



Office of Inspector General

REVIEW OF VOCATIONAL REHABILITATION AND COUNSELING SERVICE'S QUALITY REVIEW SYSTEM

*Implementation of a quality review
system will improve that accountability
and integrity of the Vocational
Rehabilitation Program.*

Report No. 9R1-B18-044
Date: February 24, 1999

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 Vocational Rehabilitation and Counseling Service's
Quality Review System**

1. The purpose of our review was to determine whether Vocational Rehabilitation and Counseling (VR&C) Service had an effective quality review system. During Fiscal Year 1998, VR&C Service reported expenditures of about \$403 million to rehabilitate an estimated 53,000 veterans.

2. We found that in January 1995, VR&C Service had discontinued quality reviews of Department of Veterans Affairs Regional Office (VARO), VR&C work. Because VR&C Service did not have a quality review system, our review focused on determining whether sufficient management controls were in place to ensure that program services were delivered in a timely and cost-effective manner and program payments were appropriate and accurate. Our survey review of a statistical sample of current vocational rehabilitation cases from one VARO identified both local and systemic management control weaknesses in the following areas: (a) accuracy and integrity of cost accounting records and program performance data; (b) appropriateness of procurement decisions; and (c) program management decisions.

3. Specific conditions that we identified at one VARO and shared with the Director, VR&C Service are summarized as follows:

(a) Accuracy and Integrity of Cost Accounting Records and Performance Data

We found that an automated method to track non-subsistence funds (estimated at \$200 million annually) that were spent to support veterans who were participating in rehabilitation programs had not been implemented. Manual records that were maintained were generally inaccurate and not auditable and program cost controls were essentially non-existent. Additionally, we found that 28 percent of a statistical sample of cases at one VARO underreported the time it took to process an initial claim by an average of 62 days.

(b) Appropriateness of Procurement Decisions

We found that a number of favored fee-basis vendors were paid several hundred thousand dollars on behalf of veterans for services, supplies and equipment for which there was no price competition or justification for selection. In addition to finding that there were no controls to ensure compliance with procurement regulations, we found

that there was minimal compliance with VR&C policies or controls governing computer purchases for program beneficiaries.

(c) Program Management Decisions

In 28 percent of the statistical sample of cases that we reviewed we questioned the type and cost of training courses or employment assistance that these veterans received, and the veterans' entitlement to subsistence payments after withdrawal from training courses.

4. We concluded that the \$400 million vocational rehabilitation program was at high risk because few management controls were in place to ensure program integrity and accountability. Further, the lack of controls and oversight heightened the risk of fraud and resulted in our referring a number of matters for criminal investigation. The Director, VR&C Service agreed with our findings and conclusions, and also agreed they related to systemic issues. During discussions with the Director we mutually agreed that there was no need to expand our review beyond our survey effort at one VARO. The Director outlined actions taken or planned to improve controls over the vocational rehabilitation program. These actions included a planned new quality assurance program, an ongoing procurement task force, and the Director's request that vocational rehabilitation procurement be assigned an internal high priority designation for Federal Financial Managers Integrity Act reporting requirements. Based on our analysis of the Director's draft Quality Assurance Program directive, we believe that when implemented, this program will greatly strengthen program integrity and accountability.

5. We made a series of recommendations, in conjunction with Veterans Benefits Administration management, to improve management controls over the vocational rehabilitation program and to strengthen VR&C program accountability, integrity and cost-effectiveness.

6. You concurred with the findings and provided acceptable implementation plans for the recommendations. We consider the issues resolved, however, we will continue to follow up on planned corrective actions until they are completed.

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 RECOMMENDATIONS

Vocational Rehabilitation and Counseling Service Needs to Implement a Quality Review System

We found that in January 1995, VR&C Service had discontinued quality reviews of Department of Veterans Affairs Regional Office (VARO), VR&C work. Because VR&C no longer had a quality review system, we focused on evaluating whether management controls were in place to ensure that program services were delivered in a timely and cost-effective manner and program payments were appropriate and accurate. A review of a statistical sample of current vocational rehabilitation cases from one VARO identified both local and systemic management control weaknesses in the following areas: (a) accuracy and integrity of cost accounting records and program performance data; (b) appropriateness of procurements made on behalf of veterans for services, supplies and equipment; and (c) the cost-effectiveness and quality of program management decisions, including those effecting the accuracy of subsistence awards and those resulting in the questionable use of program funds to support staffing needs. The Director, VR&C Service agreed with our findings and conclusions, and also believed they related to systemic issues. During discussions with the Director we mutually agreed that there was no need to expand our review beyond our survey effort at one VARO. We concluded that the \$400 million vocational rehabilitation program was at high risk, because few management controls were in place to ensure program integrity and accountability. The Director outlined actions taken or planned to improve controls over the vocational rehabilitation program. These actions included a planned new quality assurance program, an ongoing procurement task force, and the Director's request that vocational rehabilitation procurement be assigned an internal high priority designation for Federal Financial Managers Integrity Act (FFMIA) reporting requirements. Additionally, the Director initiated discussions with VA General Counsel and the Office of Management and Budget (OMB) to obtain guidance on the appropriateness of using program funds to support staffing needs. Based on our analysis of the Director's Quality Assurance Program directive, we believe that when implemented, this program will greatly strengthen program accountability and integrity.

An Effective Quality Review System Can Ensure Program Integrity and Accountability

An effective quality review system should identify program deficiencies and their causes, recommend corrective action, and follow-up to ensure corrective action is taken. An effective quality review system would also support the Veterans Benefits Administration's (VBA) Performance Measurement Scorecard for VR&C Service by evaluating payment accuracy and validating data on which the performance measurement is based.

Our Survey Identified Numerous VR&C Program Deficiencies

VR&C has not had a quality review system since January 1995. At that time, the prior Director of VR&C Service had discontinued the quality review system because he felt it was too process, rather than outcome, oriented. The impact of VR&C Service having discontinued their quality review system, was demonstrated by a statistical sample of 99 current vocational rehabilitation cases selected from one VARO VR&C Division. (*See Appendix III on page 13 for a description of our sampling plan and results.*) Analysis of our sampled cases showed that the average vocational rehabilitation program participant was 38 years old, most often had a 20 percent service-connected (SC) disability for a back condition, and was generally enrolled in an undergraduate college degree program. Overall, we questioned VR&C actions in 72 of 99 cases (73 percent).¹ In addition, we also reviewed all 17 of the VAROs current self-employment vocational rehabilitation program cases because these cases appeared to be high cost/high risk cases that were a concern to VARO management. We identified the following problems in the areas of the accuracy of cost accounting records and program performance data, procurement controls, and the quality of program management decisions. Discussions of these issues follow.

Accuracy and Integrity of Cost Accounting Records and Program Performance Data

We found that an automated method to track non-subsistence funds that were spent in support of veterans who were participating in rehabilitation programs had not been implemented. Expenditures of non-subsistence funds, for such items as tuition and fees, books, and payments for fee-basis services, were estimated to total about \$200 million in FY 1998, yet VR&C Division staff do not track these costs. At the VARO we visited, VR&C Division staff approve payment invoices and forward them to Support Services Division where finance staff authorize payments and manually record the payments on VA Form (VAF) 1391, "Record of Payments and Training Status", which is a 5 x 7 inch card maintained for each vocational rehabilitation program participant. We found the data recorded on these cards was unreliable in determining costs. In 13 cases (13 percent) we found either entire cards were missing or specific data was missing from the cards. In addition, the cost of evaluation testing for veterans, which is frequently done by fee-basis providers, was not recorded on veterans' cards, making it impossible to determine total program costs. Fee-basis vendors currently do a significant portion of VR&C workload. The VARO we visited spent about \$1.4 million for fee-basis services in FY 1998. Nationwide, VAROs spent about \$27.7 million for these services. Without a proper recording and breakdown of these costs, VR&C Service cannot account for and report on what the unit costs are for vocational rehabilitation cases, nor can it make an informed determination whether it is cost beneficial to use contractors rather than staff to provide vocational rehabilitation services.

¹ We questioned VARO VR&C Division actions in 72 cases. However, in many of the 72 cases we had multiple questions

We found that in October 1997, VR&C Service had initiated a new automated vocational rehabilitation tracking system, known as WINRS. The system includes such data as personal information, counseling, current program and program history screens. There is also a Finance screen, but at the VARO we visited this screen had not been implemented. VARO Support Services management advised us that even if VR&C implements the Finance screen, Supports Services would have to continue the VAF 1391 system to track taxable income for vendors. VR&C management felt that under WINRS, all financial data input should be done by Support Services Division. Further, we noted that the WINRS system had not been implemented at either of the two satellite VR&C offices of the VARO we visited.

VR&C's processing timeliness and workload is calculated based upon data contained in the automated Vocational Rehabilitation and Education (VRE) File. We questioned the accuracy of this data in 55 of 99 sample cases (56 percent). The most frequent problem involved the date used to calculate claims processing timeliness. Processing days should be the number of days from the date of receipt of the veteran's claim to the date that the claim is completed. We found in 28 instances VR&C Division had used improper dates of claim. The most common deficiency would be to use the date VR&C initially contacted the veteran to advise he or she that they had basic eligibility and request that they report for a counseling session, rather than the date the veteran's claim was actually received, as the date of claim. Since the difference in the dates was frequently as much as 60 days, this deficiency significantly distorts VR&C's timeliness and reported customer service. VR&C staff generally agreed that they had used improper claim dates. Timeliness is a critical area where a quality review program could validate the timeliness measures reported on VR&C's Performance Measurement Scorecard. We also found that in 12 instances, case status shown in the VRE File appeared to overstate workload. These were cases where the VRE File showed the veterans remained in active phases of vocational rehabilitation programs, but the veterans' files showed they were no longer training, and in two instances, the veteran had died several months previously.

Appropriateness of Procurement Decisions

We found that a number of favored fee-basis vendors were paid several hundred thousand dollars on behalf of veterans for services, supplies and equipment for which there was no price competition or justification for selection. In addition to finding that there were no controls in place to ensure compliance with procurement regulations, we also found there was minimal compliance with VR&C policies or controls governing computer purchases for program beneficiaries. We questioned 23 procurement actions on 18 (18 percent) of the statistical sample of cases we reviewed. Our concerns ranged from (a) our inability to find justification for the selection of certain case management, training, service or equipment vendors, (b) the lack of justification and apparent high cost of certain services or equipment purchased for program beneficiaries, and (c) the inability to verify that some program beneficiaries actually received the goods and services purchased on their behalf. To ensure the integrity and accountability of program funds spent on behalf of veterans, VR&C Service needs to require its program managers to follow prescribed

procurement practices, implement effective management controls, and conduct periodic oversight reviews of locally managed programs.

The following case examples illustrate the types of questionable procurement practices or weaknesses in controls that we observed during our review.

1. This veteran initially applied for vocational rehabilitation benefits when he was 58 years old. The veteran's file indicated he had earned his GED while in the military and had later attended 1-½ years at a business college. The veteran had worked full-time for the past 19 years, earning a maximum of \$51,000 as a Director of Manufacturing. However, the veteran was unemployed at the time he applied for vocational rehabilitation benefits. VR&C staff determined the veteran was entitled to benefits and he was enrolled in a proprietary pre-college vocational assessment facility for the period June 1996 through January 1997. VR&C paid \$8,277 for this training. There was no indication in file as to how this particular high cost facility was selected. VR&C staff advised us that selection of a training facility is usually a joint decision between the veteran and VR&C staff. They further advised us that they no longer used this facility. Our review of financial records disclosed that in 1996 VR&C had paid this vendor about \$660,000.
2. This veteran was enrolled in an undergraduate social work degree program at a large state university from January 4, 1997 through June 12, 1997, at which time the veteran graduated. During the same period, VR&C also enrolled the veteran in a 6-week computer course entitled "Basic Operating Systems and Clerical", at a proprietary training facility, at a cost of \$1,080. There is no justification in file regarding the need for this high cost course, or the selection of this particular training contractor. VR&C staff responded only that this type of course was not normal and was apparently authorized to help the veteran improve computer skills.
3. VR&C policy authorizing computer and related software purchases requires that computer hardware and software be prescribed by the facility for all students, not just veterans, and that it be required to be personally owned. Once purchased, veterans are allowed to keep their computers, if they complete a substantial portion of their program. Otherwise the veterans must return the computer to the VARO VR&C that made the purchase, or pay VR&C the current fair market value of the computer. To maintain control of computers they purchase, the VARO VR&C requires that each veteran receiving a computer sign a Computer Acquisition Agreement (CAA) that is to be maintained in the veteran's vocational rehabilitation file. In this case example, we could not determine whether the veteran actually received the computer VR&C had purchased for him. We found that VR&C had purchased a computer and printer for this veteran at a cost of \$2,345. Our review of the veteran's VR&C file disclosed no indication that the veteran had ever requested a computer nor signed a CAA. In addition, there was no indication that the veteran's school had submitted the required justification for purchase of a computer. In fact, this veteran was not in a rehabilitation-training

status, but was rather in the employment services phase of his program. In all other cases where we found computers had been purchased for veterans, the veterans were in the rehabilitation-training phase of their program. (*See Appendix I, on page 10, for a further description of the phases of vocational rehabilitation programs.*) The veteran's VAF 1391 card did not show the computer purchase. However, we traced the purchase through our review of 1996 payments made to a specific vendor. VR&C Division staff agreed that the request and justification for the computer, as well as the CAA, should have been in the file. They could not explain why these documents were not of record. We referred this case, along with several other computer procurements, to OIG Office of Investigations for their review. It should also be noted that in April 1997, the VARO Director had become concerned with VR&C computer purchases, and had implemented a VARO control stipulating that the VARO Director's Office must approve all VR&C computer purchases. It is also noteworthy that the VARO Director informed us that in at least one instance where the Director's Office had denied a request for computer for a veteran, VR&C staff had subsequently circumvented the Director's authority and obtained approval for the purchase from VR&C Service.

Subsequent to our review, the Director, VR&C Service agreed that a quality review system for monitoring procurements, as well as other deficiencies we had identified, was needed, and development of such a system was underway.² The Director also indicated that a VR&C task force was in the process of developing recommendations to address procurement deficiencies. In addition, on September 22, 1998, the VR&C Director further recognized the seriousness of the procurement issue by requesting that vocational rehabilitation procurement be assigned an internal high priority designation for FFMIA reporting requirements.

Program Management Decisions

We questioned the appropriateness (cost-effectiveness or quality) of 28 percent of the program management decisions made regarding the 99 sampled cases reviewed. Many of the cases we reviewed involved veterans who had substantial employment histories and/or were employed at the time they were receiving rehabilitation benefits. The majority of these veterans appeared to be seeking career changes, rather than vocational rehabilitation to overcome a serious employment handicap or significant disability preventing suitable employment. However, rather than question their basic entitlement to vocational rehabilitation benefits (which is a matter that should be subject to peer review under the direction of VR&C Service), we questioned the type and cost of training courses that these veterans were enrolled in, as well as their entitlement to continue to receive subsistence payments when they withdrew from training courses.

² On August 12, 1998, The VR&C Director provided us with a copy of a draft Quality Assurance Program policy dated June 27, 1998.

The following case examples illustrate instances where we questioned the cost-effectiveness or quality of program management decisions.

1. This case illustrates 9 similar cases where we questioned the quality of the program managers' decisions regarding the cost and type of training courses offered to program beneficiaries. This case involves a 55-year-old veteran, with a combined SC evaluation of 60 percent, who had been enrolled in the vocational rehabilitation program off and on since 1981. VR&C reported the veteran had been rehabilitated, in the field of climate control, in 1985. In 1993, VR&C re-entered the veteran in the vocational rehabilitation program in the field of environmental management, the veteran having been unable to obtain and maintain employment in the climate control field. On February 28, 1997, the veteran was within about 30 days of completing his program, but he declined employment assistance because obtaining employment would cause him to lose his \$700 monthly Social Security Disability benefits. We were unable to obtain a complete history of rehabilitation benefits paid to this veteran, but were able to determine that he had received about \$24,000 in subsistence and non-subsistence benefits over the past 4 years. We found VR&C had no management controls in place to evaluate the quality or cost-effectiveness of local program managers' decisions.
2. The second case example illustrates 14 similar cases where we questioned decisions regarding the effective dates of benefit subsistence award reductions or benefit payment accuracy. We questioned VR&C's processing of reductions and/or terminations in 14 cases with overpayments valued at \$9,823 (\$702 average). Vocational rehabilitation subsistence benefits should be terminated the day following the day a veteran terminates training, or reduced the first day of the month following the month in which a veteran reduces his training time. In this case example we noted that VR&C had paid this veteran full-time subsistence for the period August 26, through December 18, 1997, based on an enrollment certification from the veteran's school showing full-time attendance. Our review showed that the veteran had only completed three-quarter time training for this period. VR&C did not reduce the veteran's subsistence to the three-quarter rate. As a result, the veteran was overpaid about \$624. When we brought this issue to VR&C's attention they agreed that they needed to contact the veteran and take proper reduction action. We found that VR&C had no management control to identify overpayments and ensure corrective action is taken.

Self-Employment Programs

Self-employment programs are considered an appropriate rehabilitation objective for many veterans. Self-employment is generally an objective for the most severely disabled veterans, but those veterans with only an employment handicap are also entitled. The primary entitlement factor is that the veteran must be determined to be unlikely to achieve

rehabilitation through the normal method of employment with an existing company or organization. VR&C may provide veterans in self-employment programs with training in the operation of a small business, minimum stocks of materials or inventory required for day to day operations of a business, essential equipment, and incidental services, such as licensees.

We reviewed all 17 of the VAROs current self-employment vocational rehabilitation program cases, because these cases appeared to be high cost/high risk and were a concern to VARO management. We identified problems similar to those described previously, that is, the accuracy of cost accounting records, procurement controls and the quality of program management decisions. Our analysis showed that one fee-basis vendor was providing case management services for all 17 cases. During the first 6-months of calendar year 1998, this vendor was paid about \$110,000 in case management fees. We also found that one VR&C staff member had approved this fee-basis case manager's invoices for payment, without verifying what services had been performed. When we requested supporting documentation for the payments, the staff member advised us that he had told the vendor not to submit supporting data because he did not have time to review it. The following case example illustrates problems we identified.

This case example involves a 39 year-old veteran, evaluated at 50 percent SC for schizophrenia. The veteran initially entered vocational rehabilitation training in November 1981. The veteran's initial goal was employment as a computer programmer. In August 1987, the veteran's employment goal was amended to law enforcement, and in December 1990, to marketing research. On June 19, 1994, the veteran received an associates degree in business and marketing. However, there is no indication in the veteran's file that he was ever considered rehabilitated. On January 24, 1997, VR&C approved the veteran's self-employment plan, in an environmental consulting and sales business. The total self-employment business cost was estimated at \$11,500. The business' feasibility had been determined by a fee-basis vendor, who had worked with the veteran throughout 1996 and who later became the veteran's case manager. By June 30, 1998, VR&C had expended about \$73,000 on the veteran's self-employment program (\$53,000 for case management and \$20,000 for supplies, equipment and training), but from our review of the veteran's file we could not determine the status of the veteran's business. It is also noteworthy that the case manager was evidently providing administrative support, such as answering business calls, for the veteran's business. We questioned VR&C concerning the status of the veteran's business as well as whether the case manager's costs for business support had been passed on to VR&C as case manager fees. VR&C did not respond to our questions on this case.

Self-employment is another area where there was no management control to identify deficiencies. However, during our review, the VARO Director implemented a requirement that VARO VR&C staff, rather than fee-basis vendors, would provide case management for all self-employment cases.

Other Observations

During the initial stages of our survey, we learned that in FY 1997, 32 VARO VR&C Divisions had spent about \$12.2 million for fee-basis rehabilitation services and expected to spend another \$12.6 million for these services in FY 1998. Vocational Rehabilitation Fund resources were used to pay for these services. The fee-basis rehabilitation service providers are usually referred to as case managers and are generally the individuals that oversee the veterans' rehabilitation phase programs. VAROs utilize these fee-basis case managers when VR&C case managers cannot meet workload demands. We also found that Code of Federal Regulations (CFR) 38, Chapter 31, allows for the use of Vocational Rehabilitation Fund resources for the evaluation and planning and employment service phases of rehabilitation programs, but is silent regarding case manager services. The Director, VR&C Service agreed that the CFR did not appear to allow Vocational Fund resources to be spent for fee-basis cases managers. The Director, VR&C Service informed us that he had initiated discussions with VA General Counsel and OMB to obtain guidance on the appropriateness of using program funds to support staffing needs.

Conclusion

We concluded that the \$400 million vocational rehabilitation program was at high risk because few management controls were in place to ensure program integrity and accountability. Further, the lack of controls and oversight heightened the risk of fraud and resulted in our referring a number of matters for criminal investigation. The Director, VR&C Service agreed with our findings and conclusions, and also agreed they related to systemic issues. During discussions with the Director we mutually agreed that there was no need to expand our review beyond our survey effort at one VARO. The Director outlined actions taken or planned to improve controls over the vocational rehabilitation program. These actions included a planned new quality assurance program, an ongoing procurement task force, and the Director's request that vocational rehabilitation procurement be assigned an internal high priority designation for Federal Financial Managers Integrity Act reporting requirements. Based on our analysis of the Director's draft Quality Assurance Program directive, we believe that when implemented, this program will greatly strengthen program integrity and accountability.

Recommendation

We recommend that the Under Secretary for Benefits improve management controls over the vocational rehabilitation program by:

- a. Strengthening program management guidelines and implementing an effective quality review system in order to enhance program supervision and management oversight of the vocational rehabilitation program.
- b. Providing training to VR&C managers and staff, and developing and monitoring performance measures that will improve compliance with the procurement regulations and policies, enhance the quality and cost-effectiveness of program management decisions for all types of rehabilitation cases, and improve the accuracy and integrity of program data and recordkeeping systems.
- c. Conducting periodic internal reviews and assessments of the new quality review system to ensure it is meeting the objectives of enhancing accountability, ensuring the quality and cost-effectiveness of program services, complying with procurement regulations, and validating the accuracy of reported cost and performance data.

Under Secretary for Benefits Comments

The Under Secretary for Benefits concurred with the findings and recommendation.

Implementation Plan

The Undersecretary provided an implementation plan which included completion dates or targeted completion dates for implementing national and local quality assurance programs, a national acquisition strategy and improved data information and data integrity. (*See Appendix IV on pages 14-17 for the full text of the Under Secretary's comments.*)

Office of Inspector General's Comments

The Under Secretary's implementation plan is acceptable and we consider all issues resolved. However, we will follow-up on the implementation of planned corrective actions.

BACKGROUND

During Fiscal Year (FY) 1998, Vocational Rehabilitation and Counseling (VR&C) spent about \$403 million rehabilitating an estimated 53,000 veterans. About 89 percent of the veterans were training in undergraduate college degree programs. Code of Federal Regulations (CFR) 38, Chapter 31, provides for all services and assistance necessary to enable veterans with service-connected (SC) disabilities to achieve maximum independence in daily living and, to the maximum extent feasible, to become employable and to obtain and maintain suitable employment. To be eligible for Chapter 31 benefits, a veteran must generally have at least a 20 percent SC disability, which causes or materially contributes to an employment handicap. Those veterans with less than a 20 percent evaluation may also be eligible only if they can demonstrate that they have a serious employment handicap. The basic period of eligibility is 12 years from the date of discharge or notice of disability rating, and the rehabilitation program should not exceed 48 months.

The Chapter 31 vocational rehabilitation process has 5 key phases. In phase 1 (Application), the Department of Veterans Affairs Regional Office (VARO) receives the veteran's application and establishes eligibility. In phase 2 (Evaluation and Planning), a counselor determines whether the veteran has an employment handicap and, if so, the counselor and veteran jointly develop a rehabilitation plan. In phase 3 (Rehabilitation Services), the veteran moves into the rehabilitation or training portion of his or her program. In phase 4, (Employment Services) veterans are provided assistance in obtaining employment. There can be overlap between phases 3 and 4. Veterans can begin receiving employment services while they are still in the rehabilitation services phase of their program. In the final phase (Rehabilitation), the veteran is classified as being rehabilitated once he or she obtains suitable employment and maintains it for at least 60 days.

In October 1997, in an attempt to automate information pertinent to the vocational rehabilitation program, VR&C Service introduced the WINRS system. WINRS is a series of screens for each program participant that includes personal information, counseling information, details of rehabilitation plans and goals, employment assistance information, placement information, finance information and disability information. At the time of our review, WINRS, or all the systems screens, had not been implemented at all field stations. For example, the VARO we visited had implemented WINRS, but not the WINRS finance screen. We also found that under the current WINRS system, VR&C Service does not have automated access to each VARO's WINRS database. Since September 1992, the General Accounting Office (GAO) has issued 3 reports addressing the VR&C program. The GAO reports have generally addressed VR&C's problems in placing veterans in jobs and recommended that the Veterans Benefits Administration (VBA) develop and focus on results oriented goals, rather than process oriented goals. We were informed that in January 1995, VR&C had eliminated their quality review

system because the former VR&C Director felt that the quality review system focussed on the process, rather than the outcome of rehabilitating veterans. Accordingly, we initiated our review to assess the impact of VR&C having discontinued their quality review system.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The initial purpose of our review was to determine whether the Department of Veterans Affairs (VA) Vocational Rehabilitation & Counseling Service's (VR&C) quality review system identified program deficiencies and their causes, recommended corrective action and followed up to ensure corrective action was taken. Early in our review we were informed that VR&C Service had discontinued their quality review system in January 1995. Therefore, we revised our focus to determine whether sufficient management controls were in place to ensure that program services were delivered in a timely and cost effective manner, and program payments were appropriate and accurate. This is one of a series of reviews assessing the Veterans Benefits Administration's (VBA) quality review systems.

Scope and Methodology

To assess the impact of VR&C Service having discontinued their quality review system, our review focused on one VA Regional Office's (VARO) workload of 3,534 current vocational rehabilitation program veteran participants. To determine whether program services had been delivered in a timely and cost-effective manner and program payments were appropriate and accurate, we reviewed a statistical sample of 99 of these veterans. We also reviewed all 17 of the VARO's current self-employment vocational rehabilitation program cases, because these were high cost/high risk cases. In addition to our statistical sample, we also:

- Reviewed applicable Code of Federal Regulations (CFR) 38, Chapter 31 and VBA Manual M28-1 criteria.
- Discussed VR&C program policies and procedures with VR&C Service and VARO management and staff.
- Reviewed VARO VR&C staff comments to our case analyses.

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.

DETAILS OF REVIEW

SAMPLING PLAN AND RESULTS

Review Universe

We surveyed the Vocational Rehabilitation and Counseling (VR&C) Program at one Department of Veterans Affairs Regional Office (VARO). We identified 3,534 veterans that were currently active in the VARO's VR&C program as of October 1, 1997.

Sample Design

For survey purposes, we randomly selected 99 vocational rehabilitation cases from the 3,534 currently active cases included in the VARO's workload database. Our sample included cases from all phases of the VR&C program; Application, Evaluation and Planning, Rehabilitation Services, Employment Services and Rehabilitation. We validated VR&C case information from the VARO workload database and Benefits Delivery Network to the individual veterans' Counseling Evaluation Rehabilitation folder. We did not independently validate that the VAROs workload database comprised the entire universe of the VARO's vocational rehabilitation cases. However, nothing came to our attention that would lead us to believe that any sample cases were missing from our review universe.

Sampling Results

We identified a total of 137 deficiencies in 72 of the 99 sampled cases reviewed. The types and numbers of deficiencies are shown in the following table.

Accuracy and Integrity of Program Performance Data and Cost Accounting Records.	78
Appropriateness of Procurements Made on Behalf of Veterans for Services, Supplies, and Equipment.	23
Cost-Effectiveness and Quality of Program Management Decisions.	36
Total Number of Deficiencies	137

In addition to the above deficiencies, we also questioned the use of program funds to support staffing needs.

**MEMORANDUM FROM THE DEPUTY UNDER SECRETARY FOR
MANAGEMENT, DATED FEBRUARY 5, 1999**

Department of
Veterans Affairs

Date: **FEB 05 1999**

From: Deputy Under Secretary for Management (20)

Subj: Draft Report – Review of Vocational Rehabilitation and Counseling Service's
Quality Review System (Report No. 8R1-037)

To: Assistant Inspector General for Auditing (52)

1. We are pleased to present our response to the recommendations and findings made in your draft report, Review of Vocational Rehabilitation and Counseling Service's Quality Review System Report No. 8R1-037, dated December 4., 1998. Before I address the specific recommendations made in your report, we would like to acknowledge the complex task you and your staff undertook to help the Vocational Rehabilitation and Counseling (VR&C) program improve the delivery of services to veterans.
2. We concur with the three recommendations outlined in our report and note that the findings are consistent with problem areas and program vulnerabilities discovered in our own internal reviews, and are primarily due to the lack of a national quality assurance program during the last three years. We have recently instituted a quality assurance program for the VR&C program which we feel will provide greater levels of oversight and compliance to remedy the problems noted in your report. Additionally, the following paragraphs respond specifically to the three recommendations and detail other strategies we are implementing that will address your recommendations.
3. As mentioned earlier, the establishment of a quality assurance program for the VR&C Program responds to your first recommendation to strengthen program management Guidelines and implement an effective quality review system to enhance program Supervision and management oversight of the vocational rehabilitation program. In August, 1998, the VR&C Service published a Quality Assurance chapter of its operating manual, M28-3. At that time, instructions were provided to all VR&C field managers to re-institute a local quality assurance program. Simultaneously, the VR&C Service inaugurated a national quality assurance program to systematically review randomly selected cases from all regional offices within the nine service delivery networks (SDN). Under the national review program, each SDN will be reviewed twice within a fiscal year with a total of 3,600 cases reviewed during fiscal year 1999. Additionally, the team of reviewers who will participate in the national quality assurance program will consist of vocational rehabilitation and counseling professionals from the headquarters VR&C program and VR&C field managers who

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provide direct service delivery to program participants. We feel this aggressive quality review program will address your findings and meet the intent of your recommendation.

4. Your second recommendation is one that we believe embraces a number of the VR&C program's initiatives to improve performance, comply with procurement policies, and improve the accuracy and integrity of program data and record-keeping systems. Following are specific examples of what the VR&C program is doing in these areas.

- VR&C Balanced Scorecard. The VR&C program's national balanced scorecard was developed to fill the gaps between overall program performance and progress toward important program goals. As an organizational tool, the balanced scorecard translates the organization's mission and strategy into objectives and measures organized into four different perspectives: financial, customer, internal business process, and learning and growth. Used by the VR&C staff, the balanced scorecard will enhance the quality of program management decisions. Additionally, VR&C managers will have the responsibility of administering services and benefits while reaching an appropriate balance in terms of speed, accuracy, cost, veterans' satisfaction and employee development. Begun in October 1998, the VR&C balanced scorecard will play a key role in shaping the future of the VR&C program as it matures as a performance measurement tool to drive behavior on desired outcomes.
- National Acquisition Strategy. The VR&C Service recognizes the importance of a cost-effective and responsive policy for outsourcing for services that are unavailable within existing resources or staff capability. A need for clear and understandable procurement regulations and policies was a driving force in the appointment of a Task Force in the fall of 1997. The Task Force's report, issued in May 1998, recommended a national acquisition strategy (NAS) in contracting for vocational rehabilitation and counseling services. The recommended NAS requires each VR&C field manager to complete a detailed analysis of resources, workload, and other factors to determine if contracting is necessary. From the NAS, performance based contracting will emerge which, we believe, will allow the VR&C program to measure the cost-effectiveness of contracting. Additionally, the NAS features a national contract allowing local vendors to be selected in each SDN, and empowers local VR&C field managers to have input into the selection of vendors in their areas. We feel that a NAS will yield consistent acquisition policies and greater consistency and oversight of VR&C contracting efforts. A pilot test of the NAS is currently underway in the regional offices in SDN 7, namely Little

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Rock, New Orleans, Waco, Houston, and Muskogee. We expect to analyze the results of this pilot test in the summer of 1999. Further, while the routine contract administration of the NAS will remain with the VR&C program, VA's Office of Acquisition and Materiel Management will provide a senior contracting officer to do overall contract management and consultation.

- Information Management. A major step forward in improving the collection, accuracy, and integrity of VR&C program data was the nationwide implementation of an information management system, WINRS, designed to support specific business needs such as case management. This information management system collects current case status data and responds to the ongoing need for detailed profile data with which the VR&C program may better strategically plan and manage program services and benefits. A project is now underway to enhance the current version of WINRS so that greater levels of detail may be recorded and maintained regarding the veterans who utilize VR&C services.

5. The last recommendation of your report concerning internal reviews and assessments of the new quality review system to not only ensure it is meeting the objectives of accountability, cost-effectiveness of the program services including procurement issues but that the accuracy of reported costs and performance data are validated captures a major goal for the VR&C Service in Headquarters. Systematic quality assurance reviews at the Headquarters' level have already begun and will be aggressively executed throughout fiscal year 1999. The purpose of these reviews will be to validate the quality of services and benefits delivered at the SDN level. Ongoing analysis of the results of these reviews will be made to allow VR&C managers in Headquarters to determine if the quality review system is meeting identified objectives. Additionally, in collaboration with VBA's Data Management Office, the VR&C Service is striving to assure the integrity of data collected and maintained on the VR&C program. In conjunction with this effort, the VR&C is engaged in a project to identify additional data sources that will increase its ability to make data-driven and strategic decisions relating to the management of program services and resources. Certainly the only Balanced Scorecard will be increasingly important in this regard because it will not only monitor performance indicators such as fiscal accuracy, including procurements through contracting, but also the costs associated with rehabilitating veterans. As the accumulated data are analyzed, we will have the opportunity to adjust policies, strategies and program objectives to ensure the appropriate balance of program intentions and legal and fiscal responsibilities.

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We hope this information is of assistance to you in finalizing your report. If you have any questions please contact Mr. Julius M. Williams, Jr., Director of the VR&C Service at (202) 273-7419.

(Original signed by:)

Nora E. Egan

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