



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office New York

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) effort to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Conduct fraud and integrity awareness training for facility staff.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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Executive Summary

Introduction

The Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the Department of Veterans Affairs Regional Office (VARO) New York during the weeks of July 16 and 23, 2001. The purpose of the review was to evaluate claims processing and administrative operations. During the review, we also provided fraud and integrity awareness training to about 20 VARO employees.

Results of Review

Regional office financial and administrative activities were generally operating satisfactorily, and management controls were generally effective. To improve operations, the VARO New York needed to:

- Improve the timeliness and accuracy of compensation and pension (C&P) claims processing and security over claims folders.
- Strengthen security over automated information systems (AIS).
- Enforce system access requirements for the Benefits Delivery Network (BDN).
- Strengthen controls and documentation of Vocational Rehabilitation and Employment (VR&E) claims processing.

VARO New York Director Comments

The VARO Director agreed with the findings and recommendations, and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

(original signed by:)
RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

VARO New York provides C&P and VR&E services to eligible veterans, dependents, and beneficiaries residing in the 31 counties of eastern New York. The regional office also provides limited loan guaranty services including construction and valuation, and property management. The Regional Loan Center, located at VARO Manchester, New Hampshire provides other loan guaranty services. VARO Buffalo, New York provides education benefits services.

Fiscal Year (FY) 2000 general operating expenses totaled approximately \$15 million and the regional office had 239 full-time equivalent employees. The regional office has Veterans Benefits Counselors who provide claims assistance to veterans at seven VA medical facilities located in eastern New York. The VARO was also a Reinvention Lab for the National Partnership for Reinventing Government until January 2001.

VARO New York serves a veteran population of approximately 959,000. The VARO processed about 47,700 claims in FY 2000. As of September 2001, the regional office's pending C&P workload was about 14,900 claims. In FY 2000, about \$681 million in C&P benefits was paid to 118,000 beneficiaries. VR&E services were provided to about 1,500 beneficiaries with estimated benefits totaling \$11.5 million in FY 2000.

Objectives and Scope of CAP Review

Objectives. The objectives of the CAP review were to evaluate claims processing and administrative operations and provide fraud and integrity awareness training to VARO employees.

Scope. We reviewed selected benefits delivery and administrative activities to evaluate the effectiveness of general management controls. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met. The review covered the following benefits delivery and administrative activities and controls:

C&P Claims Processing
AIS Security
VR&E Claims Processing
Claims Record Security
Returned Mail Processing
One-Time Benefit Payments

System-Generated Messages
BDN Security
Regional Office Management Systems
Fiduciary and Field Examinations
Hospital Adjustments

The CAP team performed the following activities while on-site:

- Visually inspected the regional office's physical space and equipment.
- Reviewed 200 claims folders, 17 fiduciary folders, and 30 VR&E folders.
- Interviewed VARO management, program managers, and selected program staff in the administrative and benefits delivery areas of operation.
- Reviewed management information and data related to the timeliness and quality of service to veterans.
- Reviewed management controls and quality of service provided to veterans by the Veterans Benefits and Services Division (VBSD), VR&E Service, and Support Services Division, including Information Resources Management (IRM).
- Conducted a fraud and integrity awareness training session, attended by 20 regional office employees. The training covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating fraud, false claims, conflicts of interest, bribery, and also regional office specific examples of beneficiary and employee fraud.¹

The review covered VARO operations for FY 2001 through July 2001 and was conducted in accordance with OIG standard operating procedures for CAP reviews.

¹ The OIG's Office of Investigations continues to provide fraud and integrity awareness training on a regular basis. These briefings will continue until all regional office employees have had an opportunity to attend. Since the end of our review, four additional training sessions have been held. Approximately 100 employees have attended these sessions.

Results of Review

Issues Requiring Corrective Actions

Benefits delivery and administrative activities were generally operating satisfactorily, and management controls were generally effective. However, we identified a number of issues that required management attention.

Compensation and Pension Claims Processing – Action Was Needed To Improve The Timeliness Of Claims Processing And Security Over Claims Folders

Conditions Needing Improvement. VARO management needed to improve the timeliness of processing C&P claims and system-generated messages, enhance efforts to prevent overpayments to hospitalized veterans, and ensure strengthened controls over high dollar retroactive payments and veteran-employee claims folders.

Timeliness of Claims Processing. The VARO needed to improve the timeliness of C&P claims processing. Timely processing of claims is one of a regional office's most important responsibilities and a major challenge facing VA. As of August 2001, the Veterans Benefits Administration's (VBA) nationwide pending workload was about 668,000 claims, of which VARO New York had approximately 14,500 claims. This amount represented an increase in the regional office's pending workload of about 4,700 claims since August 2000. While the regional office's scores on some Balanced Scorecard (BSC) elements had improved from May 2000 to May 2001, scores on virtually all elements were still below the national average (see Appendix A).

The regional office's VBSD is responsible for processing all C&P claims. To evaluate claims processing procedures at the VARO, we interviewed VBSD managers and staff and reviewed 100 randomly selected C&P claims. The C&P claims consisted of original and reopened C&P claims selected from the BDN² Work In Process system. Processing actions on these claims were completed between October 1, 2000 and February 28, 2001. The review identified 70 claims with avoidable processing delays averaging 184 days. Delays were not confined to one phase of the claims processing cycle as illustrated below.

Processing Phase	No. of Claims With Avoidable Delays ³	Range of Avoidable Delays	No. With Delays Over 200 Days
Claims Establishment	30	5 to 653 days	3
Claims Development	42	16 to 760 days	7
Claims Rating	44	11 to 564 days	7
Claims Authorization	21	4 to 148 days	0

² BDN is the VBA AIS used to process veterans' benefits payments and to maintain entitlement information.

³ Total is greater than 70 as some claims had delays in multiple processing phases.

Our review of claims processing procedures showed that each VBSD team determined the priority in which claims actions and notifications were processed within their respective team. As a result, certain claims processing actions were not being processed in a timely and consistent manner. In addition, claims processing has been impacted by the amount of time dedicated to training new Veterans Service Representatives (VSRs). While VBSD hired 44 new VSRs in FYs 2000 and 2001, representing over 60 percent of the VSR staff, extensive training is required to develop productive VSRs. The regional office estimates that over 6,000 workdays have been invested in training these new VSRs. Additionally, experienced VBSD staff, equivalent to two full-time instructors, has been utilized to provide this training, further reducing the number of experienced staff to work claims.

VBSD's increased workload has also been impacted by a number of events. These events included the enactment of the Veterans Claims Assistance Act (VCAA) of 2000, also referred to as the Duty to Assist, which requires additional duties of VBSD employees in assisting claimants. Another event impacting workload was the initiation of a new rating decision format. The new format was incorporated into VBA's Rating Board Automation 2000 project. As with the initiation of many system changes, it took employees time to become familiar with the new format. VARO New York's pending workload steadily decreased in calendar year 2000 from over 11,000 claims in January to about 8,700 in November 2000, which is the month when the VCAA was enacted. After the VCAA was enacted, pending workload continually grew from 8,700 claims to over 14,900 claims by September 2001.

System-Generated Messages. C&P system messages are generated by BDN to identify possible changes in a beneficiary's status that can affect his or her benefit payments. System-generated message notifications also include those generated when VA matches records with another Federal agency and the match results indicate the beneficiary or spouse may be deceased. VBA's case management process prioritizes these types of notifications as workable, and expects action to be completed within 30 days of issuance. Our review of 40 system-generated messages from January 2001 revealed that, as of July 2001, VBSD staff had not processed 11 of the 40 (28 percent) messages requiring action. During our review, VBSD staff initiated action on 1 case involving a potential overpayment, 6 that required retroactive adjustments involving approximately \$10,000 in benefit underpayments, and 4 that had been in suspense for 18 months or more. Additionally, a separate review of claims folders, selected from a listing of beneficiaries born prior to 1916, identified a case where the veteran's spouse was deceased for nearly 9 years, yet VBSD staff had not taken action to reduce the veteran's award. As a result, the veteran was overpaid \$4,692. The VARO had received system-generated messages in September 1992 and October 1994 indicating that the spouse had passed away in August of 1992. VBSD management agreed that action should have been taken when they were notified of the spouse's death. Discussions with VBSD management and staff indicated that the prioritization of processing these system generated messages was not being adhered to.

Hospital Adjustments. VARO management needed to improve efforts to ensure pension benefit overpayments were prevented. Pension benefits for veterans hospitalized at Government expense were not reduced as required. We obtained reports from 5 area VA medical centers identifying those veterans continuously hospitalized for longer than 90 days. We reviewed the status of benefit payments for 40 veterans in receipt of nonservice-connected pensions to

determine whether required reductions in benefits paid were made. Overpayments totaling \$21,190 were made to 10 of these veterans. As of July 2001, these veterans were collectively receiving benefit overpayments of about \$5,600 per month. Benefit payments were not adjusted because regional office staff did not routinely access and review Automated Medical Information Exchange (AMIE) reports. In these 10 cases, medical center personnel had utilized AMIE to report the veterans' admissions. However, VBSD staff responsible for accessing and reviewing AMIE reports had been assigned other priorities. VBSD staff took action to adjust benefit payments for these veterans when we brought these cases to their attention.

Retroactive Payments. VBA policy requires third-party review and signature authorization for any awards authorizing initial, increased, or resumed benefits for a retroactive period of more than 2 years or greater than \$25,000. The VBSD manager or supervisory designee not lower than a team coach should perform this third-party review and signature authorization. We reviewed 18 retroactive payments, valued at greater than \$25,000, issued between January and April 2001, and identified 3 that did not have the required third-party signature. Our review did indicate, however, that these awards were properly supported by the evidence of record. VBSD management stated staff overlooked the requirement for third-party review and signature authorization.

Veteran-Employee Claims. VARO management needed to ensure that VBSD personnel do not process award actions for VARO New York veteran-employees. We reviewed the last award actions processed for 35 current VARO New York veteran-employees and identified 3 awards for which the actions were processed by VARO New York rather than by VARO Newark, which is the office of jurisdiction for VARO New York veteran-employees. While two of these actions were processed prior to 1996, one was processed in 2001 and appropriately led to an increased award payment.

Recommended Improvement Action 1. The VARO Director should ensure that: (a) VBSD staff improve claims processing timeliness by reducing avoidable delays, (b) VBSD staff work system-generated messages that potentially impact on award accuracy within 30 days of receipt, (c) VBSD staff access and review AMIE on a regular basis to ensure timely action is taken to prevent overpayments, (d) VBSD team coaches monitor retroactive payments to ensure third-party reviews and signature authorizations are obtained, and (e) VBSD personnel do not process award actions for VARO New York veteran-employees.

Regional Office Director Comments

Claims Processing. We concur with the finding. The significant hiring (69% of VSR staff) in FY 2000 and FY 2001 in the short term caused a disruption with the hours devoted to training. However, in the long run the hiring permitted in those 2 years will undo the harm that the 4 years of not hiring have caused on the C&P business. The decision of VBSD to increase the number of coaches from 4 to 8 in June 2001 helped provide the level of support and workload reviews necessary to reduce the avoidable delays. To further assist the teams in eliminating avoidable delays, new mail processing procedures were prepared and implemented throughout the eight VBSD teams in November 2001. The coaches have received training in the management tools necessary to control the workload and will be able to help all employees, not only the trainees,

utilize these skills. We also concur that the most significant event of FY 2001 was the VCAA legislation. In October 2000, New York had 8,434 claims pending with 2,535 over 180 days and by October 2001 New York had 15,109 claims pending with 7,712 over 180 days.

System Generated Messages. We concur with the finding. The processing of system-generated messages was included in the training for the new VSR's hired in FYs 2000 and 2001. The new employees have completed their formal classroom training and were assigned to the eight VBSD teams in October 2001. Ongoing training and mentoring will be done in an on-the-job training mode and will address the processing of system-generated messages. The continuing strength of the trainee VSRs will improve performance in this area by September 2003. VBA's policy to implement pension centers in FY 2002 will also impact this work. New York expects a reduction of system messages in FY 2003 due to pension consolidation.

Hospital Adjustments. We concur with the finding. Additional VSR resources will be devoted to reviewing AMIE reports and taking timely adjustment action when required.

Retroactive Payments. We concur with the finding. As required by recent VBA policy, either the Director or Assistant Director reviews all retroactive payments larger than \$25,000.

Veteran-Employee Claims. We concur with the finding. VBA's recent policy change that prohibits all activity on a compensation or pension claim for veteran-employees will be followed.

Office of Inspector General Comments

The Director agreed with the findings and recommendations, and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

Information Technology Security – Security Over Automated Information Systems Needed To Be Strengthened

Condition Needing Improvement. VARO management needed to strengthen the information technology (IT) security program. Improved IT security is necessary to better protect automated resources from unauthorized access, disclosure, modification, destruction, or misuse. We identified several areas where IT security needed to be strengthened.

Information Security Officer. To enhance IT security, we believe VARO management needs to appoint a full-time Information Security Officer (ISO), who reports to the Director's Office and is knowledgeable and trained in VBA information technology and security. The ISO is responsible for implementing and administering security policies for AIS and the facility. VA policy requires the ISO to be properly trained, provide adequate security, and not have any other operational responsibilities. The Chief, IRM currently serves as not only the VARO's ISO but also as the BDN Security Officer. This individual reports to the Chief, Support Services Division. The Chief, IRM is already responsible for the facility's AIS, including the accuracy, availability, and security of these systems. As illustrated below, certain IT security functions

have not been adequately addressed because no one individual is dedicated full-time to either IRM or ISO duties.

Risk Assessment. The regional office needs to conduct a comprehensive, high-level risk assessment for each AIS. The starting point of any security program is a comprehensive risk assessment to make certain that all security threats and vulnerabilities have been identified and appropriate security measures have been implemented. The VARO has not conducted a comprehensive risk assessment, nor have any security policies been issued over the past few years. The Chief, IRM is responsible for safeguarding and maintaining the integrity of the sensitive data stored within the VARO's AIS. Assessing risk should be an ongoing process, which will ensure that any new security threats and vulnerabilities are identified and appropriate security measures are implemented to counter such threats.

Disaster Recovery and Contingency Plan. While the VARO had a disaster recovery and contingency plan that adequately addressed most security issues, the plan had never been tested. VA policy requires that a disaster recovery and contingency plan be maintained for each facility. VA policy also requires that the plan be frequently tested, documented, and updated to reduce the impact of disruptions in service, provide critical interim processing support, and ensure resumption of normal operations as soon as possible after a disaster or emergency. Because the VARO's plan had not been tested, the VARO did not know whether they had an adequate backup facility capable of providing AIS services in the event the VARO's computer room became inoperable. (VAMC Manhattan currently serves as their backup facility.) Furthermore, a full restoration of application and data backup files has yet to be tested to ensure the continuity of service and operations in an emergency situation. Additionally, application and data backup files, which are critical to any contingency plan, are being stored in an unsecured area in the regional office's computer room instead of off-site.

Uninterrupted Power Source System. The VARO's uninterrupted power source (UPS) system had never been tested under full load conditions. The VARO's UPS system provides a critical function that would allow the facility's AIS to continue to operate by providing enough power to maintain data in the event of a power outage. The UPS system should be periodically tested under full load conditions to ensure that it functions properly under such conditions.

Access to the Computer Room. The number of employees with access to the computer room should be reduced. Access to the VARO and various work areas, including the VARO's computer room, is controlled by use of key cards. We identified 35 individuals who had key cards that would allow access to the computer room, including 1 individual whose employment had ended. Also included among the 35 individuals were a number of employees whose jobs would not require them to access the computer room. During our review, Support Services Division management took immediate action to reduce the number of individuals with access to the computer room to 22 individuals, and plan to make further reductions in the future as warranted.

Recommended Improvement Action 2. The VARO Director should ensure that: (a) a full-time ISO is appointed; (b) a comprehensive, high-level risk assessment is conducted; (c) the facility's disaster recovery and contingency plan is tested, documented, and updated on a regular

basis; (d) data backup files are stored in a secure area off-site; (e) the facility's UPS system is periodically tested under full load conditions; and, (f) access to the computer room is limited to those individuals who require access.

Regional Office Director Comments

Information Security Officer. We concur with the finding. Delegation of a full-time ISO who will report to the VARO Director is pending guidance from VA headquarters. In the interim, additional resources have been given to the Chief, IRM to assist him in preparing new Systematic Analysis of Operations and fulfilling new requirements for VBA headquarters, for example the Annual Certification of All Employees.

Risk Assessment. We concur with the finding. A comprehensive risk assessment will be conducted by the ISO pending guidance from VBA headquarters.

Disaster Recovery and Contingency Plan. We concur with the finding. The Chief, IRM is awaiting guidance from the Office of Information Management before conducting a test of the AIS disaster recovery and contingency plan. In the interim, backups are performed on all servers nightly and twice per month the tapes are sent off-site to the VBA Regional Office in Newark, New Jersey. This off-site storage agreement was initiated in March 2002.

UPS System. We concur with the finding. The UPS system will be tested twice yearly.

Access to the Computer Room. We concur with the finding. Access to the computer room has been restricted to IRM staff (8), New York managers (8), and General Services Administration/Federal Protective Service/Facilities emergency personnel (6). The VARO Newark employee who had access to the computer room in case of an emergency has been removed because the employee retired from Federal service.

Office of Inspector General Comments

The Director agreed with the findings and recommendations, and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

Benefits Delivery Network Security – System Access Requirements Should Be Enforced

Condition Needing Improvement. VARO managers need to better control access to the BDN and comply with VBA security requirements. BDN security controls are intended to protect the privacy of personal data and prevent fraudulent use of the system.

To evaluate BDN security, we interviewed the BDN Security Officer and reviewed BDN security policies, procedures, and records. We identified a number of weaknesses in BDN security.

Veteran-Employee Claims Folders Were Not Electronically Locked. VBA requires that claims folders for all veteran-employees and their relatives be electronically locked to prevent unauthorized BDN users from having access to these folders. We reviewed claims folder sensitivity levels for the 43 VARO veteran-employees with active awards. Two of the 43 claims folders were not electronically locked. These folders were not locked because BDN security personnel coded the employees' security files with their social security numbers rather than with their claim numbers. We also identified three other veteran-employees, who did not have active awards, whose folders were also not electronically locked. The BDN Security Officer took immediate action to electronically lock the claims folders for all five veteran-employees.

Employees Had Inappropriate Combinations Of Claims Processing Commands. VBA policy states that employees should not have BDN access authorities that would allow them to establish, adjudicate, and authorize payment for the same claim. An employee who has all three commands could establish a fictitious claim and authorize improper payments, or could improperly increase payments on an existing award.

We reviewed the BDN access authorizations for 191 regional office employees and identified 6 VR&E employees who had all 3 commands for processing education awards. Three of these employees had these commands on a single BDN account and the other three had them divided between multiple accounts. (See below for further details on users with multiple accounts.) The BDN Security Officer agreed to review the needs of these users and take appropriate corrective actions.

Employees Had Multiple BDN User Identifications. VBA policy states that all stations should discontinue issuing multiple employee BDN user identification numbers for command authorities. All employees who currently have multiple identification numbers should be identified and have that number reduced to a single identification number. We reviewed all VARO BDN access authorizations and identified 14 employees who had multiple BDN user identifications. Prior to our review, the BDN Security Officer had taken action to reduce the number of employees with multiple BDN user identifications from over 30 in June 2001. The BDN Security Officer acknowledged that action was required to further reduce the number of employees with multiple BDN user identifications. During our subsequent visit as part of the nationwide review of one-time payments and BDN security, we noted further action had been taken to reduce the number of employees with multiple BDN user identifications to four. The need to reduce employees to a single BDN user identification was reinforced in a June 2001 VBA letter that stated no individual should have more than one account in BDN.

Sensitivity Access Levels. BDN security and privacy controls required improvement because too many regional office employees had sensitivity access levels of 7 or higher.⁴ Level 7

⁴ BDN access levels range from 0 to 9, with levels 7 through 9 being assigned on a limited basis to the minimum number of employees required to process the workload.

sensitivity access allows users to access BDN for virtually any veteran-employee, including those employed at the VARO. Level 7 or higher access is required when an employee needs to access claims folders electronically locked at a corresponding level. Claims folders locked at level 7 or higher typically include only VBA employees, other high-level VA employees, elected officials, and other prominent people. Both VA policy and VBA draft policy on BDN security identify selected employees who should have level 7 access. Typically, this level of access should be assigned to regional office and VBSD management and VBSD team leaders or coaches. The VBA draft policy states this level of access should be limited to no more than 10 percent of a team's members.

Our review of sensitivity levels assigned to VARO employees revealed that 196 of 359 (55 percent) VARO BDN user accounts had assigned sensitivity levels of 7 or 8. This included individuals with job titles such as receptionist, voucher examiner, mail clerk, and accounts receivable assistant. During our subsequent visit as part of the nationwide review of one-time payments and BDN security, we noted sensitivity access levels had been reduced to below level 7 for about 65 of the 96 employees. However, we believe VARO management should continually monitor sensitivity access levels to ensure level 7 or above access is limited to those who require it to perform job duties.

BDN Access Not Removed Timely. IRM staff had not ensured BDN access was removed timely for separated regional office employees. To ensure access to sensitive data is restricted, access should be removed timely when an employee terminates VARO employment. We identified 6 individuals who had terminated employment in the previous 13 months whose BDN access had not been removed. While 3 of these employees had terminated employment less than 2 weeks prior to the date of the BDN access listing we used, the other 3 had left employment between 2 and 9 months prior. VARO management needs to ensure that Human Resources staff promptly notifies IRM when an employee terminates their employment and IRM staff needs to ensure they take timely action to remove BDN access when notified.

Recommended Improvement Action 3. The VARO Director should ensure that: (a) claims folders of all veteran-employees and their relatives are electronically locked, (b) employees are not assigned inappropriate combinations of claims processing commands, (c) employees are assigned a single BDN user identification, (d) sensitivity access levels are continually monitored to ensure level 7 or higher access is limited to those who require it to perform job duties, and (e) BDN access is removed timely when an employee terminates employment.

Regional Office Director Comments

Veteran-Employee Claims Folders. We concur with the finding. Human Resources and IRM staff have been provided refresher training in an effort to ensure veteran-employee claims folders are properly secured in the future.

Claims Processing Commands. We concur with the finding. As of March 11, 2002, the identified VR&E employees no longer have inappropriate combinations of claims processing commands.

Multiple BDN User Identifications. We concur with the finding. Employees had multiple BDN user identifications because this had been necessary to allow VR&E employees to do their work. However, VR&E Letter 28-02-02 issued February 28, 2002, detailed system changes that allow VR&E employees to perform required job functions under one user account. All multiple user identifications for VR&E employees have been removed.

Sensitivity Access Levels. We concur with the finding. Employees' sensitivity access levels will be regularly monitored.

BDN Access Not Removed Timely. We concur with the finding. Human Resources and IRM staff have been provided refresher training in an effort to ensure procedures are followed when employees end their employment to ensure these types of errors are eliminated.

Office of Inspector General Comments

The Director agreed with the findings and recommendations, and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

Vocational Rehabilitation and Employment Service – Controls and Documentation Need To Be Strengthened

Condition Needing Improvement. VARO management needed to ensure that control and documentation of VR&E claims was strengthened.

Date of Claim. Accurately recording the date a veteran's claim for VR&E services is received at the regional office is important because it is a critical measurement of timeliness on VR&E's BSC. The date of claim is recorded in BDN. A review of 10 cases revealed 7 instances where the date of claim recorded in BDN differed from the date the application was actually received at the VARO. These dates varied anywhere from 3 days to over a month after the date the application was received. While we were on-site, the VR&E Officer provided guidance to staff via e-mail to ensure proper dates of claim are entered in BDN.

Initial Appointment/Notification of Eligibility. A veteran is moved from applicant status to evaluation and planning status once the veteran has an initial appointment (IA) with a VR&E Counselor. We were informed that the veteran is also notified of VR&E program eligibility during this appointment. Notifying the veteran of program eligibility is not only an issue of service to the veteran, but it is also a measurement of timeliness on VR&E's BSC. We reviewed the cases of five veterans in evaluation and planning status, and could not find documentation of the veterans' IAs to support the dates recorded in BDN, nor could we find documentation that the veterans were actually notified of their program eligibility.

Control of Cases. We reviewed the cases of 10 veterans who were in either the applicant or evaluation and planning status of the VR&E program. In six cases, the veterans were in either applicant or evaluation and planning status anywhere from 6 months to over a year.

Furthermore, in five of these six cases, the veterans were moved into either discontinued or interrupted status shortly before our on-site review, because they were no longer actively progressing through the program. While we were on-site, the VR&E Officer instituted a monthly review of veterans in open case status to ensure case status is regularly monitored.

Rehabilitation. A veteran in the VR&E program is considered rehabilitated once the veteran has obtained suitable employment and remained employed for at least 60 days. We reviewed the cases of five veterans who were shown to be in rehabilitation status in BDN. Although the veterans' counseling, employment, rehabilitation (CER) folders contained statements indicating the veterans were rehabilitated, none of the five folders contained verification that the veterans were actually still gainfully employed. During the review, the VR&E Officer directed staff via e-mail to contact employers to verify the continued employment of veterans prior to declaring them rehabilitated.

Verification of Receipt. VA requires that VR&E Service ensure that veterans actually receive the goods and services VR&E purchases on their behalf. VR&E case managers are required to randomly select a sample of billed purchases each month, and contact the veterans to ensure they have actually received the goods and services for which the VARO was billed. This review should be documented in the veteran's CER folder. At the time of our review, this procedure was not being followed. The VR&E Officer directed staff via e-mail to obtain verification of receipt when VR&E has purchased goods and services on behalf of veterans.

Education Awards. Veterans in the VR&E program are entitled to a subsistence allowance while attending school. The amount of the allowance depends on the number of dependents the veteran has, and percent of time the veteran attends school. VR&E case managers should verify this information and make the appropriate adjustments, if necessary, on an education award. The authorizing VR&E case manager should verify the change by signing the education award. We reviewed the cases of five veterans in rehabilitation status and found that education awards were not properly signed in three cases. The VR&E Officer notified staff via e-mail that they must authorize, sign, and date education awards.

Recommended Improvement Action 4. The VARO Director should ensure that VR&E Service: (a) accurately inputs dates of claim into BDN, (b) better documents veterans' IAs and program eligibility, (c) regularly monitors veterans' case status, (d) verifies the continued employment of veterans prior to declaring them rehabilitated, (e) randomly samples billed purchases each month to verify the goods or services were received, and (f) ensures VR&E case managers authorize, sign, and date education awards when necessary.

Regional Office Director Comments

Date of Claim. We concur with the finding. The VR&E Officer and the VR&E Service will continue to examine VR&E claims processing actions during quality assurance reviews. A design problem requires the manual override of an incorrect system-generated date of claim on reopened applications. Our employees are aware of the problem and have been instructed to correct the date.

Initial Appointment/Notification of Eligibility. We concur with the finding. VR&E has started an initiative to improve documentation of CER folders.

Control of Cases. We concur with the finding. VR&E has continued a review, started in FY 2001, of all cases exceeding specific benchmarks (e.g., cases in planning and evaluation status for more than 6 months) to ensure cases remain under case manager control.

Rehabilitation. We concur with the finding. However, rather than contacting employers to verify continued employment of veterans, VR&E staff will contact veterans to request their confirmation of continued employment. Documentation will be included in the CER folder to demonstrate that staff took action to verify the continued employment of veterans.

Verification of Receipt. We concur with the finding. A random sample of billed purchases will be checked each month. The VR&E Officer or his designee will be responsible for conducting the local review. Annually, the Chief, Support Services will conduct a review of financial transactions billed to the New York Regional Office Government purchase cards. This review will also include VR&E transactions.

Education Awards. We concur with the finding. VR&E has started an initiative to improve documentation of all actions taken for VR&E claimants.

Office of Inspector General Comments

The Director agreed with the findings and recommendations, and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

Suggestions for Management Attention

We also identified other issues that warrant management attention. We discussed each of these issues with the VARO Director and management staff, and the Director agreed to address each of these issues as necessary.

Issues Identified

- Continue to monitor the action plans on the Support Services Division's Systematic Analysis of Operations reports.
- Continue to perform the Loan Guaranty Statistical Quality Control reports on Specially Adaptive Housing.
- Ensure that the Fiduciary-Beneficiary System is utilized to monitor the timeliness and accuracy of IAs, field examinations, and accountings.
- Continue efforts to complete fiduciary field examinations within 120 days of scheduled review dates.

Balanced Scorecard Results Comparison May 2000 to May 2001

VARO New York ranks 53rd in the nation for timeliness of completed C&P claims with rating related actions, and 37th for completed claims without rating actions. The regional office's May 2001 BSC showed that it took VARO New York more time to process C&P claims and resolve appeals than the national average for other VAROs, and the FY 2001 national target set by VBA. Fiduciary activities did not meet the national average or FY 2001 targets for timeliness of IAs and field examinations. May 2001 BSC data revealed that VR&E took less time to notify veterans whether they were entitled to program benefits than the national average for other VAROs and the FY 2001 national target.

Compensation and Pension

Measures	<u>National</u>		<u>VARO</u>	
	FY 2001 <u>Target</u>	Average <u>May 2001</u>	Average <u>May 2000</u>	Average <u>May 2001</u>
SPEED				
Rating Related Actions (Completed) – Days	195.0	174.3	242.8	237.7
Rating Related Actions (Pending) – Days	201.0	162.3	206.8	222.2
Non-Rating Related Actions (Completed) – Days	54.0	47.0	54.3	50.1
Non-Rating Related Actions (Pending) – Days	85.0	96.7	85.5	124.1
Appeals Resolution – Average Days/Case – Days	650.0	596.2	566.4	770.2
Fiduciary Activities – Initial Appts./Field Exams	12.0%	13.8%	1.4%	24.5%
ACCURACY				
National Accuracy Rate (core rating work)	72.0%	65.8%	63.0%	62.0%
National Accuracy Rate (authorization work)	62.0%	55.1%	58.5%	60.8%
National Accuracy Rate (fiduciary work)	65.0%	66.0%	51.1%	72.9%
UNIT COST				
Cost per Compensation Claim Completed	TBD	\$427	\$828	\$739
Cost per Pension Claim Completed	TBD	\$220	\$425	\$419
Cost per Active Compensation Case on the Rolls	TBD	\$167	\$191	\$166
Cost per Active Pension Case on the Rolls	TBD	\$290	\$444	\$344
CUSTOMER SATISFACTION				
Overall Satisfaction	60.0%	55.7%	56.5%	50.6%
Customer Orientation	68.0%	65.7%	62.6%	63.5%
Appeals Ratio	8.0%	8.4%	NA	7.5%
Telephone Activities – Abandoned Call Rate	7.0%	5.2%	9.7%	8.3%
Telephone Activities – Blocked Call Rate	5.0%	2.9%	2.5%	4.1%
EMPLOYEE DEVELOPMENT & SATISFACTION				
Employee Development Skill Matrix	TBD	TBD	NA	TBD
One VA Survey (mean score)	3.6	3.3	3.1	3.1

TBD = To Be Determined

NA = Not Applicable

Appendix A

Balanced Scorecard Results Comparison May 2000 to May 2001

Loan Guaranty

Measures	<u>National</u>		<u>VARO</u>	
	<u>FY 2001 Target</u>	<u>Average May 2001</u>	<u>Average May 2000</u>	<u>Average May 2001</u>
SPEED				
Acquired Property Holding Time (months)	10.0	8.2	14.7	8.9
Processing time for eligibility certificates	5.0	7.8	NA	TBD
ACCURACY				
Foreclosure Avoidance Through Servicing ratio	33.0%	38.1%	30.3%	TBD
Statistical Quality Control Index	93.0%	94.6%	91.9%	87.6%
UNIT COST				
Return on Sales of Acquired Properties	97.5%	107.6%	79.2%	99.3%
Administrative cost per loan guaranty issued	TBD	\$300	\$658	(\$1,300)
Administrative servicing cost per default processed	TBD	\$1,477	NA	TBD
Administrative cost per property sold	TBD	\$3,841	\$2,208	\$6,152
CUSTOMER SATISFACTION				
Veteran Satisfaction Index	TBD	92.9%	NA	92.9%
Lender Satisfaction Index	TBD	74.0%	NA	74.0%
Telephone Activities – Abandoned Call Rate	5.0%	4.5%	NA	TBD
Telephone Activities – Blocked Call Rate	5.0%	17.9%	NA	TBD
EMPLOYEE DEVELOPMENT & SATISFACTION				
Employee Development Skill Matrix	TBD	79.1%	NA	TBD
One VA Survey (mean score)	3.0	3.3	3.1	3.1

Vocational Rehabilitation and Employment

SPEED				
Days to Notification - Entitlement Determination	66.0	61.8	47.3	58.3
Days to Employment	50.0	37.5	38.1	35.6
ACCURACY				
Entitlement Determination Accuracy	91.0%	92.0%	92.0%	88.0%
Evaluation, Planning, & Services Accuracy	89.0%	80.0%	82.0%	73.0%
Fiscal Accuracy	96.0%	88.0%	80.0%	88.0%
UNIT COST				
Cost to Provide a Veteran a Program of Services	TBD	\$2,117	\$3,277	\$2,565
CUSTOMER SATISFACTION				
Rehabilitation Rate	65.0%	63.9%	53.4%	68.1%
SEH Rehabilitation Rate	63.0%	63.0%	52.0%	70.3%
Customer Access Satisfaction	79.0%	76.0%	79.2%	79.9%
Customer Satisfaction Survey	80.0%	74.0%	86.6%	81.6%
EMPLOYEE DEVELOPMENT & SATISFACTION				
Employee Development Skill Matrix	TBD	62.7%	TBD	76.8%
One VA Survey (mean score)	3.6	3.5	3.1	3.1

VARO New York Director Comments

The VARO Director's initial comments were provided to us via e-mail on March 4, 2002, and e-mails containing revised comments were provided on April 25 and May 2, 2002. The Director's most recent comments to all recommendations are inserted in the appropriate sections of the report.

Monetary Benefits in Accordance with IG Act Amendments

Report Title: Combined Assessment Program Review of the VA Regional Office New York

Report Number: 01-02104-116

<u>Recommendation</u>	<u>Explanation of Benefit[s]</u>	<u>Better Use of Funds</u>
1	Better use of funds through timely processing of system-generated messages and hospital adjustments.	<u>\$25,882</u> ⁵
	Total	\$25,882

⁵ Of the total of \$25,882, \$4,692 related to system-generated messages (see p. 4) and \$21,190 related to hospital adjustments (see p. 5).

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Appendix D

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