#### Section C. Income Verification Match (IVM)

#### Overview

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| In This Section | |  |  | | --- | --- | | **Topic** | **Topic Name** | | 1 | IVM Procedures | | 2 | Income Verification | | 3 | Initial Verification Requests | | 4 | Operational Performance and Establishing Controls | | 5 | Initial Screening | | 6 | Effective Dates and Adjustment for Parents’ Dependency and Indemnity Compensation (DIC) Due to IVM | | 7 | Differing Responses From Payer and Recipient | | 8 | Income Payer Response Only | | 9 | Income Recipient Response Only | | 10 | No Response From Payer or Recipient Within 60-Day Period | | 11 | Recipient Claims Income Belongs to Someone Else | | 12 | Efforts to Clarify Disputed Amounts | | 13 | Due Process | | 14 | Identification of Overpayments for Reporting Requirements | | 15 | Considering Earnings in Individual Unemployability (IU) and Pension Claims | | 16 | Sample IVM Worksheet |   This section contains the following topic: |

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#### 1. IVM Procedures

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| Introduction | This topic contains information on income verification, including   * processing IVM Reports, and * independent verification and due process |

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| |  |  | | --- | --- | | a. Processing IVM Reports |  | | The table below outlines the steps the Pension Management Centers (PMCs) must follow when processing Income Verification Match (IVM) reports.   |  |  | | --- | --- | | **Step** | **Action** | | 1 | The PMC reviews the initial reports, including individual unemployability recipients.  ***Reference***: For more information on initial screening of IVM reports, see M21-1MR, Part X, Chapter 9, Section C, Topic 5. | | 2 | Are verification of income and further development needed?   |  |  | | --- | --- | | **If…** | **Then…** | | yes | the PMC develops for information needed to verify the income information. | | no | the PMC takes action as shown in M21-1, Part X, Chapter 9,Section C, Topic 5. | | | 3 | Will benefits be reduced or terminated based on the results of the development?   |  |  | | --- | --- | | **If ...** | **Then the PMC ...** | | yes | * initiates due process for pension-related issues under end product (EP) 154, or * refers cases involving individual unemployability to the home Regional Office (RO) of jurisdiction for due process and any necessary rating action. | | no | * clears the appropriate EP154 or 314 * removes the IVM file indicator * sends a letter to the beneficiary advising that his/her benefits will remain unchanged, and * annotates the copy of this notification letter that EP 154 or 314, as appropriate, was taken. | | |

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| b. Independent Verification and Due Process | VA handles this match differently from other matches:   * In other matches, VA can combine the statutory independent verification and notice requirements into one step with the notice of proposed adverse action letter. With this match, VA must complete an income verification process before sending the notice of proposed adverse action letter. * Do not confuse the 30-day verification response period with the 60-day due process period. |

#### 2. Income Verification

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| Introduction | This topic contains information on income verification, including   * written confirmation * neither recipient or payer respond, and * payer will not furnish information. |

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| a. Written Confirmation | Verification requirements are considered met if VA receives written confirmation from either the income recipient or the income payer.  ***Important***: The income recipient can be either the beneficiary/claimant or the spouse of the beneficiary. |

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| b. Neither Recipient or Payer Responds | VA must make reasonable efforts to verify Internal Revenue Service (IRS) return information from a source independent of the IRS.  If neither the income recipient or payer responds and the income recipient was either the VA beneficiary or the spouse of the beneficiary the requirement is considered met if VA made a good faith effort to contact the respective payees.  ***Note***: An attempt *must* have been made to contact the income payer if the income recipient was the VA beneficiary. |

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| c. Payer Will Not Furnish Information | If a response is received that essentially states that the payer will not furnish the information requested, the verification requirement has been met.  ***Reference***: For more information on the efforts to clarify disputed amounts, see M21-1MR, Part X, Chapter 9, Topic 12. |

#### 3. Initial Verification Requests

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| Introduction | This topic contains information on initial verification requests, including   * earned income * payer letters, and * recipient letters * unearned income * payer letters, and * recipient letters * incompetent payees * worksheets, and * workload control. |

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| a. Earned Income Payer Letters | The Hines Information Technology Center (HITC) sends letters directly to *payers* of earned income.  Payer letters request verification of income for the   * tax year of the match, and * following two years. |

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| b. Earned Income Recipient Letters | Letters to recipients of earned income are bulk mailed to PMCs for screening and release. Recipient letters list payers and amounts reported and ask recipients for certification.  ***Important***:PMCs should not release recipient letters if the income has already been reported or if it will not affect entitlement to VA benefits. |

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| c. Unearned Income Payer Letters | Hines ITC does not send payer letters directly to payers of unearned income.  Unearned income payers, including payers of retirement income, must be contacted by PMCs in letter format, similar to the letters automatically sent to payers of earned income.  Send these letters upon receipt of the IVM worksheet.  ***Important***: PMCs should not release payer letters if the income has already been reported or if it will not affect entitlement to VA benefits.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| d. Unearned Income Recipient Letters | Hines ITC bulk mails letters for recipients of unearned income to PMCs for screening and release.  ***Important***: PMCs should not release recipient letters if the income has already been reported or if it will not affect entitlement to VA benefits. |

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| e. Incompetent Payees | Hines ITC does not send a verification letter to a recipient or a recipient’s spouse if the corporate record shows the beneficiary is incompetent and not paid directly.  Hines ITC will, however, send letters to the payers of earned income in these types of cases.  ***Reference***: For more information on instructions and limitations on fiduciary contacts, see M21-1, Part X, Chapter 9, Section B, Topic 4.  \ |

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| f. Worksheets | At the same time the Hines ITC sends letters, it produces worksheets and refers them to PMCs for matched cases.  If there is more than one income recipient (for example, beneficiary and spouse) there is a separate worksheet section for each person’s income.  ***Reference***: For a sample of an IVM worksheet, see M21-1, Part X, Chapter 9, Section C, Topic 16. |

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| g. Workload Control | The Hines ITC releases cases to PMCs on a priority basis as directed by VA Central Office (VACO).   * Priority 1 includes cases where * income reported to the IRS exceeds income reported to VA, income for VA purposes (IVAP), by $10,000 or more, and * all IU cases, and * Priorities 2 through 10 decrease in $1,000 decrements, for example * Priority 2 includes cases in which income falls within $9,000 - $9,999 * Priority 3 includes cases in which income falls within $8,000 - $8,999, etc.   ***Note***:   * VACO will inform PMCs of the number of cases in each priority and when they will be released. * Cases where the difference between income reported to IRS and income reported to VA is less than $1,000 are not referred for verification. |

#### 4. Operational Performance and Establishing Controls

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| Introduction | This topic contains information on operational performance and establishing controls, including   * EP 154 and 314 * establishing an EP, and * suspense date. |

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| a. EP 154 and 314 | Use EP   * 154 for pension and DIC cases, and * 314 for IU cases.   EP 154 or 314 is allowed for each VA beneficiary for whom a worksheet is reviewed, regardless of whether development is required. In unusual situations, where multiple worksheets are generated at one time because of numerous payers, only one EP is allowed.  ***Notes***:   * When worksheets are received for dependents of a payee (e.g., spouse of a veteran in receipt of pension), only one EP 154 is warranted for all worksheets reviewed in computing the Veteran’s countable income. * Do not use EP 600 when a notice of proposed adverse action is sent. Continue to control the case using the existing EP. * If a new worksheet is generated based on a later tax year, do not clear the EP 314 or 154 and establish a new EP 314 or 154. All worksheets should be worked under the original EP. |

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| b. Establishing an EP | Establish an EP when the worksheet is received. Use date of receipt of the worksheet as date of claim. |

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| c. Suspense Date | The suspense date is automatically set for 60 days. Leave the EP pending until final action is taken. |

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#### 5. Initial Screening

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| Introduction | This topic contains information on initial screening, including   * verification of income not required * verification and further development unnecessary * when EP 154 or 314 are taken, and * when verification of income and employment are needed |

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| a. Verification of Income Not Required | When the worksheet is received, compare information on this sheet with information in the corporate record and/or claims folder. Verification of income and further development are not required if any one of the following applies:   * The only income recipient is the beneficiary’s spouse and the spouse’s income was not a factor for the year(s) involved. * The veteran receives IU benefits * *VA Form 21-4140,* *Employment Questionnaire,* is of record for the period covered by the worksheet and the earnings and employment information are in substantial agreement with what the veteran previously reported on *VA Form 21-4140*, and * *VA Form 21-4140* was reviewed by the rating activity.   ***Note***: Do not consider amounts received from participation in the Veterans Health Administration’s (VHA’s) Compensated Work Therapy (CWT) Program as income for Improved Pension or IU purposes. |

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| b. Verification and Further Development Unnecessary | If verification and further development are unnecessary, take the following actions:   * clear the appropriate EP 154 or 314 and dispose of the worksheet under the appropriate Administrative Support Staff directive * send a letter to the VA beneficiary advising that his/her benefits will remain unchanged, and * annotate the copy of this notification letter to show that EP 154 or 314, as appropriate, was taken and note the current date. |

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| c. EP 154 or 314 Taken | If an income verification form is received and the claims folder reveals that EP 154 or 314 was taken, dispose of this form under the appropriate Administrative Support Staff directive. |

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| d. Verification of Income and Employment Needed | If verification of income and employment is needed, proceed as follows:   * review the worksheet to determine if the PMC must initiate verification letters (unearned income or incompetent beneficiary), and * store the worksheet in accordance with M21-1, Part X, Chapter 9, Section B, Topic 2. |

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#### 6. Effective Dates of Adjustment for Pension and Parents’ Dependency and Indemnity Compensation (DIC) due to IVM

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| Introduction | This topic contains information on effective dates of adjustment for pension and Parents’ DIC, including   * the effective date for Improved Pension and Parents’ DIC, and * payer and recipient verify Department of Veterans Affairs (VA) information. |

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| a. Effective Date: Improved Pension and Parents’ DIC | In Improved Pension and Parents’ DIC cases, the effective date of reduction or termination is the first of the month following the month the income was first received.  In the notice of proposed adverse action, ask the beneficiary to furnish VA with the date income was first received.  ***Note***: If the income payer or income recipient does not furnish the specific date that the income was first paid, but shows the calendar year it was paid, assume that it was received in January and propose to adjust effective February 1. |

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| b. Payer and Recipient Verify VA Information | If both the payer and the income recipient respond within the 30-day waiting period verifying the information VA received from the match, send a notice of proposed adverse action based on the income recipient’s report.  ***Note***:If there is only one income year, there is no need to mention the reply from the payer. |

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#### 7. Differing Responses From Payer and Recipient

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| Introduction | This topic contains information on differing responses from payer and recipient, including   * differing response procedures, and * an example of handling differing responses. |

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| a. Differing Response Procedures | Use the table below to determine what to do when you receive differing responses from the payer and the recipient, including the spouse of the beneficiary.  ***Reference***: For more information on the efforts to clarify disputed amounts, see M21-1, Part X, Chapter 9, Section C, Topic 12. |

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| If … | Then … |
| the income recipient verifies more income than   * the match amount, or * the amount verified by the payer | send a notice of proposed adverse action based on the recipient verified amount. |
| the income recipient reports   * less income than the income payer reports, and * the recipient’s report would result in the termination of benefits | send a notice of proposed adverse action based on the recipient’s report. |
| * the payer verifies the matched amount, and * the recipient reports some income, but less than the matched amount | send a notice of proposed adverse action based on the higher verified payer amount.  ***Note***:In the notice of proposed adverse action, give the beneficiary the opportunity to provide evidence to support the claim of lower income. |

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| If … | Then … |
| * the match amount would result in termination of benefits, and * both the recipient and payer verify significantly less income that would not result in termination (for example, the match amount is $10,000 but $2,000 is verified) | send a notice of proposed adverse action based upon the higher amount.  ***Note:*** In the notice of proposed adverse action, give the beneficiary the opportunity to provide evidence to support the claim of lower income. |
| * the match amount would *not* result in termination of benefits, and * both the recipient and payer verify less income than the match amount, and the payer verifies more than the income recipient | * send a notice of proposed adverse action based upon the higher payer amount, and * provide the beneficiary the opportunity to provide evidence to support the claim of lower income.   ***Payer Report***: Accept the payer report as accurate, disregarding the difference between that amount and the match amount *unless you have reason to believe that the payer has misreported*. If you have reason to believe the payer report is inaccurate, take further action to verify the match amount. |

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| b. Example: Handling Differing Responses | ***Situation***:   * The match amount shows that the veteran received $5,000 earnings from the XYZ Company during 2007. * The XYZ Company verifies $4,000. * The veteran verifies $3,000.   ***Result***:   * Disregard the difference between $4,000 and $5,000 and send a notice of proposed adverse action based on $4,000. * Provide the beneficiary the opportunity to provide evidence to support the claim of lower income. * Finalize action based on the $4,000 figure, if no additional evidence is received at the end of the adverse action proposal period. |

#### 8. Income Payer Response Only

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| a. Payer’s Report Only | When the income payer responds, but the recipient does not respond to earned income match query, send a notice of proposed adverse action based on the payer’s report.  ***Reference***: For more information on the efforts to clarify disputed amounts, see M21-1, Part X, Chapter 9, Section C, Topic 12. |

#### 9. Income Recipient Response Only

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| a. Response to FTI Match | Use the guidelines in the table below when the income   * Recipient, including the spouse of a beneficiary, responds, but * payer does not respond to the FTI match query. |

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| If the income recipient … | Then … |
| * confirms the match data * reports a lesser amount that would terminate benefits, ***or*** * reports more income than was disclosed by the match | send a notice of proposed adverse action based on the income recipient’s report. |
| * reports less income than the match data and does not provide evidence to support the reported income (for example, incorrect SSN or corrected IRS Form or W-2, etc.), ***and*** * the reported amount will not terminate benefits | send a notice of proposed adverse action based on the higher verified payer amount.  ***Note***:In the notice of proposed adverse action, give the beneficiary the opportunity to provide evidence to support the claim of lower income. |
| * reports less income than the match data and does provide evidence to support the reported income, ***and*** * the reported amount will not terminate benefits | send a notice of proposed adverse action based on the income recipient’s report. |
| * denies receipt of the income, ***and*** * furnishes proof showing the FTI is incorrect (did not receive the income) | * notify the beneficiary that benefits will not be adjusted * PCLR EP 154, and * annotate the file copy of the notification letter to show the EP 154 was taken and the current date. |
| * denies receipt of the income, and * does not furnish proof to show the report is incorrect | send a notice of proposed adverse action based on the higher verified payer amount.  ***Note***:In the notice of proposed adverse action, give the beneficiary the opportunity to provide evidence to support the claim of lower income  ***Reference***: For more information on the efforts to clarify disputed amounts, see M21-1, Part X, 9. Section C, Topic 12. |

#### 10. No Response From Payer or Recipient Within 30-Day Period

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| Introduction | This topic contains information on handling no response from payer or recipient within the 30-day period including when   * to take adverse action * the payer will not furnish the information * the verification process complete, and * the beneficiary responds. |

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| a. When to Take Adverse Action | Do not take adverse action until a reasonable income verification process is completed.  If VA has made a good faith effort with *no response* from payer or recipient, the verification process is considered completed under the conditions described in the table below. |

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| When … | | Then the verification process is complete when … |
| the income recipient is not the beneficiary | | * a verification letter is sent to the recipient *or* to each of the recipient's income payers, and * the 30-day response period has expired. |
| the income recipient is the beneficiary | | * a verification letter is sent to each of the recipient’s income payers, and * the 30-day response period has expired.   ***Note***: Sending a verification letter only to the beneficiary does not meet the reasonable income verification criteria. |
| both the beneficiary and his or her spouse are income recipients | * a verification letter is sent to the recipients and to the recipients’ income payers, and * the 30-day response period has expired. | |

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| b. Payer Will Not Furnish the Information | If a response is received that indicates that the payer will not furnish the information, consider the verification process complete and adjudicate the claim based on the evidence of record. |

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| c. Verification Process Complete | Once the verification process is complete   * send a notice of proposed adverse action based on the match amount, giving the beneficiary an opportunity to provide evidence to show that the information is incorrect, and * inform the beneficiary that if no evidence is furnished to challenge this income information, VA will adjust or terminate benefits as indicated. |

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| d. Beneficiary Responds | Use the table below to determine what action to take once the beneficiary responds. |

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| If the beneficiary reports a … | Then … |
| * lower level of income with acceptable supporting evidence or confirms the match income * lower level of income that results in termination of benefits * higher level of income | take award action based on the beneficiary's evidence and/or report. |
| * lower level of income not resulting in termination, and * does not provide supporting evidence | take award action based on the FTI and send a notice of proposed adverse action letter. |

#### 11. Recipient Claims Income Belongs to Someone Else

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| Introduction | This topic contains information on recipient claims that income belongs to someone else, including   * the income statement * when there is no response within 60 days * jointly owned property * funds paid or credited to the recipient, and * handling reports of identity theft. |

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| **a. Income Statement** | Instances may arise where the income recipient indicates that income identified by the match was   * the income of another person, possibly a relative, or * shared jointly between the recipient and the other person.   In these situations, ask the income recipient to furnish a statement from the Financial Institution (FI) or other source of the income. The statement should show the names of the owner or owners of the funds or property which generated the income during the time frames in question.  Provide 60 days for a response. |

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| **b. When There Is No Response Within 60 Days** | If no response is received within 60 days, treat the income as that of the income recipient. |

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| **c. Jointly Owned Property** | If the income recipient submits a statement from the FI or other source of the income showing that the income recipient and another person or persons jointly owned the property generating the income, count only the income recipient’s proportional share of the income on partial transfer of property by a claimant.  ***Reference:*** For more information on partial transfer of property by a claimant, see [M21-1, Part V, Subpart iii.1.I.10](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part5/subptiii/ch01/ch1_secI.doc). |

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| **d. Funds Paid or Credited to Recipient** | If funds were paid to the income recipient or credited to the income recipient’s account, the income recipient’s proportional share of the income must be counted in determining eligibility for VA benefits, irrespective of any informal arrangements that might have existed.  ***Reference:*** For more information on proportional share of income, see [M21-1, Part V, Subpart iii.1.I.1](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part5/subptiii/ch01/pt05_sp03_ch01_secI.doc). |

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| **e. Handling Reports of Identity Theft** | Proof of identity theft includes, but is not limited to, the following:   * documentation of the correct income information the claimant wants VA to consider, * evidence that he/she placed a Fraud Alert with one of the three major credit reporting companies (Experian, TransUnion, or Equifax), * evidence that he/she created an Identity Theft Report with the Federal Trade Commission, * a police report indicating identity theft, * a letter provided by the IRS, including 4491C, alerting the taxpayer that his/her identity may have been compromised, or * evidence from the IRS that the taxpayer submitted Form 14039, IRS Identity Theft Affidavit, to the IRS. |

#### 12. Efforts to Clarify Disputed Amounts

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| Introduction | This topic contains information on efforts to clarify disputed amounts, including:   * clarifying disputed amounts * when the information provided does not agree with the IRS * when the criteria are not met for referral to the Office of Inspector General (OIG) * when a potential fraud case meets OIG criteria * when evidence proving IRS or Social Security Administration (SSA) data is incorrect * delay of letter, and * when the EP is pending. |

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| **a. Clarifying Disputed Amounts** | If the amount of money reported in the Income Verification Match (IVM) is disputed, either in whole or in part, during the verification process or during due process and that disputed amount will adversely affect the amount of VA benefits payable, further efforts should be undertaken to clarify the discrepancy. |

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| **b. When the Information Provided Does Not Agree With the IRS** | VA may notify the payer, income recipient, or both, that the information provided does not agree with information obtained from the IRS and request clarification with supporting documentation.  Likewise, if the income recipient is the spouse, VA may attempt to verify the information with the VA beneficiary. This could be done by letting the Veteran know the spouse was sent a letter on a given date and that the Veteran should provide information regarding that income. |

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| **c. When the Evidence Proving IRS or SSA Data Is Incorrect** | If evidence is received proving the IRS or Social Security Administration (SSA) data are incorrect, adjudicate the claim based on the evidence of record. |

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| **d. Delay of Letter** | When it is necessary to clarify a disputed amount, if possible, the notice of proposed adverse action should not be sent until the issue is resolved.  Multiple notices of proposed adverse action, award actions, and final notification letters may confuse the beneficiary. |

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| **e. When the EP Is Pending** | Although the EP must be left pending until the issue is finalized, it should not adversely affect timeliness.  If it appears that there will be a long delay while resolving the discrepancy, and the evidence indicates that current benefits are also being overpaid   * send a notice of proposed adverse action, and * take interim award action on a verified amount pending resolution of any disputed amount. |

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| **f. When the Criteria Are Not Met for Referral to OIG** | If the case does not meet the criteria for referral to the Office of Inspector General (OIG), the Veterans Service Representative (VSR) may request that a Field Examiner contact the income recipient and obtain copies of needed income tax returns, supporting documents and any other evidence that might be needed.  ***Reference:*** For more information on fraud and forfeiture discontinuance provisions, see   * [M21-1, Part III, Subpart vi, 5.A](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part3/subptvi/ch05/ch05_seca.doc), and * [M21-1, Part III, Subpart vi, 5.B](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part3/subptvi/ch05/ch05_secb.doc). |

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| **g. When a Potential Fraud Case Meets OIG Criteria** | If the case is a potential fraud case and meets the criteria for referral to the OIG, a field examination could compromise the case as far as the U.S. Attorney or the OIG is concerned. The Veterans Services Center Manager (VSCM) shall contact the local OIG to see if they would be willing to conduct any needed investigation.  If the OIG chooses not to conduct an investigation, the RO may request a field examination. |

#### 13. Due Process

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| Introduction | This topic contains information on due process, including   * due process requirements * separate income verification * when pension benefits began during the year of match, and * an example of due process. |

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| **a. Due Process Requirements** | After the income is verified, due process procedures require VA to give the beneficiary a 60-day opportunity period to submit evidence to show why a reduction or termination should not be made.  ***Reference:*** For more information on due process, see [M21-1, Part I.2.A](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part1/ch02/ch02_seca.doc). |

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| **b. Separate Income Verification** | Separate income verification by the income recipient, who is also the VA beneficiary, does not eliminate the need for due process. VA’s agreement with the IRS and SSA states that VA shall provide a notice of proposed adverse action in all cases, no matter who provides the separate verification.  This is an exception to the normal rule that a notice of proposed adverse action is not required if the adjustment is based on self-reported information. |

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| **c. When Pension Benefits Began During Year of Match** | In cases where pension benefits began during the year of the match, the notice of proposed adverse action must inform the beneficiary that, in the absence of information to the contrary, the income will be annualized over the entire year.  The letter also will inform the beneficiary that if the income terminated prior to the effective date of the award, or the amount varied from month to month, the beneficiary should provide evidence to explain the   * income termination date, or * monthly income variation. |

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| **d. Example: Due Process** | ***Situation:***   * September 1, 2007: Veteran is awarded Veterans Pension benefits and shows no interest income. * The 2009 IVM, for tax year 2007, indicates that the beneficiary received $1,500 in interest income. * In 2009, the beneficiary signs VA Form 21-0159, *Income Certification,* confirming receipt of $1,500 interest, confirming receipt of the interest income.   ***Result:*** The notice of proposed action   * must include development for the initial year and from all subsequent years to the present, and * advise the beneficiary that VA will count the income for the initial year and each subsequent year unless he/she provides evidence to support a change. |

14. Identification of Overpayments for Reporting Requirements

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| Introduction | This topic contains information on identification of overpayments for reporting requirements, including   * the savings report * the Debt Management Center’s (DMC’s) responsibility, and * fraud cases referred to the OIG. |

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| **a. Savings Report** | Use the *RSC 20-0834* format to report savings on a monthly basis. |

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| **b. DMC’s Responsibility** | The Debt Management Center (DMC) is responsible for generating reports concerning overpayments created and recovered as a result of the IVM computer match. To identify these cases, select the IVM Adjustment field on the Financial Decisions Detail Screen in Veterans Service Network (VETSNET) Awards.  ***Reference:*** For more information on processing in VETSNET Awards, see the [VETSNET Awards User Guide](http://vbaw.vba.va.gov/VetsNet/Awards_Docs/Awards%20User%20Guide.pdf). |

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| **c. Fraud Cases Referred to the OIG** | Select the Potential Fraud field on the Financial Decisions Detail Screen to identify potential fraud cases referred to the OIG. Once a case has been declined by the OIG, the DMC must be notified.   * Notify the finance activity by e-mail or telephone that the case will not be pursued and is now an IVM case. * The finance activity will then notify the DMC via e-mail that the case is now an IVM case, permitting the DMC to initiate collection action and include these cases in the monthly reports. |

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#### 15. Considering Earnings in Individual Unemployability (IU) and Pension Cases

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| Introduction | This topic contains information on considering earnings in IU and pension cases, including   * referral of IU cases to ROs * verification of earnings in IU cases * referral of IU cases to the rating activity * determining the need for an examination in IU cases * a rating proposal to reduce benefits in IU cases * considering protected service-connected (SC) evaluations * referral of a pension case for a permanent and total (PT) determination, and * when the pension is terminated without a referral to the rating activity. |

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| a. Referral of IU Cases to ROs | Only IU cases with earned income over the current poverty threshold are referred to ROs.  ***Note***: Amounts received from participation in VHA’s CWT Program are not considered income for IU purposes.  ***Reference***: For more information on the poverty threshold, see [M21-1, Part IV, Subpart ii, 2.F.9](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part4/subptii/ch02/M21-1MRIV_ii_2_secF.doc). |

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| b. Verification of Earnings in IU Cases | If, after initial review, verification of earnings from employment is needed in an IU case, see the references listed below.  ***References***: For more information on   * initial reviews, see M21-1, Part X, Chapter 9, Section C, Topic 5 * verifying earnings from employment, see M21-1, Part X, Chapter 9, Section C, Topic 5. |

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| c. Referral of IU Cases to Rating Activity | When verification is received, or after 60 days if no response from payer or veteran, refer the IU case to the rating activity at the RO of jurisdiction to determine the need for a physical examination. |

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| d. Determining the Need for an Examination in IU Cases | To determine the need for an examination in an IU case, the rating activity shall review the information submitted by the veteran and/or the veteran's employer. If past employment questionnaires, *VA Form 21-4140*, indicate the veteran reported the earnings and VA failed to take action, it is an administrative error. |

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| **e. Rating Proposal to Reduce Benefits in IU cases** | After all evidence has been reviewed, the rating activity shall prepare a rating proposing to reduce benefits and refer the IU case to the authorization activity. If the rating activity proposes to reduce benefits, follow the provisions of [M21-1, Part I, 2.B](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part1/ch02/M21-1MRI_2_B.docx).  ***Reference:*** For more information on handling fraud, see [M21-1, Part III, Subpart vi, 5.A](http://www.benefits.va.gov/WARMS/docs/admin21/m21_1/mr/part3/subptvi/ch05/ch05_seca.doc). |

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| f. Considering Protected SC Evaluations in IU Cases | Use the table below to determine when service-connected (SC) evaluations are protected in IU cases.  ***Reference***: For more information on protected evaluations, see [38 CFR 3.951](http://www.benefits.va.gov/WARMS/docs/regs/38cfr/bookb/part3/S3_950.doc). |

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| If earnings began … | Then … |
| after protection | take no further action. |
| before protection | complete development is required because benefits are subject to reduction if continuation of the rating is based on fraud or sustained improvement in the SC disability.  ***Reference***: For more information on fraud, see [38 CFR 3.1(aa)(2)](http://www.benefits.va.gov/WARMS/docs/regs/38cfr/bookb/part3/s3_1.doc). |

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| g. Referral of a Pension Case for PT Determination | PMC employees have the discretion to decide whether or not to refer a pension case, in which earned income is established, to the rating activity for a determination of continued permanent and total (PT) disability status.  ***Note:*** Do not refer a Pension case for PT determination if pension can be granted on a presumptive basis for the applicable period in question. |

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| h. Pension Terminated Without Referral to the Rating Activity | If pension is terminated for earned income and the case is not referred to the rating activity, flash the claims folder for referral in case the veteran files a reopened claim.  ***Note:*** Do not flash the claims folder for referral if pension can be granted on a presumptive basis for the applicable period in question. |

#### 16. Sample IVM Sheet

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| Introduction | This topic contains a sample IVM sheet. |
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| a. Sample IVM Sheet Page 1 | |  | |
| b. Sample IVM Sheet Page 2 |  | |