



# Office of Inspector General

## AUDIT OF THE DEPARTMENT OF VETERANS AFFAIRS HEALTH ELIGIBILITY CENTER ATLANTA, GEORGIA

*The Veterans Health Administration does not have reasonable assurance that income verification matches include only veteran self-reported income.*

Report No.: 00-02165-54

Date: March 26, 2001



**DEPARTMENT OF VETERANS AFFAIRS**  
**Office of Inspector General**  
**Washington DC 20420**

**Memorandum to the Under Secretary for Health (10)**

**Audit of the Department of Veterans Affairs Health Eligibility Center,  
Atlanta, Georgia**

1. The Department of Veterans Affairs (VA) Office of Inspector General (OIG) conducted an audit of the income verification matching (IVM) process used by the VA Health Eligibility Center (HEC) to establish patient eligibility for VA health benefits. Based on the results of two VA OIG audits, the Internal Revenue Service (IRS) terminated agreements with the Veterans Health Administration (VHA) to conduct IVM with IRS and Social Security Administration (SSA) in July 1999. IRS terminated the agreements because VA medical centers (VAMCs) had not obtained some income information from the veterans or did not obtain some veterans' signatures in the Means Test (MT) section of the Application for Health Benefits. You requested an audit to determine whether corrective actions taken by VHA would provide reasonable assurance that:

- VHA has established a system to ensure that only self-reported income is included in future matches with the IRS and SSA, and
- VHA and the HEC have purged their electronic files and paper records of all Federal Tax Information (FTI) not supported by self-reported income.

2. Since 1997, the OIG has twice reported deficiencies in VHA's MT process. In 1997<sup>1</sup> and 1999<sup>2</sup> we reported that 88 percent and 46 percent of cases sampled were not supported by signed MTs, respectively. As a result of these findings, IRS terminated agreements with VHA to conduct IVM with IRS and SSA.

3. Subsequently, from January 1, 1999 through May 30, 2000, the OIG conducted MT reviews at 15 VAMCs during the OIG's Combined Assessment Program (CAP)<sup>3</sup> reviews and found continued deficiencies in the MT process. Results of the reviews showed that VAMCs did not obtain signed MTs in 23

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<sup>1</sup> Report No.: 7R1-G01-096, Review of Means Testing and Income Verification Procedures, dated June 10, 1997.

<sup>2</sup> Report No.: 9R1-G01-054, Evaluation of VHA's Income Verification Match Program, dated March 15, 1999.

<sup>3</sup> CAP reviews are collaborative assessments of VA facilities conducted by the OIG's Offices of Healthcare Inspections, Audit, and Investigations on a cyclical basis.

percent and 17 percent of the cases reviewed for calendar years (CYs) 1999 and 2000, respectively. Beginning in May 2000, we conducted more structured reviews of the MT process at 13 additional VAMCs, which showed that:

- MTs were not signed or could not be located in 17 percent of the cases reviewed for CY 2000. These results indicate that VHA's MT process does not provide reasonable assurance that only self-reported income would be included in cases VHA plans to match.
- Although VHA purged FTI from Veterans Health Information Systems and Technology Architecture (VISTA) files maintained at VAMCs, the HEC did not purge all unauthorized FTI from its electronic files and paper records.

4. These conditions occurred because:

- VHA had not implemented our 1999 recommendation to centralize means testing to the HEC.<sup>4</sup>
- VHA and the HEC had not developed a process to filter unsigned MTs prior to conducting the IVMs with IRS and SSA.
- The HEC relied on inaccurate information reported in VHA's Signed Means Test Review (SMTR). As a result, the HEC did not purge FTI from its files for all cases in which VAMCs did not have signed MTs.

5. Pending implementation of our 1999 recommendation to expedite centralized means testing to the HEC, we recommend that you establish a process that would provide positive assurance that a signed MT supports all MT information. We further recommend that the HEC purge all FTI that is not supported by a signed MT. Implementation of the recommendation would provide reasonable assurance that only self-reported income is matched with the IRS and SSA, and provide VHA the ability to bill for about \$15.3 million in services provided to non-service connected veterans.

6. You concurred with the findings and recommendation in the report and provided acceptable action plans. Therefore, we consider the issues discussed in the report to be resolved, based on actions taken or planned. However, we will continue to follow up on planned actions until they are completed.

*(Original signed by:)*

MICHAEL SLACHTA, JR.  
Assistant Inspector  
General for Auditing

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<sup>4</sup> VHA's 1999 SMTR task group concluded that full implementation of centralized means testing would help address MT completion issues.

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## **RESULTS AND RECOMMENDATION**

### **Further Actions Are Needed to Improve VHA's Income Verification Matching Procedures**

Income verification matching procedures of the Veterans Health Administration (VHA) and the Health Eligibility Center (HEC) do not provide reasonable assurance that future matches with the Internal Revenue Service (IRS) and Social Security Administration (SSA) would only include self-reported income from veterans. Our review found that:

- VA medical centers (VAMCs) had not implemented necessary internal controls or procedures to ensure that only signed means test (MT) data would be included in income verification matches (IVMs) with the IRS and SSA.
- The HEC did not purge all unauthorized Federal Tax Information (FTI) from its electronic files and paper records.

Consequently, further management actions were needed for reinstatement of the IVM with IRS and SSA.

### **VHA Procedures Do Not Provide Assurance That MT Data Transmitted to the HEC Are Supported by Signed MTs**

Audits performed by the Department of Veterans Affairs (VA) Office of Inspector General (OIG) showed that VAMCs have continually had problems obtaining veterans' signatures in the MT section of the Application for Health Benefits (hereinafter referred to as the MT). The OIG reported in 1997 and 1999 that VHA's MT process needed improvement. The IRS learned of the deficiencies in the MT process and terminated VHA's IVM agreements with IRS and SSA in July 1999. To correct the reported conditions, VHA and the HEC needed to:

- Develop a system to ensure that only veteran self-reported income is included in future matches with IRS and SSA.
- Purge their electronic files and paper records of all FTI not supported by self-reported income.

The OIG reviewed means testing at 15 VAMCs during Combined Assessment Program (CAP) reviews conducted during the period January 1, 1999 through May 30, 2000. Results showed that veterans did not sign the MT in 23 percent and 17 percent of the cases reviewed for calendar years (CYs) 1999 and 2000, respectively.

In November 1999, the Chief Network Officer (CNO) sent a memorandum to each Veterans Integrated Service Network (VISN) establishing oversight activities at the VISN level for monitoring the MT process to ensure compliance with law. The monitors were required because VA staff, in a significant number of instances, (i) did not require veteran completion of the MT, (ii) MTs were not signed by the veterans, and (iii) were not filed in the veterans' administrative records. In January 2000, the CNO distributed a second memorandum to VISN Directors directing VAMCs to conduct a "Signed Means Test Review" (SMTR) of veterans' health records to determine the presence of signed MTs. VAMCs were required to conduct a 100 percent review for veterans converted from Category A<sup>5</sup> to Category C<sup>6</sup> through the IVM process for Means Test Years (MTY) 1993 through 1997. VAMCs were further required to examine the records for all veterans included in this review for MTY 1998 and 1999 to determine whether VAMCs were making progress in conducting the MT. The review found that overall, for the period 1993-1997, only 43 percent of the cases had signed MTs. The success rate for MTY 1999 was 47 percent. The results of the SMTR were used to purge VHA and HEC electronic files and paper records of FTI for veterans without signed MTs.

To determine if the CNO monitoring requirements improved performance in obtaining signed MTs, we sampled MT data at 13 VAMCs for the last quarter of CY 1999 and CY 2000 through July 2000. Signed MTs were not located for 20 percent (103 of 504) of the MTY 1999 cases reviewed and 17 percent (76 of 446) of the MTY 2000 cases. The results varied widely among VAMCs, ranging from all MTs being signed to an error rate of 47 percent. While these results show improvement over the SMTR results, they do not show that VHA has implemented procedures to ensure that only self-reported income will be used in future matches with IRS and SSA.

While some VAMCs had implemented procedures to ensure MTs are signed, many VAMCs still submitted MT data to the HEC without the veterans' signatures on the MTs. Some reasons why data for unsigned MTs were submitted to the HEC were:

- MT signatures were not obtained before data was transmitted to the HEC because there were no management controls.
- MT data was input into Veterans Health Information System and Technology Architecture (VISTA) prior to receipt of the veteran's signature (telephonic data collection, mail-out initiatives, and community-based outpatient and specialty clinics).
- VAMC staff were unaware that MT data was automatically transmitted to the HEC when it was entered in VISTA.

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<sup>5</sup> Category A veterans' incomes fall below the MT threshold for co-payment.

<sup>6</sup> Category C veterans' incomes exceed the MT threshold and co-payment applies.

- VAMC staff were unfamiliar with appropriate procedures for completing the MT, entering a veteran's agreement to make co-payments into *VISTA*, and determining when data was transmitted to the HEC.

In addition, VAMCs were also transmitting veteran MT data that did not require income verification, including veteran employee health visits to clinics, compensation and pension (C&P) examinations, patients treated under sharing agreements, and veterans who had agreed to make co-payments. MTs for employee visits, C&P examinations, and sharing agreement patients were submitted to the HEC because they were entered into *VISTA* as veteran patients. Some veterans agreeing to make co-payments were incorrectly entered into *VISTA*, resulting in erroneous income data being matched with SSA. We also found that some VAMC staff were entering a "zero" in the MT, indicating that the veteran reported "zero" income, when the veteran had agreed to pay the co-payment. Consequently, the veteran's MT data would be submitted to the HEC and inappropriately matched against FTI.

Based on the results of our review, VHA has developed a plan to ensure that only signed self-reported veteran income will be included in future matches with IRS and SSA. According to VHA's Chief Information Officer (CIO) and HEC management, VHA will only match records that the HEC has a hard copy or an electronic image of the veteran's signed MT. The HEC staff will review all MTs received in either hard copy or electronic image and record in the HEC's database that a signed MT has been received. According to the HEC, only in those cases where the database indicates a signed MT has been received will data be matched with IRS and SSA. Also, according to the CIO and HEC managers, quality control testing will be implemented to ensure that MT indicator data is accurate.

In order to re-establish the income verification matching program with IRS and SSA, VHA plans to implement corrective action in three phases so that limited matching can begin as soon as possible. The first phase will include only those MTs completed by the HEC as part of its Centralized Means Test Pilot Program for which they have a signed MT. The second phase will include MTs from the three VAMCs that are currently electronically imaging MTs. Lastly, the third phase will include all other VAMCs that will fax or transmit electronic images of MTs to the HEC.

### **The HEC Should Purge All Unauthorized FTI From Its Electronic Files and Paper Records**

Audit results showed that FTI had been removed from VHA's *VISTA* system, but not all unauthorized FTI had been removed from the HEC's electronic files and paper records. As a condition for reinstatement of the matching agreements, IRS required that VA provide evidence that all FTI related to unsigned MTs had been purged from VHA and HEC electronic files and paper records. Although the HEC subsequently purged some FTI from its electronic files and paper records, all unauthorized FTI was not purged. This condition occurred because VHA's SMTR did not identify all MTs that were not signed by veterans.

In the first quarter of FY 2000, VHA required all VAMCs to review their files for MT years 1993-99 to determine if signed MTs were obtained from veterans. The results of the SMTR showed that 136,972 (43 percent) of the 318,052 MTs conducted had signatures; 129,661 (40.8 percent) MTs were not signed; and 51,419 (16.2 percent) MTs could not be located. The HEC purged all FTI related to the 181,080 MTs that the SMTR identified as not being signed, or for which the MT could not be located. The HEC retained the FTI, based on the 136,972 MTs reported by VAMCs as having signed MTs on file. IRS staff reviewed the HEC process for purging data from the HEC's electronic files and destroying paper records that included FTI. IRS staff informed us that they were confident that the data related to the 181,080 MTs had been purged from the HEC's electronic files and that the paper records had been properly destroyed. Also, to determine if the data had been purged from *VISTA* files, we had the HEC and OIG Data Analysis Section staffs review electronic records at nine VAMCs to determine if there was any IVM income data stored in veterans' *VISTA* files. The results of the runs showed that all of the IVM income data had been deleted from *VISTA*.

To ensure that all unauthorized FTI had been removed from HEC files, we tested the accuracy of the SMTR. We sampled those cases reported as having signed MTs on file at 13 VAMCs. These VAMCs had verified that 14,010 MTs had the required veteran signatures. We sampled 411 of the 14,010 MTs and found that 47 (11.4 percent) did not have a signed MT. Using a straight-line projection, there could be as many as 15,600 MTs that have not been signed by veterans and FTI not purged from HEC files. Consequently, the HEC has not totally purged all unauthorized FTI from their electronic files and paper records.

### **Conclusion**

We concluded that VHA internal controls and procedures do not provide reasonable assurance that only signed MT data would be included in verification matches with the IRS and SSA. In addition, the HEC had not purged all unauthorized FTI from its electronic files and paper records.

Pending implementation of our 1999 recommendation to centralize means testing to the HEC, we recommend that VHA establish a process that would provide positive assurance that a veteran signed MT supports all MT information. We also recommend that VHA ensure that the HEC purge all FTI that is not supported by a signed MT. Implementation of the recommendations would provide reasonable assurance that only self-reported income is matched with the IRS and SSA, and provide VHA the ability to bill for about \$15.3 million in services provided to non-service connected veterans.

### **For More Information**

*Details of audit pertaining to the Sampling Plan and Results are contained in APPENDIX III on page 11.*



*Details of audit pertaining to the Confirmation of Signed Means Tests are contained in APPENDIX IV on page 12.*

**Recommendation:**

We recommend that the Under Secretary for Health require:

- a) VHA to establish a process that would provide positive assurance that all MT information is supported by a veteran signed MT so that only veteran self-reported income is submitted to the IRS and SSA for matching, and
- b) The HEC to purge all FTI that is not supported by a signed MT.

**Comments of the Under Secretary for Health**

The Under Secretary for Health concurred with the recommendation and the estimated monetary benefits of implementing the recommendation.

**Implementation Plan**

The Under Secretary for Health provided an acceptable implementation plan that stated in part, "A three-phased approach will be used to implement corrective action so that limited matching may begin as soon as possible. The HEC began the manual purge process on January 4, 2001, and has initiated testing of its electronic purge software. The manual purge of all FTI data was completed on January 17, 2001. The electronic purge was completed on January 31, 2001." (See Appendix VI for the full text of the Under Secretary for Health's comments).

**Office of Inspector General Comments**

The Under Secretary for Health's comments and implementation plans are responsive to the recommendation. We consider the recommendations resolved. However, we will continue to follow up on planned actions until completed.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

The purpose of the audit was to determine whether VHA had corrected deficiencies related to MT applications and use of FTI. The audit objectives were to determine whether:

- Corrective actions taken by VHA and the HEC provided reasonable assurance that only self-reported income would be included in future matches with IRS and SSA.
- VHA and the HEC had purged their electronic files and paper records of all FTI not supported by signed MTs.

### **Scope**

The scope of the audit included veterans converted from Category A to Category C, based on FTI that the HEC obtained through matching agreements with the IRS and SSA for MTYs 1993-1999 (VHA's SMTR). We reviewed the MT results of CAP reviews performed at 15 VHA facilities during January 1999 through May 2000. During the period October 1, 1999 – July 31, 2000, a more structured audit of MTs was performed at the HEC and 13 additional VAMCs. Six of these reviews were completed during scheduled CAP reviews, and at seven other VAMCs in order to ensure the audit was representative of VHA. The following VAMCs were included in the audit:

Albuquerque	Fort Harrison
Bay Pines	Hines
Biloxi	Kansas City
Boston	Tampa
Cincinnati	Tuscaloosa
Columbia, MO	West Los Angeles
Decatur	

### **Methodology**

To test the accuracy of VHA's SMTR, we sampled cases identified as having veteran signed MTs on file. To determine if VHA's current procedures were effectively ensuring that VAMCs were obtaining signed MTs, we sampled MTs completed during the period October 1, 1999, through July 31, 2000. We reviewed the administrative records for each sample case to verify that the veteran had completed and signed a MT.

The audit was conducted in accordance with generally accepted Government Auditing Standards, and included such tests of the procedures and records, as we considered necessary.

## **BACKGROUND**

A MT is the process through which VAMCs obtain income information from patients in order to establish the patients' eligibility for medical care. Public Law (PL) 101-508 (the Omnibus Budget Reconciliation Act of 1990) authorized VA to verify income data reported by nonservice-connected veterans with income reported for income tax purposes. PL 104-162 (the Healthcare Reform Act of 1996) expanded the verification program to include zero percent non-compensable service-connected veterans seeking care for nonservice-connected conditions. VHA is authorized to verify self-reported income provided by veterans through the MT process with income data obtained from IRS and SSA, through computer matching agreements. The HEC in Atlanta, Georgia performs income verification for veterans receiving health benefits.

OIG audit reports issued in 1997 and 1999 concluded that VAMCs had erroneously reported a significant number of completed MTs, when veterans had not actually provided income information, or signed the MT forms. The IRS subsequently terminated the matching agreements with the HEC in July 1999, and required VA to purge its files of IRS and SSA data. VA was required to purge FTI from the electronic records at the HEC and individual medical facilities, and from the paper records maintained at the HEC.

In November 1999, the CNO established requirements for monitoring MTs. VAMCs were required to conduct 100 percent reviews of all new MTs to ensure that the forms were complete and that veterans' signatures were obtained the day of, or the day after, registration. VAMCs were also required to identify all incomplete or unsigned MTs and follow up with a designated VHA employee within a designated timeframe. VAMCs were further required to monitor the number of MTs done versus the number of MTs required for all scheduled appointments.

In January 2000, VHA initiated a SMTR, which required VAMCs to review patient medical records to determine whether signed MTs were on file in those cases where IVM data received from the HEC during the CYs 1993 – 1997 was used to revise patient eligibility status. Although there was no IVM data for CYs 1998 and 1999, VAMCs were required to validate the 1998 and 1999 MT data for veterans already included in the 1993 – 1997 review. The purpose was to determine whether VAMCs were making progress in administering the MTs. The VAMCs were required to make weekly progress reports to the HEC and to their VISN office concerning their validation efforts.

VHA found that only 43 percent of the cases had a signed MT in the veteran's medical record. Analysis of the signed MTs by MTY, the calendar year the MT was completed, did not indicate that MT completion for MTYs 1993 – 1999 was improving. The worst performance year was MTY 1997 at 37.8 percent. Facilities have improved since that time with MTY 1999 at 48.6 percent, representing the best performance year of all; however, the two best years other than MTY 1999 are MTY 1994 (47.1 percent) and MTY 1995 (46.6 percent).

VHA's Summary Analysis of its SMTR, dated March 31, 2000, is presented below:

**"RESULTS OF "SIGNED MEANS TEST" REVIEWS  
March 31, 2000**

**"Introduction:**

"The Veterans Health Administration (VHA) performed a review of means tests (MT) to determine whether a signed MT existed in the medical records of veterans who were converted from Category A to Category C through the Income Verification and Match (IVM) process conducted by the Health Eligibility Center (HEC). This review required that VHA health care facilities locate the medical records of 153,009 veterans to review 318,052 individual MT.

"The signed MT review was the first step in VHA's plan to purge Federal Tax Information (FTI) from its records as required by the Internal Revenue Service (IRS). The IRS required VHA to purge the FTI because results of two previous Office of Inspector General (OIG) reviews identified that VHA staff were often placing artificial income information into the Means Test rather than the true self-reported income of the veteran. The IVM program established matching agreements with IRS and the Social Security Administration (SSA), enabling VHA to match veteran self-reported income with income tax reported income. VHA's failure to obtain and match against veteran self-reported income violated the matching agreement authority and resulted in termination of VHA's matching agreements in July 1999 and a requirement from IRS that all inappropriately obtained FTI be purged from VHA records.

"The review of signed MT enabled VHA to identify those IVM conversion cases that had a signed means test available, thereby authorizing VHA to maintain the FTI in records maintained at the HEC.

**"Analysis:**

"The overall results of the signed MT review are perplexing. In all of the cases reviewed at the facilities, only 43.1% were found to have a signed MT in the veteran medical record. When the data were aggregated to determine whether there was any signed MT across the system for a given income year to authorize HEC to conduct the IVM matching with IRS and SSA, it was found that 43.5% of cases met the self-reported income requirement. Even if we assume that the percentage of signed means test found would apply to records not available for review, the overall signed means test rate would barely exceed 50%.

"The top performance at medical centers in terms of documentation of a signed MT only reached 83.5% accuracy...., and the top network (VISN 13) reached 69.6%. Conversely, the lowest performance at medical centers in terms of documentation of a

signed MT ranged from 7.3% to 13.3%. For medical centers reporting “no signed MT available” the top five performers/lowest percentages ranged from 5.7 to 9, while the bottom five performers/highest percentages ranged from 68.9 to 78.1. VHA should anticipate that OIG will be re-visiting medical centers to validate statistics related to presence of a signed MT.

"The signed MT review process challenged the system to retrieve medical records so that paper documents could be reviewed. The best medical centers performed very well with “record not available” percentages that ranged from 1.7 to 3.8. The medical centers that performed worst in this area ranged from 41.7 to 61.2 percent of records not available for review.

"Analysis of the signed MT by means test year (MTY) does not indicate a clear trend of improved MT completion for MTY 1993 through MTY 1999. The worst performance year was MTY 1997 at 37.8%. Facilities have improved since that time with MTY 1999 at 48.6%, representing the best performance year of all; however, the two best years other than MTY 1999 are MTY 1994 (47.1%) and MTY 1995 (46.6%). As noted previously, the system-wide performance rate for the entire review was only 43.5%.

### **"Implications:**

- VHA has a serious deficiency in the MT completion process. While the Chief Network Officer (CNO) has published recent policy issuances and MT monitoring requirements, the scope of the problem is still widespread. This has direct implications for VHA's effort to reinstate the IVM program with IRS and SSA. A separate document addressing MT monitoring and compliance policy is under development at the request of the CNO office. Once released, it will provide a framework for improvements in VHA MT policy and procedures.
- Resumption of IRS and SSA matching agreements in support of the IVM program will be dependent upon VHA's ability to demonstrate its intent to match only against veteran self-reported income. Information systems and MT completion procedures at individual health care facilities must provide positive assurance that a veteran's completed means test is available.
- The signed MT review process has identified health care facilities that performed well above the system average and others that have more serious deficiencies in this area. Analysis of why high performers succeeded and sharing of lessons learned may be of value. Special monitoring or plans for corrective action may be appropriate for sites that are significantly underachieving in this area.

**"Related Issues:**

- A current MT is required for continued enrollment in our health care system. In any given month VHA has over 700,000 veterans in a pending enrollment status due to expired MT. Information systems must be enhanced to provide the necessary tools, and health care facilities must implement the procedures to ensure that MTs are completed on a timely basis.
- VHA commissioned the Means Test Policy & Process Improvement Group (The Lawson Report) in March 1999. The National Policy Board, at its February 2000 meeting, approved the Lawson Report recommendations. The majority of recommendations from this group will require legislative and regulatory changes. They are not likely to be available to help address VHA's MT issues in the near term. OIG has strongly recommended that VHA expand its Centralized Means Test (CMT) pilot program. While such expansion was approved by the Under Secretary for Health in 1997, actual software development and expansion of the program have been delayed due to technical issues and implementation of the Enrollment Program. Full implementation of CMT will help address VHA's MT completion issues."

## **DETAILS OF AUDIT**

### **Sampling Plan and Results**

#### **Sampling Plan**

We randomly selected 30 MTs from each of 13 VAMCs in 3 separate universes. The samples included MTs from VHA's SMTR data, MTs conducted during October – December 1999, and January – July 2000.

**SMTR** – The MT eligibility category for the cases in this sample had been converted from Category A to Category C, based on FTI the HEC obtained from IRS during the IVM process. Representatives from the 13 VAMCs included in the review had certified during the SMTR that their facility had a signed MT on file for each sample case. The HEC retained the FTI corresponding to these cases in its files and records. Because the HEC was required to purge all FTI not supported by a signed MT, the objective of the sample was to confirm that VAMCs did in fact, have signed MTs for the sample cases and that retention of the related FTI by HEC was appropriate.

**MTY 1999** – The CNO implemented new requirements in November 1999 to ensure proper application of the MT. While the new requirements did not affect the performance of VAMCs in CY 1999, some improvement was expected for the CY 2000. Consequently, the objective of this sample was to establish a benchmark for measuring facility performance in administering the MT in CY 2000. If the percent of signed MTs was significantly higher than what VAMCs had self-reported for CY 1999 during the SMTR, a second sample was pulled in the auditor's presence to negate the possibility that VAMC staff had tampered with the files in the first sample.

**MTY 2000** – The purpose of this sample was to determine whether guidelines and policies implemented during the latter part of CY 1999 by VHA to correct MT deficiencies had resulted in improvements.

**Sampling Results** – The audit showed that the HEC had not purged all unauthorized FTI from its files and records. We found 103 of 504 (20.4 percent) unsigned MTs for CY 1999 and 76 of 446 (17 percent) unsigned MTs for CY 2000. In addition, we found 47 of 411 MTs (11.4 percent) in the SMTR that were not signed. Based on the sample results, we concluded that VAMCs: (i) had not developed the necessary internal controls or procedures to provide reasonable assurance that only signed MT data would be included in IVMs with the IRS and SSA; and (ii) the HEC did not purge all FTI from its electronic files and paper records.

**DETAILS OF AUDIT****Confirmation of the Signed Means Tests**

As part of the OIG's CAP reviews of VHA facilities, means testing was reviewed at 15 facilities during the period January 1999 through May 2000. Results of these reviews showed that signed MTs did not support 22.9 percent and 16.9 percent of the MTs conducted in CYs 1999 and 2000, respectively. Error rates ranged from 0 to 41.7 percent in CY 1999 and from 10 to 53.3 percent in CY 2000. The CAP results demonstrated that VHA and the HEC continued to have problems obtaining signed MTs, even after the matching agreements had been terminated. The table below shows the results of the MT reviews performed at the 15 facilities.

<b>CAP MEANS TEST REVIEWS</b>						
<b>CAP Location</b>	<b>Calendar Year 1999</b>			<b>Calendar Year 2000</b>		
	<b>Cases Reviewed</b>	<b>Unsigned MT</b>	<b>Error Rate</b>	<b>Cases Reviewed</b>	<b>Unsigned MT</b>	<b>Error Rate</b>
Philadelphia	43	12	27.9%	0	0	0.0%
Hines	10	3	30.0%	0	0	0.0%
Southern Nevada HCS	36	15	41.7%	0	0	0.0%
Martinsburg	31	3	9.7%	0	0	0.0%
Columbia, SC	0	0	0.0%	40	6	15.0%
Hampton	20	6	30.0%	10	1	10.0%
Phoenix	20	4	20.0%	0	0	0.0%
Dublin	32	7	21.9%	0	0	0.0%
Fresno	25	7	28.0%	15	8	53.3%
Gainesville / Lake City	47	3	6.4%	0	0	0.0%
Dallas / Bonham	41	9	22.0%	7	2	28.6%
New York City	56	22	39.3%	0	0	0.0%
Buffalo	15	1	6.7%	15	2	13.3%
Portland	0	0	0.0%	90	11	12.2%
White River Junction	26	0	0.0%	0	0	0.0%
CAP Subtotal	402	92	22.9%	177	30	16.9%

We sampled MTs conducted during October through December for CY 1999 to establish a benchmark to evaluate the effectiveness of VAMCs' implementation of the CNO procedures initiated in November 1999. (See *Background on page 7.*) We sampled 504 MTs at 13 VAMCs for the period reviewed in CY 1999. The results of the CY 1999 sample showed that VAMC staff did not obtain signed MTs for 103 (20.4 percent) of the 504 MTs reviewed. The table below shows the results of the sample.



REVIEW OF CY 1999 MEANS TEST							
Medical Facility	Cases Reviewed	Unsigned MT	Error Rate	Unsigned Shared MT	Shared MT Error Rate	Total Unsigned MT	Combined Error Rate
Albuquerque	30	1	3.3%	4	13.3%	5	16.7%
Bay Pines	60	2	3.3%	0	0.0%	2	3.3%
Biloxi	57	10	17.5%	1	1.8%	11	19.3%
Boston	45	17	37.8%	3	6.7%	20	44.4%
Cincinnati	30	6	20.0%	0	0.0%	6	20.0%
Columbia, MO	28	0	0.0%	1	3.6%	1	3.6%
Decatur	30	8	26.7%	1	3.3%	9	30.0%
Fort Harrison	29	5	17.2%	0	0.0%	5	17.2%
Hines	30	5	16.7%	5	16.7%	10	33.3%
Kansas City	35	3	8.6%	5	14.3%	8	22.9%
Tampa	40	5	12.5%	5	12.5%	10	25.0%
Tuscaloosa	60	0	0.0%	2	3.3%	2	3.3%
West Los Angeles	30	14	46.7%	0	0.0%	14	46.7%
<b>Totals</b>	<b>504</b>	<b>76</b>	<b>15.1%</b>	<b>27</b>	<b>5.4%</b>	<b>103</b>	<b>20.4%</b>

We also sampled 446 MTs that were conducted at the 13 VAMCs from January to July 2000. The results of the review showed that 76 (17 percent) of the 446 MTs had not been signed. This indicated no appreciable change in VAMCs' ability to obtain signed MTs. In addition, the error rate of 17 percent was not sufficient to obtain IRS approval to restore the VA matching agreements. The table below shows the results of the samples.

REVIEW OF CY 2000 MEANS TEST							
Medical Facility	Cases Reviewed	Unsigned MT	Error Rate	Unsigned Shared MT	Shared MT Error Rate	Total Unsigned MT	Combined Error Rate
Albuquerque	30	1	3.3%	5	16.7%	6	20.0%
Bay Pines	30	2	6.7%	0	0.0%	2	6.7%
Biloxi	59	16	27.1%	0	0.0%	16	27.1%
Boston	30	4	13.3%	0	0.0%	4	13.3%
Cincinnati	30	1	3.3%	4	13.3%	5	16.7%
Columbia, MO	30	6	20.0%	0	0.0%	6	20.0%
Decatur	30	6	20.0%	0	0.0%	6	20.0%
Fort Harrison	30	3	10.0%	0	0.0%	3	10.0%
Hines	30	6	20.0%	6	20.0%	12	40.0%
Kansas City	27	0	0.0%	0	0.0%	0	0%
Tampa	30	0	0.0%	3	10.0%	3	10.0%
Tuscaloosa	60	0	0.0%	4	6.7%	4	6.7%
West Los Angeles	30	9	30.0%	0	0.0%	9	30.0%
<b>Totals</b>	<b>446</b>	<b>54</b>	<b>12.1%</b>	<b>22</b>	<b>4.9%</b>	<b>76</b>	<b>17.0%</b>

In the first quarter of FY 2000, each VAMC reviewed its files for MTYs 1993 – 1999 to determine if they had obtained signed MTs from veterans. The results of the SMTR showed that 136,972 (43 percent) of the 318,052 MTs conducted had signatures; 129,661 (40.8 percent) were not signed; and 51,419 (16.2 percent) MTs could not be located. The HEC purged all FTI related to the 181,080 MTs that the SMTR showed did not have signatures, or the MTs could not be located. However, the HEC retained the FTI based on 136,972 MTs reported by VAMCs as having signed MTs.

Our review of the SMTR results included only those MTs reported by VAMCs as being signed by the veterans. We sampled SMTR data that were included in 14,010 means tests reported at 13 VAMCs. The sample included 411 of the 14,010 MTs. The results of the sample showed that the veterans had not signed 47 of 411 MTs (11.4 percent). Using a straight-line projection, there could be as many as 15,600 MTs that have not been signed by veterans. Consequently, the HEC has not fully satisfied the IRS requirement to purge all unauthorized FTI from their electronic files and paper records. See the table below for the results of the sample.

SIGNED MEANS TEST REVIEW							
Medical Facility	Cases Reviewed	Unsigned MT	Error Rate	Unsigned Shared MT	Shared MT Error Rate	Total Unsigned MT	Combined Error Rate
Albuquerque	30	0	0.0%	0	0.0%	0	0.0%
Bay Pines	28	4	14.3%	0	0.0%	4	14.3%
Biloxi	29	1	3.4%	0	0.0%	1	3.4%
Boston	30	10	33.3%	0	0.0%	10	33.3%
Cincinnati	30	7	23.3%	0	0.0%	7	23.3%
Columbia	29	1	3.4%	0	0.0%	1	3.4%
Decatur	30	7	23.3%	0	0.0%	7	23.3%
Fort Harrison	30	0	0.0%	0	0.0%	0	0.0%
Hines	30	8	26.7%	1	3.3%	9	30.0%
Kansas City	27	5	18.5%	0	0.0%	5	18.5%
Tampa	27	1	3.7%	0	0.0%	1	3.7%
Tuscaloosa	62	2	3.2%	0	0.0%	2	3.2%
West Los Angeles	29	0	0.0%	0	0.0%	0	0.0%
Totals	411	46	11.2%	1	0.2%	47	11.4%

**MONETARY BENEFITS  
IN ACCORDANCE WITH IG ACT AMENDMENTS**

**REPORT TITLE:**                      Audit of the Department of Veterans Affairs Health Eligibility Center, Atlanta, Georgia

**PROJECT NUMBER:**              2000-02165-R3-0276

<u>Recommendation Number</u>	<u>Category/Explanation of Benefits</u>	<u>Better Use of Funds</u>	<u>Questioned Costs</u>
1	Implementation of the recommendation would provide reasonable assurance that only self-reported income is matched with the IRS and SSA, and provide VHA the ability to bill for about \$15.3 million in services provided to non-service connected veterans.	\$15.3 million	

COMMENTS OF THE UNDER SECRETARY FOR HEALTH

**Department of  
Veterans Affairs**

# Memorandum

Date: February 12, 2001

From: Under Secretary for Health (10/105E)

Subj: OIG Draft Report, *Audit of the Department of Veterans Affairs Health Eligibility Center*, Project No. 2000-02165-R3-0276 (EDMS Folder 119448)

To: Assistant Inspector General for Auditing (52)

1. The appropriate program offices have reviewed the draft report and we concur with your findings and revised recommendations. We also concur with the estimate of better use of funds as it reflects the level of collection VHA was making as a result of the matching process with the Internal Revenue Service (IRS) and the Social Security Administration (SSA) at the time the matching agreements were terminated. Upon reinstating these matching agreements, we agree that VHA might again achieve this level of collection.
2. As noted in your report, VHA has long recognized the need to improve the business processes, information and organizational support systems related to means testing and income verification. Concurrent with your review, VHA has been pursuing a solution to this complex issue by establishing the Task Force to Review Enrollment, Means Testing and Income Verification. The Task Force focused on changing the way we do things, with an emphasis on improving the quality of our data and improving the processing of that data. The Task Force's report is currently under review. The corrective actions we propose to implement the recommendations in your report are complementary to and support those included in the Task Force report. An action plan incorporating aspects from both reports is being developed.
3. Specifically, to assist VHA staff in achieving change, we have developed and improved software and a new data system. This system will support the centralized means test and will allow us to tag the means test in the electronic file so that it can be identified and verified as needed, which will assure that only those veterans' files with signed means tests are used for income verification matching with the IRS and SSA. This system will eventually allow for faxing signed means tests from our facilities and tagging the data screen in the system in the same manner as the centralized means test. We will develop a quality assurance plan in conjunction with national implementation of the fax/imaging solution. Our intent is not only to have an internal HEC quality assurance plan, but also include a QA plan and monitoring program as part of the contract specifications.

**COMMENTS OF THE UNDER SECRETARY FOR HEALTH**

2. Assistant Inspector General for Auditing (52)  
(EDMS Folder 119448)
  
4. In response to your recommendation to purge all Federal Tax Information (FTI) not supported by a signed means test, the HEC began a manual purge process on January 4, 2001, which was completed on January 17, 2001. The HEC also initiated testing of its electronic purge software, which was completed on January 31, 2001.
  
5. An action plan addressing the recommendations is attached. Thank you for the opportunity to review the draft report. If you have any questions, please contact Paul C. Gibert, Jr., Director, Management Review and Administration Service (105E), Office of Policy and Planning, at (202) 273-8355.

*Original signed by Frances M. Murphy, M.D., for*  
Thomas L. Garthwaite, M.D.

Attachment

## COMMENTS OF THE UNDER SECRETARY FOR HEALTH

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews

Name of Report: *Audit of the Department of Veterans Affairs Health Eligibility Center*

Project No.: 2000-02165-R3-0276

Date of Report: Draft report, dated 12/27/00

Recommendations/ Actions	Status	Completion Date
-----------------------------	--------	--------------------

**We recommend that the Under Secretary for Health require:**

- a) VHA to establish a process that would provide positive assurance that all MT information is supported by a signed MT so that only self-reported income is submitted to the IRS and SSA for matching.**

Concur

A three-phased approach will be used to implement corrective action so that limited matching may begin as soon as possible.

Phase One will include only those MTs completed by the Health Eligibility Center (HEC) as part of its Centralized Means Test (CMT) Pilot Program for which they have a signed MT.

The HEC will submit for matching only those cases for which a MT was completed by the HEC as a part of the CMT Pilot Program. This pilot includes thirteen facilities and approximately 17,000 MTs for Income Year 1999. This process was reviewed and certified by the IRS during their review of the HEC in May 2000.

The first phase can be implemented immediately pending Office of Inspector General (OIG) review of a sample of HEC CMT signed MT. It is anticipated that the OIG will be able to complete the review and certify VHA compliance with self-reported income requirement for IRS/SSA income matching purposes within 30 days.

In process

03/15/01

Phase Two will include MTs from those VA medical centers (VAMCs) that are currently electronically imaging their signed MTs.

Three VA medical centers (Tuscaloosa, West Palm Beach and Palo Alto) are currently electronically imaging all means tests conducted at their facility. These MTs can be transmitted to HEC and downloaded into the HEC database. HEC will be manually reviewing each of these MTs to verify the presence of a signature.

## COMMENTS OF THE UNDER SECRETARY FOR HEALTH

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews - Page 2

Name of Report: *Audit of the Department of Veterans Affairs Health Eligibility Center*

Project No.: 2000-02165-R3-0276

Date of Report: Draft report, dated 12/27/00

Recommendations/ Actions	Status	Completion Date
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Phase Two can be implemented over a period of 30-60 days to include an OIG review.

In process

04/15/01

Phase Three requires faxing/imaging of all MTs completed/signed at VHA field facilities to the HEC. The HEC has procured a fax server and imaging system to receive, index, and store images of signed MTs. Additionally, the HEC is establishing a contract for support of the national implementation of this program. Phase Three certification will occur once a viable review sample of system-wide signed MTs tests can be generated from the central HEC fax/imaging system. The timeline for this phase to be implemented is 4-6 months.

In process

07/15/01

The implementation of all three phases will set an indicator within the HEC database to reflect whether an MT is signed ('YES' indicator) or not signed ('NO' indicator). All MTs received via fax or image will be reviewed manually (100% review) to assure the presence of a signature in order to set the indicator. An ongoing quality assurance plan will also be implemented at the HEC to review the signed MT indicator against the imaged MT. This system will ensure that only self-reported income is included in future matches with the IRS and SSA.

In process

07/15/01

**b) The HEC to purge all FTI that is not supported by a signed MT.**

Concur

The HEC began the manual purge process on January 4, 2001, and has initiated testing of its electronic purge software. The manual purge of all FTI data was completed on January 17, 2001. The electronic purge was completed on January 31, 2001.

Completed

01/31/01

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**This report will be available in the near future on the VA Office of Audit web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. *List of Available Reports.***

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