

Prompt Payment Act

VA continued to enhance vendor payment processes throughout FY 2004. The Department processed over 5.3 million Prompt Payment Act-eligible invoices worth over \$8.4 billion, with nearly 99 percent paid on time. In FY 2004, interest payments VA-wide declined by \$45,000 to \$862,000—a 5 percent improvement over FY 2003 levels and an annual reduction of \$515,000, or 37 percent over the past 2 years. At the same time, discounts earned surged by \$469,000 to over \$2.7 million, a 21 percent improvement over FY 2003 levels. VA's percentage of discounts earned also improved from 82.0 percent in FY 2003 to 86.1 percent in FY 2004. Combined, payment processing improvements saved VA \$514,000 in FY 2004—savings the Department can use to improve veterans care. VA also continued to gain efficiencies and improved results through a completed initiative in FY 2004 to centralize vendor payment activities at the Financial Services Center (FSC) in Austin, Texas. By centralizing vendor payment activities at the FSC, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts over improper/duplicate vendor payments. The FSC routinely reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. The FSC staff also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative, started in FY 2004, recovered over \$31,000 in erroneous interest penalties, service charges, and sales taxes for reuse by VA entities.

Overall, during FY 2004, collections of improper payments and the recovery of unapplied vendor statement credits totaled over \$3.7 million—a 22 percent increase over

FY 2003 collections. Improved payment oversight also enabled the VA to identify and cancel nearly \$3.9 million in potential improper payments prior to disbursement during FY 2004. Since the FSC audit recovery effort's inception in FY 2001, VA has recovered over \$10.5 million in improper payments and prevented the improper payment of another \$9.7 million.

Through September 2004, the Department aggressively used the government-wide commercial purchase card program. Over 3.6 million purchase card transactions were processed, representing over \$1.9 billion in purchases. The electronic billing and payment process for centrally billed card accounts earned VA \$30 million in credit card rebates—compared to \$18 million during the same period in FY 2003. These rebates are returned to VA entities for use in veterans programs. The increase in rebates can be mostly attributed to the increase in basis points VA receives as a result of the recompeted contract with the contract bank.

VA's fee basis credit card program went “live” in September 2003. This program electronically automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional purchase card rebates. During FY 2003, the program generated 88 transactions and \$8,000 in payments. In FY 2004, the number of Fee Basis purchase card transactions exceeded 21,000 and were valued at \$5 million in payments, earning VA over \$81,000 in additional rebates.

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During FY 2004, 126 VA medical centers used the Prime Vendor System to electronically process over 454,000 transactions worth over \$3.5 billion compared to over \$3.1 billion during FY 2003.

VA's Travel Management Centers (TMC) serve veterans and employees who travel frequently. The billings are transmitted electronically from each TMC, and payment

is sent daily through the Department of the Treasury's Electronic Certification System. During FY 2004, the travel management program processed over 105,000 transactions, disbursed payments of over \$19 million and earned over \$300,000 in rebates compared to over \$223,000 during FY 2003.

VA's FSC staff continued to provide vendor payment history on the Internet. Currently, the Vendor Inquiry System (VIS) Internet application stores almost 2 years of information on invoices. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently, there are 6,270 registered vendors who have made over 319,000 requests in FY 2004 and a total of over 619,000 requests since VIS's inception in April 2003. The VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day without having to call and wait for a person to provide payment information. The VIS has also improved customer service efficiency of the FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

The FSC also continued to improve the Intranet online invoice certification process that allows invoices to be certified electronically by VA facilities and schedule them for payment. VA's On Line Certification System (OLCS) allows the FSC to notify certifying officials via e-mail of any invoice requiring payment certification. Through the Intranet, the certifying official can view, certify, and forward the invoice to the FSC for payment processing, reducing the processing time to hours rather than days. During 2004, functionality was enhanced to add the Fund Control Point Clerk to the processing workflow as well as the capability to work rejected invoices at the station level. The FSC expanded the certified invoice service throughout the Veterans Health Administration (VHA) in 2004 and implemented OLCS at all facilities as part of the VHA payment centralization initiative. That brought the number of OLCS users to more than 9,000 VA employees. The FSC is currently working with the Veterans Benefits Administration to centralize their payments at the FSC.

Improper Payments Information Act of 2002

(Summary of Implementation Efforts for FY 2004 and Agency Plans for FY 2005 through 2007)

Overview

VA identified 19 programs, totaling \$58.214 billion, for review under the Improper Payments Information Act of 2002 (IPIA). Two programs, Housing and Vocational Rehabilitation and Employment, were not able to be reviewed during the FY 2004 cycle. These programs will be reviewed during FY 2005. A risk assessment of all 19 VA programs was accomplished, but it was decided that statistical sampling would be performed on all programs.

The statistical samples revealed that 12 of the programs had estimated improper payments less than \$10 million; thus, no report was required for these programs. The remaining five programs either had estimated improper payments exceeding \$10 million or were programs previously identified in the former Section 57 of Office of Management and Budget Circular A-11. The five programs include Compensation, Dependency and Indemnity Compensation (which is reported as part of Compensation), Pension, Insurance, and Education. Further details are provided in Part IV starting on page 270.