



Report to the Ranking Member,
Committee on Homeland Security and
Governmental Affairs, U.S. Senate

October 2015

POST-9/11 GI BILL

Additional Actions Needed to Help Reduce Overpayments and Increase Collections

Accessible Version

GAO Highlights

Highlights of [GAO-16-42](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

VA provided \$10.8 billion in Post-9/11 GI Bill education benefits to almost 800,000 veterans in fiscal year 2014. GAO was asked to review overpayments for the program, which can create financial hardships for veterans who are generally required to pay them back and which can result in a significant loss of taxpayer dollars if they are not collected.

This report examines (1) the extent of overpayments, (2) how effectively VA has addressed their causes, and (3) the effectiveness of VA's collection efforts. GAO analyzed overpayment data for fiscal years 2013 and 2014, examined the causes from a generalizable sample of high-dollar overpayments (greater than \$1,667), conducted a case file review of 20 overpayments (selected for a variety of causes), and reviewed VA's monitoring of overpayments. GAO also interviewed senior and frontline staff at two VA offices that process claims and collect debts, officials at nine schools (selected for variation in program length and their status as public, nonprofit, and for-profit), higher education associations, and veteran service organizations.

What GAO Recommends

Congress should consider granting VA explicit authority to require training for school officials. In addition, GAO is making a number of recommendations to improve VA's guidance and processes, including providing program guidance to veterans, verifying veterans' monthly enrollment, and developing additional debt notification methods. VA agreed with GAO's recommendations to the agency and plans to address these issues.

View [GAO-16-42](#). For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov.

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Additional Actions Needed to Help Reduce Overpayments and Increase Collections

What GAO Found

The Department of Veterans Affairs (VA) identified \$416 million in Post-9/11 GI Bill overpayments in fiscal year 2014, affecting approximately one in four veteran beneficiaries and about 6,000 schools. Overpayments most often occur when VA pays benefits based on a student's enrollment at the beginning of the school term and the student later drops one or more classes (or withdraws from school altogether). Students therefore receive benefits for classes they did not complete, and the "overpayment" must be paid back to VA. A small percentage of overpayments occurred because of school reporting or VA processing errors. GAO found that most overpayments were collected quickly, but as of November 2014 (when VA provided these data to GAO), VA was still collecting \$152 million in overpayments from fiscal year 2014, and an additional \$110 million from prior years, primarily owed by veterans with the remainder owed by schools.

Inadequate guidance, processes, and training have limited VA's efforts to reduce overpayments caused by enrollment changes and school errors.

- **Guidance for veterans.** Many veterans may not realize they can incur overpayments as a result of enrollment changes because VA provides limited guidance to veterans on its policies. As a result, veterans may be unaware of the consequences of enrollment changes until after they have already incurred their first overpayment debt, according to school officials. Because VA is not effectively communicating its program policies to veterans, some veterans may be incurring debts that they could have otherwise avoided.
- **Enrollment verification process.** While veterans using other VA education programs have to verify their enrollment each month, VA generally does not require those using the Post-9/11 GI Bill to do so. By not requiring veterans to verify their enrollment every month, which can cause significant time to lapse between when veterans drop courses and when this is reported, VA's process allows veterans to incur thousands of dollars in overpayments and also increases the program's costs associated with collecting these debts.
- **Training for school officials.** Overpayments also occur when schools make errors, such as reporting enrollment information incorrectly, which VA officials said is sometimes attributable to a lack of training. For example, some school officials routinely made systematic errors reporting enrollment information, creating thousands of dollars in overpayments. Not all school officials attend the different training opportunities VA offers and VA officials said the agency lacks the authority to require school officials to participate in any of them. VA officials said they would like school officials to take a minimum level of training, which could help reduce errors and related overpayments.

The effectiveness of VA's collection efforts is hindered by its notification methods. VA relies solely on paper mail to notify schools and veterans of overpayments. VA generally sends veterans' notices to the addresses from veterans' initial benefit applications. However, these addresses can often be out-of-date, so some veterans do not receive the letters, leaving them unaware of their debts. This can cause veterans to unknowingly miss deadlines for disputing their debts and leave them unprepared to cover living expenses if VA begins withholding future benefit payments or offsetting tax returns for collection. This can also lead to delays in the collection of overpayments from veterans.

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Abbreviations

OMB	Office of Management and Budget
Post-9/11 GI Bill	Post-9/11 Veterans Educational Assistance Act of 2008
VA	Department of Veterans Affairs
Yellow Ribbon Program	Yellow Ribbon G.I. Education Enhancement Program

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October 21, 2015

The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

Dear Senator Carper:

The Department of Veterans Affairs (VA) provided \$10.8 billion in Post-9/11 GI Bill education benefits to almost 800,000 veterans and other beneficiaries in fiscal year 2014.¹ For eligible veterans, VA sends tuition and fee payments to schools, as well as housing benefits and book payments directly to the veteran, based on the initial enrollment information that schools submit to VA at the beginning of each term. If veterans subsequently reduce their course load (or withdraw from school altogether), it can reduce their eligible benefit amount, and any “overpayments” of tuition or housing benefits must be paid back to VA. Given the size and projected future growth of the Post-9/11 GI Bill program, these overpayments can result in a significant loss of taxpayer dollars if they are not recovered. In addition, overpayment debts can create financial hardships for veterans and administrative burdens for schools.

You asked us to review issues related to Post-9/11 GI Bill overpayments. This report examines:

1. What is known about the extent of Post-9/11 GI Bill overpayments and collections, and how effectively VA monitors them?
2. How effectively has VA addressed the causes of overpayments?
3. How effectively do VA’s policies and procedures support the collection of overpayments?

¹ In this report we generally refer to Post-9/11 GI Bill beneficiaries as veterans, although under certain circumstances, veterans can transfer their Post-9/11 GI Bill benefits to their spouses and children. 38 U.S.C. § 3319.

To examine the extent of overpayments, we reviewed available Post-9/11 GI Bill financial data from fiscal years 2013 and 2014. We also analyzed data on all outstanding overpayment debts dating back to the start of the Post-9/11 GI Bill program in 2009. We assessed the reliability of these data by reviewing VA's reporting systems and conducting electronic testing of the underlying data, and we determined that the data were sufficiently reliable for our reporting purposes. We also reviewed VA's monitoring of overpayments and collections by examining its data tracking and reporting practices and assessed these efforts against guidance for government receivables in OMB Circular A-129.² To identify the causes of overpayments, we reviewed VA's Quarterly High-Dollar Overpayment Reports and supporting documentation for fiscal years 2013 and 2014. We assessed the reliability of these data through an in-depth file review of 20 overpayment cases and interviews with knowledgeable agency officials and we determined that the data were sufficiently reliable for our reporting purposes. We also reviewed a selection of school compliance surveys, which VA uses to assess whether schools that receive VA education benefits adhere to applicable laws and regulations. To examine the effectiveness of VA's efforts to address both the causes of overpayments and the collection of overpayment debts, we reviewed relevant federal laws, regulations, and policy guidance for processing and collecting VA debts. We interviewed senior VA officials and visited one of VA's four Regional Processing Offices as well as VA's debt collection office, the Debt Management Center, to interview management and frontline staff. We also interviewed representatives from several veterans service organizations, higher education associations, and administrators at nine schools about the effects of overpayments on veterans and schools. We selected the nine schools to include a mix of program lengths (2-year and 4-year schools), sectors (public, nonprofit, and for-profit), and student veteran populations ranging from 14 to more than 14,000. We assessed VA's efforts to address the causes of overpayments and collect overpayment debts against the requirements in the Post-9/11 GI Bill's statute and regulations, and government standards for internal controls. For more information on our scope and methodologies, see appendix I.

² OMB Circular A-129 provides guidance to agencies for, among other things, managing the federal government's receivables (also referred to as claims or debts), including overpayments to beneficiaries. Executive Office of the President, OMB Circular A-129 (as revised Jan. 2013).

We conducted this performance audit from April 2014 to October 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Post-9/11 GI Bill Benefits

The Post-9/11 GI Bill, which took effect on August 1, 2009, is now VA's largest educational program.³ In fiscal year 2014, the Post-9/11 GI Bill program had 790,000 participants and made \$10.8 billion in payments for tuition, fees, housing, and books. This program provides benefits generally to veterans who served on active duty for at least 90 days on or after September 11, 2001.⁴ Full benefits are available to those who served on active duty for 36 months, for which VA will pay the full in-state tuition and fees at any public school and up to an annual maximum amount at nonprofit and for-profit schools (\$21,085 in academic year 2015-16).⁵

VA pays schools directly for tuition and fees and sends additional payments for housing and books directly to veterans who are eligible for these payments.⁶ Housing benefits are provided to veterans through a monthly housing allowance, paid at the beginning of each month based

³ Post-9/11 Veterans Educational Assistance Act of 2008, Pub. L. No. 110-252, tit. V, § 5003(d), 122 Stat. 2357, 2378.

⁴ 38 U.S.C. § 3311(b)(8).

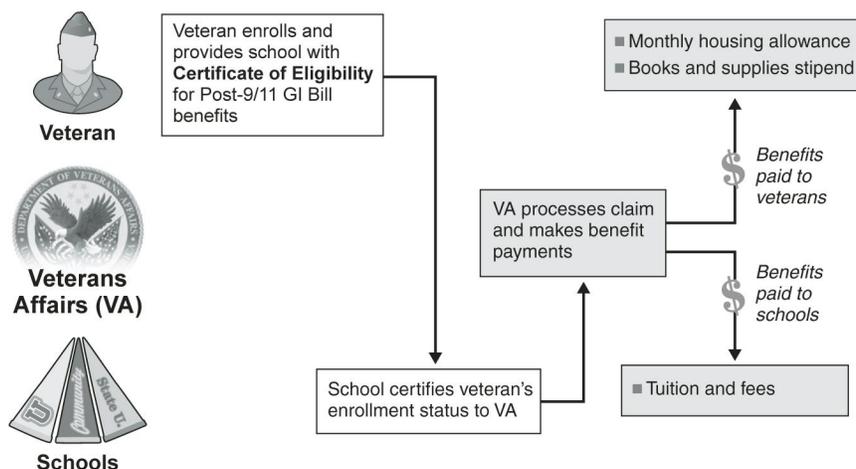
⁵ 38 U.S.C. §§ 3311(b)(1) and 3313(c)(1). Veterans can also receive full benefits if they served on active duty for at least 30 continuous days and where discharged due to service-connected disability. Veterans who served on active duty for less than 36 months are eligible for a portion of the maximum tuition amount based on their time served. Veterans attending participating nonprofit or for-profit schools may receive additional benefits to cover tuition and fees through the Yellow Ribbon G.I. Education Enhancement Program (Yellow Ribbon Program). 38 U.S.C. § 3317. Through this program, schools enter into voluntary agreements with VA to pay a portion of the tuition and fees that exceed an individual's Post-9/11 GI Bill benefit and VA matches the schools' contribution.

⁶ 38 U.S.C. § 3313(h).

on the previous month's enrollment, and the amount depends on the veteran's rate of academic pursuit (e.g., full- or part-time) and the geographic location of the school they are attending.⁷

For veterans to start receiving Post-9/11 GI Bill benefits, school employees, known as school certifying officials, must certify to VA that they are enrolled in classes (see fig. 1).⁸ VA recommends that schools certify veteran enrollments prior to the start of the school term.

Figure 1: VA's Processing of Post-9/11 GI Bill Payments



Source: GAO analysis of VA documents; GAO (images). | GAO-16-42

Post-9/11 GI Bill Overpayments

Post-9/11 GI Bill overpayments occur when VA makes a payment in excess of what a veteran is entitled to. This can result from either erroneous payments or subsequent changes in the veteran's enrollment status or tuition or fee amounts after benefits have already been paid. Enrollment changes cause overpayments because the Post-9/11 GI Bill program, by design, pays tuition to schools in advance based on individual veterans' expected enrollment. These types of overpayments are not considered "improper" (i.e., made in error) because the payments

⁷ 38 U.S.C. § 3313(c)(1)(B)(i)-(iii). The monthly housing allowance is based on the Department of Defense Basic Allowance for Housing. Students enrolled exclusively online can also receive a portion of the housing allowance.

⁸ 38 C.F.R. § 21.9720.

were originally correct when issued.⁹ Once VA begins paying Post-9/11 GI Bill benefits, veterans and schools are responsible for notifying VA of any changes in the veteran's enrollment (e.g., dropping a class or withdrawing from school) and schools are responsible for notifying VA of any subsequent adjustments in tuition or fees. VA processes these changes, which can increase or decrease the payment amounts veterans are eligible for. When enrollment changes decrease a veteran's calculated benefit amount, an overpayment is created for any excess funds VA has already paid. For example, tuition and fee overpayments can be created for any tuition and fees paid for classes that a veteran did not complete.¹⁰ Changes in a veteran's enrollment can also affect the amount of housing and book stipend payments that the veteran is eligible to receive.

VA sends tuition and fee payments directly to schools on behalf of students, and VA often holds veterans liable for tuition and fee overpayments in accordance with its statutory authority.¹¹ Veterans are generally responsible for repaying any overpayments resulting from enrollment changes during the school term (see table 1).¹² Schools are only responsible for repaying these benefits to VA in certain circumstances, such as when the veteran completely withdraws from the school on or before the first day of the term.¹³ Veterans are solely responsible for repaying any overpayments of housing or book stipend benefits. VA does not hold veterans liable for overpayments that result

⁹ However, overpayments caused by school reporting or VA processing errors are counted as improper payments. An improper payment is defined by statute as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. 31 U.S.C. § 3321 note. It includes, for example, any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, and any payment for a good or service not received (except for such payments where authorized by law).

¹⁰ Veterans must also repay benefits for any courses in which they received a grade that does not earn credit towards their degree (e.g., incomplete, no credit).

¹¹ 38 U.S.C. § 3685.

¹² 38 C.F.R. § 21.9695(b)(2).

¹³ Schools are also responsible if the overpayment is the result of willful or negligent (1) false certification by a school or (2) failure by a school to certify excessive absences, discontinuance of a course by the school, or interruption of a course by the veteran. 38 C.F.R. § 21.9695(b)(3).

from administrative errors or an error in judgment on the part of VA, unless the veteran should have known the overpayment was patently excessive (such as a duplicate payment or a payment amount that exceeds the amount displayed on an award letter), according to VA officials.¹⁴

Table 1: Responsibility for Repaying Post-9/11 GI Bill Overpayment Debts

Schools are responsible for tuition overpayments when:	Veterans are responsible for tuition overpayments when:
<ul style="list-style-type: none"> • Student never attended any classes • Student completely withdraws on or before the first day of the term • Student died during the term or before start of the term [Note A] • School reports reduced tuition and fee charges and/or Yellow Ribbon amount [Note B] • School received an erroneous or duplicate payment from VA • Overpayment resulted from school's willful or negligent false certification or failure to certify significant changes 	<ul style="list-style-type: none"> • Student withdrew after the first day of the term • Student reduced hours either before or during the term • Student attended at least one day of any of the certified classes • School reports a reduction in tuition, fees, and/or Yellow Ribbon amount due to student action • Student drops a course and adds a course which results in a reduction in tuition, fees, and/or Yellow Ribbon amount, even if there is no net change in training time
<p>Veterans are also responsible for all housing and book stipend overpayments</p>	

Source: GAO analysis of VA guidance. | GAO-16-42

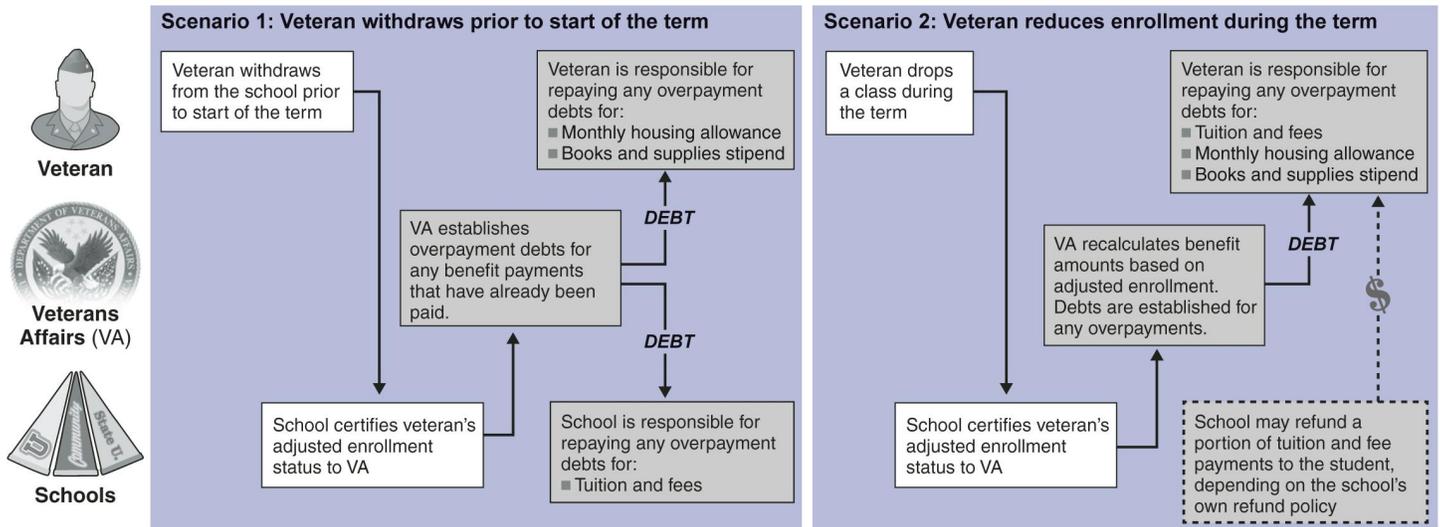
Note A: 38 C.F.R. § 21.9635(a).

Note B: The Yellow Ribbon G.I. Education Enhancement (Yellow Ribbon) Program provides veterans attending participating private schools or public schools as out-of-state students with additional benefits to cover costs that exceed their Post-9/11 GI Bill benefit. Through this program, schools enter into voluntary agreements with VA to pay a portion of the tuition and fees that exceed an individual's Post-9/11 GI Bill benefit and VA matches the school's contribution. 38 U.S.C. § 3317.

VA determines the type and amount of any overpayments based on the enrollment and tuition information submitted by schools or after identifying and correcting any school reporting or internal processing errors. When an overpayment is caused by an enrollment change, VA establishes an overpayment debt for the veteran, the school, or both depending on the circumstances (see fig. 2).

¹⁴ 38 C.F.R. § 21.9695(b)(1)(ii).

Figure 2: Examples of Post-9/11 GI Bill Overpayment Scenarios



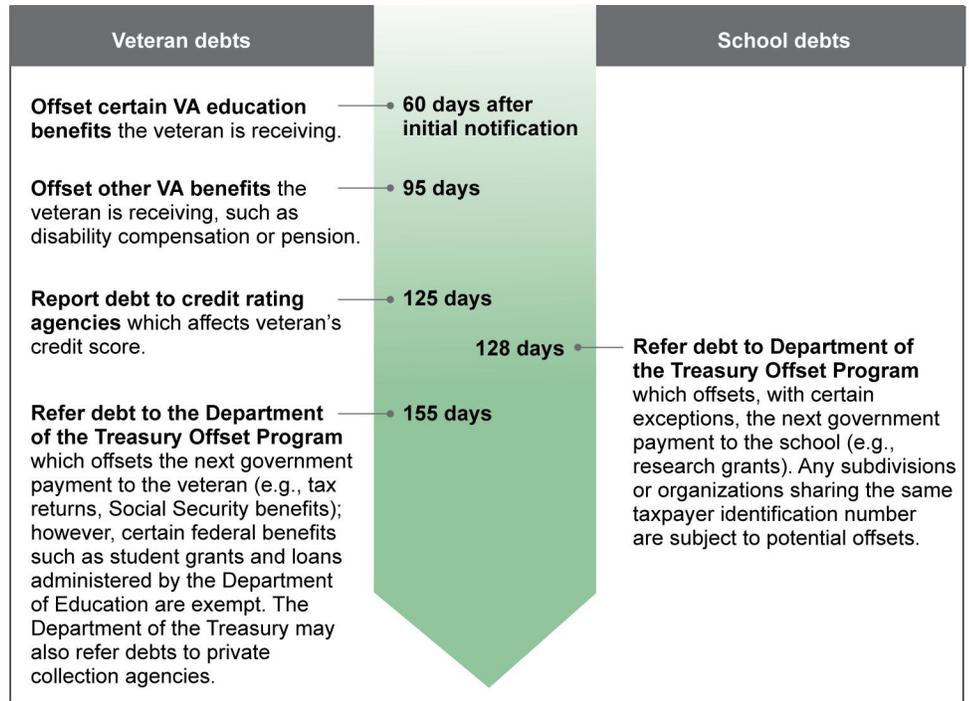
Source: GAO analysis of VA documents; GAO (images). | GAO-16-42

VA Collection Process

Overpayment debts are forwarded to VA's centralized collection office, the Debt Management Center, for collection. Once schools or veterans receive a collection letter from the Debt Management Center, they can arrange to repay the debt in full, set up a payment plan, dispute the existence or amount of the debt, or request a waiver of the debt due to financial hardship or special circumstances.¹⁵ If schools or veterans do not initiate one of these options to address the debt, VA begins pursuing more aggressive collection methods. These can include offsetting—that is, reducing or withholding—future Post-9/11 GI Bill payments or tax returns and reporting debts to credit rating agencies, as illustrated in figure 3. Since veterans are liable for most overpayments, VA collects debts from hundreds of thousands of individual veterans.

¹⁵ 38 U.S.C. § 5302(a) and 38 C.F.R. § 1.963. The standard for granting a waiver is that recovery would be "against equity and good conscience." VA officials also noted that only veterans have the option of requesting a waiver; schools may not do so. Veterans also have the option of submitting a compromise offer (of a lesser amount) to settle a debt, but officials from VA's Debt Management Center said they have not accepted any compromise offers for Post-9/11 GI Bill debts.

Figure 3: Timeline for VA Collection Actions When Overpayment Debts Are Not Otherwise Repaid



Source: GAO analysis of VA documents. | GAO-16-42

Notes: This timeline can vary based on how long it takes for debts to be transferred from the regional processing offices to the Debt Management Center for collection. For this figure we included 5 days for the transfer process, which VA officials said can take between 2 to 10 days.

Post-9/11 GI Bill tuition and fee payments to schools are exempt from offsets. Offsets to VA compensation and pension benefits do not follow a standard timeline, since they are identified through a monthly data match, but would not begin until 95 days after a veteran's initial notification.

Comparison with Department of Education Processes

We have previously compared VA's processes to those of the Department of Education.¹⁶ The Department of Education uses a different structure than VA for processing and collecting federal student aid overpayments. In contrast to VA, Education generally works directly with schools to return overpayments of federal student aid funds, focusing its collection efforts on a few thousand schools rather than working directly

¹⁶ GAO, *Veterans' Education Benefits: Enhanced Guidance and Collaboration Could Improve Administration of the Post-9/11 GI Bill Program*, [GAO-11-356R](#) (Washington, D.C.: May 5, 2011).

with hundreds of thousands of students. The Department of Education payment systems also allow schools to reconcile any enrollment changes before the term by adjusting the school's aggregate receipt of federal student aid funds, rather than issuing individual debts and new payments to the school. In contrast, VA processes each tuition payment and collection separately.

In reaction to our prior work comparing VA's processes with the Department of Education's, VA officials raised concerns about adopting similar practices to the Department of Education. For example, according to VA officials if VA started collecting all tuition overpayments from schools, schools would still be able to bill veterans for overpayment debts and potentially would not allow veterans to reenroll for class until these debts were repaid. In addition, veterans would have to repay any overpayment debts to their school out-of-pocket, rather than through offsets to their Post-9/11 GI Bill housing payments.

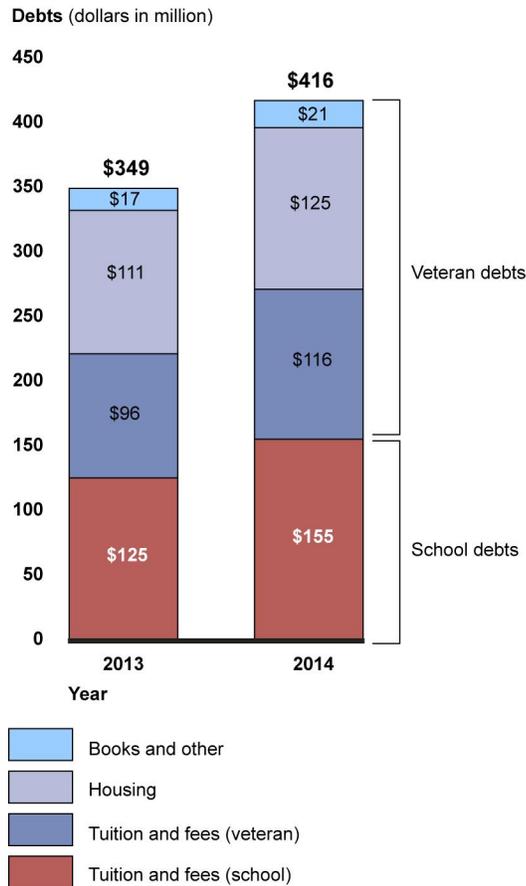
**VA Identified Over
\$400 Million in
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Overpayments in
Fiscal Year 2014 and
Does Not Effectively
Monitor These Debts**

**One in Four Beneficiaries
and 6,000 Schools
Incurred Overpayments in
Fiscal Year 2014, Caused
Primarily by Veteran
Enrollment Changes after
VA's Initial Payments**

VA made \$416 million in Post-9/11 GI Bill overpayments in fiscal year 2014, or 4 percent of the over \$10 billion in benefits paid during that period. The bulk of these overpayments went to veterans instead of schools, as shown in figure 4.¹⁷ Overpayments increased by nearly 20 percent from fiscal year 2013 to 2014, the only 2 years for which data were available, while total program payments increased by just 6 percent.

¹⁷ Schools can only receive tuition and fee overpayments, while veterans can receive overpayments for tuition, housing, and books.

Figure 4: Amount and Type of Post-9/11 GI Bill Overpayments to Veterans and Schools, Fiscal Years 2013 and 2014



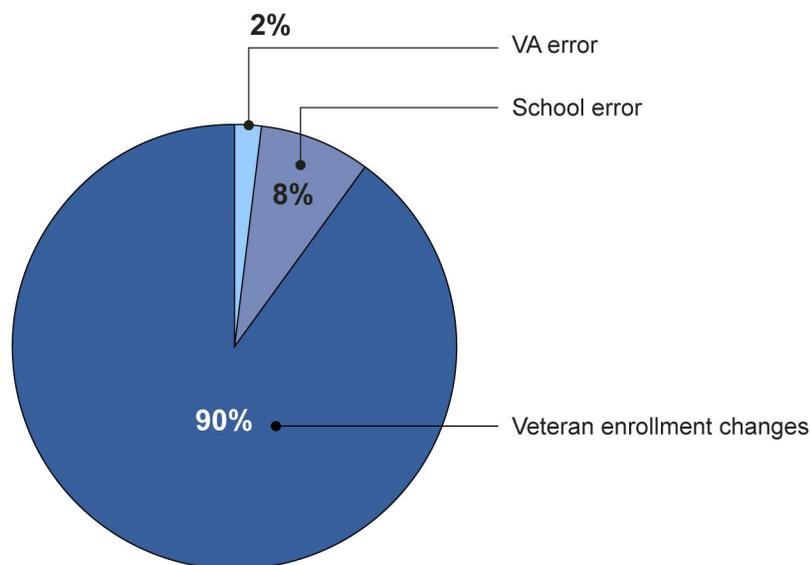
Source: GAO analysis of VA payment data. | GAO-16-42

Note: Individual amounts for 2014 do not sum to \$416 million due to rounding. The "other" benefits category includes fees for student licensing or certification tests and national tests (e.g. SAT, GRE, LSAT).

Most overpayments are caused by veteran enrollment changes, over which VA has limited control. In these cases, VA's original payments were correct based on the veteran's planned enrollment, but some or all of the original payment became an overpayment when the veteran subsequently dropped a class or withdrew from school. VA estimated that veteran enrollment changes caused 90 percent of high-dollar Post-9/11

GI Bill overpayments (see fig. 5).¹⁸ The remaining high-dollar overpayments were caused by school reporting errors (e.g., submitting incorrect enrollment or tuition information) and VA processing errors (e.g., duplicate payments or data entry errors).¹⁹

Figure 5: Causes of Post-9/11 GI Bill High-Dollar Overpayments, Fiscal Years 2013 and 2014



Source: GAO analysis of VA's Quarterly High-Dollar Overpayment Reports. | GAO-16-42

Note: VA's estimates are based on a sample with a 95 percent confidence level and a ± 5 percent confidence interval.

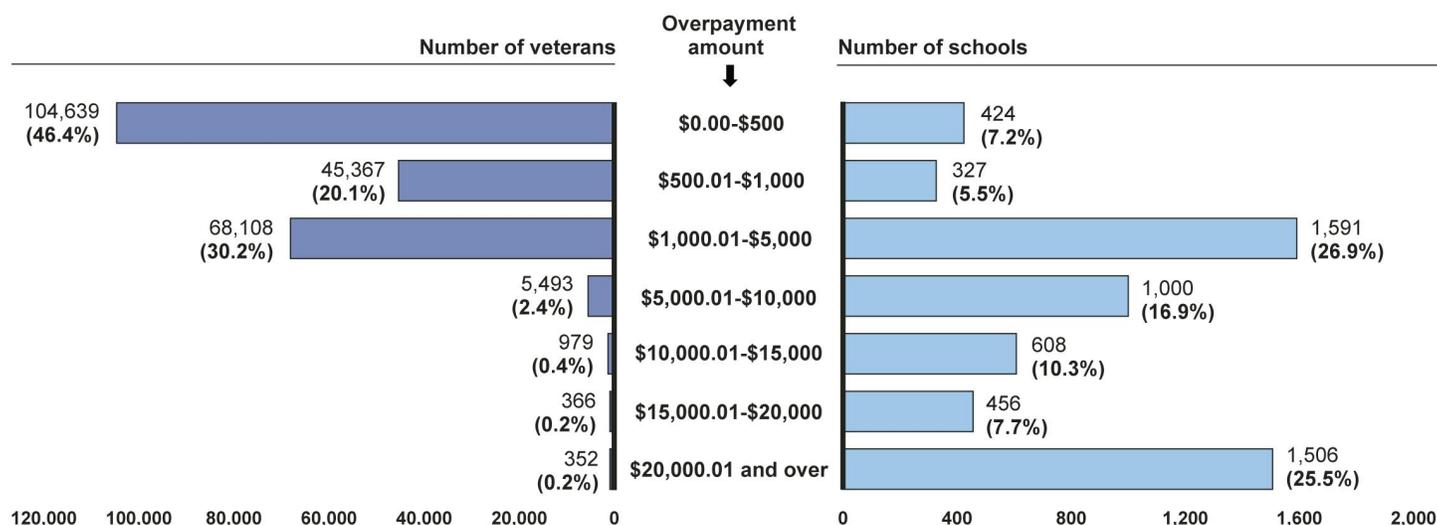
Approximately 1 out of 4 beneficiaries incurred an overpayment in fiscal year 2014—more than 225,000 veterans. The median amount that

¹⁸ VA is required to produce quarterly reports on high-dollar overpayments. Exec. Order No. 13,520, § 3(f), 74 Fed. Reg. 62,201, 62,203 (Nov. 20, 2009). For fiscal years 2013 and 2014, VA reviewed a sample of overpayments each quarter that were over \$1,667.

¹⁹ Similarly, enrollment changes account for the vast majority of overpayment dollars. For example, we estimated that veteran enrollment changes account for around \$247 million of the \$280 million high-dollar overpayments VA made in fiscal year 2014. VA's estimate of 90 percent is based on a sample with a 95 percent confidence level and a ± 5 percent confidence interval. Our dollar estimates are based on a sample with 95 percent confidence intervals of \$226 million to \$267 million for student enrollment changes and \$259 million to \$301 million for the total.

veterans had to repay was about \$570, which could correspond to dropping a single class during the term and can be a sizable debt for a college student with limited income. Some veterans incurred much larger overpayments. For example, over 7,000 veterans had overpayments of more than \$5,000, which can occur when a veteran completely withdraws from school or receives several months of housing overpayments (see fig. 6).

Figure 6: Distribution of Post-9/11 GI Bill Overpayment Debt Amounts, Fiscal Year 2014



Source: GAO analysis of VA payment data. | GAO-16-42

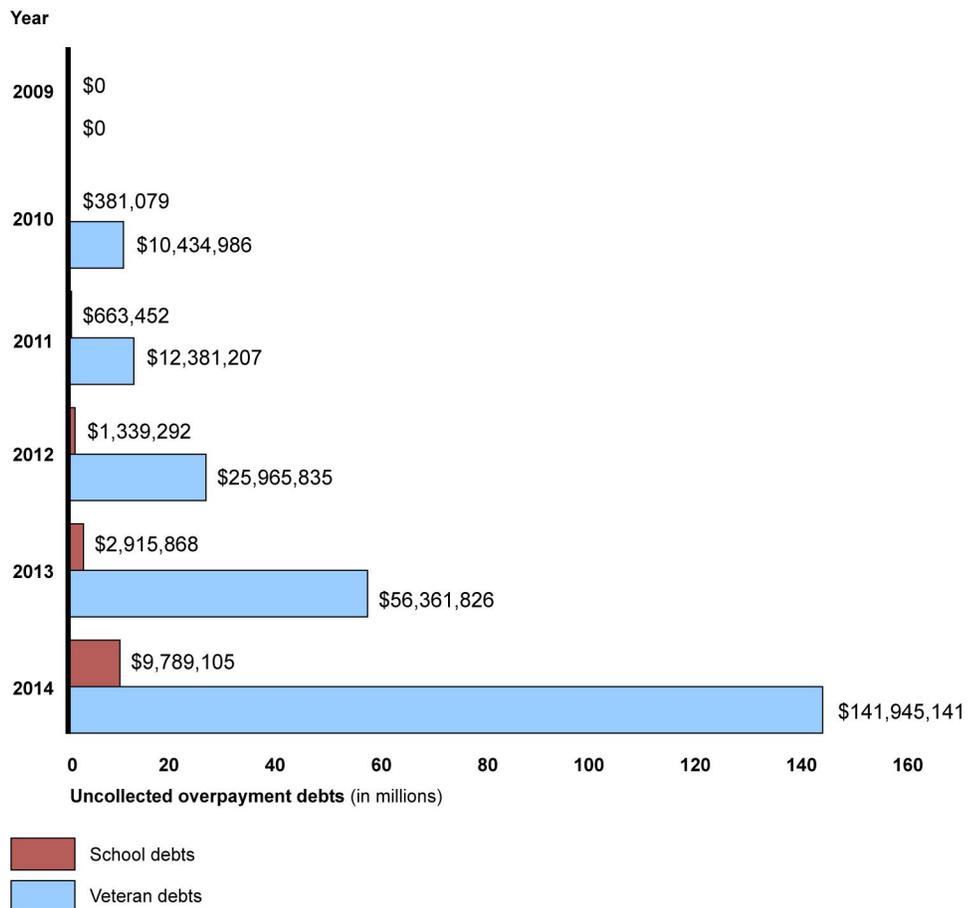
Almost 6,000 schools incurred overpayments in fiscal year 2014, often for multiple veterans, with a total median debt of \$7,800 per school. School overpayments arise when veterans never attended classes or withdrew from school on or before the start date, although they can also be caused by VA and school error in certain cases. About 5 percent of schools accounted for almost half of all school overpayments.²⁰

²⁰ Overpayments were distributed among the different types of schools that enroll veterans. In fiscal year 2014, for-profit schools received \$70 million in overpayments (94 percent of which had been repaid to VA by November 2014), public schools had received \$44 million (95 percent of which had been repaid by November 2014), and nonprofit schools had received \$32 million (96 percent of which had been repaid by November 2014).

VA Has \$152 Million in Uncollected Overpayment Debt from Fiscal Year 2014 and an Additional \$110 Million from Prior Years, Primarily Owed by Veterans

VA had \$262 million in outstanding Post-9/11 GI Bill overpayment debts, as of November 2014, primarily owed by veterans. More than half of these uncollected debts are from overpayments that occurred in fiscal year 2014, some of which were still in the initial stages of collection and likely have been repaid since VA provided these data. VA has had more time to collect debts from prior years. However, \$110 million in uncollected debts are older than 1 year, some of which date back to 2010 (see fig. 7).

Figure 7: Uncollected Post-9/11 GI Bill Overpayment Debts by Year of Origin, as of November 2014



Source: GAO analysis of VA payment and collection data. | GAO-16-42

Veterans are responsible for the vast majority of uncollected overpayment debts since VA has less success collecting debts from veterans than from schools. Of the total amount outstanding, more than 90 percent was owed by veterans rather than owed by schools. Schools had already repaid almost all of the overpayment debts they incurred in fiscal years 2013 and 2014, while veterans had so far repaid 75 percent of overpayments from fiscal year 2013 and 46 percent from 2014.²¹ School overpayments are generally collected through direct payments (e.g., check, credit card, electronic funds transfer), while veteran overpayments are collected through several methods, most commonly by deducting the debt amounts from subsequent GI Bill or other VA payments. VA also collected from veterans through direct payments, offsetting other federal payments such as federal tax returns, and private debt collection agencies.²²

²¹ These collection rates also reflect the flexibility that VA offers to veterans to enter into repayment plans for their overpayment debts, which can generally last up to a year.

²² In fiscal year 2014, VA collected 61 percent of veteran overpayments by deducting the debts from subsequent GI Bill or other VA payments, 23 percent from direct payments, 12 percent from offsetting other federal payments, and 5 percent from private debt collection agencies. Percentages do not sum to 100 due to rounding.

VA Does Not Monitor the Full Extent of Overpayments and Collections, Which Hinders Its Ability to Manage the Post-9/11 GI Bill Program

VA does not monitor the full extent of Post-9/11 GI Bill overpayments and collections. For example, VA does not regularly track the number of overpayments or the amount of uncollected student debts.²³ Although VA was able to provide this information in response to our data request, it is not something the agency actively monitors on a regular basis. VA has instead focused its current monitoring efforts on one subset of overpayments, those that are considered “improper.” As it is legally required to do, VA reports an estimated improper payment rate for different benefit programs.²⁴ While these rates are a useful government-wide accountability measure, they do not capture the vast majority of Post-9/11 GI Bill overpayments that occur due to subsequent enrollment changes.²⁵ The approximately 90 percent of overpayments resulting from veteran enrollment changes are not categorized as improper since the payments are correct when issued and only become overpayments at a later date after the veteran makes an enrollment change. As a result, VA’s estimated improper payment rate for the Post-9/11 GI Bill provides little insight into the over \$400 million in overpayments the agency made in fiscal year 2014. As for collections, the only specific data on the Post-9/11 GI Bill that the Debt Management Center actively monitors is for school debts, which only account for about a third of program

²³ VA’s payment and collections data systems are continuously updated and reconciled as overpayments occur and are collected; however, VA management does not actively monitor this information.

²⁴ The Improper Payments Information Act of 2002 requires executive agencies to determine whether any of their programs are susceptible to significant improper payment and annually report estimates of improper payments for any such programs. Pub. L. No. 107-300, § 2(d)(2), 116 Stat. 2350, 2350-51 (codified as amended at 31 U.S.C. § 3321 note). The act defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. This includes, for example, any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, and any payment for a good or service not received (except for such payments where authorized by law).

²⁵ While VA collects some information on overpayments caused by enrollment changes for its Quarterly High-Dollar Overpayment Reports, these reports are primarily focused on improper payments.

overpayments.²⁶ VA officials do not regularly monitor collection rates for student overpayments, which represent the majority of uncollected debts.

VA's limited monitoring of overpayments and collections makes it difficult to effectively manage the Post-9/11 GI Bill program. OMB Circular A-129 instructs all federal agencies to use comprehensive reports on the status of overpayments and other receivables to monitor their effectiveness and enable data-driven decision making.²⁷ VA's limited monitoring efforts fall short of this standard. VA's ability to monitor historical trends in overpayments and collections is in some ways constrained by the limitations of its data systems. Specifically, debts are removed from VA's main payment and collection database and archived 2 years after repayment. While this limits the availability of summary information for analyzing prior historical trends and performance, VA could replicate the analysis we conducted for this study by periodically calculating key measures from the available data records. One area where VA has made some strides is by monitoring school debts on a monthly basis. However, as evidenced by its significantly limited monitoring activity, VA has not prioritized the need to actively monitor veteran overpayments and collections for the Post 9/11 GI Bill program, although VA officials acknowledged that additional monitoring would help improve program management. By not actively monitoring available data on overpayments and collections, VA cannot assess its efforts to reduce overpayments nor can it gauge the effectiveness of its collection efforts. This also limits VA's ability to proactively manage the program to address overpayment or collection issues, for example, by identifying trends and targeting outreach to the small number of schools that account for the majority of overpayment dollars.

²⁶ The Debt Management Center's annual report also provides aggregate information on total collections for multiple VA benefit programs, but not program-specific information, although the types of debts and populations served by each program are significantly different (e.g., students using the Post-9/11 GI Bill vs. homebuyers using the Home Loan program).

²⁷ Exec. Office of the President, OMB Circular A-129, § IV.A.2 (Jan. 2013).

Inadequate Guidance, Controls, and Training Have Limited VA's Effectiveness in Reducing Overpayments from Enrollment Changes and School Errors

VA Lacks Adequate Guidance and Controls That Could Reduce Overpayments from Enrollment Changes

Despite enrollment changes being responsible for most overpayments, VA provides limited guidance to veterans about the possible consequences of enrollment changes. Staff from VA's Debt Management Center and its Education Call Center, as well as staff who conduct school compliance surveys, said that many veterans who incur overpayments as a result of enrollment changes may not realize that they are doing so. VA informs veterans about their potential liability for overpayment debts resulting from enrollment changes in the letter it sends veterans when they become eligible for benefits. VA also posts responses to some overpayment-related questions on the Post-9/11 GI Bill website. However, VA does not explain—either in the benefits letter, on the Post-9/11 GI Bill website, or in other places veterans are likely to seek program information—how to avoid creating debts once enrolled in school. The letter veterans receive simply tells them that they are responsible for all debts resulting from reductions or terminations of their enrollment. It does not explain, for example, the difference between VA overpayments and school refund policies or that failure to promptly notify VA of enrollment changes can increase the incidence and amount of housing overpayments. In addition, VA does not disclose its formula for calculating overpayments in any of the guidance it provides to veterans or schools, which makes it difficult for veterans—and school certifying officials who advise them—to accurately estimate the potential tuition overpayments veterans might incur for dropping a class. In contrast, VA requires schools

to include information about school refund policies for unused tuition and fee payments in information available to all veterans.²⁸

As a result, officials at two of the schools we interviewed said that the majority of overpayment issues arise among new student veterans who are not aware of the consequences of enrollment changes until after they have already incurred their first overpayment debt. In other cases, veterans are confused about when overpayments are created. For example, staff from VA's Debt Management Center explained that some veterans incorrectly think they will not incur a debt if they drop a class before their school's deadline to add or drop classes.²⁹ Moreover, our review of complaints veterans have made to VA also demonstrates some veterans' confusion about how the Post-9/11 GI Bill works.³⁰ For example, one veteran was shocked to learn he had incurred a debt of over \$5,000 stemming from his enrollment changes. According to federal internal control standards, all agencies should ensure they are using adequate means of communicating with external stakeholders who may have a significant impact on the agency achieving its goals.³¹ If VA does not enhance its guidance to veterans about its overpayments policies, veterans may continue to incur debts that could be avoided.

VA has an optional process for schools to report veteran enrollments that can help prevent overpayments due to enrollment changes, but only a small proportion of schools currently use it. Typically, a school certifying official sends a veteran's enrollment information (e.g., tuition, fees, term dates) to VA soon after a veteran enrolls in an upcoming term. Once VA processes the claim and makes tuition and fee payments to the school, any subsequent enrollment changes can create overpayments. As an alternative, VA gives schools the option of using a two-stage process,

²⁸ 38 C.F.R. § 21.4254(b)(9). This requirement generally affects schools that are not already subject to the Department of Education's requirement to disclose their institutional refund policies. 34 C.F.R. § 668.43(a)(2).

²⁹ VA calculates tuition and housing overpayments by prorating the student's attendance based on the portion of the class attended, rounded up to the end of that month the student dropped the class.

³⁰ VA launched its GI Bill Feedback System in January 2014 to accept complaints about schools from veterans using the GI Bill.

³¹ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1, 1999).

called dual-certification. Schools can initially precertify a veteran's enrollment for \$0 for tuition and fees before the term begins, which allows VA to start paying housing benefits without delay. The school can then recertify the enrollment with the actual tuition and fees amount at a later date—e.g., after the period to add or drop classes ends when many enrollment changes have already occurred. Since VA does not send tuition payments until the school certifies an actual tuition and fee amount, dual-certification can help prevent tuition overpayments that occur when a veteran drops a class at the beginning of the term.

Despite the potential benefits, dual-certification has not been widely adopted, in part because VA's guidance to schools does not explain the benefits of using this process. According to a 2013 survey by the National Association of College and University Business Officers, 30 percent of the 239 schools responding to the survey reported that they used dual-certification.³² Only one of the nine schools we interviewed uses this approach, and an official at this school said that switching to the dual-certification process was responsible for reducing the school's overpayment amount from \$500,000 to \$50,000 each semester. In contrast, six of the schools we interviewed send tuition and fee information to VA by the start of the term.³³ An official at one of these schools does not like to use dual-certification because it requires submitting enrollment information to VA twice. A VA official further explained that many schools want to be paid up front, so they submit the course enrollment and expected tuition and fees before the term. Recognizing that dual-certification may not work well for some schools, given the additional work involved and delay in receiving tuition payments, VA does not require this approach. Nevertheless, this can be a useful option for some schools and VA's guidance to schools does not explain how dual certification can prevent overpayments. Internal control standards stipulate that adequate communication with external parties through guidance and other methods is essential for achieving agency goals.³⁴ By not providing guidance to schools about the benefits of using

³² National Association of College and University Business Officers, *Student Financial Services Policies and Procedures* (Washington, D.C.: March 2015).

³³ The other two schools waited to submit any enrollment information to VA until about 1 week after their terms begin, which avoids some overpayments from enrollment changes but may delay housing payments to veterans.

³⁴ [GAO/AIMD-00-21.3.1](#).

dual-certification, VA is missing an opportunity to reduce a potentially large number of overpayments as well as the burden placed on veterans and schools to repay those debts.

Finally, unlike most other GI Bill programs, VA has not required veterans in traditional degree and certificate programs using the Post-9/11 GI Bill to regularly verify their enrollment throughout the school term, which exacerbates the incidence and amount of housing benefit overpayments due to delayed reporting of enrollment changes.³⁵ When veterans reduce their enrollment, they continue to receive housing benefit overpayments each month until VA is notified of the change.³⁶ Even though VA's guidance to veterans instructs them to promptly notify their school certifying official and VA of any enrollment changes, they do not always do so. In one case file we reviewed, the veteran withdrew from school one day before the term began in mid-August, but the enrollment change was not reported to VA until late October. As a result, this veteran received an extra 2 months of housing benefits after withdrawing, which created an overpayment of over \$3,000. In another case file review, a veteran's enrollment changes were reported to VA 3 months after they happened. As a result the veteran incurred a housing overpayment of \$2,200. These housing overpayments would have been avoided if veterans using the Post-9/11 GI Bill were required to verify their monthly enrollment.

VA officials said they would like to require veterans using the Post-9/11 GI Bill to verify their monthly enrollment but would need to develop a new verification process.³⁷ One option VA has considered is developing a new online system, but VA officials said the agency has not yet developed the

³⁵ Students who receive education benefits through VA for traditional degree and certificate programs (such as those under the Montgomery GI Bill–Active Duty, Montgomery GI Bill–Selected Reserve, and the Reserve Educational Assistance Program), as well as for on-the-job-training, apprenticeships, or correspondence training programs are generally required to verify their enrollment monthly. 38 C.F.R. §§ 21.4203 and 21.4204.

³⁶ While delays in reporting enrollment changes can create larger housing overpayments, they do not affect the amount of tuition overpayments. This is because tuition is a one-time charge paid up front and the amount of the overpayment is based on the date the veteran dropped the class, rather than when the enrollment change was reported.

³⁷ VA officials said the current enrollment verification system used for other GI Bill programs is not compatible with the Post-9/11 GI Bill's data systems.

system due to budgetary constraints. A VA contractor estimated in 2013 that it would cost approximately \$10 million to implement an online verification system, although VA officials were unsure if this estimate is still accurate. Such an investment would provide substantial long-term savings for VA in comparison with the current system by reducing housing overpayments and also help VA comply with federal requirements to establish practices that ensure funds are safeguarded against waste or loss.³⁸ For example, VA made almost \$111 million in housing overpayments in fiscal year 2013, almost \$29 million of which was still uncollected as of November 2014. Although requiring veterans to verify their enrollment would not eliminate all of these overpayments, if the contractor's prior cost estimates are still correct, the new system could still pay for itself in 1 year if it reduced uncollected housing overpayments by just one-third. The potential savings from an enrollment verification system would likely increase in future years as the size of the Post-9/11 GI Bill program continues to grow, creating a long term benefit for VA and taxpayers. Federal internal control standards state that agencies need effective policies and procedures to help achieve results and ensure stewardship of government resources.³⁹

School Officials with Inadequate Training Contribute to Reporting Errors

Schools cause overpayments when they make processing errors, such as reporting the wrong enrollment dates or billing VA for non-allowable fees. VA estimated that these errors account for 8 percent of high-dollar overpayment cases in fiscal years 2013 and 2014, while we estimated that they account for around \$28 million of the \$280 million in high-dollar overpayments VA made in fiscal year 2014.⁴⁰ School errors also accounted for over half of the overpayment findings in VA's initial analysis of compliance surveys conducted in fiscal years 2014 and 2015. Similarly, we identified a variety of school errors that resulted in overpayments

³⁸ 31 U.S.C. § 3512(c) and [GAO/AIMD-00-21.3.1](#).

³⁹ [GAO/AIMD-00-21.3.1](#).

⁴⁰ School officials also make data entry errors. In addition, VA's high-dollar overpayment reports also classify as school errors any overpayments resulting from changes schools report to correct tuition and fee information. For example, schools may need to revise the tuition amount after a student receives a scholarship or adjust certain fees, such as health insurance premiums. VA's estimate of 8 percent is based on a sample with a 95 percent confidence level and a ± 5 percent confidence interval. Our dollar estimates are based on a sample with 95 percent confidence intervals of \$19 million to \$36 million for school errors and \$259 million to \$301 million for the total.

among the 24 compliance surveys we reviewed. For example, in one compliance survey, the school certifying official did not know how to correctly report the last day of the school term, resulting in overpayments of \$7,000, \$4,000, and \$3,500 for three different students. School officials can also create overpayments when they are unfamiliar with what types of school fees VA allows under the Post-9/11 GI Bill program. For example, in one school compliance survey we reviewed, a school certifying official billed VA \$200 for non-allowable book fees for multiple students. At another school, the school certifying official billed VA for a variety of unallowable fees, all of which resulted in overpayments. VA compliance survey specialists used these reviews to educate school officials on VA payment policies and sometimes recommended that the school certifying officials obtain additional training.

School officials without adequate training were commonly cited as a source of school errors in our interviews with staff from VA's Regional Processing Office and Debt Management Center. Regional processing office staff described some common errors made by school certifying officials. For example, some school officials do not adjust the tuition or fee amount when reporting an enrollment change; they submit conflicting information in the comments field; and they sometimes report the wrong withdrawal date (e.g., using the date the form was submitted, rather than when the enrollment change occurred). VA Debt Management Center staff stated that school certifying officials often have trouble reporting enrollment changes correctly and could benefit from additional training on Post-9/11 GI Bill policies. For example, school certifying officials sometimes do not understand that veterans will incur an overpayment for dropping classes after the term has begun and are often confused by VA's definition of school terms. Compliance survey officials noted that there is a high level of turnover among school certifying officials, and that staff who are new to the job face a steep learning curve. Additionally, a 2014 VA Inspector General report identified multiple school reporting errors and noted that if school certifying officials completed VA's recommended training, it could improve the timeliness and accuracy of their submitted claims.⁴¹

⁴¹ Department of Veterans Affairs, Office of Inspector General, *Audit of Post-9/11 G.I. Bill Monthly Housing Allowance and Book Stipend Payments*, 13-01452-214 (Washington, D.C.: July 11, 2014).

VA offers a variety of training opportunities for school officials, but VA officials said the agency lacks the authority to require that school certifying officials complete any of its training about how to correctly process enrollment information, despite the fact that the Post-9/11 GI Bill program is complex for schools to administer and that schools caused an estimated \$28 million in high-dollar overpayments in fiscal year 2014. In addition to publishing a handbook for school certifying officials, VA offers a 40-hour, self-paced, online course to provide a comprehensive overview of schools' responsibilities and GI Bill payment processes.⁴² Prior GAO and VA Inspector General reports have recommended that VA do more to encourage school certifying officials to take advantage of VA training opportunities. While VA has taken some steps to address these recommendations and officials said they have conducted outreach through conferences and workshops, the number of school officials completing VA's online training remains low.⁴³ In 2014, only 29 percent of school certifying officials (666 of 2,259) who accessed this training completed it; the same percentage have completed the training so far in 2015 (358 of 1,218 as of June 2015). According to VA officials, VA lacks direct legal authority to require school certifying officials to complete a minimum level of training on how to implement the program, although they indicated that they would like the ability to do so. However, school officials have essential duties in processing Post-9/11 GI Bill payments and need to possess and maintain a level of competence to do their job, which includes receiving training. This would be consistent with federal internal control standards.⁴⁴ In the absence of minimum level training requirements for school officials, VA lacks reasonable assurance that

⁴² VA also hosts quarterly webinars to provide updates and answer questions, participates in education conferences sponsored by other organizations, and school officials can request advice via VA's school official hotline or their VA education liaisons. Additionally, compliance survey officials can provide some targeted training during compliance reviews.

⁴³ In 2011, for example, VA implemented our recommendation to raise awareness of training opportunities for school certifying officials by creating a central website for information about online training and conferences. See GAO, *VA Education Benefits: Actions Taken, but Outreach and Oversight Could Be Improved*, [GAO-11-256](#) (Washington, D.C.: Feb. 28, 2011). More recently in 2014, the VA Inspector General recommended that the agency reinforce the need for school certifying officials to complete the agency's training, which VA has since implemented by sending school certifying officials an email to remind them of available online training and highlighting training resources for school certifying officials during an August 2014 webinar. See Department of Veterans Affairs, 13-01452-214.

⁴⁴ [GAO/AIMD-00-21.3.1](#)

staff with key responsibilities in the payment process know how to avoid creating overpayments.

VA Uses Quality Controls to Address Internal Processing Errors

VA causes overpayments when it issues a duplicate payment or makes data entry errors regarding tuition or fee amounts, training time, and other key enrollment data. VA estimated that these errors caused 2 percent of the high-dollar overpayment cases in fiscal years 2013 and 2014 and we estimated that they account for around \$6 million of the \$280 million in high-dollar overpayments VA made in fiscal year 2014.⁴⁵ In one of the case files we reviewed, a veteran had to repay \$7,200 in tuition debt because VA erroneously calculated a larger benefit than he was eligible for based on his years of service. In another case, VA sent a tuition payment to the wrong school, which the school then had to repay. In the case of a veteran housing overpayment we reviewed, VA accidentally processed a veteran's enrollment certification twice, so that it looked like he was enrolled for more classes than he actually was. As a result of this error, VA provided housing payments to the veteran, although he should have been ineligible because he was enrolled less than half-time.⁴⁶ The veteran ended up with a \$3,000 overpayment when the error was detected.

VA has taken steps to address processing errors through technology improvements, quality assurance reviews, and training. For example, agency investments in technology improvements have allowed a proportion of claims to be processed automatically, reducing the possibility of human error, according to VA officials. In fiscal year 2014, VA automatically processed 51 percent of Post-9/11 GI Bill claims. VA also monitors overall payment accuracy at the four regional offices. A quality assurance team reviews a sample of 25 Post-9/11 GI Bill payments from each regional office every quarter. VA officials said any common errors identified during these reviews are addressed through additional training or guidance. In addition, officials from the regional office we visited said that each month they review five claims processed by each employee to monitor payment accuracy. VA also ensures that

⁴⁵ VA's estimate of 2 percent is based on a sample with a 95 percent confidence level and a ± 5 percent confidence interval. Our dollar estimates are based on a sample with 95 percent confidence intervals of \$3 million to \$10 million for VA errors and \$259 million to \$301 million for the total.

⁴⁶ 38 U.S.C. § 3313(c)(1)(B)(i).

claims processors stay up-to-date on program policies by requiring 24 hours of refresher training each year.

VA's Notification Methods and Overpayment Calculations Hamper Its Collection Efforts

VA's Notification Methods Can Leave Veterans and Schools Unaware of Their Overpayment Debts

VA relies on mailed letters to notify veterans and schools of overpayments, which can leave some veterans and schools unaware of their debts until VA begins collecting them. Once an overpayment debt is created, VA mails a sequence of letters to notify the responsible veteran or school of their debt. For veterans, these letters are generally sent to the addresses listed on their initial application for Post-9/11 GI Bill benefits, according to VA officials.⁴⁷ However, students are a highly transient population and Post-9/11 GI Bill benefits can be used over multiple years, so for many veterans the addresses VA relies on may no longer be accurate, according to VA and school officials.

When veterans do not receive notification letters for their debts, they may not know they have a debt, causing them to miss key deadlines. Specifically, VA will not suspend collection actions if a veteran requests a waiver or disputes the amount of a debt more than 30 days after the initial notification letter. Then, if VA begins collecting the debt by offsetting other benefits, such as monthly housing payments, veterans may be unprepared and unable to cover their expenses, potentially creating financial obstacles towards continuing their education, according to officials from veteran service organizations. Although VA does not keep data on undeliverable mail, VA call center staff said they frequently receive calls from veterans who were unaware of their overpayment debts

⁴⁷ VA officials said veterans generally have to contact VA's Education Call Center to update their address. Any address changes submitted to other VA programs are not uploaded into the veteran's Post-9/11 GI Bill records. Even address changes submitted through VA's eBenefits website are not always automatically uploaded into the Post-9/11 GI Bill system. For returned mail, officials from the Debt Management Center said they try to identify correct addresses through various address search providers. School addresses are continually updated in VA's school directory database.

until their federal tax returns were offset, which makes it difficult for these veterans to proactively plan and budget for how to cover their living expenses in light of impending collections. If veterans do not receive a notification letter, these deadlines will pass without the veterans' knowledge, leaving them with limited recourse to halt collection actions and potentially having negative effects on their credit rating.⁴⁸

For schools, VA mails the letters to the school's central address, leaving the school responsible for directing the letter to the appropriate administrator or office. However, some school administrators told us that these letters sometimes get lost in transit, putting schools at risk of having future federal grants offset for collection. These problems with mailed letters not only create complications for veterans and schools, but they also make it more difficult for VA to collect debts since veterans and schools are less likely to repay their debts in a timely manner if they are unaware that the debts exist.

VA is required to notify veterans and schools of any debts in writing.⁴⁹ According to federal internal control standards, all agencies should ensure they are using adequate means of communicating with external stakeholders.⁵⁰ To effectively communicate with veterans and schools, VA may also need to use other notification methods in addition to mailed letters. For example, administrators at six of the nine schools we interviewed expressed a preference for VA to use electronic rather than mailed correspondence.⁵¹ Students are also generally accustomed to electronic communication, as one school official noted, and could benefit from electronic communication, therefore alleviating potential issues with out-of-date mailing addresses. VA already has existing online portals that could be leveraged to inform veterans and schools about their overpayment debts. VA's eBenefits portal, for example, already provides

⁴⁸ 38 C.F.R. § 3.103. The mailed notification letters also include essential information on veterans' other due process rights, such as the opportunity to request an oral hearing or seek representation from a veteran service organization or attorney.

⁴⁹ 31 U.S.C. § 3711(e)(1)(C) and 38 C.F.R. § 1.911(b).

⁵⁰ [GAO/AIMD-00-21.3.1](#)

⁵¹ VA also sends schools a monthly summary of any outstanding overpayment debts. School administrators we spoke with said this summary is beneficial because it helps them better track their debts. However, a few school administrators said they would still prefer a means to obtain real-time information on their debts.

over 3 million veterans with access to personalized information about their VA benefits. VA officials said this system could be upgraded to provide veterans with online access to debt notification letters; however, the agency has not implemented this proposal due to other funding priorities.⁵² Officials at six of the nine schools we interviewed suggested email as another potential low cost option; however, VA would need a mechanism to ensure it is using up-to-date email addresses. By not pursuing alternative mechanisms to supplement mailed letters, significant numbers of veterans and schools may remain unaware of their overpayment debts and unprepared for the financial consequences, which could also complicate and prolong VA's collection efforts.

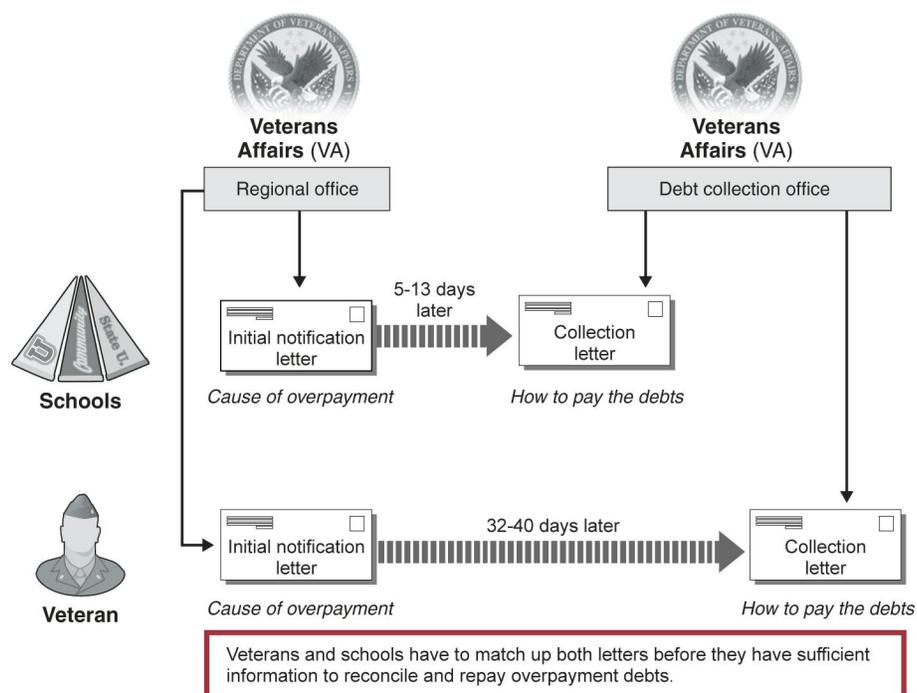
VA's debt notification letters also provide essential information in two separate letters, making it difficult for veterans and schools to reconcile and repay overpayment debts. VA is required to provide debtors with information on the amount of the debt, the reason for the debt, their right to dispute the debt or request a waiver, and how to repay it.⁵³ However, VA conveys this information in two separate letters, neither of which contains all the information a veteran or school needs to understand the overpayment and how to repay it (see fig. 8). For example, VA's regional offices mail veterans an initial notification letter which includes information on the amount and cause of their overpayment debt. However, it is not until more than 30 days later that VA's debt collection office mails the veteran a second letter with information on how to repay the debt, according to VA officials. Since each of these letters only provides veterans with half of the information they need, they can create confusion. Specifically, VA debt collection staff said they frequently receive questions from veterans who are confused because information on the cause of overpayments and the collection process is conveyed in separate letters. For example, officials from the debt collection call center said one of the most common questions they receive from veterans is to ask why their debt was established, since this information is not included in the second letter veterans receive from the debt collection office. This delay in receiving all of the information associated with their debt could

⁵² As for schools, VA officials said that its Stakeholder Enterprise Portal, which is currently designed as a tool for veteran service organizations, could potentially be expanded for use as a portal for communications with schools. The agency does not currently have any plans to implement this upgrade.

⁵³ 38 C.F.R. § 1.911(b) and (c).

also delay the collection process since veterans may be less likely to repay their debts until they understand both the cause of overpayments and have the information they need on how to repay them. VA similarly mails this information to schools in two separate letters, and school officials told us this creates some confusion since they must wait to repay any overpayment debts until they can match up both letters from VA, which can also delay collections. One school administrator told us that it can be particularly difficult to keep track of the two separate letters at larger schools that enroll thousands of veterans, so they had to hire two new staff to deal with the administrative burden of researching overpayment debts.

Figure 8: Process for Notifying Veterans and Schools of Overpayment Debts



Source: GAO analysis of VA guidance and agency interviews; GAO (images). | GAO-16-42

VA officials said the initial notification letters are sent separately from the debt collection letters to promptly notify veterans about their debts and to allow veterans time to dispute them. Although this may justify sending two separate letters, it would still help avoid confusion for veterans and schools if the later debt collection letters included information on both the cause of the overpayment and repayment options. The collection letters

mailed by VA's debt collection office do not include details on the cause of debts because VA's regional offices do not currently share this information when referring debts for collection. Officials from VA's debt collection office told us they would like to include some basic information on the cause of debts in their letters, such as the term dates associated with a veteran withdrawal. However, VA officials responsible for administering the Post-9/11 GI Bill said the cause of the overpayments is already clearly communicated in the initial notification letters. Nevertheless, this should not preclude the regional processing offices from sharing basic information on the causes of overpayments so it could be included in subsequent letters along with information on how to repay debts. Given VA's regulatory requirement to provide students and schools with information on both the cause of their debts and how to repay them, VA could improve its efforts to convey this information. This would also be consistent with federal internal control standards for information sharing. The current lack of information sharing between offices limits VA's ability to communicate both the overpayment cause and repayment options in at least one of the letters VA sends to veterans and schools. This process can lead to confusion and cause delays in veterans and schools repaying their debts in a timely manner.

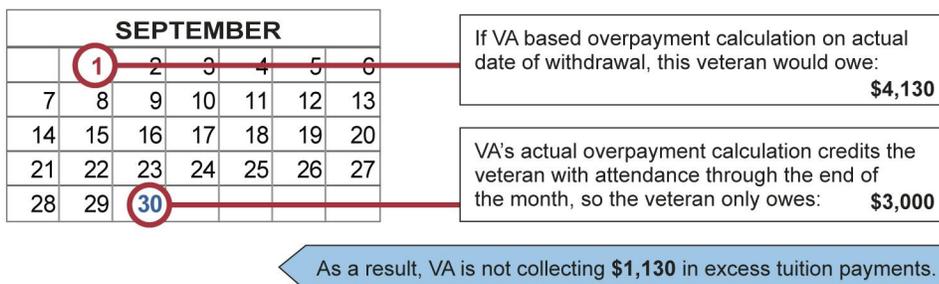
VA's Formula for Prorating Tuition Overpayments Reduces Total Collections

VA's formula for prorating overpayments gives veterans credit for extra days of attendance after they drop a class, thereby reducing the amount subject to collection. When a Post-9/11 GI Bill beneficiary drops a class during the term, VA prorates the resulting overpayment as though the veteran attended class through the end of the month rather than using the actual date of the withdrawal.⁵⁴ For example, if a student drops a class on September 1, VA would prorate the overpayment amount as though the student had been enrolled through September 30. This in effect credits students for up to 30 extra days of classes they did not attend, which can reduce the overpayment amount subject to collection by hundreds of dollars per veteran (see fig. 9). VA officials said this policy was designed for monthly housing benefits, and then applied to tuition benefits that are

⁵⁴ According to the law, VA is authorized to prorate overpayment debts based on the student's period of enrollment if the student is ordered to active duty or if the student can document that mitigating circumstances—unanticipated and unavoidable events beyond a student's control (e.g., illness or injury, change in employment)—are responsible for the student's inability to complete a course. 38 U.S.C. § 3680(a)(3). However, VA's current practice is to prorate all overpayment debts whether or not the student meets these criteria, according to VA officials.

paid separately under the Post-9/11 GI Bill. Although crediting a student for a full month of enrollment may be appropriate for benefits that are paid on a monthly basis, such as housing, it is less appropriate for benefits that are paid as up-front lump sums, such as tuition, particularly since the law stipulates that education benefits shall only be paid for the period of time during which the veteran is enrolled.⁵⁵ Since VA's overpayment calculation is crediting veterans for school days they did not attend, it is inappropriately increasing the cost of the program.

Figure 9: Effect of Prorating Overpayments Based on the End of the Month



Source: GAO analysis of VA guidance. | GAO-16-42

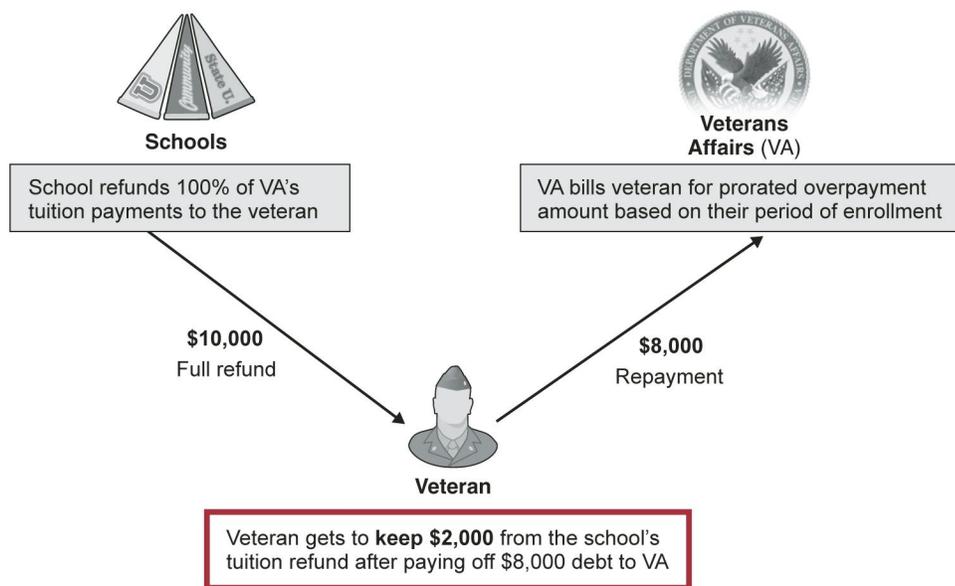
In addition, VA's formula for prorating overpayment amounts does not account for schools' own internal refund policies, and can sometimes result in veterans receiving surplus funds that VA is not collecting. Some schools have fairly generous tuition refund policies when students drop a class or withdraw from school early in the term. In these cases, a school may send the veteran a tuition refund that is larger than the overpayment amount the veteran owes to VA, leaving the veteran with a potential financial gain. For example, one of the community colleges we examined provided a 100 percent tuition refund if a student withdrew within the first two and a half weeks of the term, so a veteran withdrawing from school would receive a full refund of \$2,100 from the school. However, VA will create an overpayment debt of \$1,750 for this veteran since they had attended two and half weeks of the 15 week term before withdrawing.⁵⁶

⁵⁵ 38 U.S.C. § 3680(a).

⁵⁶ When a veteran withdraws from some but not all of their classes, VA's overpayment calculation would instead prorate the overpayment amount as though the veteran had kept attending class through the end of the month rather than using the actual date of the withdrawal, as previously discussed.

This would leave the veteran in this example with an extra \$350 after repaying their overpayment debt. The excess tuition payments VA is not collecting are even larger at schools with higher tuition rates (see fig. 10).

Figure 10: Overpayment Example when Veteran Withdraws during School's 100 Percent Refund Period



Source: GAO analysis of VA guidance; GAO (images). | GAO-16-42

Three of the nine schools included in our review had institutional refund policies that provided all students with a 100 percent refund for withdrawals within the first two or three weeks of the term.⁵⁷ Officials at one of these schools estimated that the difference between their refund policy and VA's overpayment calculations had resulted in over \$136,000 in excess tuition payments for 53 veterans between 2009 and 2014, averaging over \$2,500 per veteran. These officials said they had attempted to return these excess funds to VA, but VA would not accept them. Officials at another school said they attempt to return any excess funds to VA three times, but since VA usually will not accept these funds, the school eventually just gives them to the veteran. VA officials told us

⁵⁷ These three schools included one from each sector: public, private nonprofit, and private for-profit.

they cannot accept funds in excess of the overpayment debt that is billed to veterans and said that some of these situations might occur when schools do not correctly account for school refund policies when reporting enrollment and tuition changes. The Post-9/11 GI Bill's authorizing statute specifies that benefits are only payable in an amount equal to the actual cost of tuition and fees charged by the institution, but in these cases VA's tuition and fees payments exceed the amounts charged by the schools once the refund policies are accounted for—that is, VA is making payments for tuition amounts that were not charged by the school.⁵⁸ As a result, VA is overpaying for tuition and these excess funds are being retained by schools or returned to veterans rather than collected by VA.

Conclusions

The Post-9/11 GI Bill has provided valuable education benefits to millions of veterans, but the program's structure of collecting debts directly from veterans creates certain risks. Although the program could have been designed differently from the beginning to avoid some of the subsequent problems with overpayments, at this point, a complete overhaul, such as collecting tuition and fee overpayments directly from schools, would require significant restructuring of VA's payment operations as well as legislative changes. However, current problems with overpayments can still be addressed through process improvements and proactive management on the part of VA. For example, VA currently collects and monitors only limited data on Post-9/11 GI Bill overpayments and collections, overlooking the most common types of overpayments and collections. Overpayments increased to over \$400 million in fiscal year 2014, affecting approximately one in four beneficiaries. Effective program management requires monitoring of key data elements. Unless VA expands its monitoring of overpayment debts and collections, it will not be able to ensure that it is taking appropriate steps to safeguard taxpayer funds.

Overpayments are an inevitable byproduct of the Post-9/11 GI Bill since some veteran enrollment changes are to be expected. However, there are ways that VA can reduce the number and amount of future overpayments. For example, if VA provided more information to veterans about potential overpayment debts, veterans would better understand the financial consequences of dropping a class or withdrawing from school

⁵⁸ 38 U.S.C. § 3313(c)(1).

and could take steps to avoid some overpayments. In addition, VA provides schools with an optional process for certifying tuition and fees that could reduce the effect of enrollment changes, although it does not explain in its guidance to schools the potential advantages of this process. Moreover, since veterans using the Post-9/11 GI Bill are not required to regularly verify their enrollment, overpayments from enrollment changes are also magnified by any delays in reporting these changes to VA since veterans continue to receive monthly housing payments. These potentially avoidable overpayments will continue to occur unless VA proactively addresses issues associated with enrollment changes. Similarly, unnecessary school reporting errors will lead to overpayments if school certifying officials do not receive appropriate training to understand VA's payment and reporting processes. Although VA offers online training that would address these issues, school officials are not required to take part in this minimum level of training, because VA officials believe the agency does not have the statutory authority to require them to do so.

VA is responsible for recovering all debts in an efficient and effective manner, but these efforts are hampered by the processes VA uses to notify and collect debts from veterans and schools. Mailed letters alone are not an effective method of notifying students and schools, particularly since other electronic options are also available. This can leave veterans unaware of their debts and create financial hardships for them when VA offsets other income sources to collect these debts. In addition, the lack of a single source of information on both the cause of debts and repayment options creates unnecessary confusion for veterans that can lead to delays in repayment as well as an administrative burden for schools. Finally, VA also needs to ensure that it is appropriately calculating overpayment debts in accordance with the law and recovers any excess payments. However, VA's current method of calculating overpayments credits veterans for extra days of attendance and does not account for school refund policies, which unnecessarily increases the cost of the program.

Matter for Congressional Consideration

To address Post-9/11 GI Bill overpayments resulting from school errors, Congress should consider granting VA explicit authority to require a minimum level of training for appropriate school officials.

Recommendations for Executive Action

To improve the administration of the Post-9/11 GI Bill, reduce the occurrence of overpayments, and increase debt collections, we recommend that the Secretary of Veterans Affairs take the following eight actions:

Improve program management by:

- Expanding monitoring of available information on overpayment debts and collections. This could include regularly tracking the number and amount of overpayments created and the effectiveness of collection efforts.

Address overpayments resulting from enrollment changes by:

- Providing guidance to educate student veterans about their benefits and consequences of changing their enrollment.
- Providing guidance to schools about the benefits of using a dual certification process where schools wait to certify the actual tuition and fee amounts until after the school's deadline for adding and dropping classes.
- Identifying and implementing a cost-effective way to allow Post-9/11 GI Bill beneficiaries to verify their enrollment status each month, and require monthly reporting.

Improve efforts to notify veterans and schools about overpayment debts by:

- Identifying and implementing other methods of notifying veterans and schools about debts to supplement the agency's mailed notices (e.g., email, eBenefits).
- Including information on both the cause of the debt and how to repay it in debt letters.

Revise policy for calculating overpayments to increase collections by prorating tuition overpayments when veterans reduce their enrollment during the term based on the actual date of the enrollment change rather than paying additional benefits through the end of the month during which the reduction occurred.

Ensure it is recovering the full amount of tuition and fee payments if a school does not charge a veteran for any tuition or fees after dropping a class or withdrawing from school. For example, VA could adjust its

overpayment calculation to account for these situations or provide schools with guidance on how to account for school refund policies when reporting enrollment and tuition changes.

Agency Comments and Our Evaluation

We provided a draft of this report to VA for review and comment and received a written response, which is reproduced in appendix II. VA agreed with each of our recommendations and identified steps it plans to take to implement them. To expand monitoring of overpayments and collections, VA plans to develop recurring reports to identify trends and areas for improvements. To address overpayments resulting from enrollment changes, VA plans to provide information on the consequences of enrollment changes in benefit letters and veteran guidance, expand outreach to schools about dual certification, and develop a system for verifying veterans' monthly enrollment. To address collection issues, VA plans to pursue additional methods of notifying veterans about overpayment debts, include information on the cause of debts and how to repay them in notification letters to schools and veterans, and adjust its regulations and procedures for prorating overpayments and accounting for school refund policies. VA also provided technical comments that we incorporated, as appropriate. We also provided selected portions of the draft to the Department of Education for review; the department did not have any comments.

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

If you or your staff have any questions about this report, please contact me at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,



Melissa Emrey-Arras
Director, Education, Workforce, and
Income Security Issues

Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to examine: (1) what is known about the extent of Post-9/11 GI Bill overpayments and collections, and how effectively the Department of Veterans Affairs' (VA) monitors them, (2) the effectiveness of VA's efforts to address the causes of overpayments, and (3) how effectively VA's policies and procedures support the collection of overpayments.

Federal Agencies, Laws, and Regulations

We reviewed relevant federal laws, regulations, Office of Management and Budget circulars, and federal standards related to financial management and the Post-9/11 GI Bill. We also reviewed documents and guidance from VA. This included claims processing and debt collection manuals, and examples of correspondence with schools and beneficiaries. We also analyzed VA's monitoring of overpayments and collections by reviewing its internal data tracking and relevant public reports, such as VA's annual Performance and Accountability Report and Quarterly High-Dollar Overpayment Reports, and assessed these efforts against guidance for government receivables in OMB Circular A-129.¹

We interviewed senior officials from VA about the process for establishing and collecting Post-9/11 GI Bill overpayments. We also visited one of VA's four Regional Processing Offices in Muskogee, OK for interviews with management and frontline staff. We selected this location because it is co-located with VA's Education Call Center. During this site visit we met with claims processors, telephone representatives, and management to discuss the causes of overpayments and VA's actions to address them. We also visited VA's debt collection office, the Debt Management Center, which is located near St. Paul, MN. During this site visit we interviewed management and frontline staff about the various mechanisms and timelines they use to collect overpayment debts. We assessed VA's efforts to address the causes of overpayments and collect overpayment debts against the key requirements in the Post-9/11 GI Bill's statute and regulations, and government standards for internal controls. As a point of comparison, we reviewed selected documents and interviewed officials from the Department of Education about the collection policies and procedures for federal student aid programs.

¹ Exec. Office of the President, Policies for Federal Credit Programs and Non-Tax Receivables, OMB Circular A-129 (as revised Jan. 2013).

Data Analysis and Case File Review

To examine the extent of overpayments and collections, we reviewed available Post-9/11 GI Bill financial data from VA. We primarily focused on overpayments that originated in fiscal years 2013 and 2014, since VA's data systems only maintain overpayment records in an accessible format for 2 years once the debts have been repaid. We reviewed summary and record level data on the frequency, type, and amount of overpayments and collections for these two fiscal years. We also analyzed data on all outstanding debts dating back to the start of the Post-9/11 GI Bill in 2009. We assessed the reliability of these data by reviewing VA's reporting systems and conducting electronic testing of the underlying data, and we determined that the data were sufficiently reliable for our reporting purposes.

To identify the causes of overpayments, we reviewed VA's Quarterly High-Dollar Overpayment Reports and supporting documentation for fiscal years 2013 and 2014 because they are VA's only source of generalizable data on overpayment causes. For these reports, VA randomly selected a sample of 251 overpayments each quarter that were over \$1,667 and reviewed each claims file to identify the cause of the overpayment.² These samples were all drawn from overpayments for any VA education program and we estimated Post-9/11 GI Bill overpayments as a subgroup analysis, which accounted for 1,710 of the 2,008 overpayments reviewed in fiscal years 2013 and 2014. We analyzed these reports to calculate the types and frequency of issues that created overpayments and report aggregate data on high-dollar overpayments. We used methods appropriate for a stratified random sample, using weights and stratification that reflect a quarterly sample design. We convey the sampling error in the form of confidence intervals at the 95 percent confidence level. All results from a statistical sample are subject to sampling error that would result if a different randomly selected set of units from the same population had been selected. If the same sampling procedure were repeated many times, we would expect the 95 percent confidence intervals for an estimate to contain the true population value in about 95 out of 100 samples. For the last fiscal year of 2014, the number of high-dollar overpayments (the population size) was not known. We assumed it is the same as that of the previous quarter, quarter 3, and assured our estimates were not sensitive to this assumption. Specifically,

² VA is required to produce quarterly reports on high-dollar overpayments. Exec. Order No. 13,520, § 3(f), 74 Fed. Reg. 62,201, 62,203 (Nov. 20, 2009).

we compared estimates for high-dollar amounts and overpayment causes while under three assumed scenarios for the number of high-dollar overpayments for the last quarter of fiscal year 2014: (1) the same as the previous quarter; (2) the same as the smallest observed in fiscal years 2013 and 2014; and (3) the same as the largest observed in fiscal years 2013 and 2014. Results did not substantively differ. We assessed the reliability of the data in these quarterly reports through our case file reviews and by interviewing VA officials about the processes and systems they use to develop the reports, and we determined that the data were sufficiently reliable for our reporting purposes.

We conducted an in-depth case file review of 20 overpayment cases to identify specific examples of how overpayments are created and calculated and to help assess the reliability of VA's data systems for reporting on overpayments. We selected this non-generalizable sample from the 251 cases sampled in VA's high-dollar overpayment report from the first quarter report for fiscal year 2014. From the 251 cases, we selected all four caused by VA error and randomly selected 6 of the 21 caused by school errors. We then randomly selected a sample of 10 of the 226 overpayments caused by student enrollment changes (see table 2). To review these cases, we analyzed claims processing documents, school reporting forms, and debt notification letters to determine the circumstances that created the overpayment. We also interviewed VA officials responsible for analyzing the cases for quarterly reports about the process and quality control measures.

Table 2: Summary Statistics from VA's FY14 1st Quarter Report on High-Dollar Overpayments

	All Education Programs	Subset of Post-9/11 GI Bill cases	Number included in GAO case file review
Sample size	251	212	N/A
Number in sample caused by VA error	4	4	4
Number in sample caused by school error	21	21	6 (randomly selected)
Number in sample caused by student enrollment changes	226	187	10 [Note A] (randomly selected)

Source: GAO analysis of VA's Quarter Report on High-Dollar Overpayments. | GAO-16-42

Note A: After reviewing the supporting documentation, we found that 2 of the 10 cases that VA had classified as caused by student enrollment changes were actually caused by school errors. We reported these two misclassifications to VA officials who agreed with our assessment.

We also examined other VA data sources for information on overpayments. For example, we reviewed available summary data and a selection of VA's school compliance surveys to identify instances of

school reporting errors, reviewed a selection of 24 school compliance surveys to identify examples of school reporting errors, and reviewed veteran complaints about overpayment issues submitted through VA’s GI Bill Feedback system.

Interviews with Schools, Veteran Organizations, and Others

We interviewed administrators at nine institutions that enroll Post-9/11 GI Bill beneficiaries about their experiences with overpayments. We selected this nongeneralizable sample to include a mix of program lengths, sectors (public, private nonprofit, and private for-profit), schools with student veteran populations ranging from 14 to more than 14,000, and regions representing all four of VA’s Regional Processing Offices, which process Post-9/11 GI Bill claims (see table 3).

Table 3: Institutions Selected for Interviews with School Officials

School Name	Location	Sector	Program length	Post-9/11 GI Bill Students in FY14
George Mason University	Fairfax, VA	Public	4-year	1,647
Pratt Community College	Pratt, KS	Public	2-year	15
Red Rocks Community College	Lakewood, CO	Public	2-year	415
University of North Carolina at Asheville	Asheville, NC	Public	4-year	79
Goucher College	Baltimore, MD	Private non-profit	4-year	14
University of New Haven	West Haven, CT	Private non-profit	4-year	247
University of Southern California	Los Angeles, CA	Private non-profit	4-year	722
American Public University System	Charles Town, WV	Private for-profit	4-year	14,508
Fortis College	Smyrna, GA	Private for-profit	2-year	80

Source: GAO analysis of VA and Department of Education data. | GAO-16-42

We interviewed representatives from several veteran service organizations and higher education organizations to obtain their perspective on the causes and effects of overpayments. These organizations included Student Veterans of America, Iraq and Afghanistan Veterans of America, the National Association of Veterans Program Administrators, Veterans of Foreign Wars, The American Legion, American Council on Education, National Association of College and University Business Offices, and the American Association of Collegiate Registrars and Admissions Officers. We also interviewed directors from three state approving agencies—state agencies that are

responsible for reviewing and approving schools for participation in VA education programs³—about the findings from compliance surveys they conduct to assess whether schools are adhering to applicable laws and regulations.

We conducted this performance audit from April 2014 to October 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³ 38 U.S.C. § 3313(b).

Appendix II: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

September 29, 2015

Ms. Melissa Emrey-Arras
Director, Education Workforce, and
Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Emrey-Arras:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, "**POST-9/11 GI Bill: Additional Actions Needed to Help Reduce Overpayments and Increase Collections**" (GAO-16-42). VA agrees with GAO's conclusions and concurs with the recommendations to the Department.

The enclosure specifically addresses GAO's recommendations, and provides an action plan and technical comments. VA appreciates the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Nabors II".

Robert L. Nabors II
Chief of Staff

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“POST-9/11 GI BILL: Additional Actions Needed to Help Reduce
Overpayments and Increase Collections”***
(GAO-16-42)

GAO Recommendation: To improve the administration of the Post-9/11 GI Bill, reduce the occurrence of overpayments, and increase debt collections, GAO recommends that the Secretary of Veterans Affairs take the following eight actions:

Recommendation 1: Improve program management by expanding monitoring of available information on overpayment debts and collections. This could include regularly tracking the number and amount of overpayments created and the effectiveness of collection efforts.

VA Comment: Concur. The Veterans Benefits Administration (VBA) will coordinate with the Debt Management Center (DMC) to develop recurring reports to track overpayments and identify trends and areas for improvement. VBA will use this information to educate Veterans and schools on how to reduce overpayments. Target Completion Date: June 1, 2016.

Recommendation 2: Address overpayments resulting from enrollment changes by providing guidance to educate student veterans about their benefits and consequences of changing their enrollment.

VA Comment: Concur. VBA will review and modify the initial and subsequent award letters issued to students, including attaching FAQs to all award letters to provide more detailed information on education benefits and the consequences of changes in enrollment. VBA will also include information in the *Choosing the Right School* guide and the Accessing Higher Education track of the Transition Assistance Program. Target Completion Date: January 1, 2016.

Recommendation 3: Address overpayments resulting from enrollment changes by providing guidance to schools about the benefits of using a dual certification process where schools wait to certify the actual tuition and fee amounts until after the school’s deadline for adding and dropping classes.

VA Comment: Concur. VBA will send a letter to all schools to remind them about the benefits of using a dual certification process. In addition, VBA will include information on the benefit of the dual certification process (i.e., potentially reduced overpayments) to student Veterans in the next quarterly webinar with schools, in the School Certifying Official Handbook, and on the GI Bill website. Target Completion Date: January 1, 2016.

Recommendation 4: Address overpayments resulting from enrollment changes by identifying and implementing a cost effective way to allow Post-9/11 GI Bill

1

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“POST-9/11 GI BILL: Additional Actions Needed to Help Reduce
Overpayments and Increase Collections”***
(GAO-16-42)

beneficiaries to verify their enrollment status each month, and require monthly reporting.

VA Comment: Concur. VBA agrees that monthly verifications of enrollment would be valuable for all types of training pursued under the Post-9/11 GI Bill and would reduce student debts. VBA will develop a plan to add such functionality to its information technology systems contingent upon resource availability. Target Completion Date: October 1, 2016.

Recommendation 5: Improve efforts to notify veterans and schools about overpayment debts by identifying and implementing other methods of notifying veterans and schools about debts to supplement the agency’s mailed notices (e.g., email, eBenefits).

VA Comment: Concur. VBA agrees that Veterans and schools should be notified about overpayment debts by additional methods such as email and eBenefits. VBA will develop a plan to add such functionality to its information technology systems contingent upon resource availability. Target Completion Date: October 1, 2016.

Recommendation 6: Improve efforts to notify veterans and schools about overpayment debts by including information on both the cause of the debt and how to repay it in debt letters.

VA Comment: Concur. VBA will coordinate with DMC to improve notifications to Veterans and schools about overpayment debts. DMC is currently working to include school term dates on debt notification letters sent to schools. VBA will also review and modify initial debt letters to students and schools on both the cause of the debt and how to repay the debt, and ensure the language is consistent with DMC’s notifications. Target Completion Date: January 1, 2016.

Recommendation 7: Revise policy for calculating overpayments to increase collections by prorating tuition overpayments when veterans reduce their enrollment during the term based on the actual date of the enrollment change rather than paying additional benefits through the end of the month during which the reduction occurred.

VA Comment: Concur. VBA will propose revisions to the regulation to prorate tuition overpayments when Veterans reduce their enrollment during the term based on the actual date of the enrollment change. Target Completion Date: October 1, 2016.

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“POST-9/11 GI BILL: Additional Actions Needed to Help Reduce
Overpayments and Increase Collections”***
(GAO-16-42)

Recommendation 8: Ensure it is recovering the full amount of tuition and fee payments if a school does not charge a veteran for any tuition or fees after dropping a class or withdrawing from school. For example, VA could adjust its overpayment calculation to account for these situations or provide schools with guidance on how to account for school refund policies when reporting enrollment and tuition changes.

VA Comment: Concur. VBA will amend its procedures to account for school refund policies. This change will also require global outreach efforts to all schools and student Veterans. Target Completion Date: June 1, 2016.

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Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Melissa Emrey-Arras, (617) 788-0534 or emreyarrasm@gao.gov

Staff Acknowledgments

In addition to the contact named above, individuals making key contributions to this report were Michelle St. Pierre, Assistant Director; William Colvin, Analyst-in-Charge; Jennifer Cook; and Karen L. Cassidy. In addition, key support was provided by Julia DiPonio, Kathy Leslie, Ying Long, Phillip McIntyre, Sheila McCoy, Mimi Nguyen, Ronni Schwartz, Barbara Steel-Lowney, Walter Vance, Sonya Vartivarian, Charlie Willson, and Craig Winslow.

Appendix IV: Accessible Data

Accessible Text and Data Tables

Accessible Text for Figure 1: VA's Processing of Post-9/11 GI Bill Payments

- 1) Veteran enrolls and provides school with **Certificate of Eligibility** for Post-9/11 GI Bill benefits;
- 2) School certifies veteran's enrollment status to VA;
- 3) VA processes claim and makes benefit payments:
 - a) Benefits paid to schools:
 - i) Tuition and fees;
 - b) Benefits paid to veterans:
 - i) Monthly housing allowance;
 - ii) Books and supplies stipend.

Source: GAO analysis of VA documents; GAO (images). | GAO-16-42

Accessible Text for Figure 2: Examples of Post-9/11 GI Bill Overpayment Scenarios

Scenario 1: Veteran withdraws prior to the start of the term:

- 1) Veteran withdraws from the school prior to the start of the term;
- 2) School certifies veteran's adjusted enrollment status to VA;
- 3) VA establishes overpayment debts for any benefit payments that have already been paid.
 - a) DEBT – School is responsible for repaying any overpayment debts for:
 - i) Tuition and fees;
 - b) DEBT – Veteran is responsible for repaying any overpayment debts for:
 - i) Monthly housing allowance;
 - ii) Books and supplies stipend.

Scenario 2: Veteran reduces enrollment during the term:

- 1) Veteran drops a class during the term;
- 2) School certifies veteran's adjusted enrollment status to VA;
- 3) VA recalculates benefit amounts based on adjusted enrollment. Debts are established for any overpayments.
 - a) DEBT – Veteran is responsible for repaying any overpayment debts for:
 - i) Tuition and fees;
 - ii) Monthly housing allowance;
 - iii) Books and supplies stipend.
 - b) School may refund a portion of tuition and fee payments to the student, depending on the school's own refund policy.

Source: GAO analysis of VA documents; GAO (images). | GAO-16-42

Accessible Text for Figure 3: Timeline for VA Collection Actions When Overpayment Debts Are Not Otherwise Repaid

60 days after initial notification: Offset certain VA education benefits the veteran is receiving (Veteran debt).

95 days: Offset other VA benefits the veteran is receiving, such as disability compensation or pension (Veteran debt).

125 days: Report debt to credit rating agencies which affects veteran's credit score (Veteran debt).

128 days: Refer debt to Department of the Treasury Offset Program which offsets, with certain exceptions, the next government payment to the school (e.g., research grants). Any subdivisions or organizations sharing the same taxpayer identification number are subject to potential offsets (School debt).

155 days: Refer debt to the Department of the Treasury Offset Program which offsets the next government payment to the veteran (e.g., tax returns, social security benefits); however, certain federal benefits such as student grants and loans administered by the Department of Education are exempt. The Department of the Treasury may also refer debts to private collection agencies.

Source: GAO analysis of VA documents. | GAO-16-42

Notes: This timeline can vary based on how long it takes for debts to be transferred from the regional processing offices to the Debt Management Center for collection. For this figure we included 5 days for the transfer process, which VA officials said can take between 2 to 10 days.

Post-9/11 GI Bill tuition and fee payments to schools are exempt from offsets. Offsets to VA compensation and pension benefits do not follow a standard timeline, since they are identified through a monthly data match, but would not begin until 95 days after a veteran's initial notification.

Data Table for Figure 4: Amount and Type of Post-9/11 GI Bill Overpayments to Veterans and Schools, Fiscal Years 2013 and 2014

Dollars in millions

Year	Veteran debts			School debts	Total debts
	Books and other	Housing	Tuition and fees (veteran)	Tuition and fees (school)	
2013	\$17	\$111	\$96	\$125	\$349
2014	\$21	\$125	\$116	\$155	\$416

Source: GAO analysis of VA payment data. | GAO-16-42

Note: Individual amounts for 2014 do not sum to \$416 million due to rounding. The "other" benefits category includes fees for student licensing or certification tests and national tests (e.g. SAT, GRE, LSAT).

Data Table for Figure 5: Causes of Post-9/11 GI Bill High-Dollar Overpayments, Fiscal Years 2013 and 2014

VA error	School error	Veteran enrollment changes
2%	8%	90%

Source: GAO analysis of VA's Quarterly High-Dollar Overpayment Reports. | GAO-16-42

Note: VA's estimates are based on a sample with a 95 percent confidence level and a ± 5 percent confidence interval.

Data Table for Figure 6: Distribution of Post-9/11 GI Bill Overpayment Debt Amounts, Fiscal Year 2014

Overpayment amount	Number of veterans (Percent)	Number of schools (Percent)
\$0.00-\$500	104,639 (46.4%)	424 (7.2%)
\$500.01-\$1,000	45,367 (20.1%)	327 (5.5%)
\$1,000.01-\$5,000	68,108 (30.2%)	1,591 (26.9%)
\$5,000.01-\$10,000	5,493 (2.4%)	1,000 (16.9%)
\$10,000.01-\$15,000	979 (0.4%)	608 (10.3%)
\$15,000.01-\$20,000	366 (0.2%)	456 (7.7%)
\$20,000.01 and over	352 (0.2%)	1,506 (25.5%)

Source: GAO analysis of VA payment data. | GAO-16-42

Data Table for Figure 7: Uncollected Post-9/11 GI Bill Overpayment Debts by Year of Origin, as of November 2014

Year	Uncollected overpayment debts (in millions)	
	School debts	Veteran debts
2009	\$0	\$0
2010	\$381,079	\$10,434,986
2011	\$663,452	\$12,381,207
2012	\$1,339,292	\$25,965,835
2013	\$2,915,868	\$56,361,826
2014	\$9,789,105	\$141,945,141

Source: GAO analysis of VA payment and collection data. | GAO-16-42

Accessible Text for Figure 8: Process for Notifying Veterans and Schools of Overpayment Debts

Schools:

1. **Veterans Affairs (VA) Regional office** sends “Initial notification letter” (Cause of overpayment);
2. 5-13 days later – **Veterans Affairs (VA) Debt collection office** sends “Collection letter” (How to pay the debts).

Veteran:

1. **Veterans Affairs (VA) Regional office** sends “Initial notification letter” (Cause of overpayment);
2. 32-40 days later – **Veterans Affairs (VA) Debt collection office** sends “Collection letter” (How to pay the debts).

Veterans and schools have to match up both letters before they have sufficient information to reconcile and repay overpayment debts.

Source: GAO analysis of VA guidance and agency interviews; GAO (images). | GAO-16-42

Accessible Text for Figure 9: Effect of Prorating Overpayments Based on the End of the Month

September 1 – If VA based overpayment calculation on actual date of withdrawal, this veteran would owe: **\$4,130**.

September 30 – VA’s actual overpayment calculation credits the veteran with attendance through the end of the month, so the veteran only owes: **\$3,000**.

As a result, VA is not collecting **\$1,130** in excess tuition payments.

Source: GAO analysis of VA guidance. | GAO-16-42

Accessible Text for Figure 10: Overpayment Example when Veteran Withdraws during School’s 100 Percent Refund Period

1. **Schools:** School refunds 100% of VA’s tuition payments to the veteran;
2. **Veteran: \$10,000** (Full refund);
3. **Veterans Affairs (VA): \$8,000** (Repayment); VA bills veteran for prorated overpayment amount based on their period of enrollment.

Veteran gets to keep **\$2,000** from the schools tuition refund after paying off \$8,000 debt to VA.

Source: GAO analysis of VA guidance; GAO (images). | GAO-16-42

Agency Comments

Department of Veterans Affairs

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Accessible Text for Appendix II: Comments from the Department of Veterans Affairs

DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

September 29, 2015

Ms. Melissa Emrey-Arras
Director, Education Workforce, and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Emrey-Arras:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office’s (GAO) draft report, **“POST-9/11 GI Bill:**

Additional Actions Needed to Help Reduce Overpayments and Increase Collections" (GAO-16-42). VA agrees with GAO's conclusions and concurs with the recommendations to the Department.

The enclosure specifically addresses GAO's recommendations, and provides an action plan and technical comments. VA appreciates the opportunity to comment on your draft report.

Sincerely,
Robert L. Nabors II
Chief of Staff

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Department of Veterans Affairs (VA) Comments to Government
Accountability Office (GAO) Draft Report
***"POST-9/11 GI BILL: Additional Actions Needed to Help Reduce
Overpayments and Increase Collections"*** (GAO-16-42)

GAO Recommendation: To improve the administration of the Post-9111 GI Bill, reduce the occurrence of overpayments, and increase debt collections, GAO recommends that the Secretary of Veterans Affairs take the following eight actions:

Recommendation 1: Improve program management by expanding monitoring of available information on overpayment debts and collections. This could include regularly tracking the number and amount of overpayments created and the effectiveness of collection efforts.

VA Comment: Concur. The Veterans Benefits Administration (VBA) will coordinate with the Debt Management Center (DMC) to develop recurring reports to track overpayments and identify trends and areas for improvement. VBA will use this information to educate Veterans and schools on how to reduce overpayments. Target Completion Date: June 1, 2016.

Recommendation 2: Address overpayments resulting from enrollment changes by providing guidance to educate student veterans about their benefits and consequences of changing their enrollment.

VA Comment: Concur. VBA will review and modify the initial and subsequent award letters issued to students, including attaching FAQs to all award letters to provide more detailed information on education

benefits and the consequences of changes in enrollment. VBA will also include information in the *Choosing the Right School* guide and the Accessing Higher Education track of the Transition Assistance Program. Target Completion Date: January 1, 2016.

Recommendation 3: Address overpayments resulting from enrollment changes by providing guidance to schools about the benefits of using a dual certification process where schools wait to certify the actual tuition and fee amounts until after the school's deadline for adding and dropping classes.

VA Comment: Concur. VBA will send a letter to all schools to remind them about the benefits of using a dual certification process. In addition, VBA will include information on the benefit of the dual certification process (i.e., potentially reduced overpayments) to student Veterans in the next quarterly webinar with schools, in the School Certifying Official Handbook, and on the GI Bill website. Target Completion Date: January 1, 2016.

Recommendation 4: Address overpayments resulting from enrollment changes by identifying and implementing a cost effective way to allow Post-9/11 GI Bill beneficiaries to verify their enrollment status each month, and require monthly reporting.

VA Comment: Concur. VBA agrees that monthly verifications of enrollment would be valuable for all types of training pursued under the Post-9/11 GI Bill and would reduce student debts. VBA will develop a plan to add such functionality to its information technology systems contingent upon resource availability. Target Completion Date: October 1, 2016.

Recommendation 5: Improve efforts to notify veterans and schools about overpayment debts by identifying and implementing other methods of notifying veterans and schools about debts to supplement the agency's mailed notices (e.g., email, eBenefits).

VA Comment: Concur. VBA agrees that Veterans and schools should be notified about overpayment debts by additional methods such as email and eBenefits. VBA will develop a plan to add such functionality to its information technology systems contingent upon resource availability. Target Completion Date: October 1, 2016.

Recommendation 6: Improve efforts to notify veterans and schools about overpayment debts by including information on both the cause of the debt and how to repay it in debt letters.

VA Comment: Concur. VBA will coordinate with DMC to improve notifications to Veterans and schools about overpayment debts. DMC is currently working to include school term dates on debt notification letters sent to schools. VBA will also review and modify initial debt letters to students and schools on both the cause of the debt and how to repay the debt, and ensure the language is consistent with DMC's notifications. Target Completion Date: January 1, 2016.

Recommendation 7: Revise policy for calculating overpayments to increase collections by prorating tuition overpayments when veterans reduce their enrollment during the term based on the actual date of the enrollment change rather than paying additional benefits through the end of the month during which the reduction occurred.

VA Comment: Concur. VBA will propose revisions to the regulation to prorate tuition overpayments when Veterans reduce their enrollment during the term based on the actual date of the enrollment change. Target Completion Date: October 1, 2016.

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Recommendation 8: Ensure it is recovering the full amount of tuition and fee payments if a school does not charge a veteran for any tuition or fees after dropping a class or withdrawing from school. For example, VA could adjust its overpayment calculation to account for these situations or provide schools with guidance on how to account for school refund policies when reporting enrollment and tuition changes.

VA Comment: Concur. VBA will amend its procedures to account for school refund policies. This change will also require global outreach efforts to all schools and student Veterans. Target Completion Date: June 1, 2016.

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