US DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight

Audit	23-01695-94	June 12, 2025

BE A
VOICE FOR VETERANS
REPORT WRONGDOING
vaoig.gov/hotline | 800.488.8244

OUR MISSION

To serve veterans and the public by conducting meaningful independent oversight of the Department of Veterans Affairs.

CONNECT WITH US

Subscribe to receive updates on reports, press releases, congressional testimony, and more. Follow us at @VetAffairsOIG.

PRIVACY NOTICE

In addition to general privacy laws that govern release of medical information, disclosure of certain veteran health or other private information may be prohibited by various federal statutes including, but not limited to, 38 U.S.C. §§ 5701, 5705, and 7332, absent an exemption or other specified circumstances. As mandated by law, the OIG adheres to privacy and confidentiality laws and regulations protecting veteran health or other private information in this report.

Executive Summary

The Veterans Health Administration (VHA) has faced long-standing challenges related to occupational shortages.[1] In May 2022, VA reported it needed to hire 52,000 employees per year over the next five years to meet the increased need for care and to maintain an effective workforce.[2] By January 2024, the VA press secretary announced that VHA had exceeded its hiring goals and decreased employee turnover by 20 percent over the prior two years. As a result, VHA believed it had the overall staffing needed and would focus on increasing veterans' access to care rather than growing the national workforce.[3] The under secretary for health announced in May 2024 that VHA would continue to strategically hire staff to achieve goals related to patient safety, veterans' access to timely care, quality of care, staff and workforce sustainability, and essential services for which there are few or no alternatives in the community.[4]

To address occupational shortages and facilitate hiring efforts, VA leverages federal regulations that allow agencies to offer recruitment, relocation, and retention incentives to encourage candidates to accept positions that are difficult to fill or to keep high-quality staff who may otherwise leave.[5] The VA Office of Inspector General (OIG) conducted this audit to evaluate VA's controls over recruitment, relocation, and retention incentives and determine whether the department effectively governed the use of these incentives for VHA positions. The OIG acknowledges the COVID-19 pandemic exacerbated VHA's recruitment and retention challenges, and the team considered this important context when reviewing incentives offered during that part of the audit's scope.[6]

---

[1] Designation as a shortage occupation represents a challenge for recruitment and retention due to shortages and competition in the national labor force but does not necessarily mean there are actual shortages at a facility. Most shortage occupations continue to experience annual net growth and are not critically understaffed in most facilities.

[2] VA Insider, "Nationwide Hiring and Onboarding Surge Event," May 9, 2022.

[3] Statement from the VA press secretary, January 27, 2024.

[4] VHA under secretary for health, "VHA FY 2024 Hiring and Attrition Approach," memorandum to the VISN network directors, medical center directors, and VHA central office program office leaders, May 31, 2024.

[5] Recruitment, relocation, and retention incentives are authorized under 5 U.S.C. §§ 5753 and 5754 are extended to title 38 employees under the authority of 38 U.S.C. § 7410. Title 38 employees are those individuals appointed under 38 U.S.C. § 7401, which permits the VA Secretary to hire personnel necessary for the health care of veterans and can include physicians, nurses, and dentists.

[6] On April 1, 2020, the Office of the Chief Human Capital Officer Compensation and Classification Service within VA's Office of Human Resources Administration/Operations, Security, and Preparedness (HRA/OSP) issued a bulletin describing exclusions for employees with temporary appointments to receive incentives during the COVID-19 pandemic. On April 18, 2020, the Office of Personnel Management approved VA's request to waive the 25 percent limit on recruitment, relocation, and individual retention incentives and the 10 percent limit on group retention incentives for certain occupations that were responding to workload surges due to COVID-19. For more information about the audit's scope and methodology, see appendix A.

What the Audit Found

VHA used recruitment, relocation, and retention incentives to support staffing needs. In fiscal years (FYs) 2022 and 2023, VHA paid about $828 million in incentives to about 130,000 employees. Of these payments, nearly 90 percent in FY 2022 and 88 percent in FY 2023 were paid to employees in occupations on the staffing shortage lists. However, VA did not effectively govern the incentive process to ensure responsible VHA officials consistently captured mandatory information necessary to support an incentive award. The required documentation helps provide assurance that incentives are properly used, and effective oversight of incentives also requires sufficient documentation for review. The OIG team found that incentive forms were missing, lacked a sufficient justification, or were missing signatures. Further, VHA did not consistently include sufficient workforce and succession plan narratives for retention incentives, note employee performance ratings for relocation incentives, or obtain self-certifications from employees who relocated. Last, the team found some VHA employees received retention incentive payments after the award period had expired.

VHA Officials Did Not Always Provide Documentation or Properly Review and Sign Justifications Supporting Incentive Awards

According to VA policy, VA officials must justify, review, and approve incentives before they are awarded and must maintain documentation for six years that is adequate to reconstruct each recruitment, relocation, or retention incentive.[7] The OIG team encountered numerous instances where the responsible VHA human resources officials could not provide documentation supporting an incentive award, preventing the OIG from determining whether those incentives complied with policy. Furthermore, when documents were available for review, VHA did not always properly develop and review incentive justifications or ensure documents were signed by the appropriate officials.

Overall, the team estimated that VHA paid incentives to 38,800 of 130,000 employees (about 30 percent) where the award justification could not be verified or was insufficient. This included a lack of incentive justification forms for an estimated 18,000 employees, an estimated 10,900 employees who received incentive payments based on a justification that did not meet VA requirements, and at least 4,100 employees who received incentive payments when one or

[7] VA Handbook 5007, *Pay Administration*, October 16, 2020, part VI, chaps. 2 and 3. The VHA Records Control Schedule (RCS) 10-1 is the main authority for the retention disposition requirements of VHA records. RCS 10-1 Item 3075.9 establishes a three-year retention period for incentive package records but authorizes a longer period if required for business use. According to an HRA/OSP official, VA established records retention for incentive packages at six years, rather than three years, to allow for detailed accounts of approved incentives for auditing purposes. Therefore, during this audit, the team considered whether documentation was maintained in accordance with VA Handbook 5007's six-year retention requirement.

more of the required signatures was missing.[8] As a result, VHA paid employees about $340.9 million in incentives that were not adequately supported.[9]

Human Resources Offices Did Not Always Ensure Supplemental Information Was Completed for Retention and Relocation Incentives

VA policy requires that incentive packages contain supporting elements to be considered complete. Depending on the type of incentive, this may include a workforce and succession plan narrative on the retention form, a self-certification document stating the employee relocated, and the employee's performance rating on the relocation form.[10]

The audit team found these elements were not always completed when required. VHA paid an estimated 19,000 of 96,000 employees (20 percent) retention incentives based on incentive forms that lacked sufficient workforce and succession plan narratives. The team also estimated that at least 190 of 2,500 employees (7 percent) received relocation incentive payments based on incentive forms that did not indicate whether the employee was rated as at least "fully successful" despite being signed by the recommending, the reviewing, and the approving officials. Finally, Veterans Integrated Service Network (VISN) human resources staff could not provide self-certifications for an estimated 2,200 of 3,100 employees (71 percent) who received relocation incentives.

VHA Did Not Effectively Enforce VA Policies and Address Programmatic Deficiencies

In a 2017 audit of recruitment, relocation, and retention incentives, the VA OIG recommended VA review and update procedures to ensure effective internal controls and oversight of incentives.[11] In response, the Office of Human Resources and Administration/Operations, Security, and Preparedness (HRA/OSP) added requirements for responsible VA offices to certify annually that authorized incentives were appropriate and complied with VA policy, that retention

---

[8] The team estimated 10,000 employees' incentives lacked the required signatures (see appendix B, table B.3). However, due to this estimate's relatively high statistical margin of error, the team conservatively reports that at a minimum 4,100 employees (the lower bound of the confidence interval) received incentive payments when signatures were missing on the incentive form. The number of employees who received incentive payments based on unsupported documentation was calculated using the estimates of 18,000 employees without a form, 10,900 employees without adequate justification, and 10,000 employees whose forms lacked the required signatures. The reason the total value of the three estimates is slightly greater than 38,800 is that some sampled employees were missing both adequate justification and one or more required signatures.

[9] For more information about the monetary benefits, please see appendix C.

[10] VA Handbook 5007.

[11] VA OIG, *Audit of VA's Recruitment, Relocation, and Retention Incentives*, Report No. 14-04578-371, January 5, 2017.

incentives addressed workforce and succession plans, and that employees self-certified that they established residency in a new geographic area before receiving a relocation incentive. During the current audit, the team found VHA did not sustain or enforce these updated policies to ensure incentive packages were completed before authorization.

Furthermore, the HRA/OSP's Office of the Chief Human Capital Officer and VISN quality assurance teams were tasked with conducting periodic oversight of incentive awards. Although these oversight measures identified errors, they did not address systemic issues in the request and authorization of incentives. In addition, these reviews did not proactively prevent incentive packages from being processed and paid based on insufficient justifications because the reviews occurred after the incentives were awarded.

Employees Received Retention Incentives Past the End Date

VA policy requires the approving official to review any active retention incentive annually to determine whether these incentives are still needed. Retention incentives must be terminated if the annual review is not completed on time.[12]

The OIG team identified 28 employees who received retention incentive payments after the award period had expired and without evidence that VHA reviewed and recertified the incentive.[13] These employees received incentive payments up to an additional 11-and-a-half years beyond the expiration date, averaging about eight years per employee. Without the required recertification, VA improperly paid about $4.6 million to employees for incentives that should have been terminated.[14]

According to VISN human resources staff, this occurred because when VA switched human resources information systems, incentive end dates may have failed to transfer, allowing incentive payments to continue.[15] In some cases, a VHA official stated, the incentive data were not properly entered into HR Smart, which also resulted in payments continuing after the termination date.[16]

---

[12] VA Handbook 5007.

[13] The audit team provided the list of 28 employees to both VHA's Workforce Management and Consulting (WMC) and the responsible VISNs to review and determine whether the incentives should be terminated. VA Handbook 5007 states all retention incentives must be reviewed and recertified at least annually. Incentives that are not reviewed and recertified as required will be automatically terminated by VA's human resources personnel processing system or manually terminated by the servicing human resources office.

[14] The audit team obtained financial data as of March 23, 2024, from the Financial Services Center.

[15] According to WMC and VISN human resources leaders, VA switched human resources information systems from WebHR to HR Smart incrementally between 2015 and 2016.

[16] A WMC official told the OIG team that some payments may have continued because termination actions were not entered at all; the termination actions were not coded to end on the last day of a pay period, resulting in an error; or the termination date was entered into an incorrect field in HR Smart.

What the OIG Recommended

The identified weaknesses highlight the need to improve VA's governance of incentives. Only if the weaknesses are addressed will VHA have assurance that incentives are being used effectively to recruit and retain employees.

For finding 1, the OIG made four recommendations to the under secretary for health to improve the oversight of recruitment, relocation, and retention incentives.[17] The recommendations include establishing controls to ensure documentation is maintained in accordance with policy and enforcing procedures to ensure VISN human resources offices properly review incentives and ensure compliance with policy. Additional recommendations speak to enforcing quality control checks to ensure VISN human resources offices maintain documentation in accordance with policy and establishing accountability measures to ensure quality control and oversight responsibilities are fulfilled in a timely manner.

The OIG also made a recommendation to the assistant secretary for HRA/OSP to evaluate resource requirements and establish accountability measures to ensure quality control and oversight responsibilities are fulfilled in a timely manner.

For finding 2, the OIG made three recommendations to the under secretary for health. The recommendations include evaluating and taking appropriate action for both the retention incentive awards received beyond the end date and any additional retention incentives that have been paid for over one year. The OIG also recommended establishing oversight procedures to ensure retention incentives are reviewed annually, are recertified if appropriate, or are terminated to ensure payments are not continued after the expiration date.

VA Management Comments and OIG Response

The acting under secretary for health concurred with recommendations 1 through 4 and 6 through 8 and provided corrective action plans. In response to recommendation 6, he stated that VHA ensured incentives were terminated or had appropriate recoupment initiated for the 28 employees referred by the OIG. Based on these actions, the acting under secretary requested closure of the recommendation. The assistant secretary for HRA/OSP concurred with recommendation 5 and provided a corrective action plan. Appendixes D and E, respectively, provide the full text of the acting under secretary's and assistant secretary's comments.

Overall, the proposed corrective measures in the action plans are responsive to the recommendations. The OIG will consider closing recommendation 6 when VHA provides supporting documentation. For the other recommendations, the OIG will monitor the

[17] The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

implementation of the planned actions and will close the recommendations when VA provides sufficient documentation demonstrating the actions are completed.

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

Contents

Executive Summary i

Abbreviations viii

Introduction 1

Results and Recommendations 11

Finding 1: VHA Used Recruitment, Relocation, and Retention Incentives to Support Staffing Needs, but Improved Controls and Oversight Are Needed to Ensure Incentives Are Properly Supported and Maintained 11

Recommendations 1–5 22

Finding 2: VA and VHA Need to Strengthen Controls over Recurring Retention Incentives 24

Recommendations 6–8 26

Appendix A: Scope and Methodology 28

Appendix B: Statistical Sampling Methodology 31

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments 38

Appendix D: VA Management Comments, Under Secretary for Health 39

Appendix E: VA Management Comments, Assistant Secretary for HRA/OSP 42

OIG Contact and Staff Acknowledgments 44

Report Distribution 45

Abbreviations

FY	fiscal year
GAO	Government Accountability Office
HRA/OSP	Human Resources and Administration/Operations, Security, and Preparedness
OIG	Office of Inspector General
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network
WMC	Workforce Management and Consulting

Introduction

Occupational shortages have been a long-standing challenge for the Veterans Health Administration (VHA). Since 2015, the VA Office of Inspector General (OIG) has annually published reports that identify VHA occupations with staffing shortages, also referred to as critical need occupations.[18] Critical need occupations refer to occupations that are difficult to fill when considering the availability and quality of candidates, employment trends, desirability of duties, and geographic location.

VA also publishes an annual workforce planning cycle report using submissions from VHA's 139 healthcare systems that identifies staffing shortages by occupation, current and future workforce challenges, and other workforce planning needs.[19] The top VHA clinical occupation shortages identified in VA's fiscal year (FY) 2022 and 2023 reports were registered nurses, medical officers, psychologists, practical nurses, nursing assistants, medical technologists, social workers, diagnostic radiologic technologists, pharmacy technicians, and medical technicians, among others. The top VHA nonclinical occupation shortages in the same period were custodial workers, medical support assistants, police officers, food service workers, general engineers, and medical supply aides and technicians, among others.

In May 2022, VA reported it needed to hire 52,000 employees per year over the next five years to keep pace with the increased need for care and to maintain an effective workforce.[20] By January 2024, the VA press secretary announced that VHA had exceeded its hiring goals and decreased employee turnover by 20 percent over the prior two years. As a result, VHA believed it had the overall staffing needed and would focus primarily on increasing veterans' access to care rather than growing the national workforce. At that time, VHA had more than 400,000 employees.[21]

In a May 2024 memo to announce hiring, vacancy, and attrition guidance, the under secretary for health stated that VHA would continue to strategically hire staff to achieve goals related to patient safety, veterans' access to timely care, quality of care, staff and workforce sustainability, and essential services for which there were few to no alternatives in the community. The memo

---

[18] VA OIG, *OIG Determination of Veterans Health Administration's Occupational Staffing Shortages*, Report No. 15-03063-511, September 1, 2015.

[19] Designation as a shortage occupation does not always mean there are actual shortages at a facility. Most shortage occupations continue to experience net growth year after year and are not critically understaffed in most facilities. Rather, designation as a shortage occupation represents a challenge for recruitment and retention due to shortages and competition in the national labor force. According to the VHA Workforce Management and Consulting's annual Shortage Occupation reports, a national shortage occupation is one identified by 20 percent or more of VHA healthcare systems or 50 percent or more of Veterans Integrated Service Networks (VISNs) or national offices during an annual planning cycle.

[20] VA Insider, "Nationwide Hiring and Onboarding Surge Event," May 9, 2022.

[21] Statement from the VA press secretary, January 27, 2024.

further stated VHA leaders should consider allowing attrition for purely administrative positions, positions with no direct impact on patient and staff safety, and various support positions.[22]

VA is allowed under law to offer financial incentives to entice candidates to accept positions that are difficult to fill or to keep high-quality staff who may leave. VA may offer recruitment, relocation, and retention incentives to mitigate challenges in maintaining its workforce.[23] Generally, VA can authorize an incentive at a rate up to 25 percent of an employee's basic pay. An incentive award over 25 percent requires special approval from the Office of Personnel Management or by the under secretary for health. Total payments for these incentives cannot exceed 100 percent of an employee's basic pay.[24] Table 1 details the basic requirements for each of these incentives.

Table 1. Requirements for Recruitment, Relocation, and Retention Incentives

Incentive type	Full-time or part-time employees	Must be new to federal service	Justification
Recruitment	Both	Yes	The position is likely hard to fill without an incentive.
Relocation	Full-time only*	No	The position is likely hard to fill without an incentive.
Retention	Both	No	The employee possesses unusually high or unique qualifications and is likely to leave without an incentive.

Source: VA OIG analysis of federal regulations and VA policy.

**The PACT Act of 2022 expanded eligibility for relocation incentives to part-time employees.*

From FY 2020 through FY 2023, VHA paid about $1.2 billion in incentives to about 134,000 employees—with nearly 76 percent of those funds committed to retention incentives.[25] Table 2 displays the dollar value of incentives paid during this period.

[22] VHA under secretary for health, "VHA FY 2024 Hiring and Attrition Approach," memorandum to the VISN network directors, medical center directors, and VHA central office program office leaders, May 31, 2024.

[23] These recruitment, relocation, and retention incentives are authorized under 5 U.S.C. §§ 5753 and 5754 and are extended to title 38 employees under the authority of 38 U.S.C. § 7410. Title 38 employees are those appointed under 38 U.S.C. § 7401, which permits the VA Secretary to hire personnel necessary for the health care of veterans, and can include physicians, nurses, and dentists.

[24] VA Handbook 5007, *Pay Administration*, October 16, 2020, part VI, chap. 2 and 3. The Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act of 2022 authorizes VA to approve recruitment, relocation, and retention incentives up to 50 percent of an employee's basic pay without Office of Personnel Management approval based on a critical agency need. This authority is set to expire on September 30, 2027. The audit team did not identify incentives within the sample population that exceeded 25 percent of an employee's basic pay because of the PACT Act.

[25] This population includes VHA employees at a VISN or a VA medical facility.

Table 2. Recruitment, Relocation, and Retention Incentives Paid in FYs 2020–2023*

Incentive	FY 2020 (in millions)	FY 2021 (in millions)	FY 2022 (in millions)	FY 2023 (in millions)	Percentage increase
Recruitment	$31	$30	$44	$103	237%
Relocation	$14	$14	$18	$25	85%
Retention	$180	$90	$221	$416	131%
Total	**$224**	**$134**	**$284**	**$544**	**143%**

Source: VA OIG analysis VHA Support Service Center incentive data.

** Numbers may not equal the total because they have been rounded for reporting purposes.*

The OIG conducted this audit to evaluate VA's controls over recruitment, relocation, and retention incentives and determine whether VA effectively governed the use of these incentives for VHA positions.

Incentive Request Process

VA policy as well as VHA job aids and flow diagrams define a general review and approval process for recruitment, relocation, and retention incentives. The effective use of incentives requires fully documented justifications to determine the continued need for the incentive. Responsibility for executing these processes is as follows:

- The recommending official is generally a supervisor and is responsible for initiating and justifying the incentive.
- The human resources employee reviews requests and provides technical guidance to VA staff regarding incentive documentation and workflows.
- The approving official makes the final determination for a given incentive request.[26]

The processes for recruitment and relocation incentives are generally identical, whereas the process for retention incentives has a few different steps.

Requests for Recruitment and Relocation Incentives

The process for awarding a recruitment or relocation incentive begins when a recommending official (typically a supervisor) determines a position is hard to fill. The recommending official must consider and fully document a justification that shows how certain conditions make it

[26] VA Handbook 5007; *Recruitment and Placement Shared Services Unit and Strategic Business Unit*, "Recruitment and Relocation Incentives" (job aid), October 8, 2021. The approving official is typically either the network director or the medical center director. Before 2020, recruitment and relocation incentives were generally reviewed by a facility's human resources employees, and retention incentives were reviewed by the VISN's retention incentive technical review board.

difficult to fill a position without the use of an incentive. Factors that must be considered include the availability and quality of candidates possessing the required competencies, salaries paid outside the federal government, recent turnover in the position, labor market conditions affecting the ability to recruit candidates, special or unique competencies, efforts to use non-pay authorities, and desirability of duties.[27] If a factor does not apply, the justification must tell why.

The Veterans Integrated Service Network (VISN) human resources office reviews and signs the incentive request if it meets the criteria for a hard-to-fill position.[28] After concurrence from the VISN human resources office, the approving official (typically the network director or the medical center director) approves the incentive by signing the incentive form. A vacancy announcement for the position is then posted with a notation that a recruitment or relocation incentive may be authorized. Once a candidate is selected and offered an incentive, the recommending official adds to the incentive form the incentive amount, the length of service required, the dates of service period, the payment method, the basis for the payment method and the service length, and the candidate's special skills and qualifications. The candidate's performance rating is also required for relocation incentives.

VISN human resources staff review the incentive request once more, and if it meets the criteria, the approving official signs the form. The candidate must sign a service agreement and, for a relocation incentive, must self-certify the status of their residence. The final form undergoes a technical review by VISN human resources staff before the data are entered into HR Smart.[29] Defense Finance and Accounting Service then processes the payment to the employee.[30] Figure 1 provides an overview of the recruitment and relocation incentive review and approval process.

---

[27] 5 C.F.R. § 575.106; VA Handbook 5007.

[28] In FY 2018, VHA directed the implementation of a shared services model to restructure and consolidate human resources responsibilities from each medical facility to the regional VISNs. Each VISN human resources office was required to establish a Recruitment, Placement, and Compensation Service that included a Compensation Center of Excellence. Executive in charge, Office of the Under Secretary for Health, "Compensation Centers of Excellence (CCOE)," memorandum to the VISN directors, medical center directors, and VHA senior leaders, and VISN human resources offices, May 8, 2018. VISN centers for excellence are organizational entities that provide subject matter expertise and consultation to support their specific areas of focus. VHA Directive 1215, *Standards for Veterans Health Administration Centers of Excellence*, February 14, 2017.

[29] HR Smart is VA's system of record. It contains VA position and employee data, such as employee compensation and benefits.

[30] VA Financial Policy, "Employee Debt," in vol. XII, *Debt Management,* (March 16, 2022), chap. 3. Defense Finance and Accounting Service is an organization in the Department of Defense that is the payroll service for VA.

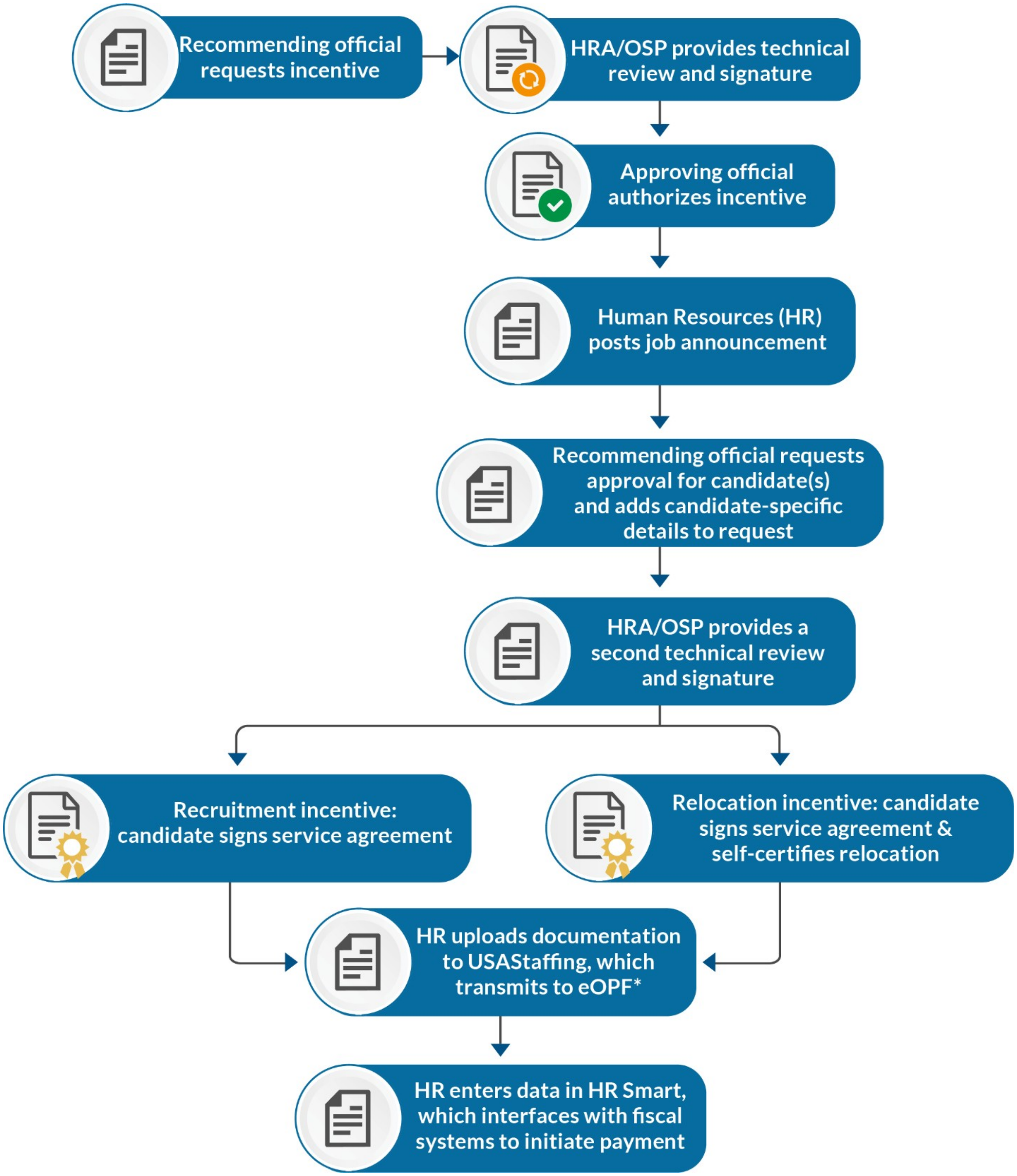

Figure 1. *VHA's recruitment and relocation incentive request process.*
Source: VA OIG analysis of VA policy and forms used for the incentive process.
** eOPF is the abbreviation for electronic official personnel folder.*

Requests for Retention Incentives

The retention incentive request process begins when a recommending official determines an employee, or group of employees, is essential to retain. In the incentive request form, the recommending official must demonstrate both the need to retain the employee and the basis for determining the employee would leave federal service without an incentive. Furthermore, the recommending official should note whether the request is an initial incentive or a review to recertify one from the previous year.[31]

Similar to the recruitment and relocation incentive process, the recommending official must consider and document the following factors in the justification: employment trends, use of non-pay authorities, success of recent recruitment efforts, unique competencies required for the position, salaries paid outside the federal government, the mission impact of losing the employee, the quality and availability of potential sources of employees, and a workforce and succession plan to reduce or eliminate the incentive. If a factor is not used in the determination, there must be an explanation for why it does not apply.[32]

After the request is made, VISN human resources staff conduct a technical review and advise managers regarding incentive regulations and procedures. If the incentive request meets the criteria, VISN human resources staff will concur and sign the incentive form, which is then signed by the approving official. Once the form is signed, a human resources specialist uploads the incentive request to HR Smart and processes the action, signaling the Defense Finance and Accounting Service to process the payment to the employee. Figure 2 provides an overview of the retention incentive review and approval process.

[31] VA Handbook 5007.

[32] VA Handbook 5007.

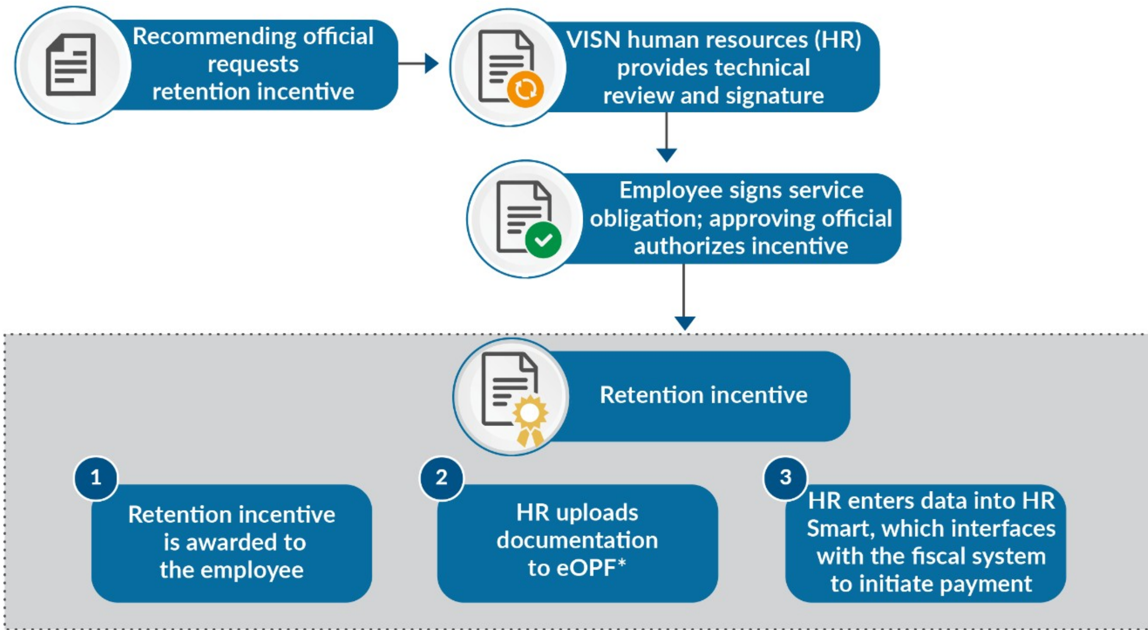

Figure 2. *VHA's retention incentive request process.*
Source: VA OIG analysis of VA policy and forms used for the incentive process.
** eOPF is the abbreviation for electronic official personnel folder.*

Oversight Responsibilities for Recruitment, Relocation, and Retention Incentives

The Office of the Chief Human Capital Officer Oversight and Effectiveness Service within VA's Office of Human Resources Administration/Operations, Security, and Preparedness (HRA/OSP) is responsible for periodically reviewing human resources management programs.[33] The service analyzes data from multiple sources, including VA, VHA, and VISN policies and procedures; personnel files obtained from HR Smart; and a sample of human resources transactions covering various pay plans, grade levels, and occupational series.[34]

Specific to incentives, the Oversight and Effectiveness Service reviews whether an award justification was properly documented and included the appropriate support, such as analysis of labor market conditions and turnover rates. According to VA and VHA officials, the service reports any findings to the responsible offices, such as the awarding VISN, and requires corrective actions for noncompliance.

VHA's Workforce Management and Consulting Office's (WMC) Consult, Assist, Review, Develop, and Sustain team leaders told the OIG team they provide advice and guidance to VISN

---

[33] VA Handbook 5024, *Human Capital Management Accountability Systems*, January 24, 2022. For the purposes of this report, this office is hereafter referred to as HRA/OSP.

[34] Sampled transactions cover activities such as awards, performance and staffing actions, and incentives.

human resources staff about incentives. They consult with the VISNs, work to standardize VISN processes through quality assurance reviews and job aids, and provide oversight of findings discovered through VISN quality assurance reviews.[35] Regionally, VISN quality assurance teams conduct quality assessment audits. VISN human resources staff provide oversight via technical reviews of recruitment, relocation, and retention incentives before award to ensure compliance with VA policy.

In FY 2020, VISN quality assurance teams began conducting quality assessment audits that included reviews of recruitment, relocation, and retention incentive packages. These audits determined whether the packages were adequately supported, correctly documented, and signed by the appropriate officials. The audits tested other specific elements such as relocation self-certifications, termination of payments when an incentive ended, award percentage calculations, and the length of an employee's service period. VISN quality assurance leaders provided quarterly progress updates on a SharePoint site available to various personnel, including chief human resources officers and WMC. The results were also sent to the VISN human resources office to address errors found during the audits.

According to a WMC official, WMC modified the audits in FY 2023 by directing VISN quality assurance teams to assess human capital actions only for employees new to a position, which include recruitment and relocation incentives. Retention incentives fell outside that guidance. According to WMC leaders, they believed this was the best way to identify errors in real time, rather than months or years after an incentive was awarded. Figure 3 provides an overview of VA's organizational structure for governance of the recruitment, relocation, and retention incentive program.

[35] The audit team did not identify any formal policy that assigns oversight activities to WMC.

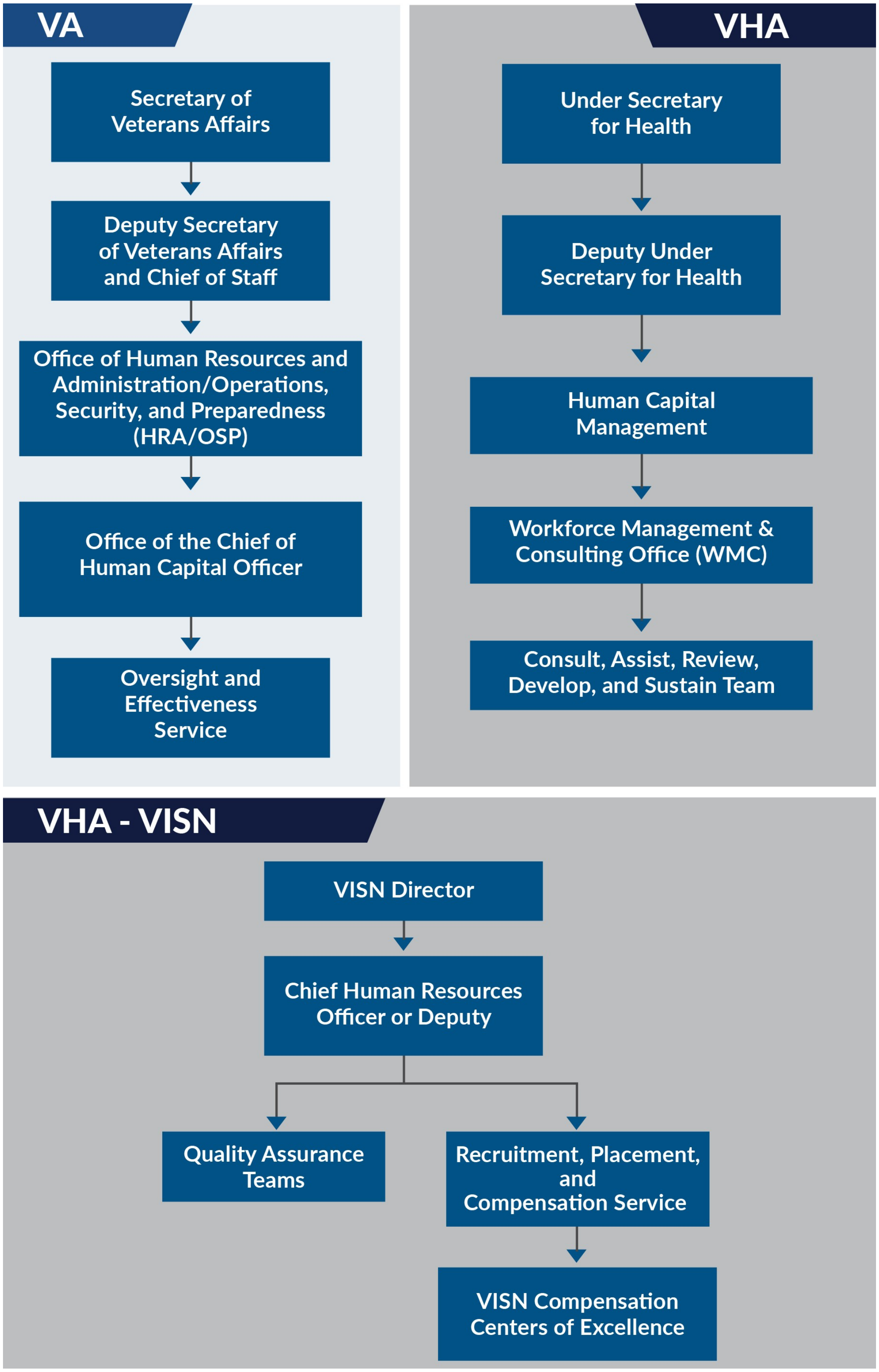

Figure 3. *Overview of VA's organizational structure for governance of the incentive program.*
Source: VA OIG analysis of organizational charts and interviews with VA leaders.

Results of Previous OIG Reports

In January 2017, the VA OIG reported VA needed to improve controls over its use of recruitment, relocation, and retention incentives to ensure they were strategically and prudently used to help recruit and retain highly qualified employees in hard-to-fill positions.[36] The OIG team substantiated a hotline allegation and found that VA did not ensure two senior executive service recruitment incentives and 19 senior executive service relocation incentives were properly authorized before making recommendations to the former VA chief of staff to award them in FY 2014. Further, the OIG found VHA did not properly authorize 33 percent of recruitment incentives and about 64 percent of relocation incentives awarded to non-senior executive service employees in FY 2014. The OIG also found most retention incentives lacked adequate workforce and succession plans.

In May 2024, the VA OIG reported VA improperly awarded $10.8 million in critical skill incentives to central office senior executives.[37] Critical skill incentives are a unique type of incentive pay authorized for VA by Congress under the PACT Act.[38] This specific type of incentive is available to an employee who “possesses a high-demand skill or skill that is at a shortage” at a rate up to 25 percent of basic pay.[39] VA’s first critical skill incentives were approved in March 2023 for human resources specialists to support increased hiring.

The OIG reported VHA and the Veterans Benefits Administration awarded critical skill incentives to nearly all central office executives without support to show the positions were in high demand or had the required critical skills according to VA policy.[40] Specifically, 182 senior executives received incentive payments averaging about $60,000. The OIG found that most of VA’s internal controls were ineffective in preventing improper awards to central office senior executives and that the critical skill incentive policy was inconsistently followed. The OIG recommended VA review critical skill incentive payments to ensure compliance with the policy and to clarify the roles and responsibilities of those who oversee critical skill incentives.

---

[36] VA OIG, *Audit of VA’s Recruitment, Relocation, and Retention Incentives*, Report No. 14-04578-371, January 5, 2017.

[37] VA OIG, *VA Improperly Awarded $10.8 Million in Incentives to Central Office Senior Executives*, Report No. 23-03773-169, May 9, 2024.

[38] Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act of 2022, Pub. L. No. 117-168, 136 Stat. 1759, 1815; VA, “PACT Act First Year in Review” (fact sheet), August 10, 2023.

[39] PACT Act § 909(d), codified at 38 U.S.C. § 706(d). Critical skill incentives, like other workforce provisions in the PACT Act, are set to expire September 30, 2027. 38 U.S.C. § 706(k).

[40] The relevant VA policy referenced in the VA OIG report was VA Notice 23-03; Department of Veterans Affairs Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act, Critical Skill Incentive Implementation, February 17, 2023.

Results and Recommendations

Finding 1: VHA Used Recruitment, Relocation, and Retention Incentives to Support Staffing Needs, but Improved Controls and Oversight Are Needed to Ensure Incentives Are Properly Supported and Maintained

The OIG determined VHA used recruitment, relocation, and retention incentives to support staffing needs.[41] In FYs 2022 and 2023, VHA paid about $828 million in incentives to about 130,000 employees. Of these payments, nearly 90 percent in FY 2022 and 88 percent in FY 2023 were paid to employees in occupations on the staffing shortage lists.[42] However, VA did not effectively govern the incentive process to ensure responsible VHA officials consistently captured mandatory information to support an award.[43] The required documentation helps provide assurance that incentives are properly used, and effective oversight of incentives also requires sufficient documentation for review. The OIG team found VHA paid incentives to an estimated 38,800 employees (30 percent) where the award justification could not be verified or was insufficient.[44] As a result, in FYs 2020 through 2023, VHA paid employees about $340.9 million in incentives that were not adequately supported. Further, VHA did not consistently include sufficient workforce and succession plan narratives for retention incentives, note employee performance ratings for relocation incentives, or obtain self-certifications from employees who relocated.

In response to the OIG's 2017 audit of recruitment, relocation, and retention incentives, HRA/OSP updated VA policy to establish internal controls and improve oversight of incentives.[45] However, the OIG team found VHA did not take sufficient steps to sustain or enforce the updated VA policies to ensure incentive packages were completed appropriately before payments were initiated. Further, VISN human resources staff acknowledged they did not always adhere to policy.

---

[41] Hereafter, discussion of "incentives" refers only to recruitment, relocation, and retention incentives and excludes other types such as critical skills incentives.

[42] Examples of occupations not listed on the FYs 2022 and 2023 staffing shortage lists that received incentives include corrective therapist, librarian, statistician, realty, and environmental protection specialist.

[43] VA Handbook 5007.

[44] The number of employees who received incentive payments based on unsupported documentation was calculated using the estimates of 18,000 employees without a form, 10,900 employees without adequate justification, and 10,000 employees whose forms lacked the required signatures. The reason the total value of the three estimates is slightly greater than 38,800 is that some sampled employees were missing both adequate justification and one or more required signatures.

[45] VA OIG, *Audit of VA's Recruitment, Relocation, and Retention Incentives*.

Beginning in FY 2019, VA also consolidated human resources responsibilities from the facility level to the VISN level, including oversight of incentives.[46] During this transition, according to human resources officials, turnover led to a shortage of trained staff to conduct incentive oversight responsibilities. In addition, HRA/OSP and VISN oversight of incentives addressed only transaction errors rather than the root cause of an error or process weaknesses. Although incentives are an important tool to hire and retain highly qualified staff, it is important that VA and VHA properly govern incentive processes to ensure they are being used responsibly and effectively. Without improved controls and oversight, VA risks misusing these incentives and wasting taxpayer money.

The following determinations formed the basis for this finding and led to the OIG's recommendations:

- VHA generally awarded incentives to occupations on staffing shortage lists.
- VHA officials did not always properly maintain documentation or properly review and sign justifications supporting incentive awards.
- Human resources officials did not always ensure supplemental information was completed for retention and relocation incentives.
- VA and VHA need to improve controls over incentives.

What the OIG Did

VHA awarded incentives to an estimated 130,000 employees who worked at a VA medical facility or a VISN during FYs 2020 through 2023.[47] The team assessed a sample of records for 244 VHA employees who received a recruitment, relocation, or retention incentive payment during that time and evaluated whether the incentive awards complied with VA requirements. In addition, the team reviewed a judgmental sample of records for 58 VHA employees where the incentive was potentially high risk.[48] Finally, the team corresponded with responsible officials from HRA/OSP, VA's Financial Services Center, WMC, VISN quality assurance teams, and VISN human resources.

[46] In FY 2018, VHA directed the implementation of a shared services model to restructure and consolidate human resources responsibilities from each medical facility to the regional VISNs.

[47] Data reliability is discussed in appendix A. Appendix B summarizes the audit team's statistical sampling methodology.

[48] High-risk incentives included those granted to employees in occupations not on VHA's staffing shortage list, incentives with a high dollar value, and retention incentives granted to employees for at least three consecutive years.

The OIG acknowledges the COVID-19 pandemic exacerbated VHA's recruitment and retention challenges, and the team considered this important context when reviewing documents and justifications during FYs 2020 and 2021.[49]

VHA Generally Awarded Incentives to Occupations on Staffing Shortage Lists

VA's annual staffing shortage list identifies facilities at risk of a shortage of candidates for an occupation, grade (or equivalent), or geographic location.[50] Occupations on the staffing shortage list present challenges for recruitment and retention due to competition in the national labor force.

The audit team found that VHA used recruitment, relocation, and retention incentives to address staffing challenges related to these reported shortages. VHA paid about 90 percent of incentive awards in FY 2022 and 88 percent in FY 2023 to employees in occupations on the staffing shortage lists. Table 3 summarizes the incentives awarded during those years.

Table 3. Employees in Occupations on the Staffing Shortage List Who Were Paid an Incentive in FYs 2022–2023*

Fiscal year	All VHA employees awarded an incentive‡	Employees in a shortage occupation awarded an incentive	Percentage of awarded employees in shortage occupations	Dollar value of all incentives awarded (in millions)	Dollar value of incentives awarded to shortage occupations (in millions)
2022	52,000	46,000	90%	$284	$253
2023	78,000	69,000	88%	$544	$482
Total	**130,000**	**116,000**	**89%**	**$828**	**$735**

Source: VA OIG analysis of employee records in VHA Support Service Center during FYs 2020–2023.

** Numbers may not sum due to rounding.*

‡ Employees can receive incentives over multiple years; therefore, some employees may have received an incentive in both FYs 2022 and 2023.

In the same period, the team found that all 139 healthcare systems awarded incentives to employees in at least one of the unique occupations on the associated staffing shortage list.

---

[49] On April 1, 2020, HRA/OSP issued a bulletin describing exclusions for temporary appointments to receive incentives during the COVID-19 pandemic. On April 18, 2020, the Office of Personnel Management approved VA's request to waive the 25 percent limit on recruitment, relocation, and individual retention incentives and the 10 percent limit on group retention incentives for certain occupations that were responding to workload surges due to COVID-19.

[50] VHA Workforce Management and Consulting's annual Shortage Occupation reports define national shortage occupations as those identified by 20 percent or more of VHA healthcare systems or 50 percent or more of VISNs or national offices during an annual planning cycle.

VHA Officials Did Not Always Maintain Documentation or Properly Review and Sign Justifications Supporting Incentive Awards

VA officials are required to justify and fully document the difficulty of filling a position with a highly qualified candidate or retaining a current employee without an incentive. Incentive documentation must be maintained by the human resources office for a minimum of six years following the end of the service obligation period or incentive payment date, whichever is later.[51]

The team found VHA did not consistently support incentives. VISN human resources offices could not provide incentive documentation for an estimated 18,000 employees, which prevented the team from determining whether those incentives complied with policy and were needed to fill the positions. Additionally, available documentation did not consistently justify the need for the incentive or capture official signatures in support of the award. VHA paid incentives to an estimated 38,800 employees (30 percent) where the award justification could not be verified or was insufficient. As a result, VHA paid employees about $340.9 million in incentives that were not adequately supported.[52]

VHA Human Resources Offices Did Not Always Maintain Documentation to Support Incentives

VA Handbook 5007 requires human resources offices to maintain documentation for six years that is adequate to reconstruct each recruitment, relocation, and retention incentive.[53] These records include, at a minimum, the approved justification and authorization forms, the service agreement, waiver requests, any approvals or denials, and any other documentation used to support the justification.

The audit team found human resources offices did not maintain required documentation for an estimated 18,000 employees (14 percent) who received incentive payments at a value of about $168.7 million. The lack of required documents prevented the team from assessing whether those incentive awards were properly justified and approved.

According to human resources officials, records were maintained in various ways, including individual computer desktops, SharePoint sites, VA's Light Electronic Action Framework

---

[51] VA Handbook 5007. The VHA Records Control Schedule (RCS) 10-1 is the main authority for the retention disposition requirements of VHA records. RCS 10-1 Item 3075.9 establishes a three-year retention period for incentive package records but authorizes a longer period if required for business use. According to an HRA/OSP official, VA established a records retention period for incentive packages at six years, rather than three years, to allow for detailed accounts of approved incentives for auditing purposes. Therefore, during this audit, the team considered whether documentation was maintained in accordance with VA Handbook 5007's six-year retention requirement.

[52] See appendix C for more information about the monetary benefits.

[53] VA Handbook 5007.

platform, electronic official personnel files, and HR Smart.[54] These officials also stated that, in some instances, incentive records were misplaced or permanently deleted.

Effective oversight of incentives requires that responsible entities have documentation available for review. When human resources offices fail to maintain incentive files, oversight entities such as the OIG, HRA/OSP, and VISN quality assurance teams are not able to assess whether incentives are properly used to recruit candidates for hard-to-fill positions or retain high-quality employees who may leave.

VHA Officials Did Not Always Properly Develop and Review Incentive Justifications

Even when documentation was maintained, VHA officials did not always develop and review incentive justifications according to VA policy. The recommending official must fully justify an incentive and demonstrate difficulty in filling the position before the incentive may be authorized.[55] Recruitment and relocation incentives may not be authorized solely due to superior qualifications or to compensate employees for pay disparity with comparable positions in the private sector. Furthermore, retention incentives are not authorized when used primarily to compensate high-performing employees for their services or essential employees who are not likely to leave the federal government. When federal salaries are already competitive, approving officials must ensure other factors sufficiently demonstrate the difficulty in filling the position without an incentive.

For the remaining 112,000 employees with available incentive records, the OIG team estimated that VHA paid $104.5 million in incentives to 10,900 employees (10 percent) based on justifications that did not meet VA requirements. The following examples detail authorized incentive packages that lacked justification.

Example 1

A recruitment incentive was authorized for a VISN 19 nurse practitioner position in April 2021. The team found the recommending official did not provide specific

[54] The Light Electronic Action Framework is a platform that allows users to implement workflow and digital forms.

[55] VA Handbook 5007. As stated previously, recommending officials must consider and fully document how each factor contributes to the determination that an incentive is needed. If a factor does not apply, the justification must explain why a factor is not appropriate. Factors that must be considered when awarding an incentive include the availability and quality of candidates possessing the required competencies, salaries paid outside the federal government, recent turnover in the position, labor market conditions affecting the ability to recruit candidates, special or unique competencies, efforts to use non-pay authorities, and desirability of duties.

results of recent recruitment efforts, turnover data, or any sourced details on employment trends or the labor market.[56]

Example 2

A relocation incentive was authorized for a VISN 16 psychiatrist position in August 2022. However, the team found the recommending official did not provide specific results of recent recruitment efforts, use data from a credible source to support market salaries, or provide any sourced details on employment trends or the labor market.[57]

Appropriate Officials Did Not Sign the Incentive Forms

After a justification has been developed, the incentive form must be signed by the recommending official, human resources reviewer, and approving official.[58] The audit team estimated that VHA paid at least 4,100 employees (4 percent) when the associated incentive form lacked one or more of the required signatures.[59] The following examples illustrate incentive forms that lacked signatures from the responsible officials.

Example 3

A VISN 8 recruitment incentive package authorized in June 2021 lacked the human resources reviewing official's signature to show a technical review was completed before the vacancy announcement was posted. Once the candidate was selected, the reviewing official never signed the form to indicate the candidate met the requirements to receive the incentive.

Example 4

A VISN 21 recommending official requested a retention incentive for a police officer in February 2022. The incentive form was not signed by the human resources reviewing official to indicate the justification was reviewed. The

[56] VA Handbook 5007 states the recommending official should include the results of recent recruitment efforts and indicators such as job acceptance rates and current vacancy rates. Employment trends and labor market factors must be attributed to a reliable source, such as current reports and publications from professional organizations representing an occupation.

[57] A credible source may include salary data purchased from a salary survey company or reported in a professional organization's journal, published report, or a report published by a government agency such as the Bureau of Labor Statistics. A credible source does not include online salary websites that offer self-reported data.

[58] VA Handbook 5007.

[59] The team estimated that 10,000 employees' incentive forms lacked the required signatures (see appendix B, table B.3). However, due to this estimate's relatively low precision, the team conservatively reports that a minimum of 4,100 employees received incentive payments when signatures were missing on the incentive form.

> *approving official also did not sign the incentive form to authorize payment. However, the employee was still paid the incentive.*

VA human resources officials agreed these examples lacked the required signatures. Having the recommending, reviewing, and authorizing officials sign the incentive form is an important control to help ensure an incentive is justified and documentation has been reviewed and approved before an employee receives a payment. Further, having the appropriate signatures provides VHA assurance that incentives were properly used to recruit and retain employees for hard-to-fill positions.

Human Resources Officials Did Not Always Ensure Supplemental Information Was Completed for Retention and Relocation Incentives

Beyond the justification, VA policy requires additional information for retention and relocation incentives:[60]

- Retention incentives must include workforce and succession plan narratives that describe how a facility will eliminate or reduce the use of incentives.
- Employees awarded a relocation incentive must self-certify that they physically moved to the new geographic area.
- Relocation incentive packages must also demonstrate review of the employee’s performance rating.

The audit team found these elements were not always completed when the incentive was reviewed or before the incentive was awarded and paid.

Retention Incentive Authorizations Did Not Always Have an Adequate Workforce and Succession Plan

According to VA policy, retention incentives are not intended to provide long-term staffing flexibility without effective workforce and succession-planning efforts. Each authorized retention incentive must include a narrative explaining the organization’s workforce and succession plan to eventually eliminate or reduce the need for retention incentives.[61] The approving officials must ensure workforce and succession plans are actively pursued and successfully administered as documented in the authorization. This is important when an employee or group retention incentive is renewed over multiple years. For example, a plan may state the facility is implementing a special salary rate.

[60] VA Handbook 5007.

[61] VA Handbook 5007.

The audit team estimated that VHA paid retention incentives to 19,000 employees (20 percent) when the supporting forms lacked sufficient workforce and succession plan narratives that explained how the incentive would be reduced or eliminated.[62] VHA needs to ensure workforce and succession plans are actively pursued and discontinue incentive awards when they are no longer warranted.

The audit team also reviewed five high-risk retention incentive awards that VHA renewed for periods ranging from three to nine years. Four of those incentives lacked sufficient workforce and succession plan narratives on the authorization. Further, these awards used a similar narrative over multiple years, and the team did not identify other evidence that the plan was actively pursued and administered. Example 5 illustrates an authorized retention incentive and a repeated workforce and succession plan narrative over several years.

Example 5

A VISN 10 employee received a retention incentive that contained a similar workforce and succession plan narrative for nine years. Furthermore, the forms lacked evidence of efforts to implement those plans or that the plan was being pursued to reduce or eliminate the incentive.

Relocation Incentive Forms Did Not Always Identify Whether an Employee Had Satisfactory Performance

VA policy requires relocation incentive authorizations to contain the employee's most recent performance rating, agency name, and date of rating.[63] An employee's most recent rating of record must be at least "fully successful" or equivalent to be eligible for a relocation incentive.

The audit team estimated that VHA paid at least 190 employees (7 percent) relocation incentives when the associated incentive forms did not indicate whether the employee was rated as at least "fully successful."[64] According to human resources officials, because staff lacked specialized experience completing incentive justification forms, they sometimes did not include performance appraisal information on these forms.

---

[62] About 113,000 employees received retention incentive payments during the review period. However, as stated previously, documentation supporting an incentive award was not consistently maintained. Without the required forms, the audit team could not determine whether workforce and succession narratives were written in all cases. The team estimated 96,000 employees received retention incentive payments and had documentation available for review.

[63] VA Handbook 5007.

[64] About 3,100 employees received relocation incentive payments during the review period. However, as stated previously, documentation supporting an incentive award was not consistently maintained. Without the required forms, the audit team could not determine whether performance ratings were documented in all cases. The team estimated 2,500 employees received relocation incentive payments and had documentation available for review.

Although the OIG team did not identify any instances when an incentive was awarded to an employee with an unsatisfactory performance rating, ensuring complete documentation remains an important control.[65] Documenting that an employee achieved at least a fully successful performance rating before awarding an incentive ensures taxpayer dollars are effectively spent and provides assurance to VA senior leaders and the public that VHA is taking appropriate action to recruit and retain a high-quality workforce.

Relocation Incentive Authorizations Did Not Always Include Self-Certification of Residential Status

Employees awarded a relocation incentive are required to establish a residence in the new geographic area before receiving a payment.[66] The employee may establish a residence by purchasing or renting a home, apartment, or condominium; living at the residence of a friend or family member; or residing in a hotel for the duration of the service agreement. The employee's new duty station must be located 50 miles or more from the prior duty location unless the approving official waives the requirement. Finally, the employee must submit written self-certification of the new residential status and address to the human resources office to receive the incentive payment.

VISN human resources officials could not always provide the OIG team with a self-certification for sampled relocation incentives. The team estimated that VA awarded relocation incentives to 2,200 employees (71 percent) without obtaining the required self-certification.[67] The lack of self-certifications not only limits VA's assurance that these incentives were justified but also prohibits oversight entities—such as the OIG, HRA/OSP, and VISN quality assurance teams—from assessing whether relocation incentives were properly used to recruit candidates for hard-to-fill positions.

Furthermore, the team found evidence in official personnel files that some employees may not have established a residence in the new geographic area but nevertheless received relocation incentives. In example 6, an employee was paid a relocation incentive despite VA lacking evidence of a self-certification supporting the employee's new residential status.

Example 6

A VISN 17 employee was awarded a $30,000 relocation incentive with an effective date in June 2020. However, the human resources office could not provide evidence showing the employee self-certified the new residence.

---

[65] The audit team could not identify performance ratings or supporting documents for eight of 68 sampled employees. Therefore, the team could not determine in those instances whether the employee's most recent performance rating was at least fully successful before the incentive was authorized.

[66] VA Handbook 5007.

[67] About 3,100 employees received relocation incentive payments during the review period.

> *According to a VISN 17 human resources specialist, the employee was not required to relocate because it was a remote position. A debt notification letter was sent to the employee to recoup the inappropriate relocation incentive. The employee requested a debt waiver, which was granted by VA's Committee on Waivers and Compromises, saying the incentive payment was an erroneous pay allowance resulting from an administrative processing error. Therefore, the employee retained the about $22,000 that had already been paid.*

VA and VHA Need to Improve Controls Over Incentives

VA did not sufficiently address deficiencies in justifying and awarding recruitment, relocation, and retention incentives because responsible officials did not effectively execute internal controls. The Office of Management and Budget and the *Standards for Internal Control in the Federal Government* require managers to establish and maintain internal controls necessary for effective and efficient program operations.[68] Managers are responsible for establishing a control environment, instituting control activities, and monitoring program operations (including appropriate staffing and training).[69] Despite these requirements,

- VHA failed to sustain or enforce updated VA policies governing incentives, and
- HRA/OSP and VHA oversight activities did not address programmatic deficiencies.

Responsible VHA officials cited the nationwide move to a shared services human resources model in FYs 2019 and 2020, which consolidated processes and oversight responsibilities at the VISNs, as the cause for incentive-related governance problems. VISN human resources officials stated that turnover during the transition resulted in a shortage of trained staff. Furthermore, documents were not always transferred from medical facilities to the VISN human resources offices. Although the OIG acknowledges this reorganization may have contributed to the deficiencies identified, the persistence of errors in payments of incentives since the OIG's 2017 audit indicates the governance challenges cannot be attributed solely to that realignment.

VHA Failed to Sustain or Enforce Updated VA Policies Governing Incentives

In response to the OIG's 2017 audit, HRA/OSP updated VA policy to establish internal controls and improve oversight of incentives.[70] For example, HRA/OSP added a requirement that

---

[68] Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016; Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

[69] GAO, *Standards for Internal Control in the Federal Government*.

[70] VA OIG, *Audit of VA's Recruitment, Relocation, and Retention Incentives*.

responsible VA offices certify annually that each authorized incentive was appropriate and compliant with VA policy, that each retention incentive addressed workforce and succession plans to reduce the long-term reliance on incentives, and that employees establish residency in a new geographic area before receiving a relocation incentive.

However, for this current audit, the team found VHA did not take sufficient steps to sustain or enforce the updated VA policies to ensure incentive packages were completed appropriately before payments were initiated. For example, as previously discussed, the team found workforce and succession plans were not always developed to reduce or eliminate the need for retention incentives.

Furthermore, VISN human resources officials told the team they simply did not always follow policy. According to one human resources official, "The [incentive] guidance is well received in some areas, and disregarded in other areas." Another human resources official stated there is a "lack of understanding of the importance of justifying the 3Rs [recruitment, relocation, and retention]." A third human resources official stated, "The process was not followed appropriately."

HRA/OSP and VHA Oversight Activities Did Not Address Programmatic Deficiencies

As stated, both VA and VHA are responsible for conducting periodic oversight of incentive awards. The Oversight and Effectiveness Service within HRA/OSP assesses human resources management programs, including incentive activities, and reports findings to responsible offices. Similarly, VISN quality assurance teams conduct human capital assessment audits twice a year that include reviewing incentive packages. Although these oversight measures are important, they did not address systemic issues in the request and authorization of incentives. Furthermore, the reviews occurred after the incentives were awarded and did not proactively prevent packages from being processed and paid based on insufficient justifications.

For example, when an HRA/OSP review identified errors in an incentive package, the service reported the findings to the responsible VISN and required corrective actions. The VISN responded and certified that actions had been taken. However, the OIG team found HRA/OSP did not consistently follow up to verify that errors were effectively corrected. Further, the HRA/OSP assessments did not identify or address the root cause of the errors, resulting in similar errors occurring in subsequent incentive packages such as insufficient justification on incentive forms and missing self-certification documents for employees who received relocation incentives.

Similarly, when VISN quality assurance staff identified errors, they made recommendations to address only specific errors that had already occurred and did not identify or address the root cause of these errors. According to VISN officials, when errors were identified, VISN quality assurance staff did not recommend VISN human resources offices conduct more extensive reviews to determine whether these errors were occurring on other incentive forms.

The scope and frequency of evaluations performed by VA should depend, in part, on its assessment of risks and the rate of change within VA.[71] Given the risks associated with prior OIG findings, the widespread transition in human resources workflows, and the errors discovered by HRA/OSP and VISN quality assurance staff during human resources reviews, the breadth and frequency of VA's oversight should have increased. Risk management is an iterative process that requires internal controls to change and align with evolving work environments. If change and risk are agencywide, internal controls should reflect this. Additionally, when VA found errors during reviews, it should have taken action to reduce the risk of future errors. The absence of management's response to risk can result in more deficiencies in the organization.

Finding 1 Conclusion

Although VHA used incentives to support staffing needs, responsible VA and VHA officials did not take sufficient steps to sustain internal controls and enforce VA policy to govern the program. Without those measures, VA did not ensure taxpayer dollars were used effectively to recruit and retain employees. Overall, VHA could not provide adequate support or documentation for an estimated $340.9 million of incentives payments during FYs 2020 through 2023. It is imperative that VA ensure adequate controls and oversight are in place to govern incentive processes. Without improved measures, VA risks misusing incentives and wasting taxpayer money.

Recommendations 1–5

The OIG made the following recommendations to the under secretary for health:[72]

1. Establish internal control procedures to ensure recruitment, relocation, and retention incentive documentation is appropriately maintained in accordance with VA policy and guidance.
2. Enforce procedures to ensure Veterans Integrated Service Network human resources offices properly review recruitment, relocation, and retention incentive documentation for compliance with VA policy.
3. Enforce quality control checks to ensure Veterans Integrated Service Networks fulfill requirements for maintaining recruitment, relocation, and retention incentives documentation.

---

[71] GAO, *Standards for Internal Control in the Federal Government*.

[72] The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

4. Establish accountability measures to ensure Veterans Integrated Service Networks' quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

The OIG also made the following recommendation to the assistant secretary for HRA/OSP:

5. Evaluate resource requirements and establish accountability measures to ensure quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

VA Management Comments

The acting under secretary for health concurred with recommendations 1 through 4 and provided corrective action plans. Appendix D provides the full text of his comments. In response to recommendations 1 and 3, VHA will develop internal guidance to ensure recruitment, relocation, and retention incentive documentation is appropriately maintained in accordance with policy and establish quarterly monitoring of incentives.

Regarding recommendation 2, VHA will standardize the technical review of incentive documentation, require appropriate VISN human resources officials to conduct quality assurance reviews, and establish quarterly monitoring of incentives. For recommendation 4, VHA will develop performance plan standards for appropriate staff related to the oversight and quality assurance processes for incentives to include in FY 2026 performance plans.

The assistant secretary for HRA/OSP concurred with recommendation 5 and provided a corrective action plan. Appendix E provides the full text of the assistant secretary's comments. In response to recommendation 5, the Office of the Chief Human Capital Officer will evaluate resource requirements and establish accountability measures to ensure quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

OIG Response

VHA's and HRA/OSP's comments and corrective action plans are responsive to the intent of the recommendations. The OIG will close the recommendations when VHA and HRA/OSP provide evidence that the action plans have been completed.

Finding 2: VA and VHA Need to Strengthen Controls over Recurring Retention Incentives

The OIG team identified 28 employees who received payments after their incentive award period had expired. These employees received incentive payments up to an additional 11-and-a-half years beyond the expiration date, averaging about eight years per employee.

This occurred because VA did not monitor retention incentive payments to identify those that should have been terminated but were not. Furthermore, while HR Smart automatically terminates an incentive at its conclusion, that control requires an accurately populated end date. VISN human resources staff stated that VA's transfer of data into HR Smart incrementally between 2015 and 2016 may have failed to transfer incentive end dates. Another VHA official stated that, in some cases, these awards were not properly entered as "incentives" and therefore did not have an end date. Without an end date in HR Smart, the incentives were not terminated and employees continued to receive payments.

Retention incentives must be reviewed and recertified on an annual basis.[73] However, VHA could not provide the OIG team with evidence that the required review and recertification occurred. Further, VHA confirmed that payments should have stopped after an incentive ended. Without the required recertification, VA improperly paid about $4.6 million to employees for incentives.

What the OIG Did

Through data analysis, the OIG team identified 28 employees who received retention incentive payments for at least three consecutive fiscal years (FYs 2020 through 2022) but lacked evidence of recertification in the employees' personnel files. The team evaluated whether incentive award documents demonstrated annual review and recertification in accordance with VA requirements. The team also interviewed staff from VA's Financial Services Center, WMC, and VISN human resources.

Employees Received Retention Payments After the Incentive Period Ended

VA policy requires the approving official to review any active retention incentive annually to determine whether it is still needed. Retention incentives must be terminated if the annual review is not completed on time.[74] VA's human resources information system, HR Smart, generates a

[73] VA Handbook 5007 states all retention incentives must be reviewed and recertified at least annually. Incentives that are not reviewed and recertified as required will be automatically terminated by VA's human resources personnel processing system or manually terminated by the servicing human resources office.

[74] VA Handbook 5007.

notice for retention incentives that require an annual review four months before the expiration date. The approving office must review and recertify the incentive, or it will be terminated.

The team found 28 employees who were awarded a retention incentive continued to receive payments after the initial incentive period without evidence that the approving official reviewed and recertified the incentive.[75] As of March 2024, VA had improperly paid about $4.6 million to employees for incentives lacking recertification that should have been terminated.[76] Example 7 illustrates a retention incentive that continued to be paid after the incentive agreement ended.

Example 7

A VISN 17 employee was awarded a 12 percent retention incentive in September 2013. Personnel files show the incentive was terminated in February 2014. However, the OIG team determined payments continued for around 10 years after the incentive was terminated, totaling about $150,900. The employee's personnel files lacked documentation showing the retention incentive was reviewed and recertified or that a new retention incentive was awarded after the 2014 termination.

Example 8 illustrates another employee who continued to receive payments from a retention incentive award after the incentive agreement ended.

Example 8

A VISN 10 employee was awarded an 8.5 percent retention incentive with an effective date in July 2020. The incentive was scheduled to expire in July 2021. The audit team found no evidence the incentive was reviewed or recertified after it was awarded. However, the OIG team determined this employee received retention incentive payments every two weeks through March 2024, totaling about $72,500 in improper incentive payments.

The OIG did not evaluate or conclude that these 28 retention incentives were unnecessary or would not help retain the employee. Rather, the OIG concluded that VA did not take the required steps to ensure taxpayer dollars were used prudently.

In May 2024, WMC asked the accountable VISN human resources officials to review the 28 retention incentives identified by the OIG team. WMC reported they were pursuing debt collection for 27 of these employees as of September 2024.[77] Recommendation 6 addresses the need for VHA to evaluate the retention incentive awards for these 28 employees and take action

[75] The audit team provided the list of 28 employees to both the responsible WMC and VISN human resources staff to review and determine whether the incentives should be terminated.

[76] The audit team obtained financial data as of March 23, 2024, from VA's Financial Services Center.

[77] The other employee who was in OIG's review died, and the payments stopped in August 2023.

if appropriate. The OIG will monitor VHA's actions and consider closing the recommendation when VHA provides sufficient evidence demonstrating progress in addressing the issues.

VA Did Not Exercise Due Diligence to Ensure Incentives Were Appropriately Recertified or Terminated

These retention incentives continued beyond the expiration period because VA lacked mechanisms, including monitoring, to identify retention incentives that should have been recertified or terminated. Furthermore, while HR Smart automatically terminates an incentive at its conclusion, that control requires an accurately populated end date. According to WMC and VISN human resources leaders, when VA switched human resources information systems—from WebHR to HR Smart—incrementally between 2015 and 2016, incentive end dates may not have been transferred, causing incentive payments to continue for those employees.[78] Further, a WMC official told the OIG team that employees may have continued to be paid for various other reasons: termination actions were not coded at all; the termination actions were not coded to end on the last day of a pay period, resulting in an error; or the termination date was entered into an incorrect field in HR Smart.

Finding 2 Conclusion

Overpayments of incentives jeopardize VHA's mission by diverting resources from their intended purpose. VHA could not provide adequate evidence that 28 retention incentive awards were reviewed and recertified as required. Without a recertification, VA improperly paid about $4.6 million to employees for incentives that should have been terminated. Without due diligence and effective controls, VA and VHA continue to risk paying retention incentives beyond when they are truly needed. As a result, VA leaders lack assurance that taxpayer dollars are spent effectively or that these incentives enhance the goal of retaining the highest-quality talent in service of the nation's veterans.

Recommendations 6–8

The OIG made the following recommendations to the under secretary for health:[79]

6. Evaluate the retention incentive awards for the 28 employees identified in this report who received payments after the incentive period ended, terminate the incentive if it was not

[78] In 2008, VHA implemented WebHR to automate paper-based processes. WebHR was used to submit requests for a personnel action, communicate electronically with human resources staff, and upload documentation to support an action.

[79] The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

recertified, determine whether recoupment of funds is warranted, and take action if appropriate.

7. Assess retention incentive payment data to identify awards that have been paid for over one year and determine whether each has been appropriately recertified or should be terminated.
8. Establish oversight procedures to ensure retention incentives are reviewed annually, recertified if appropriate, or otherwise terminated to ensure payments are not continued after the expiration date.

VA Management Comments

The acting under secretary for health concurred with recommendations 6 through 8 and provided corrective action plans. Appendix D provides the full text of his comments. In response to recommendation 6, the acting under secretary stated that VHA ensured incentives were terminated or had appropriate recoupment action initiated for the 28 employees referred by the OIG. Based on these actions, the under secretary requested closure of the recommendation.

For recommendations 7 and 8, WMC plans to request a report from VA's Financial Services Center to identify all retention incentives that have been paid for over one year, and the VISN human resources office will review whether each award should be recertified or terminated.

OIG Response

VHA's comments and corrective action plans are responsive to the intent of the recommendations. To close recommendation 6, VHA needs to provide evidence demonstrating the incentive termination or recoupment action taken for each employee. Regarding recommendations 7 and 8, the OIG will close them when VHA provides evidence that the action plans have been completed.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted its work from May 2023 through February 2025. The audit focused on VA's controls over recruitment, relocation, and retention incentives and whether VA effectively governed the use of these incentives for Veterans Health Administration (VHA) positions.[80] The team assessed oversight of incentives by the Office of the Chief of Human Capital Officer within VA's Office of Human Resources Administration/Operations, Security, and Preparedness (HRA/OSP), VHA's Workforce Management and Consulting (WMC), and VHA's Veterans Integrated Service Network (VISN) human resources. The team reviewed a sample of incentives that were paid to employees in fiscal years (FYs) 2020 through 2023 across all 18 VISNs.

Methodology

To accomplish the objective, the team reviewed VA directives, policies, procedures, and other applicable guidance related to oversight of recruitment, relocation, and retention incentives. The team corresponded with responsible officials from the 18 VISNs, including officials from training, quality assurance, and human resources. The team also corresponded with leaders and staff from HRA/OSP, the Financial Services Center, and WMC.

The team identified a universe of about 134,000 VHA employees who were paid a recruitment, relocation, or retention incentive in FYs 2020 through 2023. The team selected and reviewed a sample population of 244 recruitment, relocation, and retention incentive records from that period.[81] The team also reviewed a judgmental sample of 58 potentially high-risk incentives.[82] For both populations, the team reviewed incentive forms, Standard Form 50, service agreements, and other supporting documentation.[83]

The team analyzed oversight actions conducted by HRA/OSP and VISN quality assurance staff to determine how many and the type of audits and reviews conducted from FYs 2020 through 2023. The team also reviewed associated documents to determine the number of errors and how often they occurred.

---

[80] The sample for this audit did not include senior executive employees who received an incentive.

[81] The sample included 83 recruitment, 68 relocation, and 93 retention incentives.

[82] High-risk incentives included those paid to employees in occupations not on VHA's staffing shortage list, incentives with a high dollar value, and retention incentives paid to employees for at least three consecutive years.

[83] The Standard Form 50 is a federal form that contains employee information. For the purposes of this report, the SF-50 contains payment data related to the incentive awarded.

Internal Controls

The team assessed the internal controls of VA's and VHA's recruitment, relocation, and retention incentive programs significant to the audit objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[84] In addition, the team reviewed the principles of internal controls as associated with the objective. The team identified four components and five principles as significant to the objective.[85] The team identified internal control weaknesses during this audit and proposed recommendations to address the following control deficiencies:

- Component 1: Control Environment
  - Principle 2: Exercise oversight responsibility.
- Component 2: Risk Assessment
  - Principle 7: Identify, analyze, and respond to risk.
- Component 3: Control Activities
  - Principle 10: Design control activities.
- Component 5: Monitoring
  - Principle 16: Perform monitoring activities.
  - Principle 17: Evaluate issues and remediate deficiencies.

Data Reliability

The OIG used computer-processed data from VHA Support Service Center capital assets, a web-based project application and tracking database, and assessed the reliability of the data to support findings, conclusions, or recommendations related to the review objective. Specifically, the team used these data to identify VHA employees who received incentive payments during the scope period of FYs 2020 through 2023. To assess the reliability of these data, the team tested payroll data from various employee occupations and incentive types by comparing them to data points in HR Smart. To verify the likelihood that the payroll transactions were associated with an incentive award, the team also compared the data from VHA Support Service Center capital assets to recruitment, relocation, and retention data obtained from employee Standard Form 50, Notification of Personnel Action. Testing data points such as effective dates and incentive types did not disclose any concerns with data reliability. Therefore, the team concluded that the data

[84] Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

[85] Since the audit was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

obtained from the database were sufficiently reliable to support the audit objectives, conclusions, and recommendations.

Government Standards

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

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the audit team reviewed a statistical sample of recruitment, relocation, and retention incentive awards that were paid to Veterans Health Administration (VHA) employees from fiscal year (FY) 2020 through FY 2023 (the review period). The team used statistical sampling to quantify recruitment, relocation, and retention incentives that were not effectively governed by VA and VHA.

Population

The team used VHA Support Service Center capital assets to obtain a list of employees who were paid a recruitment, relocation, and retention incentive during FYs 2020 through 2023. From this list, the team identified a population of 134,320 VHA employees who were paid an incentive during the review period. However, based on sampling results (described below), the team determined some of these employees were outside the audit's scope because the Veterans Integrated Service Network (VISN) and the facility location were not identified in the data. The team estimates the actual population consists of 129,720 unique employees.

Sampling Design

Of the statistical sample of 259 employees from the review population, 244 were within the audit's scope (FYs 2020–2023). The sample was stratified by incentive type. For each incentive type, employees were selected with probability proportional to the total dollar amount received during the audit period. This dollar amount could pertain to more than one award for the employee. If these cases were identified, because one award might be supported while the other might not, the team reviewed the awards separately for possible errors.

The sampled employees were selected systematically, with the sampling frame (the list of employees in the review population) sorted by VISN. In this way, the team could ensure representation of employees from each VISN in the sample. An exception occurred for VISNs with smaller values of monetary amounts awarded. In these VISNs, systematic sampling would not guarantee the selection of any of their employees for inclusion in the sample. Therefore, each of these VISNs was separated into its own substratum for sampling. A single employee was then selected from each of these VISNs.

For the FYs 2020–2022 data, a sample size of 58 employees was selected for each incentive type. Any employee deemed "out of scope" of the review was replaced with another employee to ensure 58 in-scope employees were selected.

For FY 2023 data, the sample size varied for the different incentive types: 25 employees were selected for review of recruitment incentives, 10 employees were selected for review of relocation incentives, and 35 employees were selected for review of retention incentives. For the FY 2023 sample, all selected employees were in scope.

Weights

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team estimated the dollar amount associated with incentives without a sufficient justification in the population by (1) multiplying this dollar amount for each incentive by the sampling weight of the incentive and (2) summing these products for all sampled incentives.

Projections and Margins of Error

The projection is an estimate of the population value based on the sample. The associated margin of error and confidence interval show the precision of the estimate. If the VA Office of Inspector General (OIG) repeated this audit with multiple sets of samples, the confidence intervals would differ for each sample but would include the true population value about 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review. Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

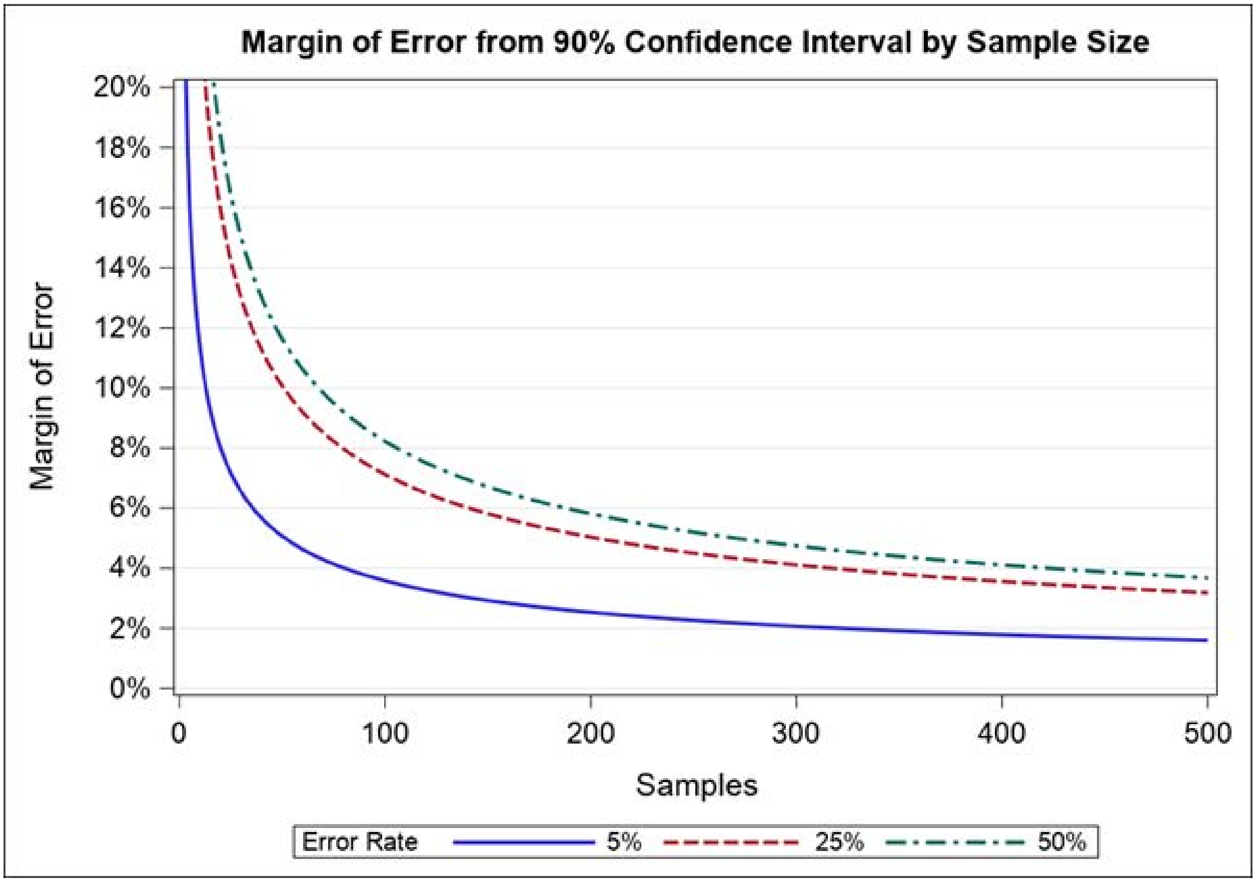

Figure B.1. *Effect of sample size on margin of error.*
Source: VA OIG statistician's analysis.

Projections

The following tables present projections from the sample results, including the estimate, the margin of error, the lower 90 percent value, and the upper 90 percent value.[86] In all tables, the values in parentheses show the percentage of the estimated total dollar amount or the employee count associated with all in-scope incentives and sample counts.

Table B.1 summarizes the statistical projections and the confidence intervals for the estimated dollar value of incentives without sufficient justification.

[86] The percentage includes only records that could be evaluated for a given category. Numbers may not sum due to rounding.

Table B.1. Estimated Dollar Value for Incentives Without Sufficient Justification, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Dollar value for incentives without sufficient justification	$104,482,399 (10.7%)	$43,009,569 (4.4%)	$61,472,831 (6.3%)	$147,491,968 (15.1%)	259 (215)	40 (40)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.2 summarizes the statistical projections and the confidence intervals for the estimated number of employees without an incentive that was sufficiently justified. Table B.1 is associated with employees who had at least one incentive that was not sufficiently justified.

Table B.2. Estimated Employees Without an Incentive that Was Sufficiently Justified, 90 Percent Confidence Interval

Estimate name	Estimated number of employees	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Employees with an insufficiently justified incentive	10,913 (9.8%)	5,342 (4.8%)	5,571 (4.9%)	16,255 (14.6%)	259 (215)	40 (40)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.3 summarizes the statistical projections and the confidence intervals for the estimated count of incentive forms without a valid signature.

Table B.3. Estimated Incentive Forms Without a Valid Signature, One-Sided 90 Percent Confidence Interval*

Estimate name	Estimate number	Margin of error	Lower limit	Sample size	Sample count
Count without signature	9,970 (8.9%)	5,888 (5.2%)	4,082 (3.7%)	259 (215)	15 (15)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

** Because the margin of error for this estimate is large relative to the estimated value itself, a one-sided lower bound (instead of the standard two-sided interval) is reported as a conservative estimate of the minimum number of employees with a valid signature.*

Table B.4 summarizes the statistical projections and the confidence intervals for the count of employees receiving incentive payments without a required form.

Table B.4. Estimated Employees Receiving Incentive Payments Without a Form, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Count without a form	17,954 (13.8%)	8,609 (6.6%)	9,345 (7.2%)	26,563 (20.5%)	259 (244)	29 (29)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.5 summarizes the statistical projections and the confidence intervals for the dollar value of employees receiving incentive payments without a required form.

Table B.5. Dollar Value of Incentive Payments to Employees Without a Form, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Dollar value of payments to employees without a form	$168,673,394 (14.7%)	$60,217,590 (5.2%)	$108,455,804 (9.5%)	$228,890,984 (20%)	259 (244)	29 (29)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.6 summarizes the statistical projections and the confidence intervals for the count of employees receiving incentive payments that had the required form.

Table B.6. Estimated Employees Receiving Incentive Payments with a Form, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Total count of employees with form	111,765 (86.2%)	9,159 (6.6%)	102,606 (79.5%)	120,925 (92.8%)	259 (244)	215 (215)
Total count of employees with relocation form	2,535 (81.3%)	537 (16.9%)	1,999 (64.4%)	3,072 (98.1%)	74 (68)	60 (60)
Total count of employees with retention form	95,997 (84.7%)	9,708 (8.1%)	86,289 (76.6%)	105,705 (92.7%)	97 (93)	78 (78)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.7 summarizes the statistical projections and the confidence intervals for incentive forms without a sufficient workforce and succession plan.

Table B.7. Estimated Incentive Forms Without a Sufficient Workforce and Succession Plan, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Count without a sufficient workforce and succession plan	19,047 (19.8%)	9,408 (9.9%)	9,639 (10.0%)	28,455 (29.7%)	97 (78)	16 (16)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.8 summarizes the statistical projections and the confidence intervals for the count of employees receiving relocation incentive payments without a self-certification.

Table B.8. Estimated Employees Receiving Relocation Incentive Payments Without a Self-Certification, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Count without self-certification	2,225 (71.3%)	587 (18.2%)	1,638 (53.1%)	2,812 (89.5%)	74 (68)	37 (37)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.9 summarizes the statistical projections and the confidence intervals for the count of relocation incentive forms without a performance rating.

Table B.9. Estimated Relocation Incentive Forms Without a Performance Rating, One-Sided 90 Percent Confidence Interval*

Estimate name	Estimate number	Margin of error	Lower limit	Sample size	Sample count
Count without a rating	483 (19.1%)	291 (12.4%)	193 (6.6%)	74 (60)	11 (11)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

** Because the margin of error for this estimate is large relative to the estimated value itself, a one-sided lower bound (instead of the standard two-sided interval) is reported as a conservative estimate of the minimum number of employees with a missing relocation performance rating.*

Table B.10 summarizes the statistical projections and the confidence intervals for the dollar value of unsupported incentives.

Table B.10. Estimated Dollar Value for Unsupported Incentives, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Dollar value of unsupported incentives	$340,889,879 (29.8%)	$74,107,459 (6.4%)	$266,782,420 (23.3%)	$414,997,338 (36.2%)	259 (244)	81 (81)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.11 summarizes the statistical projections and the confidence intervals for the count of employees with an unsupported incentive.

Table B.11. Estimated Employees with an Unsupported Incentive, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Count of employees with unsupported incentives	38,783 (29.9%)	11,900 (9.2%)	26,883 (20.7%)	50,683 (39.1%)	259 (244)	81 (81)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

Table B.12 summarizes the statistical projections and the confidence intervals for the count of employees who received an in-scope incentive.

Table B.12. Estimated Employees with an In-Scope Incentive, 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size	Sample count
Count of employees in scope	129,720 (96.6%)	3,214 (2.4%)	126,506 (94.2%)	132,934 (99.0%)	259 (259)	244 (244)
Count of employees who received a retention incentive	113,389 (96.7%)	3,310 (2.8%)	110,079 (93.9%)	116,699 (99.5%)	97 (97)	93 (93)
Count of employees who received a relocation incentive	3,119 (98.1%)	56 (1.8%)	3,064 (96.3%)	3,175 (99.8%)	74 (74)	68 (68)

Source: VA OIG analysis of statistically sampled employee records in VHA Support Service Center from FY 2020 through FY 2023.

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

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs[87]
1–5	The team's analysis of VHA's recruitment, relocation, and retention incentive data showed VHA did not fully support incentives paid to VHA employees totaling $340,889,879 from FY 2020 through FY 2023.	$0	$340,889,879
6–8	The team determined VHA employees were paid around $4,642,916 after retention incentives should have been terminated.[88]	$0	$4,642,916
	Total	**$0**	**$345,532,795**

[87] The OIG questions costs when VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; when costs are not supported by adequate documentation; or when they are expended for purposes that are unnecessary or unreasonable under governing authorities. Within questioned costs, the OIG must, as required by section 405 of the IG Act, report unsupported costs. Unsupported costs are those determined by the OIG to lack adequate documentation at the time of the audit. Therefore, all $345,532,795 were unsupported costs.

[88] Office of Management and Budget, "Reviewing the Necessity of Statute and Regulation for Technically Improper Payments," sec. I.A.1.a in app. C to Office of Management and Budget Circular A-123. Unintentional monetary loss improper payments are overpayments that are accidental in nature because at the time of the payment the program is unaware that the payment is an overpayment and the recipient has also not purposefully falsified information for gain. The about $4,642,916 would technically be considered improper payments because the amounts paid after the recruitment incentives were terminated should not have been paid to the VHA employees.

Appendix D: VA Management Comments, Under Secretary for Health

Department of Veterans Affairs Memorandum

Date: May 2, 2025

From: Acting Under Secretary for Health (10)

Subj: Office of Inspector General (OIG) Draft Report, Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight (VIEWS 12835905)

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

1. Thank you for the opportunity to review and comment on OIG draft report, Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight.

2. The Veterans Health Administration (VHA) concurs with recommendations 1-4 and 6-8 made to the Under Secretary for Health and provides an action plan in the attachment. The Assistant Secretary for Human Resources and Administration/Operations, Security, and Preparedness provides an action plan in response to recommendation 5 in a separate response.

The OIG removed point of contact information prior to publication.

(Original signed by)

Steven L. Lieberman, MD, MBA, FACHE

Attachment

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)

Office of Inspector General Draft Report "Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight"

(Project # 2023-01695-AE-0070)

Recommendation 1: The Under Secretary establishes internal control procedures to ensure recruitment, relocation, and retention incentive documentation is appropriately maintained in accordance VA policy and guidance.

VHA Comments: Concur. VHA will develop internal guidance to ensure recruitment, relocation, and retention (3R) incentive documentation is appropriately maintained in accordance with Department of Veterans Affairs (VA) policy and guidance. VHA will establish quarterly monitoring with a target goal of 95% 3R compliance with VA policy and guidance.

Target Completion Date: September 2025

Recommendation 2: The Under Secretary for Health enforces procedures to ensure Veterans Integrated Service Network human resources offices properly review recruitment, relocation, and retention incentive documentation for compliance with VA policy.

VHA Comments: Concur. VHA will standardize the technical review of 3R documentation and require the Veterans Integrated Service Network Compensation Center of Excellence to review 90% of 3R technical reviews within 3 months of the target completion date. VHA will conduct quarterly monitoring until 95% of VHA incentive cases include justification and documentation in full compliance with VA Handbook 5007, Pay Administration.

Target Completion Date: September 2025

Recommendation 3: The Under Secretary for Health enforces quality control checks to ensure that Veterans Integrated Service Networks fulfill requirements for maintaining recruitment, relocation, and retention incentives document.

VHA Comments: Concur. VHA will develop internal guidance to ensure 3R incentive documentation is appropriately maintained in accordance with VA policy and guidance. VHA will establish quarterly monitoring with a target of 95% compliance with 3R documentation requirements in accordance with VA Handbook 5007.

Target Completion Date: September 2025

Recommendation 4: The Under Secretary for Health establishes accountability measures to ensure Veterans Integrated Service Networks' quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

VHA Comments: Concur. VHA will develop performance plan standards for appropriate staff related to the oversight and quality assurance processes for 3R incentives to include in fiscal year 2026 performance plans and validate metric inclusion.

Target Completion Date: March 2026

Recommendation 5: The Assistant Secretary for HRA/OSP evaluates resource requirements and establish accountability measures to ensure quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

VA Comments: Concur. The Office of the Chief Human Capital Officer will evaluate resource requirements and establish accountability measures to ensure quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

Status: In Progress Target Completion Date: Ongoing

Recommendation 6: The Under Secretary for Health evaluates the retention incentive awards for the 28 employees identified in this report who received payments after the incentive period ended, terminate the incentive if it was not recertified, determine whether recoupment of funds is warranted, and take action if appropriate.

VHA Comments: Concur. VHA Workforce Management and Consulting Office reviewed the 28 referred employees and ensured incentives were terminated or had appropriate recoupment initiated.

VHA considers this recommendation fully implemented and requests closure.

Completion Date: September 2024

Recommendation 7: The Under Secretary for Health assesses retention incentive payment data to identify awards that have been paid for over one year and determine whether each has been appropriately recertified or should be terminated.

VHA Comments: Concur. VHA Workforce Management and Consulting Office will request a report from the Financial Services Center to identify all retention incentives that have been paid for over 1 year. The Human Resources (HR) Servicing Office will determine whether each award should be recertified or terminated, and act as warranted.

Target Completion Date: September 2025

Recommendation 8: The Under Secretary for Health establishes oversight procedures to ensure retention incentives are reviewed annually, recertified if appropriate, or otherwise terminated to ensure payments are not continued after the expiration date.

VHA Comments: Concur. On an annual basis, VHA Workforce Management and Consulting Office will request a report from the Financial Services Center to identify all retention incentives that have been paid for over 1 year. The HR Servicing Office will determine whether each award should be recertified or terminated, and act as warranted.

Target Completion Date: September 2025

Appendix E: VA Management Comments, Assistant Secretary for HRA/OSP

Department of Veterans Affairs Memorandum

Date: April 17, 2025

From: Assistant Secretary for Human Resources and Administration/Operations, Security, and Preparedness (006)

Subj: Response to Draft Report: Recruitment, Relocation, and Retention Incentives for VHA Positions need Improved Oversight, Project Number 2023-01695-AE-0070

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

1. Thank you for the opportunity to review and comment on the Office of Inspector General draft report titled “Recruitment, Relocation, and Retention Incentives for VHA Positions need Improved Oversight, Project Number 2023-01695-AE-0070.”

2. I concur with all recommendations in the draft report. HRA/OSP will move out aggressively to establish strong accountability measures for incentive programs.

The OIG removed point of contact information prior to publication.

(Original signed by)

Mark R. Engelbaum

Attachment

Attachment

ASSISTANT SECRETARY FOR HUMAN RESOURCES AND ADMINISTRATION/OPERATIONS, SECURITY, AND PREPAREDNESS (HRA/OSP) ACTION PLAN

Recruitment, Relocation, and Retention Incentives for VHA Positions need Improved Oversight, Project Number 2023-01695-AE-0070

Recommendation 5. Evaluate resource requirements and establish accountability measures to ensure quality control and oversight responsibilities are risk-based and fulfilled in a timely manner.

Comments: Concur. The Office of the Chief Human Capital Officer (OCHCO) will evaluate resource requirements and establish accountability measures to ensure quality control and oversight responsibilities for incentives are risk-based and fulfilled in a timely manner.

Status: In Progress Target Completion Date: Ongoing

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Audit Team	Shawn Steele, Director Chris Carrera Scott Godin Jennifer Leonard Elaina Parman Angela Sanders LeAnne Weakley
Other Contributors	Kendal Ferguson Victor Rhee Jill Russell Rashiya Washington

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Veterans Health Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
Office of Acquisition, Logistics, and Construction
Board of Veterans' Appeals

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

OIG reports are available at www.vaoig.gov.