



Office of Inspector General

REVIEW OF EDUCATION SERVICE'S QUALITY REVIEW SYSTEM

*Veterans Benefits Administration's
Education Service oversees and maintains
an effective quality review system.*

Report No: 9R1-B18-012
Date: November 25, 1998

Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Under Secretary for Benefits (20)

Review of Education Service's Quality Review System

1. The purpose of the review was to determine whether the Veterans Benefits Administration's (VBA) Education Service's quality review system identifies program deficiencies and their causes, recommends corrective action and follows up to ensure corrective action was taken. This is one of a series of reviews assessing VBA's quality review systems. Education Service's quality review system is designed to help program managers ensure that the customers of this business line receive a high level of service, and that accurate benefit payments are provided in a cost effective and efficient manner. During Fiscal Year (FY) 1998, Education Service administered about \$1 billion in education benefit payments to 435,000 veterans, servicepersons, and dependents or survivors of veterans. Effective December 1995, Education benefit processing was consolidated from 57 Department of Veterans Affairs Regional Offices (VAROs) into 4 Records Processing Offices (RPOs), VAROs Atlanta, Buffalo, Muskogee and St. Louis. During FY 1998, the 4 RPOs processed about 1.12 million benefit award actions.

2. Education Service's quality review system directly supports VBA's Performance Measurement Scorecard for Education Service. The quality review system includes reviews of about 400 education benefit cases from each RPO. Selected cases include about 100 from each of the 4 education benefit programs. The cases are reviewed for customer service accuracy. This includes payment accuracy as well as the accuracy of information the RPO provided their customers, both of which are key performance indicators. Timeliness and productivity issues are also reviewed and results compared to the RPOs' reported results in these areas. In other words, Education Service verifies data integrity in these important performance measurement indicators.

3. The review focused on a population of 471 benefit award cases from RPO Buffalo that had been quality reviewed by Education Service during FY 1997. We statistically sampled 62 of the 471 benefit award cases. To determine whether exceptions had been properly identified, we compared our results to those obtained by Education Service. Education Service had identified 4 payment accuracy exceptions out of the 62 cases; 3 underpayments, valued at \$455 and 1 overpayment, valued at \$561. We identified the same errors. We did not identify any additional payment accuracy exceptions on our sample of the previously quality reviewed cases. We found that the 4 payment accuracy exceptions, that both Education Service and we identified, had been corrected at the time of our review in May 1998. We noted that Education Service had also identified 33 administrative exceptions out of the 62 cases. Administrative exceptions effect the

Education Service's confidence in the validity of RPO management reports regarding productivity accuracy and timeliness data. By noting administrative exceptions, Education Service gives RPO management the opportunity to correct processing deficiencies that may skew the data shown on Education Service's Performance Measurement Scorecard. Education Service followed up to ensure corrective action was taken on the deficiencies identified during their reviews.

4. We concluded that Education Service had an effective quality review system. Deficiencies and their causes are identified and reported to local and central office management and followed up on to ensure they are corrected. The quality review system is effective because it evaluates the accuracy of benefit awards as well as validates the RPOs' reported timeliness and productivity figures. As a result, we are making no recommendations regarding Education Service's quality review system.

5. We also found that Education Service had enhanced its oversight of compliance surveys, and provided guidance and training to RPO staff to help them detect and prevent the type of benefit fraud currently under the jurisdiction of the civil division of a U.S. Attorney's Office. Civil settlements are being obtained from some student veterans who received VA benefits but did not attend regularly scheduled classes at a community college. Because VBA was restructuring compliance survey activities, Education Service's quality review results regarding compliance surveys were not included in the scope of this review. We believe, however, that Education Service has effectively enhanced its compliance survey protocol in an effort to detect and prevent similar benefit fraud schemes. The Deputy Under Secretary for Management concurred with the audit results. We consider the issues resolved and may evaluate the compliance survey area after restructuring has taken place.

For the Assistant Inspector General for Auditing,

(Original Signed By:)

THOMAS L. CARGILL, JR.

Director, Bedford Audit Operations Division

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RESULTS AND CONCLUSION

Veterans Benefits Administration's Education Service Maintains an Effective Quality Review System

Education Service's quality review system is designed to help program managers ensure that the customers of this business line receive a high level of service, and that accurate benefit payments are provided in a cost effective and efficient manner. The quality review system consists of quarterly case reviews from each of the 4 Regional Processing Offices (RPOs), quarterly reports to local and central office management on these results, annual RPO site visits and reports that follow up on corrective action taken in response to deficiencies identified by the quality reviews and to review RPO processing procedures. Our analysis of a statistical sample of cases that had been previously quality reviewed by Education Service, showed that the service had an effective quality review system. We agreed with Education Service's quality review results in about 98 percent of the sampled cases. Our sample results and review of follow up actions demonstrated that Education Service had an effective quality review system that identified program deficiencies and their causes, recommended corrective action and followed up to ensure corrective action was taken.

An Effective Quality Review System Can Enhance Payment Accuracy and Claims Processing Timeliness

During Fiscal Year (FY) 1998, Education Service administered about \$1 billion in education benefit payments to 435,000 veterans, servicepersons, and dependents or survivors of veterans. Effective December 1995, Education benefit processing was consolidated from 57 Department of Veterans Affairs Regional Offices (VAROs) into 4 RPOs, VAROs Atlanta, Buffalo, Muskogee and St. Louis. During FY 1998, the 4 RPOs processed about 1.12 million benefit award actions.

Education Service's quality review system directly supports Veterans Benefits Administration's (VBA's) Performance Measurement Scorecard for Education Service. The quality review system includes reviews of about 400 education benefit cases from each RPO. Selected cases include about 100 cases from each of the 4 education benefit programs. *(See Appendix I on pages 5-7 for details on the 4 education programs.)* The cases are reviewed for customer service accuracy. This includes payment accuracy as well as the accuracy of information the RPO provided their customers, both of which are key performance indicators. Timeliness and productivity issues are also reviewed and results compared to the RPOs' reported results in these areas. In other words, Education Service verifies data integrity in these important performance measurement indicators.

Education Service's Quality Reviews Properly Identified and Reported Exceptions and Followed Up To Ensure Corrective Action Was Taken

Our review focused on a population of 471 benefit award cases from RPO Buffalo that had been quality reviewed by Education Service during FY 1997. We statistically sampled 62 of the 471 benefit award cases. (*See Appendix III on page 10 for a description of our sampling plan and results.*) To determine whether exceptions had been properly identified, we compared our results to those obtained by Education Service.

Education Service had identified 4 payment accuracy exceptions out of the 62 cases; 3 underpayments, valued at \$455 and 1 overpayment, valued at \$561. We identified the same errors. We did not identify any additional payment accuracy exceptions on our sample of the previously quality reviewed cases. We found that the 4 payment accuracy exceptions, that both Education Service and we identified, had been corrected at the time of our review in May 1998.

We noted that Education Service had also identified 33 administrative exceptions out of the 62 cases. Administrative exceptions effect the Education Service's confidence in the validity of RPO management reports regarding productivity accuracy and timeliness data. By noting administrative exceptions, Education Service gives RPO management the opportunity to correct processing deficiencies that may skew the data shown on Education Service's Performance Measurement Scorecard. Education Service followed up to ensure corrective action was taken on the deficiencies identified during their reviews. The exceptions, as well as Education Service's noted improvements from their annual site visit to RPO Buffalo during March 1998, follow:

- In 20 instances, exceptions resulted from the benefit award actions not properly filed in the claims file, making it impossible for Education Service to quality review the action. This type of deficiency occurs when RPO staff process claims without the claims file and copies of the resulting benefit awards are not timely associated with the proper claims file. We believe it is a significant deficiency, because when Education Service reviews the claims file, they cannot evaluate accuracy, timeliness, or productivity. Education Service notes and trends this type of deficiency to make RPOs aware of the need to improve their filing activities. RPO Buffalo addressed this deficiency. Education Service informed us that their 1st quarter FY 1998 quality review identified only about a 2 percent exception rate in this area. It should also be noted that an automated imaging system, currently in use at RPOs Atlanta and St. Louis, and planned for Buffalo and Muskogee, will address this deficiency. The system involves scanning documents directly into automated beneficiary education records. At RPOs Atlanta and St. Louis, the imaging system virtually eliminated the problem of benefit awards not being timely associated with proper claims files.

- In 11 instances, exceptions resulted from the RPO inputting incorrect claim dates on the benefit award and therefore miscalculating claims processing timeliness. This is a significant deficiency since the timeliness shown on benefit awards goes directly into VBA management reports, which are shown on the Performance Measurement Scorecards. We agreed with the 11 exceptions and identified 4 additional date of claim exceptions. Three of the additional exceptions were among the 20 cases discussed above, where at the time of Education Service's quality review the benefit award had not been associated with the claims file. However, we also identified a timeliness exception on a case where Education Service had reviewed the award action, but had not identified any exceptions. It should be noted that for FY 1997, VBA management reports showed RPO Buffalo had average claims processing timeliness of 13.3 days. However, Education Service's quality reviews of RPO Buffalo cases calculated an average processing timeliness of 26.8 days. The difference resulted from the RPO inputting incorrect claim dates on benefit awards. We found the RPO had been informed of the deficiency. RPO Buffalo addressed this deficiency by increasing supervisory reviews of inputted claim dates on awards. As a result, through February 28, 1998, RPO Buffalo's average timeliness calculated on quality reviews had improved to 18.6 days, which did not differ significantly from the 17.2 days shown on VBA management reports.
- In 2 instances, exceptions resulted from misreporting end products or productivity counts.¹ We agreed with the 2 exceptions and did not identify any other instances of misreported end product counts.

As noted in the deficiencies discussed above, we found that Education Service had notified local and central management of deficiencies identified by their quality reviews, in quarterly and annual reports.

Conclusion

We concluded that Education Service had an effective quality review system. Deficiencies and their causes are identified and reported to local and central office management and followed up on to ensure they are corrected. The quality review system is effective because it evaluates the accuracy of benefit awards as well as validates the RPOs' reported timeliness and productivity figures. As a result, we are making no recommendations regarding Education Service's quality review system.

¹ Education productivity is measured in end products. Each type of completed action has a specific end product. RPO productivity can be inflated by such methods as claiming 2 end products for a single award action or claiming an end product for an interim action and then an additional end product when final award action is taken.

Other Observations

We also found that Education Service had enhanced its oversight of compliance surveys, and provided guidance and training to RPO staff to help them detect and prevent the type of benefit fraud currently under the jurisdiction of the civil division of a U.S. Attorney's Office. Civil settlements are being obtained from some student veterans who received VA benefits but did not attend regularly scheduled classes at a community college. Because VBA was restructuring compliance survey activities, Education Service's quality review results regarding compliance surveys were not included in the scope of this review. We believe, however, that Education Service has effectively enhanced its compliance survey protocol in an effort to detect and prevent similar benefit fraud schemes.

Deputy Under Secretary for Management's Comments

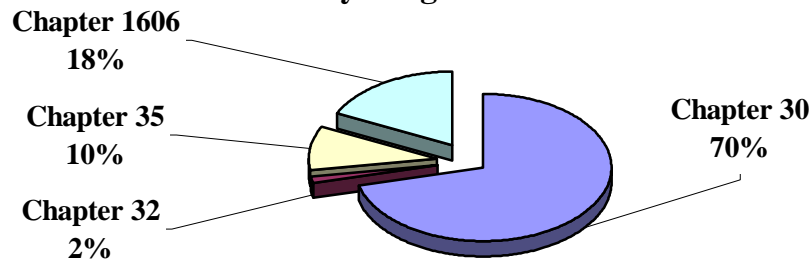
The Deputy Under Secretary for Management concurred with the audit results. We consider the issues resolved and may evaluate the compliance survey area after restructuring has taken place.

(See Appendix IV on page 11 for the full text of the Deputy Under Secretary for Management's comments.)

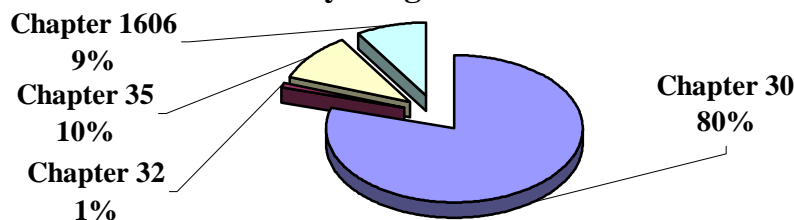
BACKGROUND

During Fiscal Year (FY) 1998, Veterans Benefits Administration's (VBA) Education Service business line will pay about \$1 billion in education trainee benefits to 433,933 veterans, servicepersons, and dependents or survivors of veterans. In December 1995, Education benefit processing was consolidated from 57 Department of Veterans Affairs Regional Offices (VAROs) into 4 Regional Processing Offices (RPOs), VAROs Atlanta, Buffalo, Muskogee and St. Louis. The FY 1998 trainee workload and benefit payment estimates, and program descriptions follow:

**FY 1998 Estimate for Education Trainee Workload
By Program**



**FY 1998 Estimate for Education Trainee Benefit Payments
By Program**



- Chapter 30 of Title 38, United States Code (USC) [All Volunteer Force Educational Assistance Program, commonly known as the Montgomery G.I. Bill-Active Duty or MGIB-AD], provides educational assistance to veterans whose initial entry on active duty took place on or after July 1, 1985. Eligible veterans must agree to have their military pay reduced by \$100 per month for the first 12 months of active duty to participate. VA funds this benefit program.

- Chapter 1606 of Title 10, USC [Montgomery G.I. Bill-Selected Reserves Educational Assistance Program or MGIB-SR], provides educational assistance to individuals who, after June 30, 1985, enlist, reenlist, or extend an enlistment in the Selected Reservists for a period of 6 years or more, and those who are appointed or are serving as reserve officers and agree to serve in the Selected Reserve for not less than 6 years in addition to any other period of obligated Selected Reserve service after June 30, 1985. Departments of Defense (DoD) and Transportation fund the benefit portion of this program while VA administers it.
- Chapter 32 of Title 38, USC [Post-Vietnam Era Veterans' Educational Assistance Program, commonly known as VEAP], provides educational assistance to veterans and current servicepersons who entered active duty between January 1, 1977 and June 30, 1985. Certain individuals may make optional contributions to the VEAP Account (fund) while on active duty. These contributions, up to a maximum of \$2,700, are deposited into the fund prior to discharge. When the participant enters training, the monthly disbursement from their account is matched two for one from funds provided by DoD.
- Chapter 35 of Title 38, USC [Educational Benefits Under the Survivor's and Dependents' Educational Assistance Program, commonly known as DEA] provides educational assistance to dependents and survivors of veterans who died, or are severely disabled, due to illness or injuries incurred in or aggravated by active military service. VA funds this benefit program.

Education Service's quality review system is designed to help program managers ensure that the customers of this business line receive a high level of service and that accurate benefit payments are provided in a cost effective and efficient manner. The quality review system also directly supports VBA's Performance Measurement Scorecard for Education Service. In some areas, such as RPO claims processing accuracy, quality reviews establish the accuracy rate. In other area, such as RPO timeliness and productivity, quality reviews validate the timeliness and productivity figures reported by RPOs.

Education Service's quality review system consists of performing independent quarterly statistical reviews for each of the 4 RPOs and annual RPO site visits. Education Service issues quarterly and annual reports identifying their results. They quality review about 1,600 benefit award cases annually, or 400 cases per RPO, or 400 cases per education benefit program.

Education Service's quality review system also includes the compliance surveys of VA beneficiary-attended schools. Education Service quality reviews and reports annually on a sample of VA beneficiary-attended schools at each RPO. RPOs have Education Service Units (ESUs) that perform these activities. In March 1997, Education Service began transferring supervisory responsibility for ESU functions and associated personnel from VAROs to RPOs. ESU personnel now perform only ESU functions. In the past, ESUs performed other VARO duties as well as their ESU functions. This is an on-going consolidation.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The purpose of the review was to determine whether the Veterans Benefits Administration (VBA) Education Service's quality review system identified program deficiencies and their causes, recommended corrective action and followed up to ensure corrective action was taken.

Scope and Methodology

To assess Education Service's quality review system, we focused on a population of 471 benefit award cases from Records Processing Office (RPO) Buffalo, NY, that had been quality reviewed by Education Service during Fiscal Year (FY) 1997. Education Service agreed that for our survey purposes, quality reviews from RPO Buffalo would be representative of the 4 RPOs. We statistically sampled 62 of the 471 benefit award cases. For each sampled case, we analyzed the automated education master record and beneficiary claims file, to determine whether cases had been accurately and timely processed. Our scope was limited to timeliness, accuracy, and reported productivity as they pertain to benefit award processing. To determine whether deficiencies had been properly identified and corrected, we compared our results to those obtained by Education Service. In cases where we questioned Education Service's action, we requested comments from RPO Buffalo and Education Service. This process resulted in adjustments to our preliminary exceptions. All issues were resolved and mutually agreed upon exceptions were used for our analyses. We did not include in our scope compliance surveys of Department of Veterans Affairs beneficiary-attended facilities. The compliance survey activities are currently being restructured.

In addition to our statistical sample we also:

- Reviewed VBA Performance Measures Scorecards and quality review results for FYs 1996 through 1998 to determine any quality trends.
- Reviewed the most current Education Service's Quality Review Reports for each RPO.
- Discussed the quality review process with Education Service and RPO Buffalo management and staff.
- Conducted a site review at RPO Buffalo.
- Reviewed applicable VA policy and procedures for the sampled cases.

- Reviewed written management responses to our case analyses from RPO Buffalo and Education Service.
- Discussed the review process and findings at various stages of the review with VBA program officials.

The review was conducted in accordance with government auditing standards for qualifications, independence, and due professional care and included such tests of procedures and records, as we considered necessary under the circumstances.

SAMPLING PLAN AND RESULTS

Review Universe

Education Service identified their universe of Fiscal Year 1997 sample cases generated by the Veterans Benefits Administration's (VBA's) Quality Control and Review (QCRE) statistical sampling program as 1,492 cases. The QCRE program randomly selects cases for quality review for each of the 4 education programs based on the previous quarter's activity. We focused on a population of 471 benefit awards from Record Processing Office (RPO) Buffalo. Education Service agreed that for our survey purposes, quality reviews from RPO Buffalo would be representative of the 4 RPOs.

Sample Design

The sample included 62 randomly selected RPO Buffalo's previously quality reviewed cases from the 471 cases generated in the 3 quarters ended March 1997. It was based on a non-stratified attribute sampling design at the 95 percent confidence level precision of +/-5 percent and an expected error rate of 5 percent. We compared our review results with those previously obtained by Education Service. We did not independently validate that Education Service's quality reviewed population tested for RPO Buffalo comprised the total universe. However, nothing came to our attention that would lead us to believe that any RPO Buffalo sample cases were missing from our review universe.

Sampling Results

We found that Education Service oversees and effectively manages their quality review system of education claims processing at their 4 RPOs through independent quarterly statistical review of each of the 4 major programs by RPO and annual RPO site visits. We concur with Education Service's quality review results and found no additional payment accuracy exceptions on these previously quality reviewed cases. Based on our RPO Buffalo sampling results of 98 percent concurrence with prior quality review cases, we did not extrapolate our sample results to the universe.

**MEMORANDUM FROM THE DEPUTY UNDER SECRETARY FOR
MANAGEMENT, DATED OCTOBER 30, 1998**

**Department of
Veterans Affairs**

Memorandum

Date: OCT 30 1998

From: Deputy Under Secretary for Management (20)

Subj: Draft Report, Review of Education Service's Quality Review System

To: Assistant Inspector General for Auditing (52)

1. We appreciate the opportunity to review the subject draft report. It is gratifying to receive such a positive report from your office. We take pride in our quality review system in the Education Service and your validation of our methodology is important to us.
2. Thank you for this report.

(Original signed by)

Nora E. Egan

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