



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Waco, Texas

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts 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 Department of Veterans Affairs (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) Waco, Texas, from February 11-15, 2002. The purpose of the CAP review was to evaluate claims processing and administrative operations. During the review, we also provided fraud and integrity awareness briefings attended by 352 VARO employees.

Results of Review

VARO Waco's financial and administrative activities were generally operating satisfactorily, and management controls were generally effective. Fiduciary and field examination activities were timely, veterans receiving rehabilitation services were eligible for the services provided, one-time payments were supported by appropriate documentation, and adequate Benefits Delivery Network (BDN) security controls were in place. To enhance operations, VARO Waco needed to:

- Improve the timeliness of compensation and pension (C&P) claims processing.
- Improve the accuracy of C&P payments to veterans hospitalized for extended periods of time at Government expense.
- Strengthen reviews of system-generated messages.
- Strengthen controls over large one-time C&P payments.
- Perform a risk assessment of the automated information systems (AIS).
- Test the AIS contingency plan.
- Relieve the Information Security Officer (ISO) of system administrator duties.

VARO Waco Director Comments

The Director agreed with the findings and recommendations concerning timeliness of C&P claims processing, accuracy of C&P payments to veterans hospitalized for extended periods of time at Government expense, system-generated messages, and controls over large one-time C&P payments, and provided acceptable implementation plans. We will follow up on the planned actions until they are complete.

The Director did not agree to perform a risk assessment of the AIS, test the AIS contingency plan, or relieve the ISO of system administrator duties. He stated that:

- VARO Waco needs additional instructions from Veterans Benefits Administration (VBA) Headquarters before conducting a risk assessment.
- The VARO's Continuity of Operations Plan, which includes the AIS contingency plan, has been tested in tabletop exercises and implemented on two occasions. (During tabletop exercises, key officials describe what they would do in hypothetical situations.) However, the VARO has not been directed by VBA Headquarters to conduct a physical test of the plan with a full restoration of system backups because it would significantly interrupt the VARO's ability to provide services to the veteran population.
- Relieving the ISO of system administrator duties would have a significant impact on the AIS workload and might require additional staff. When VBA completes action on a position description and other instructions concerning the ISO, the Director will consider restructuring ISO responsibilities, but he believes it would be inappropriate to take action on this issue before receiving additional guidance from VBA Headquarters.

We have referred these issues to the Under Secretary for Benefits for resolution.

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

Introduction

Facility Profile

VARO Waco provides C&P and Vocational Rehabilitation and Employment (VR&E) services to eligible veterans, dependents, and survivors residing in 164 counties in Texas. At the time of our review, the regional office had a Loan Guaranty Division, but responsibility for Loan Guaranty functions was transferred to the Regional Loan Center at VARO Houston in March 2002. VARO Waco administers nationwide the Educational Assistance Test Program, Section 901, education benefits for 6,700 potential beneficiaries. All other VA education benefits for veterans residing in Texas are administered by VARO Muskogee, Oklahoma.

General operating expenses for Fiscal Year (FY) 2001 totaled about \$24.4 million, and the regional office had an authorized staffing level of 469 full-time equivalent employees. VARO Waco personnel provide claims assistance to veterans at 10 VA medical facilities and 3 satellite offices. Vocational rehabilitation services are provided at four VA medical facilities and three satellite offices. In addition, Veterans Service Center (VSC) staff are located at the Pre-Discharge Processing sites at Fort Hood and Fort Bliss, Texas.

VARO Waco ranked 42nd out of 57 VAROs for timeliness of completed C&P claims with rating related actions and 33rd for completed C&P claims without rating related actions. The regional office's December 2001 Balanced Scorecard (BSC) showed that it took VARO Waco more time to process C&P claims with rating related actions than both the national average for VAROs and the FY 2002 National Target set by VBA. Timeliness of completed C&P claims without rating related actions was approximately equal to the national average. Fiduciary activities were better than the national average for timeliness of initial appointments and field examinations, and met the FY 2002 National Target. December 2001 BSC data showed the VR&E Division took less time to notify veterans whether they were entitled to program benefits than the national average for VAROs and the FY 2002 National Target.

VARO Waco serves a veteran population of about 863,000. In FY 2001, VARO Waco had 487,584 contacts with beneficiaries, which is a decrease of 13,397 since FY 2000. The number of C&P benefits claims processed decreased from 67,089 in FY 2000 to 51,239 in FY 2001. During FY 2001, C&P benefits totaling approximately \$1.1 billion were paid to about 150,000 beneficiaries. VR&E services were provided to 4,552 beneficiaries, with benefits totaling about \$22 million in FY 2001.

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 briefings for VARO Waco employees.

Scope. We reviewed selected VARO operations, focusing on the efficiency, effectiveness, quality, and timeliness of the benefits delivery system and the associated management controls. These controls are the policies, procedures, and information systems used to administer VBA benefits programs, safeguard assets, prevent and detect errors and fraud, and ensure that organizational goals and objectives are met. The review covered the following benefits delivery systems, administrative activities, and management controls:

| | |
|----------------------------------|--------------------------------------|
| AIS Security | Hospital Adjustments |
| BDN Security | One-Time C&P Payments |
| C&P Claims Processing Timeliness | Out-of-System C&P Payments |
| Construction & Valuation | Property Management |
| Convenience Checks | System-Generated Messages |
| Equipment Inventory | Verification of Social Security Data |
| Fiduciary and Field Examinations | VR&E Claims Processing |
| Government Purchase Cards | |

The CAP team performed the following activities while onsite:

- Visually inspected the facility's space and equipment.
- Reviewed selected C&P, fiduciary, and VR&E files.
- Interviewed VARO management, line 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 VSC, VR&E Division, Loan Guaranty Division, and Information Resources Management (IRM).
- Conducted 4 fraud and integrity awareness briefings attended by 352 VARO staff members. Each briefing included a short film presentation and a question and answer period.

The review was performed in accordance with the Combined Assessment Program Standard Operating Procedures issued by the OIG. The review covered the period of October 2000 through January 2002.

Results of Review

Issues Requiring Corrective Actions

Veterans Service Center

The VSC can improve C&P claims processing.

Conditions Identified

The VSC needed to improve the timeliness of C&P claims processing, accuracy of payments to veterans hospitalized for extended periods of time at Government expense, handling of system-generated messages, and reviews of large one-time C&P payments.

Timeliness of Compensation and Pension Claims Processing

To evaluate C&P claims processing at VARO Waco, we reviewed a random sample of 100 original and reopened C&P claims selected from the Work in Progress (WIPP) system. VARO Waco personnel completed work on these claims between October 1, 2000, and February 28, 2001.

We concluded that 40 of the 100 C&P claims in our sample had avoidable processing delays and/or procedural errors, and VSC managers agreed with our conclusions. Specifically, 36 claims had avoidable processing delays, and 6 had procedural errors that affected workload and timeliness measures. Two claims had both avoidable delays and procedural errors.

The 36 C&P claims had avoidable processing delays averaging 69.6 days, and avoidable delays occurred in each phase of the claims processing cycle, as shown in the following table:

Avoidable Days of Delay by Processing Phase

| Processing Phase | No. Claims In Phase ¹ | Total Days of Delay | Average Days of Delay | Range (Min) (Max) | |
|------------------------|--|---------------------------|-----------------------------|----------------------|-----|
| Date of Claim--CEST | 14 | 393 | 28.1 | 1 | 102 |
| CEST--1st Develop | 10 | 376 | 37.6 | 13 | 93 |
| Develop--Ready to Rate | 6 | 283 | 47.2 | 18 | 76 |
| Ready to Rate--Rating | 20 | 1,058 | 52.9 | 2 | 238 |
| Rating--Award | 12 | 351 | 29.3 | 10 | 87 |
| Award--Authorize | 7 | 44 | 6.3 | 1 | 13 |
| Total | | 2,505 | 69.6 ² | | |

¹ Column does not add. Some claims had delays in more than one processing phase.

² Column does not add. Represents cumulative average (total number of days ÷ cases reviewed).

VSC managers cited several causes of claims processing delays:

- A reorganization of the VSC staff in October 2000 and introduction in November 2000 of new software for rating disabilities required extensive training and reduced the amount of time available for processing claims.
- VSC staff had to review or rework about 23,000 claims to ensure compliance with the Veterans Claims Assistance Act, which was passed in November 2000.
- VSC staff did not adequately monitor claims that had been pending for lengthy periods of time.
- The VSC had a backlog of incoming mail and frequently had trouble locating claims folders due to staffing losses and delays in filling vacancies.

VSC managers recently initiated several changes to improve claims processing timeliness. For example:

- A team was formed to improve initial claim development.
- In September 2001, teams were reorganized to reduce the number of interruptions experienced by Rating Veterans Service Representatives.
- Timeliness goals were established for each phase of the claims processing cycle. Also, “time-on-desk” standards were established to strengthen accountability.
- VSC staff are now monitoring pending claims during each phase of the claims processing cycle.
- VSC managers have added staff, prioritized mail processing, and strengthened files management. At the time of our visit, the VSC staff had substantially reduced the backlog of incoming mail and resumed periodic sequence checks of file cabinets to reduce the number of misfiled folders.

Six of the 100 claims in our sample had procedural errors that affected the measurement of VSC workload and timeliness. For example, data in the WIPP system showed VSC personnel took 1,619 days to process a reopened disability compensation claim. However, when we reviewed the veteran’s claims folder, we did not find a reopened claim. The VSC staff had corrected a prior procedural error and input an incorrect end product code into the WIPP system. The procedural errors we identified are summarized in the following table:

Procedural Errors

| Description of Error | Number of Claims |
|--|------------------|
| Incorrect date of claim | 2 |
| Incorrect end product code | 2 |
| End product cleared rather than canceled | 1 |
| End product cleared twice | 1 |
| Total | 6 |

The procedural errors occurred because VSC staff overlooked or misinterpreted evidence in the claims folders, or were not adequately familiar with applicable processing criteria.

Recommendation 1 – We recommend the VARO Director:

- a. Monitor the effectiveness of the recent initiatives to improve claims processing timeliness.
- b. Provide refresher training for VSC staff emphasizing the types of avoidable processing delays and procedural errors identified during our review.

Regional Office Director Comments

The effectiveness of initiatives to improve timeliness will be monitored in several ways, including weekly reports prepared by individual employees and teams, spot checks by supervisors, time-on-desk information included in monthly quality reviews, and analyses of WIPP data. Refresher training will be provided within 1 month of receipt of the final CAP review report.

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.

Hospital Adjustments

VSC personnel did not properly reduce the pension benefits of veterans hospitalized for extended periods at Government expense. We reviewed the records of 35 veterans continuously hospitalized at Government expense for 90 days or more as of January 18, 2002, and found that overpayments of \$89,974 were made to 19 of the 35 (54 percent) veterans.

- Payments to 16 veterans were not reduced because Veterans Service Representatives did not take proper action when notifications were received from VA medical facilities showing that the veterans were hospitalized. The 16 veterans were overpaid a total of \$69,095.
- Payments to 3 veterans were not reduced because VA medical facilities did not notify the VSC that the veterans were hospitalized. The 3 veterans were overpaid a total of \$20,879.

VSC managers agreed to correct the specific deficiencies we identified and provide refresher training to staff regarding hospital adjustments.

Recommendation 2 – We recommend the VARO Director ensure that:

- a. The specific deficiencies identified during our review are corrected.
- b. The VSC staff receives refresher training on proper adjustments to prevent overpayments.
- c. VSC managers contact appropriate staff at VA medical facilities to discuss notifying the VSC when veterans are hospitalized at Government expense for 90 days or more.

Regional Office Director Comments

VARO personnel have initiated corrective action on the 19 deficiencies cited in the report and refresher training will be provided within 1 month of receipt of the final CAP review report. Also, all VA medical centers in VARO Waco's jurisdiction will be contacted and reminded of their reporting responsibilities when veterans are hospitalized for 90 days or more.

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.

System-Generated Messages

VSC personnel did not take appropriate action when they received system-generated messages. We evaluated the processing of 50 messages (25 Notices of Benefit Payment Transactions and 25 C&P Master Record – Audit Write-Outs) generated by the Hines Information Technology Center in January 2001 and found that 8 messages (16 percent) were not processed appropriately.

- Five of 25 (20 percent) Notices of Benefit Payment Transactions were not processed appropriately. VSC personnel did not take action on three messages and took incomplete action on two other messages. For example, a message

informed VSC personnel that a check for a burial award was returned because of an inaccurate address. VSC personnel filed the message in the veteran's claims folder but did not take corrective action; 2 months later the veteran's widow visited the VARO to follow up on the claim and the check was reissued.

- VSC personnel did not take corrective action on 3 of 25 (12 percent) C&P Master Record – Audit Write-Outs. For example, a message notified VSC personnel of a possible underpayment of Dependency and Indemnity Compensation for the child of a deceased veteran following the death of the veteran's widow. VSC personnel placed the message in the appropriate claims folder without taking action. After receiving another system-generated message, 9 months later, VSC personnel corrected the beneficiary's payments.

VSC staff attributed inappropriate handling of system-generated messages to the number of inexperienced employees processing the messages and the need for additional training.

Recommendation 3 – We recommend the VARO Director:

- a. Ensure that the specific deficiencies identified during our review are corrected.
- b. Provide VSC staff with refresher training concerning processing of system-generated messages.

Regional Office Director Comments

The Director stated that VARO personnel initiated corrective action on 7 of the 8 deficiencies cited in the report. In the remaining case, the claims folder did not contain the system-generated message or evidence that the message had been received or worked. He indicated that refresher training concerning processing of system-generated messages would be provided within 1 month of receipt of the final CAP review report.

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. We provided a copy of the missing system-generated message, and, after we received the Director's comments, a member of the VSC staff informed us that corrective action was taken in that case.

One-Time Compensation and Pension Payments

Controls over large one-time C&P payments needed to be strengthened. Three VSC personnel, including a Team Coach or supervisor, must sign each award authorizing a retroactive payment exceeding \$25,000 or authorizing a payment for a retroactive period exceeding 2 years. In addition, the VARO Director or Assistant Director must

review each award authorizing a retroactive payment of \$25,000 or more and report the results of that review to VBA Headquarters. We did not identify any inappropriate retroactive payments, but some awards lacked the required third signatures. Also, the documentation of the VARO Director's review could have been improved.

- We reviewed 10 awards authorizing payments totaling \$173,519 for retroactive periods exceeding 2 years. Each of the payments was for at least \$10,000 but less than \$25,000. We found that 3 awards authorizing payments totaling \$47,904 did not have the required third signatures.
- From November 2001 through January 2002, the VARO Director reviewed 171 awards authorizing payments exceeding \$25,000 and found that 16 (9.4 percent) awards did not have the required third signatures.
- While evaluating documentation of the VARO Director's review of large one-time payments, we noted that some required data was not included in the results submitted to VBA Headquarters. For example, the documents submitted to VBA Headquarters did not show that some of the awards did not have third signatures or explain why signatures were missing.

Recommendation 4 – We recommend the VARO Director:

- a. Remind VSC staff of the need for three signatures on awards authorizing payments for retroactive periods exceeding 2 years.
- b. Continue monitoring awards authorizing payments exceeding \$25,000 for required third signatures.
- c. Include all required data, including comments indicating that required signatures were missing and explanations for missing signatures, in results submitted to VBA Headquarters.

Regional Office Director Comments

VSC staff will be notified of the need for three signatures on awards authorizing payments for retroactive periods exceeding 2 years. The Director or Assistant Director will continue verifying and certifying the propriety of payments exceeding \$25,000 and will complete all of the steps required by the VBA instructions for the review of those payments.

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.

Automated Information Systems Security

| |
|---|
| <i>Management can reduce potential AIS security vulnerabilities.</i> |
|---|

Conditions Identified

Management can enhance AIS security by formally assessing risks, testing the contingency plan, and relieving the ISO of system administrator duties.

Risk Assessments

VARO Waco officials had not performed a risk assessment of the AIS. VA policy requires responsible security officials at each facility to perform a risk assessment at least once every 3 years to ensure that potential threats and vulnerabilities are identified and appropriate security measures are taken. However, facility officials were waiting for implementing instructions from VBA Headquarters and had not performed the required assessment.

Contingency Plan

VARO Waco had an AIS contingency plan, but the plan had never been tested. VA policy requires facilities to test their contingency plans at least once every 3 years, but the ISO stated that the plan had not been tested because of concerns that testing could interrupt operations.

Information Security Officer Duties

VA policy states the ISO should not have operational responsibility for the AIS. However, the ISO at VARO Waco served as a backup system administrator because he could be available at times when other system administrators were not available. As the focal point of AIS security, the ISO monitors the activities of system administrators as well as end users. Since he cannot objectively monitor his own activities, he should be relieved of system administrator duties.

Recommendation 5 – We recommend the VARO Director:

- a. Perform a risk assessment of the AIS at least once every 3 years.
- b. Test the AIS contingency plan at least once every 3 years.
- c. Relieve the ISO of system administrator duties.

Regional Office Director Comments

The Regional Office Director disagreed with all three parts of this recommendation.

The Director acknowledged that VA policy requires facilities to perform risk assessments, but he stated that VARO Waco needs additional instructions from VBA Headquarters before conducting a risk assessment. Without appropriate direction from VBA, he stated it would be impossible for field staff to conduct a valid and effective risk assessment locally. Also, he stated the standardization of regional offices allows VBA to centralize portions of the risk assessment, saving time and reducing impact on local staff while greatly enhancing the value of the final analysis.

The Director stated that the AIS contingency plan is part of the VARO's Continuity of Operations Plan, which has been tested in tabletop exercises and implemented during actual incidents on March 21 and July 12, 2001. The VARO has not been directed by VBA Headquarters to conduct a physical test of the plan with a full restoration of system backups because it would significantly interrupt the VARO's ability to provide services to the veteran population. Partial restoration of system backups is accomplished as necessary.

VA policy states that an ISO should not have operational responsibilities, but it does not provide specific guidance regarding the ISO's duties and responsibilities. According to the Director, relieving the ISO of system administrator access would have a significant impact on the AIS workload and might require additional staff. VBA officials are currently drafting a position description for a facility ISO and plan to seek funding for the position. When VBA completes action on the position description and other instructions concerning the ISO, the Director will consider restructuring ISO responsibilities, but he believes it would be inappropriate to take action on this issue before receiving additional guidance.

Office of Inspector General Comments

Based on OIG observations at other VA facilities, we believe VARO Waco could perform a risk assessment and test the AIS contingency plan. In addition, we continue to believe the ISO should be relieved of all operational responsibilities. We have referred these issues to the Under Secretary for Benefits for resolution.

Suggestions for Management Attention

We also identified other issues that warrant management's attention. We discussed each of these issues with the VARO Director and management staff. (See *Checklist of Observations - Appendix A.*)

Issues Identified

- Provide refresher training for VSC staff concerning appropriate actions when incoming mail indicates a C&P beneficiary may have died.
- Revise Beneficiary Identification and Records Locator Subsystem (BIRLS) records when veterans respond to VA inquiries with corrected Social Security Numbers (SSNs).
- Consider alternative methods to reduce the number of scheduled appointments missed by VR&E program participants.
- Prioritize BDN input for VR&E reapplicants to minimize application date errors in the system.
- Inform the VARO Houston Director of deficiencies we identified in the Loan Guaranty activities, which have been transferred to the Regional Loan Center at VARO Houston.
- Designate six different employees as the Government Purchase Card Program Coordinator, Alternate Program Coordinator, Billing Officer, Alternate Billing Officer, Dispute Resolution Officer, and Alternate Dispute Resolution Officer to maximize separation of duties.
- Remind staff that convenience check transactions should be limited to \$2,500.

Regional Office Director Comments

The VARO Director concurred with all but one of our suggestions. He disagreed with the suggestion to designate six different employees as the Government Purchase Card Program Coordinator, Alternate Program Coordinator, Billing Officer, Alternate Billing Officer, Dispute Resolution Officer, and Alternate Dispute Resolution Officer. The VARO has only four accounting employees, and the Director stated the duties must be shared among the four accounting employees.

Office of Inspector General Comments

We are not aware of any criteria requiring assignment of duties related to the Government Purchase Card Program to accounting employees. We continue to believe it would be advisable to spread these duties among six different staff members.

Appendix A

Checklist of Observations

Areas checked “Yes” were generally operating in accordance with applicable policies and procedures. Areas checked “No” require management attention and should include a synopsis of the condition found. The areas checked “N/A” did not apply to this regional office or were not reviewed.

Veterans Service Center

| C&P Claims Processing Timeliness | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|--|
| 1. Systematic Analyses of Operations identified problem areas in the timeliness of claims processing, and appropriate corrective action was taken. | ✓ | | | |
| 2. Potential delays in the development of original compensation claims were identified and corrective action was taken. | ✓ | | | |
| 3. Corrective action was implemented to improve BSC scores that had worsened or were below the national average. | ✓ | | | |
| 4. The average processing times for C&P claims were the same as, or below, the BSC national average. | | ✓ | | Average processing times for completed rating related actions and completed non-rating actions were greater than national averages. Average processing times for pending rating related actions and pending non-rating actions were shorter than national averages. We reviewed the processing of 100 C&P claims and found that 36 claims had avoidable processing delays averaging 69.6 days. |

| Hospital Adjustments | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|---|
| 5. Pension benefits were appropriately adjusted for veterans continuously hospitalized at Government expense for 90 days or more. | | ✓ | | We reviewed the records of 35 hospitalized veterans and found that payments to 19 (54 percent) were not appropriately reduced. Overpayments totaled \$89,974. |

Appendix A

| System-Generated Messages | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|--|
| 6. C&P system-generated messages were handled appropriately and in accordance with criteria. | | ✓ | | Eight of 50 (16 percent) system-generated messages were not processed appropriately. |

| One-Time C&P Payments | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|---|
| 7. Retroactive payments of \$10,000 to \$24,999 were supported by appropriate documentation that justified the awards. | ✓ | | | |
| 8. Awards authorizing payments of \$10,000 to \$24,999 for retroactive periods of more than 2 years had three signatures. | | ✓ | | Three of 10 awards authorizing retroactive payments that required 3 signatures did not have the third signatures. |
| 9. Multiple retroactive payments of \$10,000 to \$24,999 to the same payee were supported by appropriate documentation that justified the awards. | ✓ | | | |
| 10. Duplicate retroactive payments of \$10,000 to \$24,999 were returned and not cashed. | ✓ | | | |
| 11. The Director reviewed retroactive payments over \$25,000 within 15 days of receipt of the payment notification. | ✓ | | | |
| 12. The VSC Manager conducted a review of each retroactive payment over \$25,000 without third signatures to determine what corrective action was necessary. | ✓ | | | |
| 13. Corrective action(s) have been taken or planned to address the reason(s) there were no third signatures. | ✓ | | | |

Appendix A

| Out-of-System C&P Payments | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|-----------------------|
| 14. Claims folders contained documentation supporting out-of-system payments. | ✓ | | | |
| 15. Claims folders contained properly authorized award and rating documents. | ✓ | | | |

| Verification of Social Security Data | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|---|
| 16. VSC staff followed up appropriately when correspondence indicated that C&P recipients might be deceased. | | ✓ | | We determined that a C&P beneficiary was deceased based on correspondence contained in the claims folder and Social Security Administration (SSA) death records. The beneficiary had died in 1995 but was receiving monthly payments. As a result of our review, VARO Waco discontinued monthly payments and established an account receivable of \$67,572. Without taking appropriate action, VSC staff had filed returned mail and inquiries concerning the beneficiary's possible death. |
| 17. SSNs in BIRLS agreed with veteran-supplied information in claims folders and with SSA records. | | ✓ | | We reviewed the records of 11 veterans whose VA records contained SSNs or other data inconsistent with SSA records. SSNs in BIRLS disagreed with both SSA and veteran-supplied information in 6 of 11 claims folders reviewed. |
| 18. Erroneous SSNs in BIRLS were corrected when veterans verified different SSNs. | | ✓ | | In 4 of 11 claims folders reviewed, VA had previously contacted veterans about the SSN discrepancies and the veterans had verified SSNs different than those in BIRLS. |

| Fiduciary and Field Examinations | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|-----------------------|
| 19. The application receipt dates in the Fiduciary-Beneficiary System agreed with the dates stamped on the VA Form 21-592. | ✓ | | | |

Appendix A

| Fiduciary and Field Examinations (Cont.) | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|-----------------------|
| 20. Initial appointment field examinations were performed within 45 days as required. | ✓ | | | |
| 21. Fiduciary field examinations were scheduled within 1 year of the initial appointment field examination. | ✓ | | | |
| 22. Fiduciary field examinations were completed within 120 days of the scheduled examination. | ✓ | | | |
| 23. Accountings for beneficiaries were completed within 14 days of receipt. | ✓ | | | |
| 24. Fiduciary accountings were performed as required by State law and at least every 3 years. | ✓ | | | |
| 25. Objections or exceptions to accountings were taken within 14 days. | ✓ | | | |
| 26. Accountings with discrepancies or legal issues were referred to the Regional Counsel or OIG. | ✓ | | | |
| 27. Fiduciary field examination reports provided detailed assessment information to document the adequacy of the veterans' physical health and well-being. | | | ✓ | |
| 28. Fiduciary field examination reports provided detailed assessment information to document the adequacy of the veterans' safety and environment. | | | ✓ | |

Appendix A

| Fiduciary and Field Examinations (Cont.) | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|-----------------------|
| 29. The fiduciary activity supervisor met annually with appropriate personnel from each VA medical facility in the VARO's jurisdiction to coordinate field examinations to nursing homes with VA caseworkers. | | | ✓ | |
| 30. Fiduciary field examiners met with VA medical facility case managers at least annually and maintained current information about residential care facilities for veterans. | | | ✓ | |

Information Resources Management

| AIS Security | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|--|
| 1. A risk assessment was performed every 3 years. | | ✓ | | The ISO stated that no risk assessment had been performed. |
| 2. An alternate processing facility was available and key employees were aware of the location. | ✓ | | | |
| 3. System backups of critical information were made and stored in a secure area onsite and offsite. | ✓ | | | |
| 4. A full restoration of system backups had been tested. | | ✓ | | Full restoration of system backups was not tested. |
| 5. The contingency plan had been frequently tested, the results documented, and corrective action taken. | | ✓ | | The contingency plan was not tested. |
| 6. The contingency plan contained a current listing of telephone numbers of key personnel. | ✓ | | | |
| 7. The contingency plan contained a current listing of all computer equipment. | ✓ | | | |

Appendix A

| AIS Security (Cont.) | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|-----------------------|
| 8. AIS were supported by an uninterrupted power source (UPS). | ✓ | | | |
| 9. The UPS system was periodically tested by IRM under full load conditions. | ✓ | | | |

| BDN Security | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|--|
| 10. Strong passwords were required to access BDN. | ✓ | | | |
| 11. Only employees grades GS-11 and above had the authority to authorize C&P awards in BDN. | | ✓ | | One of 55 staff members with the authority to authorize C&P awards in BDN was a grade GS-10 employee. The authority was granted on a temporary basis pending assignment of a GS-11 to that location. |

Vocational Rehabilitation and Employment

| VR&E Claims Processing | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|---|
| 1. Veterans receiving rehabilitation services were eligible and entitled to the benefits. | ✓ | | | |
| 2. VR&E applications were processed within 60 days of the date of claim. | | ✓ | | As of December 31, 2001, VR&E had 395 veterans in applicant status, including 72 (18 percent) who had been in applicant status more than 60 days. We reviewed the records of 5 veterans in applicant status more than 60 days and found that the applications in 4 of the 5 cases were not processed within 60 days because the applicants missed scheduled appointments. |
| 3. Appropriate dates of claim were being established in BDN to properly calculate timeliness. | | ✓ | | We reviewed the records of 15 veterans in the VR&E program and found that 4 records had inaccurate dates of claim in BDN. All four were readmissions to the VR&E program. For readmissions, BDN defaults to the date of input as the application date. |

Appendix A

| VR&E Claims Processing (Cont.) | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|-----------------------|
| 4. The veteran's status found on the VR&E caseload management system agreed with the status found in BDN and the veteran's Counseling, Evaluation, and Rehabilitation (CER) file. | ✓ | | | |
| 5. Documentation of veterans' eligibility status and initial appointment dates was complete and accurate. | ✓ | | | |
| 6. The CER files contained documentation that rehabilitated veterans were still employed after 60 days. | | | ✓ | |
| 7. Controls were in place to ensure the accuracy of tuition payments and fees. | ✓ | | | |
| 8. Controls were in place to ensure the accuracy of vendor claims and payments. | ✓ | | | |
| 9. Controls were in place to ensure proper procedures were followed on credit card purchases. | ✓ | | | |
| 10. Controls were in place to ensure purchases had the proper justifications and authorizations. | ✓ | | | |
| 11. Veterans were contacted to ensure they received the services and supplies that were purchased for them. | ✓ | | | |
| 12. VR&E counselors were adequately justifying veterans' requests to change goals and objectives. | ✓ | | | |
| 13. VR&E counselors were providing veterans participating in the program support services such as childcare. | | | ✓ | |
| 14. VR&E provided counseling services to veterans rather than using a contractor. | ✓ | | | |

Appendix A

| VR&E Claims Processing (Cont.) | Yes | No | N/A | Synopsis of Condition |
|--|-----|----|-----|-----------------------|
| 15. VR&E managers coordinated with and used available VA medical facilities for VR&E participants' medical and dental needs. | | | ✓ | |
| 16. VR&E managers ensured that participants' medical and dental needs were provided timely without disruption to training. | | | ✓ | |
| 17. Non-VA medical care provided to VR&E participants in lieu of VA medical services was necessary. | | | ✓ | |

Loan Guaranty

| Construction and Valuation (C&V) | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|--|
| 1. C&V staff performed quality control reviews of appraisals. | ✓ | | | |
| 2. C&V staff reviewed 10 percent of the compliance inspections of new construction. | ✓ | | | |
| 3. New appraisers met VA qualifications by providing proof of license and five letters of reference and demonstrating skills on a performance test. | | ✓ | | For the 14 appraisers hired during FY 2001: <ul style="list-style-type: none"> One did not have proof of license. Two did not have any reference letters. One had only two reference letters. |
| 4. C&V staff monitored fee appraisers and conducted a field review of 5 percent of their appraisals. | ✓ | | | |
| 5. C&V staff reviewed at least 10 percent of the appraisals approved by Lender Appraisal Processing Program lenders. | | ✓ | | C&V staff selected 10 percent of these appraisals for review, but they did not maintain logs or records showing that the reviews were actually performed. |
| 6. C&V staff performed Statistical Quality Control (SQC) reviews to monitor their performance. | ✓ | | | |

Appendix A

| Property Management (PM) | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|---|
| 7. Management brokers were assigned within 2 days of PM's receipt of notice of custody as required. | | ✓ | | One of five properties reviewed was not assigned to a management broker within 2 days of receipt of notice of custody. |
| 8. Properties were marketed timely at prices that reflected market values. | ✓ | | | |
| 9. PM staff performed SQC reviews to monitor their performance. | ✓ | | | |
| 10. Management brokers visited properties timely. | | ✓ | | Available documentation did not show that management brokers visited three of the five properties reviewed within 72 hours of assignment. VARO managers permitted monthly visits by management brokers rather than the biweekly visits required by VA policy. |
| 11. Repairs were made on a timely basis. | | ✓ | | Repairs on one of five properties reviewed were not made timely. |

Support Services

| Government Purchase Cards | Yes | No | N/A | Synopsis of Condition |
|---|-----|----|-----|---|
| 1. The Purchase Card Coordinator, Billing Officer, Dispute Resolution Officer, and their alternates were different VARO employees. | | ✓ | | Duties were not adequately separated. The Billing Officer was also the Alternate Purchase Card Coordinator and Alternate Dispute Resolution Officer. The Dispute Resolution Officer was also the Alternate Billing Officer. |
| 2. The Purchase Card Coordinator, Billing Officer, Dispute Resolution Officer, and their alternates were neither cardholders nor approving officials. | ✓ | | | |
| 3. Purchase card transactions were within single purchase limits and transactions did not appear to be split to bypass the limits. | ✓ | | | |

Appendix A

| | | | | |
|--|-----|----|-----|---|
| 4. Purchases were supported by appropriate documentation. | ✓ | | | |
| Convenience Checks | Yes | No | N/A | Synopsis of Condition |
| 5. Convenience check transactions were for \$2,500 or less. | | ✓ | | We identified 2 transactions that were split to bypass the \$2,500 limit. One transaction was split into 18 separate checks and another transaction was split into 2 separate checks. |
| 6. Convenience check transactions were supported by appropriate documentation. | ✓ | | | |

Regional Office Director Comments



DEPARTMENT OF VETERANS AFFAIRS
Regional Office
One Veterans Plaza
701 Clay Avenue
Waco, Texas 76799

May 8, 2002

In Reply Refer To: 349/00

•Director, Dallas Audit Operations Division
VA Office of Inspector General
1420 W. Mockingbird Lane, Suite 550, Room 404
Dallas, Texas 75247

SUBJ: Combined Assessment Program Review (Project 2002-000970-R6-0064)

On February 11-15, 2002, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the Department of Veterans Affairs Regional Office (VARO) in Waco, Texas. The review was conducted in a business-like manner, and each member of the CAP team was very professional and helpful throughout their review and analysis of our office. We believe the assistance they provided during their visit will facilitate improvements in our operations.

Our Responses To Recommendations

We have prepared the enclosed implementation plan to address the recommendations identified in the survey.

Who Do You Contact If You Have Any Questions?

Please contact Betty Urban, Staff Assistant, at 254-299-9012, if you have any questions concerning our implementation plan.

/s/
CARL E. LOWE II, Director
Waco VA Regional Office (349)

**Combined Assessment Program Review
Implementation Plan
VA Regional Office
Waco, Texas**

Recommendation 1

a. Monitor the effectiveness of the recent initiatives to improve claims processing timeliness.

Concur.

Plan: Timeliness of claims is tracked monthly; tracking includes overall processing time for each type of claim and timeliness in each cycle of claims. As initiatives progress, improvement will be shown in this monthly report.

Effectiveness of initiatives will be monitored by Inventory Management Reports, weekly individual and team reports validated by supervisors, spot checks by supervisors, monthly samplings for the CEST cycle, "Time on Desk" information included in monthly quality reviews, office of Veterans Service Center Manager monthly WIPP analysis (broken down by team); review by supervisors of WIPP reviews done by team members to ensure compliance with division WIPP User Plan; and WIPP W40 review- authorization time (VSR to Senior).

Projected Completion Date: Ongoing

b. Provide refresher training for VSC staff emphasizing the types of avoidable processing delays and procedural errors identified during the review.

Concur.

Plan: Refresher Training will be provided.

Projected Completion Date: Within one month of receipt of the final report for the Combined Assessment Program (CAP) Review.

CAP Review - Waco VARO

Page 2

Recommendation 2

a. The specific deficiencies identified during our review are corrected.

Concur.

Plan: Action has been taken on the 19 deficiencies noted on review of C&P benefits requiring reduction due to hospitalization of veterans for extended periods at Government expense. Final action has been taken on all deficiencies except those where due process is still pending.

Projected Completion Date: June 2002.

b. The VSC staff receives refresher training on proper adjustments to prevent overpayments.

Concur.

Plan: Refresher training will be provided.

Projected Completion Date: Within one month from date of receipt of the final report for the Combined Assessment Program (CAP) Review.

c. VSC managers contact appropriate staff at VA medical facilities to discuss notifying the VSC when veterans are hospitalized at Government expense for 90 days or more.

Concur.

Plan: All VA medical centers in our jurisdiction will be contacted and reminded of their reporting responsibilities when veterans are hospitalized for 90 days or more. Emphasis will continue during liaison visits, video conferencing and telephone contacts with VA medical centers.

Projected Completion Date: June 2002

CAP Review - Waco VARO

Page 3

Recommendation 3

a. Ensure that the specific deficiencies identified during our review are corrected.

Concur.

Plan: Corrective action has been taken on 5 of the 8 system-generated messages that were not processed appropriately. Due process is pending on 1 message with a 5/15/02 suspense date. Development is on-going on another message to determine if due process/reduction is for application. There was no error message in 1 file and no evidence that the message was received or worked. OIG Austin is trying to locate their copy of the message.

Completion Date: June 2002

b. Provide VSC staff with refresher training concerning processing of system-generated messages.

Concur.

Plan: Refresher training will be provided.

Projected Completion Date: Within one month of receipt of the final report for the Combined Assessment Program (CAP) Review.

Recommendation 4

a. Remind VSC staff of the need for three signatures on awards authorizing payments for retroactive periods exceeding 2 years.

Concur.

Plan: VSC staff will be notified of the need for three signatures on awards authorizing payment for retroactive period exceeding 2 years.

Completion Date: May 2002.

CAP Review - Waco VARO

Page 4

b. Continue monitoring awards authorizing payments exceeding \$25,000 for required third signatures.

Concur.

Plan: The Director or Assistant, will continue to monitor awards authorizing payments exceeding \$25,000 by verifying and certifying the propriety of these payments.

Completion Date: Ongoing.

c. Include all required data, including comments indicating that required signatures were missing and explanations for missing signatures, in results submitted to VBA Headquarters.

Concur.

Plan: All steps shown in VBA Letter 20-01-50 dated 10/3/01 will be completed on awards with payments exceeding \$25,000.

Completion Date: Ongoing.

Recommendation 5

a. Perform a risk assessment of the AIS at least once every 3 years.

Disagree.

While VA policy may direct that risk assessments be conducted, VBA has not provided implementing instructions to field offices. Without appropriate direction from VBA, it would be impossible for field IRM staff to conduct a valid and effective risk assessment locally. Additionally, the standardization of regional offices, particularly with regards to information systems architecture, allows VBA to centralize portions of the risk assessment, saving time and reducing impact on local staff while greatly enhancing the value of the final analysis. In past years, VACO has contracted for the assessments. VARO Waco will need implementing instructions from VBA Central Office before conducting a risk assessment.

CAP Review - Waco VARO

Page 5

b. Test the AIS contingency plan at least once every 3 years.

Disagree.

The Regional Office AIS Contingency Plan is a subset of the overall COOP Plan for the office. The COOP has been tested in tabletop exercises in accordance with directions provided by VBA Central Office and implemented during actual incidents on March 21, 2001, and July 12, 2001. Due to workload and production issues, we have not been directed to conduct a physical test of the plan with a full restoration of system backups, as it would significantly interrupt our ability to provide services to our veteran population. Partial restoration of system backups is accomplished as necessary. VBA maintains duplicate systems at Hines, Philadelphia, and Austin and performs tests periodically.

c. Relieve the ISO of system administrator duties.

Disagree.

While VA Regulation 6210 does state that an ISO should not have operational responsibilities, it does not provide specific guidance regarding duties and responsibilities. That level of specificity would usually be provided by VBA, but VBA has not yet provided implementing instructions to field stations on the ISO function. In an all-station Information Resources Management conference call on April 18, 2002, we were advised that VBA's Security Infrastructure Protection Office is currently drafting a position description for a Facility Information Security Officer. Once the position description is completed, VBA will seek funding for the ISO position. VA Regional Office action to restructure IRM, relieving the ISO of any system administrator access, would have a significant impact on the AIS workload, including a possible need for additional staff. When VBA completes action on position descriptions and other implementing instructions regarding the Information Security Officer position, the regional office will consider restructuring of the IRM/ISO responsibilities. It would be inappropriate for the regional office to take any action in this area prior to receiving guidance from VBA.

CAP Review - Waco VARO

Page 6

Suggestions for Management Attention

- **Provide refresher training for VSC staff concerning appropriate actions when incoming mail indicates a C&P beneficiary may have died.**

Concur.

Plan: Refresher training will be provided.

Projected Completion Date: Within one month of receipt of the final report for the Combined Assessment Program (CAP) Review.

- **Revise Beneficiary Identification and Records Locator Subsystem (BIRLS) records when veterans respond to VA inquiries with corrected Social Security Numbers (SSNs).**

Concur.

Plan: Refresher training will be provided.

Projected Completion Date: Within one month of receipt of the final report for the Combined Assessment Program (CAP) Review.

- **Consider alternative methods to reduce the number of scheduled appointments missed by VR&E program participants.**

Concur.

Because of our large geographical area, we have historically had a high counseling no show rate. During the last few years, we have more than doubled the number of access points throughout our region to help eliminate this problem. During our CAP Review, it was informally suggested that a telephone system that would automatically call veterans to remind them of counseling appointments would be advantageous. Because we do not have a centralized scheduling location and there are nine VR&E locations in the Waco, Texas region with various telephone systems, this type of telephone system would be cost prohibitive. Since the CAP review, however, we have added additional support personnel at almost every location and anticipate placing additional support personnel at every location in the near future. This additional staff will allow us to provide counseling appointment reminders by phone or letter 48 hours in advance of the counseling appointment. With phone call or letter reminders and our continuing efforts to make our counseling locations more accessible to the population we serve, we should be able to improve our reporting rate and timeliness of service.

CAP Review - Waco VARO

Page 7

- **Prioritize BDN input for VR&E reapplicants to minimize application date errors in the system.**

Concur.

When a reapplication is processed, BDN opens Applicant Status the date the End Product 295 is processed, not the date the application was received. We have made VR&E Service aware of this system error and system changes to correct this error are being investigated. Until the system is corrected, we are not authorized to change the Begin Date of Applicant case status unless VR&E Service rescinds that portion of paragraph 2 of VR&C Policy Bulletin 99-1 dated May 6, 1999, which specifies in bold type, **“Do not change the Begin Date of Applicant case status once the master record has established it.”** As was suggested, we will prioritize VR&E reapplications to minimize application date errors in the system.

- **Inform the VARO Houston Director of deficiencies we identified in the Loan Guaranty activities, which have been transferred to the Regional Loan Center at VARO Houston.**

Concur.

We will advise the Director of the Houston VARO of the CAP Review findings regarding Loan Guaranty activities upon receipt of the final report.

- **Designate six different employees as the Government Purchase Card Program Coordinator, Alternate Program Coordinator, Billing Officer, Alternate Billing Officer, Dispute Resolution Officer, and Alternate Dispute Resolution Officer to maximize separation of duties.**

Disagree.

Although the Purchase Card Coordinator, Billing Officer, Dispute Resolution Officer, and alternates for government purchase cards should be separate employees and not cardholders, we have only four FMS accounting employees and alternate duties must be shared among the four. We contacted Stanley Wallace, the Central Office VA Purchase Card point of contact for guidance. As an alternative, Mr. Wallace suggested the Purchase Card Coordinator be alternate for both billing and dispute.

Appendix B

CAP Review - Waco VARO

Page 8

Remind staff that convenience check transactions should be limited to \$2,500.

Concur.

Convenience check transactions are limited to \$2,500 or less. The only time multiple checks are issued to one payee is when it is in the best interest of the veteran. The example of 18 separate checks was for a \$43,000 special adaptive housing grant that was due for a home loan closing the same day. The Special Adaptive Housing Coordinator traveled 100 miles to the Dallas area for the closing and delivered the checks so the veteran would not lose his home.

Appendix C

Monetary Benefits in Accordance With IG Act Amendments

Report Title: Combined Assessment Program Review of the VA Regional Office
Waco, Texas

Report Number: 02-00970-122

| <u>Recommendation Number</u> | <u>Category/Explanation of Benefits</u> | <u>Better Use of Funds</u> |
|---|--|---------------------------------------|
| 2 | Benefit reductions for veterans hospitalized more than 90 days (See page 5). | \$89,974 |
| N/A | Termination of benefits to a deceased beneficiary (See #16 on page 15). ³ | <u>\$67,572</u> |
| Total | | \$157,546 |

³ We determined that a beneficiary was deceased based on correspondence contained in the claims folder and SSA death records. VARO Waco personnel were not aware of the beneficiary's death prior to our review.

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Appendix D

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The Honorable Charles Stenholm, United States House of Representatives
The Honorable Mac Thornberry, United States House of Representatives
The Honorable Jim Turner, United States House of Representatives
Chairman, Committee on Veterans' Affairs, United States Senate
Ranking Member, Committee on Veterans' Affairs, United States Senate
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Appropriations, United States Senate
Ranking Member, Subcommittee on VA, HUD, and Independent Agencies,
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