Lesson Pension and Fiduciary Service

PMC VSR Intermediate Core Course

Phase 5: Proficiency Development Part 5: Award Adjustments

Process a Post Award Audit (PAA)

Trainee Guide

June 2024

Process a Post Award Audit (PAA) Award Adjustment

Lesson Overview

| Topic | Description |
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| Time Estimate: | 2 hours |
| Purpose of the Lesson: | This lesson is part of the entry-level course for PMC VSRs. The purpose of this lesson is to train PMC VSRs to process a PAA award adjustment through demonstration, practice, and feedback. |
| Prerequisite Training Requirements: | Prior to taking the Process a Post Award Audit (PAA) Award Adjustment lesson, you must complete the entry-level course Phases 1–5.4. |
| Target Audience: | This lesson is for entry-level PMC VSRs. |
| Lesson References: | * **38 CFR 3.271 (Computation of income)** * **38 CFR 3.272 (Exclusions from income)** * M21-1 XIV.4.C. Federal Tax Information (FTI) Match: Post Award Audit (PAA) for Pension and Parents' Dependency and Indemnity Compensation (DIC) Beneficiaries |
| Technical Competencies: | * Processing Claims (PMC VSR) * Income Counting and Net Worth * Special Monthly Pension (SMP) Processing * VBA Applications (PMC VSR) * Program Benefits and Eligibility (PMC VSR) |
| Knowledge Check: | Phase 5.5 - Knowledge Check: Introduction to Post Award Audits (PAA) |
| Lesson Objectives: | By the end of the lesson, you will be able to:   * Define a post award audit * Understand the filtering and selection process * Determine actions to take on the post award audit * Determine the appropriate end product * Understand the notification process |
| What You Need: | * Trainee Guide * Access to VBA Intranet * Access to the Assessment Portal * Pen and paper * Access to the following systems:   + SHARE   + MAP-D   + VBMS * Access to **Appendix A – Match the PAA Definition** |

| PowerPoint Slides | Notes |
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| Process a Post Award Audit (PAA) Award Adjustment |  |
| Lesson Objectives  By the end of this lesson, you will be able to:   * Define a post award audit * Understand the filtering and selection process * Determine actions to take on the post award audit * Determine the appropriate end product * Understand the notification process |  |
| Why It Matters!   * The **Post Award Audit (PAA) Award Adjustment** training is important because it affects the award payments of the claimant or beneficiary based on information obtained from other government sources. |  |
| **Definitions**   * **The post award audit (PAA) is an** income match with the Internal Revenue Service (IRS) and the Social Security Administration (SSA) that allows the Department of Veterans Affairs (VA) to ensure a beneficiary continues to be entitled to VA benefits. The match is conducted only   + **after a grant of benefits and only if there is a current award, and**   + **unlike upfront verification, without the initiation of a claim from a Veteran or survivor** * ***Federal tax information*** (FTI) is any return or return information received from the IRS or secondary source, such as SSA. * ***Need to know*** is defined as an individual who requires access to FTI to perform their official duties. |  |
| Overview of the Match (1 of 4)”  Stage 1  The Office of Performance Analysis & Integrity (OPA&I) selects beneficiary files for the data match and sends the files to Hines Information Technology Center (ITC).  Stage 2  Hines ITC sends the file to the SSA and IRS.   * Period for establishing entitlement * Effective date vs. payment date * Initial year/initial period * Second 12 months |  |
| **Overview of the Match (2 of 4)**  **Stage 3**   * The SSA and IRS run this file against their files.   Stage 4   * Files are then returned from both the SSA and IRS.   **Stage 5**   * Hines ITC combines the SSA and IRS files and matches the combined file against the corporate record. |  |

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| PowerPoint Slides | **Notes** |
| Overview of the Match (3 of 4)  Stage 5  Hines ITC combines the SSA and IRS files and matches the combined file against the corporate record.  Stage 6  Hines ITC performs a filter to exclude those cases where development based on income or net worth is not required. |  |
| **Overview of the Match (4 of 4)**  Stage 7  For cases not filtered, Hines ITC   * establishes the appropriate end product (EP) for the pension management center (PMC) * mails the appropriate letter(s) to the beneficiary, and * uploads the letter(s) to the secured Federal tax information (FTI) file repository (FFR). |  |

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| PowerPoint Slides | **Notes** |
| **OPA&I Filtering of Matches**  **OPA&I selects eligible beneficiary records to send to Hines ITC. Prior to selecting records, OPA&I will automatically exclude records in which the beneficiary**   * has a pending FTI eligible EP during the PAA match * has had an FTI eligible EP claim established within two years from the date OPA&I selects records for a PAA match * is receiving a payment of $90 due to Medicaid status as of the date of the PAA selection * has a missing cost-of-living adjustment line for the tax year of the requested match, or * is deceased.   **NOTE**:  The first two bullets apply to EP series with claim labels listed in M21-1, Part XIV, 4.A.1.d. |  |

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| PowerPoint Slides | **Notes** |
| **Hines ITC Filtering of Matches (1 of 3)**   * Prior to releasing PAAs to the PMCs, Hines ITC will exclude the matches in which the * beneficiary is deceased * medical expenses of record exceed the higher of either the * total income of record in the corporate record, or * total countable FTI * benefit was discontinued for the full calendar year matched * total income of record for the year matched in the corporate record is greater than the total countable FTI |  |

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| **PowerPoint Slides** | **Notes** |
| **Hines ITC Filtering of Matches (2 of 3)**   * total income in the corporate record for the matched year is $0 and the total countable FTI is $0 * total countable FTI exceeds the income in the corporate record, for the same year, by $100 or less, or * following three statements are true * value listed in the NET WORTH field in the corporate record is $0 |  |
| * the total income reported on IRS Form 1099-INT, Statement for Recipients ofInterest Income, is less than or equal to $100, and * the medical expenses of record exceed the greater of income in the corporate record or total countable FTI. |  |
| **Hines ITC Filtering of Matches (3 of 3)**   * **Exception**:  Hines ITC will not exclude those cases identified for a substantial net worth discrepancy in which medical expenses exceed the greater income. |  |

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| **PowerPoint Slides** | | **Notes** | |
| **PAA Worksheets**   * **Hines ITC will produce worksheets and upload them with the secured category description of IRS/SSA – Verification within the secured FFR ﻿for all matched cases, including those that were filtered by Hines ITC.**   **NOTE:  The worksheets associated with the matches filtered by Hines ITC require no further action.** | |  | |
| **PAA Worksheet Data**  **PAA worksheets may contain the following:**   * + **applicable tax year**   + **month and year of match**   + **date letter mailed or the filter reason and date**   + **Veteran’s claims information**   + **benefit type**   + **income recipient information**   + **payer name and address**   + **gross income**   + **recurring income**   + **nonrecurring income**   + **unknown income, and**   + **not income for Veterans Benefits Administration (VBA) purposes** | |  | |
| PowerPoint Slides | **Notes** | |
| ****Sample PAA Worksheet (1 of 2)**** |  | |
| **Sample PAA Worksheet (2 of 2)** |  | |

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| PowerPoint Slides | **Notes** |
| **Practice Exercise: Match the PAA Worksheet Definition**   * **Instructions:**   + Divide into groups of four.   + Access Appendix A – Match the PAA Worksheet Definition.   + Use the worksheet to record answers and responses to each question.   + Be prepared to discuss answers and/or provide rationale when requested. * **Time allowed: 15 minutes** |  |
| ****PAA EP (1 of 2)****  **For those matches not excluded, Hines ITC automatically establishes an EP 154 with the claim label,**  **Post Award Audit for those beneficiaries without a fiduciary, or**  **Post Award Audit – Fid Review for those beneficiaries with a fiduciary.**  **Notes:**  **The suspense date is automatically set for 65 days.**   * **If at any time while the EP 154 is pending the beneficiary obtains a fiduciary, update the claim label to Post Award Audit – Fid Review.** |  |
| **PAA EP (2 of 2)**  **Important:**   * **Only one EP 154 is allowed per beneficiary record.  If an EP 154 is pending and the beneficiary is selected for a subsequent PAA match, cancel the newest EP(s) and adjudicate the award using the earliest established EP 154.** * **Leave the EP pending until final action is taken.** |  |

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| PowerPoint Slides | **Notes** |
| **Claims Jurisdiction for PAA**   * Jurisdiction is determined based on the beneficiary’s address of record in the corporate record and established at the appropriate PMC. * **Exception:** If the beneficiary has a fiduciary, then jurisdiction is based on the beneficiary’s address of record in the Veterans Benefits Management System (VBMS). |  |
| **Release Dates for PAA**  PAAs will be established on a periodic basis throughout the fiscal year to allow for an equitable distribution throughout the year. |  |
| Independent Verification  The terms of the computer matching agreement require VA to make reasonable efforts to independently verify FTI received from the source agencies, IRS and SSA. For independent verification, VA will only send letters to the recipient of the identified income. |  |
| Due Process  **Due process procedures require VA to give the beneficiary 60 days to submit evidence to show why a reduction or discontinuance should not be made.** |  |

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| PowerPoint Slides | **Notes** |
| Compression Letter  Beginning in fiscal year 2016, the matching agreements with IRS (unearned income) and SSA (earned income) allow for compression of independent verification and due process. This is different from the IVMs in which two separate steps were required. The compressed letter allows VA to reduce the time it takes to process the match. |  |
| **Automatic Generation of Compressed Letter**  Hines ITC will automatically issue a compressed letter to the beneficiary at the time the EP is automatically established. The letter provides the beneficiary of the identified income 60 days to respond.    **NOTES**:  All letters are identified with a notation, CONTAINS FTI.  Depending on the number of pages of the letter and attachments, automated letters are mailed in either a blue envelope, or a manila envelope. |  |

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| PowerPoint Slides | **Notes** |
| ****Effective Date of Proposed Action for the Compressed Letter****  For the purposes of the compressed letter, VA will   * presume that the FTI was received in January of the tax year matched and propose to adjust effective February 1, and * propose the most adverse action to stop the benefit effective February 1 of the tax year matched unless evidence is received to the contrary.   Important: Although the most adverse action is proposed, claims processors must take the most appropriate action based on the evidence of record. |  |
| ****Additional Development****  In some instances, further development may be required. The EP must be left pending until the issue is finalized.    If further development is required, but evidence received from the beneficiary could be used to adjust the benefit, take interim action while resolving the discrepancy. The effective date of  the interim action should be based on the evidence of record. |  |
| ****When to Take Final Action****  **Do not take final action until a reasonable income verification process is completed. In most cases, the verification process is considered completed when the compressed letter is sent to the beneficiary and the 60-day response period has expired.**    ****NOTE**: In all cases, final action may be taken prior to the expiration of the 60-day due process period if the beneficiary waives the due process rights.** |  |
| ****Knowledge Check: Lesson Summary Review****    ****Time Allowed: 10 minutes**** |  |
| What’s Next?  Complete the Introduction to Post Award Audits (PAA) evaluation:  TMS ID #4649930 |  |