about 170 medical centers and more than 1,000 outpatient clinics. In many areas of the country, several medical centers and clinics may work together to offer services to area veterans as a healthcare system in an effort to provide more efficient care. For the purpose of this report, we will refer to all VA health care systems, medical centers, and clinics as VA medical facilities.

<sup>14</sup>The DEO role is a functional assignment and not an organizational title. At some facilities, the facility Associate Chief of Staff for Education is VA's preferred organizational title for individuals assigned the responsibilities of the DEO role.

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## VHA GME Disbursement Agreement Policy and Process

VHA's primary policy for oversight of GME disbursement agreements is its disbursement agreement handbook, which we will hereafter refer to as its "handbook" for the purposes of this report.<sup>15</sup> VHA's handbook, developed by OAA and last updated in 2015, delineates the required procedures relating to establishment and administration of disbursement agreements. It includes required GME disbursement operational procedures for VA medical facilities, such as planning for VA-funded resident positions, educational activity record keeping and monitoring, and reimbursing and reconciling affiliate invoices for resident time at each VA facility.

As described in the handbook, VA medical facilities reimburse affiliates through disbursement agreements to cover the costs of salaries and benefits for the period of time that a resident provides services in a VA medical facility. OAA has two different payment methods for disbursement agreements:

- **Payment in advance.** A VA facility pays the affiliate up to 80 percent of the estimated charges for a calendar quarter in advance. The actual charges incurred will be determined after the VA facility receives an invoice from the affiliate and reconciles it against its own VA educational activity records.
- **Payment in arrears.** A VA facility pays the affiliate upon receipt of invoices from the affiliate and VA reconciles the invoice against VA educational activity records.

Regardless of whether a VA medical facility's payment to an affiliate is made in advance or arrears, the VHA handbook describes the following procedures that VA medical facilities are required to follow in the administration of their disbursement agreements:

- **Educational activity record keeping and monitoring.** VA medical facilities must have documentation procedures in place to ensure that residents have participated in assigned educational activities. They also must have local policies defining the procedures for resident activity record keeping that include assignment of record-keeping duties to appropriate VA medical facility staff. According to VHA's handbook, educational activities include all activities in which residents participate in

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<sup>15</sup>VHA Handbook 1400.05.

order to meet educational goals or curriculum requirements. These activities may include: inpatient and outpatient clinical duties, including continuity clinics, extended care, home health and telehealth experiences; didactic sessions; research; and attendance at committee meetings (e.g., quality improvement or pharmacy committees). VA medical facility site directors are responsible for certifying the records of residents' educational activities, and providing certified educational activity records to the DEO.<sup>16</sup>

- **Affiliate invoice reconciliation.** At the end of each month or quarter, each affiliate is to submit an invoice detailing: 1) the number of VA-assigned residents for each training program by post-graduate year level; 2) for the VA-assigned residents, the calculated number of reimbursable days per month based upon the percentage of VA-assigned educational activities; 3) VA-approved per diem rates for each training program by post-graduate year level; and 4) the total amount being charged for each training program, and total charge for all programs for the invoice period. The VA medical facility must have a process in place, including appropriate oversight, to review and appropriately annotate invoices received from the affiliate. Submitted invoices are to be compared to certified educational activity records provided by the VA site directors. As part of the reconciliation process, the DEO or designee, must note any discrepancies and assume responsibility for their resolution.<sup>17</sup> According to VHA officials, once VA and the affiliate agree on a final payment amount, the affiliate submits a final invoice through VA's electronic invoice payment system. The DEO reviews and approves the final invoice and submits it to the facility's fiscal department for reimbursement to the affiliate. After reviewing the final invoice and taking into account any advance payments the facility made to the affiliate, the facility's fiscal department makes a payment to the affiliate or obtains a refund from the affiliate, as necessary.
- **Periodic independent audits.** To ensure that VA medical facilities have adequate record keeping and payment practices, VHA's handbook requires that VA medical facilities conduct periodic internal audits of their GME disbursement agreements. These audits, which VHA officials generally refer to as independent audits, are to be completed by a team of VA medical facility staff, appointed by the medical facility director, who

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<sup>16</sup>Site directors are the individuals responsible for developing and implementing the specialty-specific training program at VA medical facilities. An example of a specialty specific training program would be internal medicine or psychiatry.

<sup>17</sup>VHA's handbook states that in case of a conflict between VA and affiliate records, VA records are the determining basis for reimbursement.

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do not serve in positions directly involved in the management or monitoring of the facility's disbursement agreements.<sup>18</sup>

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## ReDPro Reviews Are to Examine Adherence to Disbursement Agreement Policy

Implemented in fiscal year 2019, ReDPro is an oversight mechanism intended to examine certain aspects of a VA medical facility's disbursement agreement process. This mechanism, which consists of a checklist of information to review and an associated guidance document, was collaboratively developed by OAA and CBI to address concerns highlighted by the VA OIG that VA medical facilities were potentially not compliant with disbursement agreement policy. Specifically, in a 2018 review, the VA OIG found that a VA medical facility located in Oklahoma City had not established local policies and procedures for resident educational activity record keeping, monitored resident participation in educational activities, reconciled invoices submitted by its affiliate, or conducted periodic independent audits of the disbursement agreement—all requirements in VHA policy.<sup>19</sup> Because the VA medical facility could not provide adequate supporting documentation for its payments to its affiliate, the VA OIG considered the facility's total \$6.9 million reimbursements to the affiliate in one academic year to be improper payments. ReDPro was created, in part, to help ensure that facility independent audits of GME disbursements were being conducted.

ReDPro was introduced to all VA medical facilities by OAA and CBI in December 2018 and facility compliance officers had until April 2019 to complete and submit their initial ReDPro results to CBI. After April 2019, facility compliance officers were expected to conduct a ReDPro review annually and following each independent audit at that facility to verify that all VHA required components of a facility's GME disbursement program are in place. According to VHA's ReDPro guide, a facility's ReDPro results should be shared with CBI in VHA's central office and are used by both CBI and OAA to detect, track, and inform VHA leadership of risks

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<sup>18</sup>While VHA officials may refer to these internal audits as 'independent audits', we found that in practice these audits are conducted by individuals with varying backgrounds who are employees of the VA medical facility. The audit team members were generally not professional auditors wholly independent of the VA medical facility. However, for the purposes of this report, we will continue to refer to them as independent audits to remain consistent with the terminology VHA uses.

<sup>19</sup>VA Office of Inspector General, 17-00253-93.

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associated with nonadherence to the GME disbursement policy at the national level.

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## GME Disbursement Agreement Oversight Roles and Responsibilities Have Generally Been Established, but Some Are Not Defined in VHA Policy

VHA policy details many roles and responsibilities in the disbursement agreement handbook (handbook), but key roles and responsibilities—particularly related to VHA’s new ReDPro oversight mechanism—are not defined in policy, leaving GME disbursement oversight unclear and inconsistent with federal standards for internal controls.<sup>20</sup> Specifically, federal standards for internal controls call on agencies to document in policies the responsibilities of the organization, and of each unit in executing, controlling, and assessing the organization in achieving its objectives. Because VHA policy does not fully outline roles and responsibilities for each of VHA’s components (VHA’s central office, VISN, and VA medical facilities) in GME disbursement oversight, VHA cannot reasonably ensure that officials in these components understand, and can therefore effectively carry out, their roles and responsibilities. This lack of defined responsibilities increases the risk of inconsistent monitoring and oversight of disbursements to affiliates, which ultimately could result in overpayments or underpayments to affiliates for services rendered by residents at VA medical facilities.

**OAA and CBI.** Both OAA and CBI in VHA’s central office have roles and responsibilities related to disbursement agreement oversight; however not all of these roles and responsibilities are documented in VHA policy. OAA’s oversight responsibilities include establishing disbursement agreement policy that outlines how VA medical facilities’ disbursement agreements will be overseen, and providing training and consultation to

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<sup>20</sup>See [GAO-14-704G](#).

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DEOs and other facility staff involved in overseeing GME disbursement agreements.<sup>21</sup>

In addition, according to the ReDPro procedure guide, OAA and CBI have taken on additional oversight roles and responsibilities since the implementation of the ReDPro checklist.

- OAA officials said that their responsibilities include reviewing the ReDPro results, as provided by CBI, and developing and providing training to address deficiencies identified by ReDPro.
- CBI is responsible for activities such as monitoring completion of the ReDPro checklist by facilities, analyzing the ReDPro results, and identifying any facility outliers, according to the ReDPro procedure guide and to CBI officials we interviewed.

The new ReDPro roles and responsibilities for these offices are not included in VHA policy because that policy was last updated in August 2015, well before the development of the ReDPro mechanism. Specifically, the handbook does not include any information on OAA's or CBI's involvement in ReDPro, or contain guidelines for their roles and responsibilities for the mechanism, despite these offices playing an important part in overseeing VA medical facilities GME disbursements.<sup>22</sup> OAA officials told us they are in the process of updating the handbook;

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<sup>21</sup>OAA's training and consultation to DEO and other VA medical facility staff includes holding a national DEO call each month, hosting an annual DEO conference, and offering training for DEOs and other facility staff involved in GME program administration and oversight.

OAA also conducts a number of site visits per year to review facility educational activities and evaluate facilities' adherence to VHA policy. However, OAA officials told us that although the nature of the site visits may be consultative, informative, or investigatory, they may not necessarily focus on disbursement agreement related issues.

<sup>22</sup>This information is also not included in other relevant VHA policy documents such as Department of Veterans Affairs, Veterans Health Administration, *Office of Academic Affiliations*, VHA Directive 1400 (Washington, D.C.: Nov. 9, 2018), or Department of Veterans Affairs, Veterans Health Administration, *Compliance and Business Integrity (CBI) Program Administration*, VHA Handbook 1030.01 (Washington, D.C.: July 31, 2006).

however, they did not specify whether OAA's and CBI's roles and responsibilities for ReDPro would be included in the updated handbook.<sup>23</sup>

**VISNs.** As we have previously reported, VA's 18 geographic VISNs are supposed to provide oversight of the day-to-day management of VA medical facilities; however, VISNs do not have defined roles and responsibilities for overseeing GME disbursements outlined in the handbook.<sup>24</sup> According to an internal OAA document, which contains a compilation of OAA's oversight responsibilities, "it is unclear at present what oversight role the VISNs could or should play in the education mission. A collateral duty, the VISN Affiliations Officer, is defined in policy, but rarely active in practice." OAA's statement is consistent with what we found in terms of VISN involvement with oversight of disbursement agreements among the 13 selected VA medical facilities. For example, while officials from 11 of the 13 facilities in our review reported that VISNs were currently not involved in the oversight of disbursement agreements, officials from two of the 13 facilities' told us that the VISN had been involved in disbursement agreement oversight at their facility in the past. A DEO from one of these two facilities told us that its VISN had conducted some audits of the facility in 2013 and 2014, but had not been involved in oversight since that time. Consequently, the lack of a clear VISN role in GME disbursement agreement oversight has contributed to noninvolvement, or inconsistent VISN involvement in oversight of VA medical facilities disbursement agreement processes.

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<sup>23</sup>Additionally, in March 2020, OAA officials told us that to address GME disbursement agreement oversight gaps they are establishing a new office of oversight and compliance within OAA. Officials said that this office would organize OAA's oversight efforts under one unit. An OAA official said that, as of March 2020, the goals and functions of this new office were still being determined and that they expected it would take about a year to determine the oversight activities this office would undertake. In the interim, the roles and responsibilities of this new office remain unclear.

<sup>24</sup>We recently reported on the need for improved oversight of VISNs, finding, among other things, that VHA lacks a comprehensive policy to define VISN roles and responsibilities, and that the lack of clearly defined roles and responsibilities at the VISN level makes it difficult for VHA to develop an effective oversight process that ensures adequate monitoring of VISN activities. See GAO, *Veterans Health Administration: Regional Networks Need Improved Oversight and Clearly Defined Roles and Responsibilities*, [GAO-19-462](#) (Washington, D.C.: June 19, 2019). As of February 2020, our recommendations from that work, including for VHA to establish a comprehensive policy that clearly defines VISN roles and responsibilities for managing and overseeing medical centers, remain unimplemented.



Since the implementation of ReDPro reviews beginning in fiscal year 2019, VA officials told us that VISN compliance officers are now expected to monitor the completion of the ReDPro checklist by facility compliance officers, and act as an intermediary between facility compliance officers and VHA's central office CBI. However, this responsibility is not documented in policy, and VHA officials indicated that they did not plan to add it as a specific VISN expectation or responsibility. According to a CBI official, ReDPro is like any other review VISN compliance officers are expected to monitor and VHA has no plans to send out any additional information to VISN compliance officers regarding their roles and responsibilities.<sup>25</sup>

**VA medical facilities.** With guidance from VHA's central office, VA medical facility staff are responsible for most of the disbursement agreement oversight according to the handbook. For example, a facility's DEO is responsible for overseeing all facility disbursement agreements with affiliates, while the independent audit teams are responsible for examining such things as facilities' invoice reconciliation procedures and payments to affiliates.<sup>26</sup> However, with the implementation of ReDPro in fiscal year 2019, facility compliance officers are now responsible for assisting with disbursement agreement oversight, although their roles and responsibilities are not included in the handbook. Specifically, according to the ReDPro procedure guide, compliance officers are directed to use the ReDPro checklist to qualitatively assess the facility's disbursement agreement processes, reviewing things such as disbursement agreements with the affiliates, local policy and procedure documents, and results from the facility's independent audit. After completing the ReDPro review, the procedure guide states that compliance officers should report any areas of noncompliance identified from the review to the facility's DEO and track the DEO's plans for correction, if needed.

Although the ReDPro procedure guide contains some information about compliance officers' roles and responsibilities for conducting the ReDPro reviews, because the handbook has not been updated since ReDPro was implemented, facility compliance officers' roles and responsibilities have

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<sup>25</sup>Per general CBI policy, VISN compliance officers are responsible for "ensuring effectiveness and consistency in the CBI effort within the VISN and alignment of the VISN CBI Program with the VA Central Office CBI Program." See VHA CBI Handbook 1030.01.

<sup>26</sup>Any discrepancies with a facility's GME disbursement to affiliates that are identified by an independent audit team are to be reported to the facility's chief of staff and chief fiscal officer and any resulting corrections are then to be made after consulting with the chief fiscal officer, DEO, and other facility leaders as appropriate.

not been formally documented in policy. As with VISN roles and responsibilities related to ReDPro, a CBI official said VHA has no plans to send out any additional information to facility compliance officers regarding their roles and responsibilities, and OAA has not specified whether it will include the facility compliance officer's ReDPro roles and responsibilities in the updated handbook.

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## Overlap between Tools, Insufficient Guidance, and Other Issues Limit the Effectiveness of VHA's Disbursement Agreement Oversight Mechanisms

Although VHA has established two mechanisms for GME disbursement agreement oversight, our review of 13 VA medical facilities found that VHA has not clearly distinguished between ReDPro and independent audits in policy or in the tools for each, causing overlap, inefficiencies, and ultimately a lack of confidence that VHA's mechanisms are being operationalized appropriately by facilities. Further, although VA medical facility officials said that ReDPro improved their awareness of, and adherence to, GME disbursement policy, we found weaknesses in the ReDPro checklist tool and associated guidance and training. Similarly, we found inconsistencies and deficiencies in how the 13 selected facilities' independent audits were conducted due to the lack of a standard audit tool, guidance, and training for independent audit teams.

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## Lack of a Clear Distinction between VHA Oversight Mechanisms in Policy and Tools Leads to Overlap and Limits Their Efficiency and Effectiveness

Though described to us as distinct, VHA has not clearly distinguished, in its policies or tools, between ReDPro and periodic independent audits—the two oversight mechanisms it established to ensure VA medical

facilities' adherence to its GME disbursement agreement policy.<sup>27</sup> Absent such clear delineation in policy, VHA increases the risk that officials at its medical facilities will not understand or operationalize these distinctions. Further, the overlap between the tools for each mechanism causes inefficiencies and unnecessary burden, particularly as the instructions for each mechanism could lead some facilities to conduct these reviews and audits more often than necessary.

While both oversight mechanisms, based on current policy and guidance, involve evaluating GME payment practices, CBI and OAA officials said the two are supposed to be distinct but complementary. Officials said that the independent audit is intended to be a first level of defense and ReDPro aimed to be a second level of defense against improper disbursements. Specifically, OAA and CBI officials noted that independent audits are designed to review actual payments to affiliates, whereas the ReDPro checklist is aimed at reviewing the process to see if the rules related to disbursement agreements are being followed by VA medical facilities. For example, an OAA official explained that the ReDPro checklist asks if there is an invoice reconciliation process in place, whereas the independent audit is supposed to examine the actual calculations used to determine payment amounts in order to ensure that they were done correctly and that the correct affiliates were paid for the appropriate amount of resident time.

However, these distinctions between the oversight mechanisms described by officials are not clearly delineated in VHA policy or guidance, even though federal standards for internal control state that management should implement control activities through policies.<sup>28</sup> For example, all functions of independent audits described in the handbook except one— “prompt payment of final invoices and avoidance of duplicate payments”— are also included as part of the requirements of

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<sup>27</sup>In addition to the ReDPro and independent audit oversight mechanisms, in March 2020, OAA officials told us about additional activities they were undertaking to increase oversight of facilities adherence to disbursement agreement policy. For example, OAA officials told us they are increasing the number of site visits they are conducting in 2020 and 2021, and noted that educational activity tracking will be addressed on each visit. OAA officials also noted that they are conducting phone consultations focused on educational activity tracking with different VA medical facilities. As of March 2020, OAA officials said they had completed more than eight consultations with additional consultations scheduled. Officials told us that they are focusing their efforts around educational activity tracking because that is where they have identified the most gaps and questions, based on their conversations with VA medical facilities.

<sup>28</sup>See [GAO-14-704G](#).

ReDPro reviews, as detailed in the ReDPro checklist. The handbook also does not explain that audit teams are expected to examine the calculations used to determine disbursement agreement payment amounts, and does not mention ReDPro. This policy has not been updated since 2015, well before introduction of ReDPro.

In addition, the tools VHA has distributed for facility officials to use for these two oversight mechanisms do not reflect the differences in purpose VA officials described to us. Our review of these tools found that the ReDPro checklist and the recommended independent audit tool—an independent audit checklist developed by a VA medical facility that OAA and CBI officials recommended in December 2019 that all facilities use—have numerous areas of overlap.<sup>29</sup> Specifically, about 60 percent of the questions in the ReDPro checklist tool are also included in the independent audit checklist. The overlap in questions results in duplication of effort by both compliance officers conducting ReDPro reviews and independent audit teams, as well as an increased burden on facility GME programs subject to these reviews. See examples of this overlap in table 1.

**Table 1: Examples of Overlapping Questions between the ReDPro Checklist and the Office of Academic Affiliations’ Recommended Independent Audit Checklist**

ReDPro checklist	Recommended independent audit checklist <sup>a</sup>
<b>Questions assessing whether certain roles and responsibilities have been assigned:</b> Has a [Delegated] Education Officer (DEO) been appointed? <sup>b</sup>	<b>Questions assessing whether certain roles and responsibilities have been assigned:</b> Facility Director: DEO assigned in writing overall responsibility of all health profession training including GME.
<b>Questions assessing whether certain roles and responsibilities have been assigned:</b> Has the facility appointed an independent audit team to conduct periodic audits/assessments of disbursement agreements?	<b>Questions assessing whether certain roles and responsibilities have been assigned:</b> Facility Director: Appointed an independent auditing team to conduct periodic audits of disbursement agreements.
<b>Questions assessing whether certain roles and responsibilities have been assigned:</b> Does the facility Chief of Staff supervise the DEO?	<b>Questions assessing whether certain roles and responsibilities have been assigned:</b> Chief of Staff: Serves as or supervises the DEO.

<sup>29</sup>There is no standard tool or process that facilities are required to use to conduct periodic independent audits of their disbursement agreements. However, in December 2019, OAA and CBI officials told us that they were now recommending that facilities use an independent audit checklist developed by the San Francisco VA Health Care System as their independent audit tool. A CBI official told us that they first told VA medical facilities about this checklist and offered it as an example tool in April 2019. During the time of our facility interviews and site visits, August through October 2019, while some facilities were aware of, and using, this audit checklist, facility officials told us they were using a number of different tools and methods to conduct independent audits.

Letter

ReDPro checklist	Recommended independent audit checklist <sup>a</sup>
<p><b>Questions assessing whether specific documents are in place:</b> Does the facility maintain written local policies and procedures which [including] procedures for resident activity record keeping?</p>	<p><b>Questions assessing whether specific documents are in place:</b> DEO: Established local procedure for: Educational activity record keeping.</p>
<p><b>Questions assessing whether specific documents are in place:</b> Does the facility use the (a) approved templates and (b) locally developed memo? (a) Resident Disbursement Agreement</p>	<p><b>Questions assessing whether specific documents are in place:</b> Was the disbursement agreement standard format followed?</p>
<p><b>Questions assessing invoices received from the disbursing agent:</b> Does the facility ensure invoices reflect the following information from the Disbursing Agent for reconciliation: (a) # of residents for each training program by PGY-level multiplied by number of days per month spent in VA assignments,<sup>c</sup> (b) Aggregate # of days multiplied by the appropriate per diem rate by each PGY level = subtotal charged for each training program and total charged for the time period. (c) Does the facility ensure Social Security Exemptions (FICA) are applied for non-citizen residents holding J1 visas?<sup>d</sup></p>	<p><b>Questions assessing invoices received from the disbursing agent:</b> Did the disbursing agent submit monthly or quarterly invoices detailing the following: a. # of VA assigned residents for each training program by PGY level. b. Calculated # of days per month based upon the percent of assigned educational activities for those residents. c. VA approved per diem rate for each training program by PGY level. d. Total amount being charged for each training program and the total charge for the period. Fiscal ensures that the application of SS exemptions for J1 Visas are applied appropriately (through the average FICA rate based upon the # of non-citizen residents on J1 visas).<sup>d</sup></p>

Source: GAO analysis of VA documents. | GAO-20-553

Notes: All questions are cited directly from the tools and thus may use inconsistent capitalization, shorthand, and abbreviated terms, etc.

A disbursement agreement is a payroll mechanism by which VA allows a “disbursing agent” to centrally administer salary payments and fringe benefits for medical and dental residents assigned to a VA medical facility. The disbursing agent may be the affiliated academic institution itself or an entity delegated by the affiliate to handle stipend and benefit disbursements (e.g., a graduate medical education consortium).

<sup>a</sup>Although some of the “questions” in the recommended independent audit tool are not written in the form of a question, each of these line items are part of a checklist, and followed by boxes where a yes or no response is expected.

<sup>b</sup>The ReDPro checklist refers to the DEO as the ‘Delegated Education Officer’, but the DEO abbreviation actually refers to the ‘Designated’ Education Officer.

<sup>c</sup>‘PGY’ is an abbreviation for post-graduate year of residency after medical school graduation. VA is an abbreviation for the Department of Veterans Affairs.

<sup>d</sup>‘FICA’ is an abbreviation for the Federal Insurance Contributions Act. FICA is a U.S. payroll tax, which helps fund both Social Security and Medicare programs. The J-1 visa exchange program is for those nonresident aliens who intend to participate in an approved program for the purpose of teaching, instructing or lecturing, studying, observing, conducting research, consulting, demonstrating special skills, receiving training, or, in this case, to receive graduate medical education or training. Generally, wages paid to J-1 visa holders for services performed within the United States, where such services are performed to carry out the purposes for which such visas were issued to them, are exempt from FICA taxes. SS is an abbreviation for Social Security.

Based on our review of the ReDPro procedure guide and the 13 facilities planned independent audits frequency, we also found that instructions about when the reviews and audits should be conducted could cause further burden and overlap at some facilities. The ReDPro procedure

guide instructs facilities that the ReDPro review “must also be performed following each scheduled audit by the independent audit team,” which may result in some facilities being subject to eight or more audits a year (four to five ReDPro reviews as well as quarterly independent audits for some).<sup>30</sup> This may be too frequent given the overlap in the tools for both mechanisms, and create an additional, unnecessary burden on all involved.

As we have reported since 2011, agencies may be able to achieve greater efficiency or effectiveness by reducing or better managing programmatic fragmentation, overlap, and duplication.<sup>31</sup> While overlap and duplication can be intentional and are not inherently problematic, VHA officials said that ReDPro and the independent audits had separate and distinct purposes, suggesting that the overlap and duplication were not intentional. Taking steps to better define and distinguish the purposes of these two oversight mechanisms in policy, and to ensure that the tools and guidance associated with them align with these distinct purposes and do not unnecessarily overlap, would help improve their efficiency. This would lessen the burden on the compliance officers, independent audit teams, and the facility education staff that are subject to these reviews. It would also increase the effectiveness of oversight by helping ensure that compliance officers, audit teams, and DEOs all understand the distinct purposes of the two mechanisms, and thus implement them in a way that achieves VHA’s stated goals.

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### ReDPro Heightened Awareness of Policy, According to Officials, but Weaknesses in the Checklist Tool,

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<sup>30</sup>The handbook only notes that “periodic” audits should occur. Among our 13 facilities, we found that some facilities planned to conduct annual audits, while others conducted audits as often as quarterly.

<sup>31</sup>See GAO’s Duplication and Cost Savings web page for links to the 2011 to 2019 annual reports: <http://www.gao.gov/duplication/overview>. Using the framework established in our prior work on addressing fragmentation, overlap, and duplication, we used the following definitions for the purpose of assessing VHA’s ReDPro and independent audit requirements: Fragmentation occurs when more than one agency (or more than one organization within an agency) is involved in the same broad area of national interest. Overlap occurs when multiple programs have similar goals, engage in similar activities or strategies to achieve those goals, or target similar beneficiaries. Duplication occurs when two or more agencies or programs are engaging in the same activities or providing the same services to the same beneficiaries.

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## Guidance, and Training Limit VHA's Ability to Monitor Policy Adherence

Education officials from most of the 13 VA medical facilities we spoke with indicated that ReDPro's implementation in 2019 had led to increased adherence with disbursement agreement policy. Specifically, ReDPro led eight of our 13 selected VA medical facilities to complete an independent audit for the first time, even though periodic independent audits have been required by VHA policy since at least 2015. Education officials from five of the eight VA medical facilities said they had not been conducting independent audits before ReDPro was implemented because they were not previously aware of the requirement. Education officials from seven of our 13 VA medical facilities further reported that the ReDPro reviews increased their awareness of disbursement agreement policy requirements, by either making them aware of requirements they had previously been unaware of, or by making them aware that steps they took to adhere to policy requirements were not always consistent with the requirements. Additionally, education officials from nine of the 13 VA medical facilities reported that they had formalized processes or documents that were previously informal as a result of the ReDPro reviews.

### Weaknesses Found in the ReDPro Tool, Guidance, and Training

However, we found several issues that limit VHA's assurance that ReDPro reviews are being conducted appropriately and its ability to use ReDPro to accurately monitor VA medical facility adherence to GME disbursement policy. These weaknesses, specifically a lack of clarity in the ReDPro checklist tool, and insufficient guidance and training provided to VA medical facility staff, are inconsistent with federal standards for internal control, which state that management should implement control activities through policies and that management should internally communicate the necessary quality information to achieve the entity's objectives, communicating quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system.<sup>32</sup> Related to training, federal internal control standards state that management should demonstrate a commitment to recruit, develop, and retain competent

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<sup>32</sup>See [GAO-14-704G](#).

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individuals, including conducting training to enable individuals to develop competencies appropriate for key roles.<sup>33</sup>

Specifically among weaknesses limiting VHA's ability to use ReDPro as an accurate monitoring mechanism to ensure compliance with its medical facility GME disbursement policy, we found:

- **Limitations in the ReDPro checklist tool.** Compliance officers from six of our 13 reviewed VA medical facilities indicated that some ReDPro questions were unclear and officials from three facilities told us some were repetitive. One compliance officer provided us with a document that contained 2 pages worth of recommended edits to the checklist and associated procedure guide, including her recommendations to improve the clarity of question wording. Our review of the ReDPro checklist tool verified these concerns about checklist questions, as we also found that some questions in the checklist seemed repetitive, and that the wording of some questions was unclear and confusing. For example, the ReDPro checklist contains two questions that both ask about training for resident activity record keepers—one asks about “initial and annual training,” while the other asks only about initial training. CBI officials said the question that asks only about initial training was meant to be only for when there was a change in who was performing record-keeping duties. However, given that the other question also asks about initial training, this distinction is not clear.

In March 2020, OAA officials told us that they were working with CBI on ReDPro checklist improvements OAA has identified as they have consulted with VA medical facilities about their educational activity tracking. An OAA official said that they want the ReDPro reviews to evolve and continuously improve and that ReDPro checklist changes would be in place before the third ReDPro deadline in early 2021. However, VA medical facilities' second round of annual ReDPro responses were due to CBI in February 2020 and CBI and OAA officials told us that no changes had been made to the checklist by that time.

- **Insufficient guidance on how to conduct the ReDPro checklist reviews.** Our interviews with facility compliance officers identified weaknesses in the existing ReDPro guidance. For example, when asked about the adequacy of the ReDPro checklist instructions, eight of 13 compliance officers from facilities in our review indicated that it was

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<sup>33</sup>See [GAO-14-704G](#).



unclear as to what supporting documents were appropriate. One compliance officer explained that while the checklist includes questions about invoices, the guidance does not tell her how many invoices she has to review. She also noted that the ReDPro guidance was not well-written for the audience that needed to implement it—facility compliance officers—who were likely unfamiliar with GME. She noted that for individuals like her who are completely new to the topic, it needed more description to be helpful.

Our review of the procedure guide accompanying the ReDPro checklist also found that it contains little additional instruction from what is in the checklist itself, and very little explanation of how compliance officers should conduct their reviews. For example, the checklist includes a question about whether the DEO ensures that there are procedures for regular communication between VA site directors and affiliate program coordinators which requires a “yes,” “no,” or “not applicable” response. While the procedure guide states that compliance officers should confirm the frequency of communication, it does not explain what frequency would be considered regular, or explain what type of procedures the compliance officer should expect to find that would help justify a “yes” response. Furthermore, we found that the procedure guide also contained errors in its references to relevant sections of the handbook—such as referencing a handbook section unrelated to the checklist question topic.

In December 2019, an OAA official said that additional guidance was being developed to better explain what documentation would be acceptable to support certain ReDPro questions; the official hoped this guidance would reduce confusion and improve the validity of future ReDPro responses. However, our review of that document in March 2020 found that it contained limited additional instruction, sometimes only adding a word like “invoices” or a phrase such as “review audit,” rather than providing substantive instruction to compliance officers on what they should be assessing or how they could determine whether a “yes,” “no,” or “not applicable” response was warranted.

- **Insufficient training of facility compliance officers.** Compliance officers from seven of the 13 VA medical facilities in our review indicated that they would benefit from more training on the GME program or executing the ReDPro reviews. For example, officials at one facility said that while the initial training provided a good overview of the checklist, it did not provide enough information. One compliance officer stated that

she did not think she had enough knowledge and understanding of the GME program to ask the right clarifying questions during training or to complete the checklist effectively. Our review of the slides from the initial ReDPro training CBI and OAA offered to compliance officers in December 2018 found that it contained little additional instruction from what was in the ReDPro procedure guide.

CBI and OAA officials told us in December 2019 that they had offered additional training related to ReDPro earlier that month, and said that during this training they covered the type of documentation they were asking for to address the ReDPro checklist questions. However, based on our review of the slides from this training, this additional training did not contain the type of information compliance officers told us they needed in order to conduct the ReDPro checklist reviews, such as general GME program information.

#### ReDPro Weaknesses Contributed to Inconsistencies, Errors, and the Unsuccessful Detection of Some Areas of Nonadherence

In reviewing the ReDPro responses from the 13 selected VA medical facilities we found that the weaknesses we identified in the ReDPro checklist tool, guidance, and training contributed to a number of different types of inconsistencies and errors in the facilities' ReDPro checklist responses, and to the unsuccessful detection of some areas of potential nonadherence with VHA policy that OAA officials told us they had thought the checklist would detect.

The following examples illustrate some of the types of inconsistencies and errors we identified:

- Facility compliance officer responses were inconsistent regarding whether a “yes” or “no” response was offered to questions about whether a facility had written policies and procedures when those documents were still in draft form at the time of the review. The ReDPro procedure guide does not indicate whether a compliance officer should consider draft policy and procedure documents adequate to support a “yes” response—OAA officials told us in July 2019 that they planned to provide further clarity on this issue in the next iteration of the ReDPro checklist tool.
- One facility compliance officer responded “yes” to a question about whether the facility had written policies and procedures for resident activity record keeping; however, the support provided by the compliance

officer for this question was documents such as resident supervision policies, which did not contain this information.

- We found that compliance officers at two facilities that had not yet completed independent audits responded “yes” to questions regarding whether facility independent audits were performed at the specified frequency and whether audit reports provided recommendations and requirements for a corrective action plan with follow-up.

We also found that ReDPro did not uncover some areas of potential nonadherence with VHA policy that OAA officials told us they thought it would detect. Specifically, at the selected facilities in our review, ReDPro did not help some facilities identify whether GME disbursement policies and procedures reflected actual practice or identify potential conflicts of interest, such as VA site directors holding paid positions at affiliate institutions.<sup>34</sup>

- OAA officials told us in July 2019 that, as part of ReDPro, compliance officers should be confirming that what is stated in a facility’s resident activity record-keeping policy is what actually occurs. However, we found that six of the 13 selected facilities’ policy and procedure documents did not reflect actual resident activity-tracking procedures in place at the facility. For example, while education officials at one facility described a resident activity tracking process that involved residents tracking their own time, site directors certifying residents’ timesheets, and submitting those timesheets to the education office, the local standard operating procedure document described a different process of tracking attendance by exception and completing periodic physical attendance spot checks. In December 2019, an OAA official told us that policies not reflecting actual practice was a matter of significant concern for OAA, and that they would be emphasizing this topic at national calls and meetings with the field.
- OAA officials also told us in May 2019 that because ReDPro requires that facilities document who is completing resident activity tracking and invoice reconciliation, it should help facilities identify potential conflicts of

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<sup>34</sup>VHA reports that more than 70 percent of VA physicians have faculty appointments with an affiliate, which can be paid or unpaid.

interest.<sup>35</sup> However, we found various potential conflicts of interest at three of the 13 selected facilities. Specifically, at two facilities we found instances of VA medical facility site directors who were also paid by affiliates that ReDPro reviews had not identified as potential concerns, as OAA officials said such reviews were intended to find.<sup>36</sup> At a third facility, we also identified an instance where one of two primary personnel responsible for resident activity tracking and invoice reconciliation was a paid employee of the affiliate, rather than VA, which OAA officials said was a conflict of interest, and should not be occurring.<sup>37</sup> An OAA official said that OAA was taking steps to clarify VHA expectations related to conflicts of interest by including information on this topic in the new iteration of the disbursement agreement handbook.<sup>38</sup>

While officials told us that ReDPro would help identify these areas of nonadherence to policy, there is no information in the ReDPro checklist tool or accompanying procedure guide that indicates that compliance officers are expected to determine whether policies and procedures reflect actual practice, or identify potential conflicts of interest. Therefore, compliance officers may not understand that they should be trying to identify these issues. Additionally, while officials said they are taking some steps to address these concerns, they did not indicate whether they

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<sup>35</sup>Although there is no VHA policy that is specific to the issue of conflict of interest for VA employees that are involved in oversight of disbursement agreement payments to affiliates, a VA ethics specialty attorney told us that the VHA policy related to conflicts of interest in contracting for sharing health care resources is relevant to this topic. That policy states that generally, if a physician has a faculty appointment and receives any compensation for affiliate duties, such as teaching courses or conducting research, and is under the direction and control of the affiliate, the physician will be considered an employee of the affiliate and has at least an imputed financial interest in VA contracts with the school. An affiliated physician may only participate in the contract subject to a written opinion from an Office of General Counsel Ethics Official. Without documented approval, physicians with such interests are prohibited from reviewing or reporting time and attendance for contract administration purposes, among other things. See Department of Veterans Affairs, *Conflict of Interest for the Aspects of Contracting for Sharing of Health-Care Resources (HCR)*, VHA Handbook 1660.03 (Washington, D.C.: Nov. 4, 2015).

<sup>36</sup>Because VA site directors are responsible for certifying resident activity records used for determining payments to the affiliate, if a VA site director told us that he or she had a paid faculty appointment with an affiliate we identified this as a potential conflict of interest, based on current VHA policy.

<sup>37</sup>OAA requested, and we provided, information about this facility where one of two primary personnel responsible for resident activity tracking and invoice reconciliation was a paid affiliate employee.

<sup>38</sup>The OAA official also said they would be conducting training on this topic in the future once the handbook updates were completed.

intended to make updates to the ReDPro checklist or procedure guide related to these topics.

Because VHA has provided compliance officers with an unclear ReDPro checklist tool and insufficient guidance and training, VHA cannot reasonably ensure that compliance officers understand how to accurately conduct ReDPro reviews—leading to ReDPro response errors, inconsistencies, and the unsuccessful detection of issues officials said ReDPro should detect. This suggests that facilities' ReDPro responses are unreliable for their stated purpose of allowing national-level detection of risks associated with facility non-adherence with GME disbursement agreement policies and procedures. Without reliable information, VHA cannot determine the true extent of facility adherence to policy, nor accurately determine the areas in which more training or guidance may be necessary. OAA officials told us in March 2020 that they planned to conduct three site visits at VA medical facilities based on the results of 2020 ReDPro reviews in order to assist some facilities that seem to be the most in need of help. However, without reliable information from ReDPro reviews, OAA officials may not be identifying the facilities that would most benefit from a site visit. Without improvements to the ReDPro checklist, guidance, and training, VHA lacks assurance that the ReDPro reviews are conducted as intended, and that the results from the reviews are valid and reliable.

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### VHA Lacks Assurance That Facility Periodic Independent Audits Are Ensuring Adherence to Policy Due to a Lack of Guidance and Training for Audit Teams

We also found that the 13 selected facilities' independent audit teams lacked adequate tools, guidance, and training, which contributed to inconsistencies and other deficiencies in these facilities' audits, such as the lack of a detailed review of the calculations used for disbursement agreement payments. Specifically, we found that independent audit teams lacked the following:

**A standardized independent audit tool.** At the time of our review of the 13 VA medical facilities, OAA had not required or formally recommended any standard tool for conducting independent audits. We found that these facilities determined on their own, or in consultation with other facilities, what audit tool, if any, to use. Of the 12 facilities that had begun an independent audit as of January 2020, five did not use a standard tool,

but instead developed their own audit process or questions.<sup>39</sup> While OAA reported that as of December 2019 it was now recommending that independent audit teams use a specific audit checklist, there is still no requirement that facilities use this tool. Additionally, members of one facility's independent audit team that used this recommended checklist reported that they still did not understand how to conduct the audit.

**Independent audit guidance.** The only guidance OAA has provided to VA medical facilities on how to conduct independent audits is in the handbook, and it is limited. For example, based on our review of the handbook, no definition of periodic is offered, and only a short list of minimum audit requirements is listed, with no instruction on how the auditors are supposed to conduct the audits. Additionally, there is no description of what is an appropriate audit team size, or auditor qualifications, other than they must be independent of the routine management and monitoring of disbursement agreements.

**Independent audit training.** At the time of our review of the 13 VA medical facilities, OAA had offered no training specific to independent audits, such as training on how to conduct the disbursement agreement audits for those appointed as independent audit team members or to facility directors on appointing and giving guidance to an independent audit team.

We found that the lack of a standard audit tool, guidance, and training for independent audit teams contributed to problematic inconsistencies in the methodologies used by the audit teams and deficiencies in many of the audits conducted. For example, based on the information provided by 10 of the 11 facilities in our review that had completed an independent audit, most facilities' audits (seven of 10) did not include the detailed review of the calculations used for disbursement agreement payments that OAA officials told us independent audits should include.<sup>40</sup> The following specific examples demonstrate the wide variation among the audits conducted, and two examples of the types of deficiencies we identified:

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<sup>39</sup>One of the 13 facilities had not begun an independent audit as of January 2020.

<sup>40</sup>Because the audits these 11 facilities conducted were so substantively different, and the audit documentation, if any, provided by the facilities varied, we could not compare their findings. One of the 11 facilities reported that an independent audit had been completed, but did not provide us with sufficient information about the audit's findings or methods to allow us to assess whether it included a detailed review of the calculations used for disbursement agreement payments.

- One facility described building an independent audit process from scratch in 2019, including quarterly audits, with the portion of the audit related to a review of disbursement agreement calculations focusing on a different affiliate's resident activity records, invoices, and payments each quarter.
- At another facility, officials described that their process is a pre-payment audit, with the audit team comparing affiliate invoice amounts with resident activity records and medical record documentation entered by residents. According to facility officials, the audit team identifies any discrepancies between the medical record documentation and activity records, and facility staff reconcile the differences before payment is made to the affiliate. Officials did not indicate that these audits include a review of whether the calculations used to determine the reimbursable amounts to an affiliate are done accurately—as OAA officials said the periodic independent audits should.<sup>41</sup>
- At a third facility, audit documentation provided by the facility showed that the audit consisted of answering five questions worded similarly to the handbook minimum requirements. This approach did not focus on comparing the accuracy of resident activity records with payments made to affiliates.<sup>42</sup>

The lack of guidance and training related to conducting independent audits is inconsistent with previously stated standards for internal control in the federal government related to implementing control activities through policies, internally communicating the necessary quality information to achieve the entity's objectives, and demonstrating a commitment to develop competent individuals through training.<sup>43</sup>

Officials from ten of our 13 selected VA medical facilities indicated that they would benefit from either more tools, guidance, or training related to conducting independent audits. For example, at one of the VA medical

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<sup>41</sup>For example, according to OAA, such a review should include verifying that per diem rates and any necessary Social Security exemptions for non-citizen residents were applied appropriately.

<sup>42</sup>The five questions answered by the audit were as follows: 1) Is there a local policy defining the procedures for resident activity record keeping which includes assignment of record-keeping duties to appropriate staff? 2) Is there educational activity record keeping at the service or section level? 3) Is there use of approved program year levels and per diem rates for reimbursement in Fiscal Service invoices and in DEO local monitoring procedures? 4) Is there written reconciliation procedures used by the DEO and Fiscal Service? 5) Is there prompt payment of final invoices and avoidance of duplicate payments by Fiscal Service?

<sup>43</sup>See [GAO-14-704G](#).

facilities where an independent audit had been completed using the recommended independent audit checklist, audit team members noted that they received no training or guidance; they simply were provided the audit checklist by their facility compliance officer. The team members said they did not know what to do or how to conduct the audits, and that they could use more training and guidance both on the GME program itself and on how to complete the audit. That facility's DEO confirmed that the audit team did not understand the GME program or how to conduct an audit. He also expressed concern that the audit team was too deferential to education office staff. Another facility's compliance officer said that VA should have a formalized audit tool and training for the independent audit teams to ensure consistency across VA, noting that it is difficult for the audits to mitigate improper payments across the VA system when every facility is conducting the audit a bit differently. He also noted that this "makes it impossible to roll up the results" for national comparison.

While OAA reports that it is taking steps to help facilities' independent audits be more consistent, our review suggests that further action is needed. For example, OAA officials told us in May 2019 that the implementation of ReDPro had taught them that existing information in policy on the independent audits was not clear enough, and as a result, OAA would be distributing further guidance on the periodic audit process. However, as of March 2020, no additional guidance had been provided by OAA, other than now recommending that independent audit teams use a specific checklist. Additionally, while this checklist is now recommended by OAA, it is not required; therefore, the inconsistencies in audit methodologies may persist. In February 2020, OAA did release an online tutorial specific to independent audits, which an OAA official said would help clarify expectations. However, our review of the tutorial—which was less than 5 minutes long—found it did not address the problematic inconsistencies identified by our review or contain the kind of substantive information facility officials said they needed. Additionally, this tutorial was one of five tutorials developed by OAA for DEOs and facility education staff on topics related to GME disbursement agreements, and while these staff may share the availability of this and other tutorials with audit teams, the tutorial is not specifically targeted for them.<sup>44</sup>

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<sup>44</sup>Other tutorial topics include understanding the basics of leave and resident time, reimbursement and calculations, and the reconciliation process. OAA officials released all five tutorials on their website in February 2020, and followed up on the tutorials by holding additional webinars in February and March 2020 on educational activity tracking.



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By not providing clear information on how independent audits are to be conducted, VHA does not have reasonable assurance that facility independent audits are achieving their stated purpose of ensuring that the VA medical facility has adequate disbursement agreement recordkeeping and payment practices. This in turn increases the risk of VA medical facilities making improper disbursement agreement payments to affiliates.

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## Conclusions

VHA's GME program serves an important role in educating the nation's medical and dental residents, providing quality care to veterans, and helping recruit for VHA's workforce. However, VHA has gaps in its assignment of oversight roles and responsibilities for disbursement agreements that increase the risk of improper payments among the \$765 million spent on disbursement agreement payments for resident salaries and benefits in fiscal year 2019. By not defining the oversight roles and responsibilities for ReDPro in policy, VHA cannot reasonably ensure that all those involved understand, and can therefore carry out, their responsibilities for ensuring that ReDPro reviews are completed as intended. More fully defining the role of VISNs in oversight, and the roles and responsibilities of VHA components for the ReDPro checklist reviews could help improve the consistency of oversight of disbursement agreement payments.

While VHA has taken steps over the past 2 years to try to improve its monitoring of VA medical facilities' adherence to its GME disbursement agreement policy through the ReDPro checklist reviews, weaknesses persist. In particular, the lack of distinction between ReDPro and the independent audits in policy or tools results in unnecessary overlap. Further, a lack of clarity in the ReDPro checklist, coupled with insufficient guidance and training for facility staff expected to conduct the reviews results in unreliable information produced by the reviews. VHA has not provided a standardized tool or sufficient guidance or training on how independent audits are to be conducted even though they have been required since at least 2015. These problems have created overlap, inconsistencies, and limited the efficiency and effectiveness of both oversight mechanisms. Until VHA takes steps to improve the ReDPro reviews and independent audits, VHA will not be efficient in its oversight of disbursement agreements and will be at increased risk of not being able to identify and correct facilities' lack of adherence to disbursement agreement policy and possible improper payments to facilities' GME affiliates.

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## Recommendations for Executive Action

We are making the following seven recommendations to VA:

- The Under Secretary for Health should fully define in VHA policy the oversight roles and responsibilities related to ensuring facilities' adherence to disbursement agreement policies, including roles related to ReDPro and the role of VISNs. (Recommendation 1)
- The Under Secretary for Health should more clearly define in VHA policy the purposes of the periodic independent audits and the ReDPro checklist reviews—including differentiating their purposes from one another and ensuring that they do not unnecessarily overlap. (Recommendation 2)
- The Under Secretary for Health should ensure that OAA and CBI modify the ReDPro checklist and associated guidance, to include ensuring that checklist items are clearly stated, relevant to the updated purpose of the ReDPro checklist, and not unnecessarily duplicative of items to be addressed by the periodic independent audits. The guidance should also include detailed instruction on what the compliance officers should review, and how they should determine the appropriate response for each checklist item. (Recommendation 3)
- The Under Secretary for Health should ensure that OAA and CBI develop and provide additional ReDPro training for compliance officers, consistent with the updated checklist and guidance. This training should include general information on GME programs and disbursement agreement oversight, as well as detailed information about how ReDPro reviews should be conducted. (Recommendation 4)
- The Under Secretary for Health should ensure that OAA implements a standardized independent audit tool that is consistent with the updated purpose of the periodic independent audits, and does not unnecessarily overlap with the ReDPro checklist. This could include modifying its existing recommended checklist, or developing a new tool. (Recommendation 5)
- The Under Secretary for Health should ensure that OAA develops guidance for periodic independent audits to assist the audit teams and facility management in understanding how audits are to be conducted. (Recommendation 6)
- The Under Secretary for Health should ensure that OAA develops substantive training for independent audit team members, consistent with the updated audit purpose, guidance, and tools. This training should

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include general information on GME programs and disbursement agreement oversight, as well as detailed information about how the independent audits should be conducted. (Recommendation 7)

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## Agency Comments

We provided a draft of this report to VA for review and comment. In its written comments, reproduced in appendix I, VA concurred with all seven of our recommendations. VA also identified actions it is taking to implement our recommendations including revising its disbursement agreement handbook, creating a new companion standard operating procedures guide, revising the ReDPro checklist tool, and developing a disbursement agreement training plan. VA listed the target completion dates for these tasks as between December 2020 and June 2021. VA also provided technical comments that we incorporated as appropriate.

We are sending copies of this report to the Secretary of Veterans Affairs and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7114 or [silass@gao.gov](mailto:silass@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

Sincerely yours,



Sharon M. Silas  
Director, Health Care

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# Appendix I: Comments from the Department of Veterans Affairs

Appendix I: Comments from the Department of  
Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS  
WASHINGTON

1 July 2020

Ms. Sharon M. Silas  
Director  
Health Care  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Silas:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: ***VA HEALTH CARE: Actions Needed to Improve Oversight of Graduate Medical Education Reimbursement*** (GAO-20-553).

The enclosure provides a technical comment and actions to be taken to address the draft report recommendations.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in blue ink that reads "Brooks D. Tucker".

Brooks D. Tucker  
Acting Chief of Staff

Enclosure

Appendix I: Comments from the Department of  
Veterans Affairs

Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report  
**VA HEALTH CARE: Actions Needed to Improve Oversight of  
Graduate Medical Education Reimbursement**  
(GAO-20-553)

**Recommendation 1:** The Under Secretary for Health should fully define in VHA policy the oversight roles and responsibilities related to ensuring facilities' adherence to disbursement agreement policies, including roles related to ReDPro and the role of VISNs.

**VA Response:** Concur. The Veterans Health Administration (VHA) Office of Academic Affiliations (OAA) has revised VHA Directive 1400.05, **Disbursements Agreement for Health Professions Trainees Appointed under 38 United States Code 7406**, to fully define the oversight roles and responsibilities related to ensuring facilities' adherence to disbursement agreement policies and procedures, including roles related to the Resident Disbursement Audit Process (ReDPro) Checklist tool and the role of the Veterans Integrated Service Networks. The revised VHA policy is in the concurrence process and is expected to be published in June 2021. Target Completion Date: June 2021

**Recommendation 2:** The Under Secretary for Health should more clearly define in VHA policy the purposes of the periodic independent audits and the ReDPro checklist reviews—including differentiating their purposes from one another and ensuring that they do not unnecessarily overlap.

**VA Response:** Concur. OAA has revised VHA Directive 1400.05, and its companion standard operating procedures document to clearly define the purpose and conduct of periodic independent audits. The independent audit teams and compliance officers will use the same tool to capture results. The compliance officer will review the results of the independent audit team. Target Completion Date: June 2021

**Recommendation 3:** The Under Secretary for Health should ensure that OAA and CBI modify the ReDPro checklist and associated guidance, to include ensuring that checklist items are clearly stated, relevant to the updated purpose of the ReDPro checklist, and not unnecessarily duplicative of items to be addressed by the periodic independent audits. The guidance should also include detailed instruction on what the compliance officers should review, and how they should determine the appropriate response for each checklist item.

**VA Response:** Concur. OAA and the VHA Office of Compliance and Business Integrity (CBI) will revise the ReDPro checklist tool and direct that it be used by both the independent audit teams and the compliance officer as part of revised and streamlined process. Target Completion Date: December 2020

**Recommendation 4:** The Under Secretary for Health should ensure that OAA and CBI develop and provide additional ReDPro training for compliance officers,

Page 1 of 3

**Appendix I: Comments from the Department of  
Veterans Affairs**

Enclosure

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Government Accountability Office (GAO) Draft Report  
***VA HEALTH CARE: Actions Needed to Improve Oversight of  
Graduate Medical Education Reimbursement***  
(GAO-20-553)

**consistent with the updated checklist and guidance. This training should include general information on GME programs and disbursement agreement oversight, as well as detailed information about how ReDPro reviews should be conducted.**

**VA Response:** Concur. OAA and CBI are developing a Disbursement Agreement training plan which includes the use of the ReDPro tool for compliance officers. Once the checklist, processes and tools are finalized, OAA will conduct trainings. Target Completion Date: March 2021

**Recommendation 5: The Under Secretary for Health should ensure that OAA implements a standardized independent audit tool that is consistent with the updated purpose of the periodic independent audits, and does not unnecessarily overlap with the ReDPro checklist. This could include modifying its existing recommended checklist, or developing a new tool.**

**VA Response:** Concur. OAA will revise the ReDPro checklist tool and direct that it be used by both the independent audit teams and the compliance officer as part of a revised and streamlined process. Target Completion Date: December 2020

**Recommendation 6: The Under Secretary for Health should ensure that OAA develops guidance for periodic independent audits and facility management to assist the audit teams and facility management in understanding how audits are to be conducted.**

**VA Response:** Concur. OAA is developing a standard operating procedure guide as a companion to the new Disbursement Agreement policy in concurrence. The procedure guide will assist audit teams and facility management in understanding how audits are to be conducted. Target Completion Date: June 2021

**Recommendation 7: The Under Secretary for Health should ensure that OAA develops substantive training for independent audit team members, consistent with the updated audit purpose, guidance, and tools. This training should include general information on GME programs and disbursement agreement oversight, as well as detailed information about how the independent audits should be conducted.**

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Page 2 of 3

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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

Sharon M. Silas, (202) 512-7114 or [silass@gao.gov](mailto:silass@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Marcia A. Mann (Assistant Director), Christina Ritchie (Analyst-in-Charge), Jennie F. Apter, Carolyn Garvey, and Emilie Weisser made major contributions to this report. Also contributing were Jacquelyn Hamilton and Jennifer Whitworth.



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# Appendix III: Accessible Data

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## Agency Comment Letter

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Accessible Text for Appendix I Comments from the  
Department of Veterans Affairs

Page 1

1 July 2020

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Health Care

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

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Enclosure

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