



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Newark, New Jersey

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 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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Contents

	Page
Executive Summary	i
Introduction	1
Regional Office Profile	1
Objectives and Scope of CAP Review	1
Results of Review	3
Opportunities for Improvement	3
Compensation and Pension Claims Processing	3
Government Purchase Card Program.....	5
Information Technology Security	7
Fiduciary and Field Examinations	9
Vocational Rehabilitation and Employment Service	12
Benefits Delivery Network Security	13
Appendices	
A. VARO Newark Director Comments.....	15
B. Monetary Benefits in Accordance with IG Act Amendments	23
C. Final Report Distribution	24

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) Newark, New Jersey during the weeks of March 4 and 11, 2002. The purpose of the review was to evaluate claims processing and selected administrative operations. During the review, we also provided fraud and integrity awareness training to 95 employees.

Results of Review

Regional office financial and administrative activities were generally operating satisfactorily and management controls were generally effective. To enhance operations, management needed to:

- Improve the timeliness and accuracy of compensation and pension (C&P) claims processing.
- Strengthen management controls over the Government Purchase Card Program.
- Strengthen security over automated information systems (AIS).
- Improve controls over fiduciary and field examinations.
- Strengthen controls and documentation of vocational rehabilitation and employment (VR&E) claims processing.
- Strengthen access controls for the Benefits Delivery Network (BDN).

VARO Newark 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 Newark provides C&P and vocational rehabilitation services to eligible veterans, dependents, and survivors in New Jersey. The regional office has an itinerant Veterans Benefits Counselor located at the VA medical center in East Orange, who offers claims assistance to hospitalized veterans. The VARO also provides limited loan guaranty services, such as property management and specially adapted housing. Home loan guaranty processing for New Jersey veterans is provided by the Cleveland Regional Loan Center. VARO Buffalo, which maintains several remotely managed Education Liaison staff in Newark, provides education benefits.

VARO Newark serves a veteran population of about 621,000. During Fiscal Year (FY) 2001, VARO Newark had 127 full-time equivalent employees and general operating expenses totaling about \$8 million. During FY 2001, about \$417 million in C&P benefits were paid to about 53,600 beneficiaries, which was a decrease of about 1,800 beneficiaries since FY 2000. At the start of FY 2002, the regional office had a pending C&P claims workload of about 8,500 claims. VARO Newark also provided vocational rehabilitation services to about 800 beneficiaries during FY 2001.

Objectives and Scope of CAP Review

Objectives. CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality benefits services. The objectives of the CAP review program are to:

- Conduct recurring evaluations of benefits delivery processes and selected regional office financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and of the need to refer suspected fraud to the OIG.

Scope. We reviewed benefit claims processing and selected administrative activities to evaluate the timeliness and effectiveness of the benefits delivery system and associated management controls. These controls are the policies, procedures, and information systems used to administer VBA programs, safeguard assets, prevent and detect errors and fraud, and ensure that organizational goals and objectives are met. In performing the review, we interviewed managers and employees, inspected work areas, and reviewed pertinent benefits, and financial and administrative records. The review covered the following activities and controls:

C&P Claims Processing
AIS Security
VR&E Claims Processing
Property Management

Government Purchase Card Program
Retroactive Benefit Payments
BDN Security
Fiduciary and Field Examinations

During the review, we also presented two fraud and integrity awareness briefings for VARO employees. Ninety five employees attended these briefings, which covered procedures for reporting suspected criminal activity to the OIG and included examples of various types of frauds and crimes encountered within VBA.

The review covered VARO Newark operations for FYs 2001 and 2002 through February 2002 and was done in accordance with OIG standard operating procedures for CAP reviews.

In this report, we make recommendations and suggestions for management attention. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that need corrective actions and should be monitored by VARO management until corrective actions are completed.

Results of Review

Opportunities for Improvement

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 Needed to Improve the Timeliness of Claims Processing

Conditions Needing Improvement. VARO management needed to improve the timeliness of C&P claims processing and enhance efforts to prevent benefit overpayments.

Timeliness of Claims Processing. The VARO needed to significantly improve the timeliness of C&P claims processing. Timely processing of claims is one of a regional office's most important responsibilities and is a major challenge facing VA. As of October 2001, VBA's nationwide pending workload was about 634,000 claims, of which VARO Newark had approximately 8,500 claims. This represented an increase in the regional office's pending workload of about 2,700 claims since October 2000.

The Veterans Service Center (VSC) is responsible for processing all C&P claims. To evaluate claims processing procedures at the VARO, we interviewed VSC managers and staff and reviewed 102 randomly selected C&P claims. The claims consisted of original and reopened C&P claims selected from the BDN¹ Work In Process (WIPP) system. Processing actions on these claims were completed between August 28, 2001 and December 14, 2001. Our review identified 85 claims with avoidable processing delays averaging 177 days and 2 claims with procedural errors only. Avoidable delays were not confined to one phase of the claims processing cycle as illustrated below.

Processing Phase	No. of Claims With Avoidable Delays ²	Range of Avoidable Delays	No. of Claims With Avoidable Delays Over 200 Days
Claims Establishment	53	3 to 397 days	2
Claims Development	71	3 to 619 days	22
Claims Rating	36	2 to 245 days	2
Claims Authorization	12	6 to 164 days	0

Our review of claims processing procedures revealed that VSC managers and staff did not effectively utilize the BDN WIPP system to track and manage claims. The WIPP system is a

¹ BDN is the Veterans Benefits Administration (VBA) automated processing system used to process veterans' benefits payments and to maintain entitlement information.

² Total is greater than 85 as some claims had delays in multiple processing phases.

workload management tool that allows management to both follow progress on claims and provide feedback to VSC staff when management identifies problems that cause claims processing delays. The claims we reviewed were often set aside with no action taken on them for long periods of time. In addition, VSC staff did not accurately and efficiently review incoming C&P mail, especially when separate issues (such as an ongoing appeal and a new claim) were involved. Certain staff were unable to distinguish mail requiring processing action from mail that could be filed. The following examples illustrate these problems.

- On June 14, 1999, the regional office received a veteran's claim for compensation benefits. VSC staff did not take any processing action on this claim until they requested the veteran's service medical records on November 5, 1999 – 110 days after control of the case was established. Because no processing actions were taken from December 10, 1999 until May 11, 2000 (152 days) and August 31, 2000 until May 29, 2001 (270 days) significant additional delays occurred. On August 31, 2001, 809 days after the regional office received the claim, the veteran was awarded benefits. Because timely processing action was not taken on this claim, the veteran's award was unnecessarily delayed 532 days.
- On December 28, 1999, the regional office received a claim for increased compensation benefits and a Notice of Disagreement (NOD) – two separate issues. However, VSC staff did not accurately review the mail to determine that more than one issue was involved, and the claim for increased benefits was not noticed until after the NOD was processed. This caused a 90-day delay in initiating processing action on the veteran's claim for increased benefits. Additionally, processing action was not taken from July 3, 2000 until September 19, 2001 (442 days). Because of initial processing delays caused by inaccurate mail review and further significant delays in processing the claim for benefits, the veteran's award was delayed by 532 days.
- On November 22, 2000, a veteran's claim folder, with a pending claim for benefits, was transferred to VARO Newark as the office of jurisdiction. The veteran's claim for benefits was dated August 15, 2000. However, control of the veteran's claim was not established until September 17, 2001 when VSC staff requested a VA exam. On October 22, 2001, the regional office authorized a compensation award. Because control of the claim was not established timely, the veteran's award was unnecessarily delayed 298 days (November 22, 2000 to September 17, 2001).

Hospital Adjustments. VARO management needed to improve efforts to ensure benefit overpayments were prevented. C&P benefits for veterans hospitalized at Government expense were not reduced as required. We obtained reports from two area VA medical centers identifying those veterans continuously hospitalized at Government expense for longer than 90 days. We reviewed the status of benefit payments for nine veterans in receipt of nonservice-connected pensions to determine whether required benefit adjustments were made. Overpayments totaling \$9,160 were made to three of these veterans. Benefit payments were not adjusted because regional office staff did not routinely access and review Automated Medical Information Exchange (AMIE) reports. In these three cases, medical center personnel had utilized AMIE reports to report the patients' admissions. VSC staff took action to adjust benefit payments for these veterans when we brought these cases to their attention.

Recommended Improvement Action 1. We recommended that the VARO Director ensure that: (a) VSC staff improve monitoring of claims processing and aggressively follow up on processing delays, (b) additional training is provided to all VSC staff to facilitate the proper identification and analysis of claims-related mail to ensure appropriate claim processing actions are taken, and (c) VSC staff review AMIE reports on a regular basis and take timely action to prevent benefit overpayments.

The Director agreed with the finding and recommendations, and provided acceptable implementation plans. (See Appendix A, pages 15-16 for the Director's implementation plan and target dates.) The improvement actions are acceptable and we consider the issues resolved. (The monetary benefit associated with this recommendation is shown in Appendix B, page 23.)

Government Purchase Card Program – Controls Needed to be Strengthened

Condition Needing Improvement. VARO management needed to strengthen controls over the Government Purchase Card Program.

Government Purchase Card Controls. VA employees must use Government purchase cards for all micro-purchases (those under \$2,500) and to the maximum extent practicable, for all purchases up to \$100,000. The facility's Government purchase card coordinator is responsible for implementing the program and ensuring that cardholders and approving officials are trained on proper card usage. Cardholders are responsible for reconciling their charges every month and approving officials are responsible for certifying the appropriateness of charges made by cardholders. VBA policy requires that the purchase card billing officer conduct monthly reviews to determine whether the VARO is in compliance with reconciliation and certification requirements for purchase card transactions. The results of these reviews are submitted to the VA Financial Service Center's Office of Quality Review.

The Government Purchase Card Program at VARO Newark included nine cardholders and two approving officials. During the first 5 months of FY 2002, cardholders made 196 purchases totaling \$56,450. The following areas affect program effectiveness and/or illustrate control weaknesses.

- Internal control requirements for separation of duties were not adhered to. The recently designated purchase card coordinator was also a cardholder and approving official. The same situation existed with the former purchase card coordinator. The purchase card coordinator, who is responsible for overseeing the Government Purchase Card Program, should be neither a cardholder nor an approving official as this represents a conflict of interest and violates VA policy. The former program coordinator made a significant percentage of Support Services Division's (SSD) purchases with his Government purchase card during FYs 2001 and 2002. For example, during the first quarter of FY 2002 this individual made approximately \$18,000 in purchases with his Government purchase card. These purchases represented approximately 43 percent of the value of all VARO purchase

card transactions during this time period. During our review, the current purchase card coordinator could not provide either the statements of account or the supporting documentation for the approximately \$18,000 in purchases made by the former coordinator during the first quarter of FY 2002. Therefore, we could not determine what was purchased or make judgments regarding the propriety of the purchases. (The former coordinator's card usage has been referred to the OIG Office of Investigations for further review.) The recently designated purchase card coordinator took steps to cancel her Government purchase card while we were on-site.

- SSD cardholders were not reconciling their monthly statements nor was the approving official certifying the appropriateness of cardholder purchases as required.
- Supporting documentation maintained for purchase card transactions was inadequate. None of the purchase card statements of account issued to cardholders in SSD were reconciled and accompanied by the required supporting documentation. Credit card logs detailing purchases were not maintained. SSD staff could not provide supporting documentation for most of the purchases we selected for review nor could they establish the propriety of purchases made by cardholders. For example, we judgmentally selected a sample of 10 purchases totaling \$18,749, made primarily at Circuit City, Craftmaster Hardware, and other specialty retail stores during September 2000 and September 2001 by 2 SSD purchase cardholders. SSD staff could not provide documentation supporting these purchases and the cardholders had no recollection of what was purchased. Without supporting documentation for purchase card transactions, approving officials cannot validate the purchase card bills nor establish the propriety of purchases made by cardholders. (The card usage of these cardholders has been referred to the OIG Office of Investigations for further review.)
- An alternate Government purchase card coordinator was not designated to oversee the purchase card program in the absence of the coordinator.
- Two cardholders had not received the required Government purchase card training.
- Government purchase cards were used to make prohibited purchases. Government purchase cardholders are specifically prohibited from utilizing their purchase cards to pay for certain goods or services, such as employee travel or telecommunication services. Our review revealed that Government purchase cards were regularly used for such purchases. For example, in March 2001 purchase cards were used to pay approximately \$1,400 for the transportation-related expenses of several employees. In June and September 2001, over \$8,400 was paid to Washington Data Systems for telecommunication services. Other recurring purchases were made from ECI Telecom and AT&T Wireless Services. While these purchases were appropriate, other methods (e.g., Government travels cards or purchase orders) should have been utilized to pay for these goods and services.
- Periodic audits of cardholders were not conducted as required. These audits should be of sufficient scope to identify examples of purchase splitting and use of the card for prohibited transactions. The audits should be documented and performed by the billing officer who should not be a cardholder. The VARO's billing officer is a cardholder.

- Government purchase cards were not canceled in a timely manner. For example, as of March 6, 2002, the former purchase card program coordinator's purchase card had not been canceled, even though he had retired in December 2001. The recently designated coordinator took action to cancel his card during our review. (We did not identify any purchases made by this individual subsequent to his retirement.)
- The monthly audit surveys the VARO submitted to VA's Financial Service Center's Office of Quality Review inaccurately reported that the VARO was in compliance with reconciliation and certification requirements for purchase card transactions.

Competition and Purchase Splitting. The Federal Acquisition Regulations require Government purchase cardholders to promote competition to the maximum extent practicable in order to obtain supplies from sources whose offers are most favorable to the Government. For single purchases greater than \$2,500, cardholders should obtain quotes from at least three sources. Our review revealed that cardholders were not soliciting quotes for single purchases exceeding \$2,500. Further, our review revealed cardholders engaged in the prohibited activity of purchase splitting, which entails breaking purchases exceeding the \$2,500 purchase card limit into several transactions of less than \$2,500.

Purchase Card Spending Limits. VARO management should evaluate the monthly purchase card spending limits of cardholders and take action to substantially reduce cardholder monthly purchase card spending limits. Our review revealed that a cardholder in SSD has a monthly purchase limit of \$150,000 and each cardholder in VR&E has a monthly purchase limit of \$50,000. In FY 2001, the reported combined yearly purchase card charges by all VARO cardholders totaled approximately \$280,000. Reducing spending limits and/or the number of cards may also help to improve internal controls over the program.

Recommended Improvement Action 2. We recommended that the VARO Director ensure that: (a) controls are implemented to administer the Government Purchase Card Program effectively, (b) competition is solicited when appropriate and the practice of purchase splitting is ended, and (c) purchase card spending limits are evaluated and reduced where appropriate.

The Director agreed with the finding and recommendations, and provided acceptable implementation plans. (See Appendix A, pages 16-18 for the Director's implementation plan and target dates.) The improvement actions are acceptable and we consider the issues resolved.

Information Technology Security – Automated Information Systems Security Controls Need to be Strengthened

Conditions Needing Improvement. VARO management needed to strengthen the Information Technology (IT) security program. Improved IT security is necessary to better protect AIS from unauthorized access, disclosure, modification, destruction, or misuse.

The starting point of developing a strong IT security program is assigning responsibility for security to an Information Security Officer (ISO). VBA policy requires that the ISO be trained and knowledgeable in the area of IT security. The ISO is tasked with implementing, developing, and monitoring the regional office's AIS to ensure adequate security is provided. The ISO is responsible for preventing and detecting security problems and for ensuring that proper security controls and policies have been instituted to lessen vulnerabilities to the regional office's AIS. The regional office's ISO had only held this position for about 2 weeks prior to our arrival. ISO responsibilities comprised only a small portion of her daily routine and she had not received any formal training in this area. As illustrated below, we identified several areas where IT security needed to be strengthened. These discrepancies indicate the need for an ISO who has been trained in the area of IT security.

- **Security Awareness Training.** The regional office did not ensure that all AIS users received required security awareness training. VBA policy requires that all users with access to VBA systems attend initial security awareness training before receiving access to VA systems. All users are also required to receive an annual refresher course. We found that 3 of 128 individuals had not received their initial security awareness training, including an Information Resources Management computer specialist.
- **Disaster Recovery and Continuity of Operations Plan.** While the VARO had a disaster recovery and continuity of operations plan (COOP), the plan had never been tested. VA policy requires that each facility develop, document, frequently test, and update its disaster recovery and COOP. Periodic testing of the plan is essential to reduce the impact of disruptions in service, provide critical interim processing support, and ensure resumption of normal operations as soon as possible in the event of disruptions to the regional office's AIS. Testing of the plan should be documented and any necessary changes implemented. Also, a critical element of the disaster recovery and COOP is to ensure there is a current backup of application, data, and software files. Although nightly and weekly backups were being performed, this information was being stored in the computer room and was only removed off-site for storage about once a month.
- **Risk Assessments.** The regional office needs to conduct a comprehensive risk assessment for each AIS. A comprehensive risk assessment is important to ensure that AIS security threats and vulnerabilities have been identified and that the appropriate security measures have been implemented. Assessing risk should be an ongoing process, which will ensure that any new security threats and vulnerabilities are identified and the appropriate security measures are taken to counter such threats. Although a risk assessment should be conducted at least once every 3 years, we found that the regional office had not conducted a risk assessment of each of its AIS nor had any security policies been issued.
- **Computer Room.** The regional office needs to increase security over the computer room and surrounding area. VBA policy requires that IT resources be physically secured to prevent unauthorized use, modification, or destruction. During our visit, we observed several instances where the computer room door was left open while the room was unoccupied. The computer room was also in an area where other VARO divisions occupied space and was occasionally visited by veterans.

- **Password Controls.** The regional office needs to implement stronger password controls. VA policy requires the use of strong passwords to access VBA systems. The policy states passwords must contain at least eight characters and contain three of the following four classes of characters; upper or lower case letters, numbers, and certain special characters. The regional office's local area network could be accessed using only two classes of characters.

Recommended Improvement Action 3. We recommended that the VARO Director ensure that: (a) an ISO, properly trained in IT security, is appointed to assist in developing and implementing an adequate IT security program, (b) all users of VBA systems receive initial and annual security awareness training, (c) the disaster recovery and COOP is tested and updated as needed, (d) a risk assessment is conducted on each AIS and any necessary security policies are issued, (e) the computer room and surrounding area is secured, and (f) a strong password policy is implemented.

The Director agreed with the finding and recommendations, and provided acceptable implementation plans. (See Appendix A, pages 18-19 for the Director's implementation plan and target dates.) The improvement actions are acceptable and we consider the issues resolved.

Fiduciary and Field Examinations – Action Needed to Improve Follow-up on and Review of Fiduciary Accountings and the Oversight of Beneficiary Conditions.

Conditions Needing Improvement. VARO management needed to improve the follow-up on and review of fiduciary accountings and the oversight of beneficiary conditions to ensure that beneficiary rights and assets are protected.

Fiduciary Accountings. A fiduciary is a person or legal entity charged with the duty of managing the estate of an incompetent beneficiary. The Fiduciary and Field Examination (F&FE) unit is responsible for ensuring that fiduciaries assert and protect the rights of VA beneficiaries and their dependents to VA benefits, other assets, income, and benefits, regardless of the source. As part of this responsibility, the F&FE unit is responsible for ensuring that required financial reports, known as accountings, are completed. VA policy requires that the F&FE unit follow-up by letter, telephone, or personal contact to ensure timely submission of accountings by fiduciaries. If a required accounting is not received within 90 days of the due date, further action should be taken. If a case involves a court-appointed fiduciary³, the matter should be referred to Regional Counsel. If the case involves a Federal fiduciary⁴, the case should be referred to a field examiner or the OIG.

³ A court-appointed fiduciary is a person or legal entity appointed by a state or foreign court to supervise an incompetent beneficiary and/or that person's estate.

⁴ A Federal fiduciary is a person or legal entity authorized by VA to serve as payee of VA benefits for an incompetent beneficiary.

F&FE estate analysts are responsible for requesting and reviewing fiduciary accountings. Estate analysts are to review accountings within 14 days of receipt. Any objections or exceptions regarding the management of the assets, expenditures, and proposed commissions or allowances, must be taken within this 14-day period.

As of February 2002, the VARO had 1,338 active fiduciary cases with a total estate value exceeding \$49 million. We reviewed a judgment sample of 16 Principal Guardianship Folders (PGFs) to determine whether required fiduciary accountings were received and reviewed. Our review revealed a number of deficiencies, as illustrated below.

- Three required accountings were not submitted within 90 days of the due date. These accountings ranged from 201 days to 806 days past due before they were submitted.
- Four accountings that are past due still have not been received. At the time of our review, these accountings were 221 to 911 days past due.
- Six accountings, submitted from 1998 to 2001, were not reviewed by an estate analyst.
- Two other accountings, while reviewed by an estate analyst, had not been reviewed within 14 days of receipt.

The PGFs contained no documentation indicating that an estate analyst had taken any follow-up action on the late or missing accountings. Additionally, those accountings that were received but not reviewed were well beyond the 14-day review period. We also noted that many of the accountings selected for review were not date stamped, making it more difficult for F&FE to question or legally object to the accountings submitted by the fiduciary. As a result, control over the administration and monitoring of the estate, and the identification of potential legal issues is compromised. Further, F&FE cannot ensure that the interests of the incompetent veteran are protected. An example of deficiencies we identified follows.

Over a 4-year period, a Federal fiduciary did not submit two required annual accountings (accounting years 1999 and 2000), which at the time of our review were 21 and 9 months delinquent. Also, estate analysts had not yet reviewed the two accountings that had been submitted (accounting years 1998 and 2001). Our review of the PGF and available accountings, revealed clothing, entertainment, and personal use expenditures that appeared to be inflated, and an estate value that was decreasing. Since the two most recently submitted accountings were never reviewed, an estate analyst had not questioned any of the expenditures, or questioned why the estate value was decreasing. We estimated that the beneficiary's estate had been depleted by approximately \$25,000 due to these increased expenses. VARO management agreed with this assessment and took action to schedule a field examination for April 2, 2002, to question depletion of the estate and to review expenditures. (This case has also been referred to the OIG Office of Investigations for further review.)

Without obtaining and reviewing accountings to monitor the management of beneficiaries' estates, the F&FE unit cannot be assured that the beneficiaries' rights and assets are being protected.

Field Examinations. As part of F&FE's responsibility to ensure fiduciaries protect the rights and assets of beneficiaries, F&FE field examiners conduct field examinations. These field examinations are conducted in response to estate analyst requests, for investigative reasons, or on a scheduled basis depending on the type of oversight an incompetent beneficiary requires. Field examinations should address the physical, mental, and environmental conditions of the beneficiary.

We reviewed field examinations from 10 PGFs to determine whether the examiners adequately addressed the physical, mental, and environmental conditions of the beneficiaries. Field examination reports in 9 of the 10 PGFs contained appropriate documentation of the beneficiaries' conditions. However, in one case detailed below, the field examiner did not adequately address the physical, mental, or environmental conditions of the beneficiary.

A letter received by a VARO counselor on August 11, 1998, alleged that the beneficiary had a drug abuse problem resulting in numerous incarcerations for drug use and prostitution, and that the assets of the beneficiary were being used by and for the fiduciary. A field examination was scheduled for September 9, 1998. The field examiner found that the beneficiary's apartment had worn or broken furniture and a disconnected telephone. The field examiner did not discuss the issues raised in the August 11th letter, nor did the field examiner offer the beneficiary a referral to a health care facility to assess her condition. When we brought this issue to management's attention, they provided an August 29, 2001 field examination report. However, this report did not address the issues raised in 1998 or the issue of replacing the fiduciary, which the beneficiary requested on March 1, 1999. We were informed that the field examiner did not know of the issues raised because he did not have access to the original complaints and had not reviewed the PGF. The field examiner works at home, and maintained the later report on a home computer (it had not been filed in the PGF).

The primary function of F&FE is to protect the rights and assets of incompetent beneficiaries. In this instance, the living conditions of the beneficiary indicated neglect. Further, the allegations as to the beneficiary's drug abuse and involvement in prostitution were not discussed and health care was not offered. The field examiner did not recommend actions or make referrals that might have improved the well being of the beneficiary, nor did the examiner address the issue of replacing the fiduciary.

Recommended Improvement Action 4. We recommended that the VARO Director ensure: (a) F&FE staff follow up on delinquent accountings, (b) F&FE staff review accountings within 14 days of receipt and take appropriate follow-up actions when necessary, and (c) field examiners are notified of pertinent issues to be addressed during field examinations, conduct thorough field examinations, make appropriate recommendations or referrals, and appropriately file and distribute field examination reports.

The Director agreed with the finding and recommendations, and provided acceptable implementation plans. (See Appendix A, pages 19-20 for the Director's implementation plan and target dates.) The improvement actions are acceptable and we consider the issues resolved.

Vocational Rehabilitation and Employment Service – Controls and Documentation Need to be Strengthened

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

Balanced Scorecard Measurements. A critical measurement of timeliness on VR&E's Balanced Scorecard (BSC) is the number of days it takes VR&E to notify the veteran of his or her entitlement to benefits once they receive the veteran's application for benefits. Our review of 12 cases revealed 5 instances (42 percent) where the dates of claims recorded in BDN differed from the dates the veterans' applications were received at the VARO. The VR&E Officer took action to correct the erroneous dates while we were on-site. Our review also revealed that documentation indicating veterans were notified of their program entitlements was not contained in the veterans' Counseling, Employment, Rehabilitation (CER) folders. We suggested that each folder contain a copy of the dated letter sent to the veteran notifying them of their entitlement. The VR&E Officer agreed and stated that the date of entitlement determination will also be captured for each veteran within the newly implemented Corporate WINRS system.⁵

Control of Cases. Monitoring and properly recording a veteran's progress in the VR&E program is important because it allows management to accurately measure VR&E workload. With effective controls in place, case managers (CMs) can ensure that the veterans whose cases they are managing are being provided the necessary guidance and assistance as they progress through the VR&E program. Our review of 26 cases revealed 11 instances (42 percent) where veterans were in their current case status for an extended period of time. In most instances, it appeared that the veteran should have been moved into another phase of the program. For example, a veteran was placed into the employment services phase on April 12, 2000, after finishing his rehabilitation plan. However, no other contact was made with the veteran, and the veteran remained in this status at the time of our review. The VR&E Officer agreed that the CM should have followed up on this case and that the veteran should have been moved into another phase of the program. The VR&E Officer stated that control of cases has been a deficiency due to the loss of two CMs.

BDN Accuracy. It is vital that information entered into BDN is input accurately and timely. BSC measurements, management reports, and workload statistics are created based on information extracted from BDN. Accordingly, management decision-making is based on these statistics and reports. Our review of 26 cases revealed 9 instances (35 percent) where information found in BDN was not correct and was inconsistent with documentation found in the CER folder or in the Corporate WINRS system. For example, one veteran's CER folder

⁵ Corporate WINRS is VR&E's electronic case management system. The acronym was derived from the first letter of the names of the five pilot test stations that tested the program: VAROs Winston-Salem, Indianapolis, Newark, Roanoke, and Seattle.

contained documentation showing the veteran had obtained suitable employment, and the case had been put into rehabilitation status effective July 16, 2001. This information was also properly entered into the Corporate WINRS system. However, a current BDN screen still showed the veteran in employment services status. The VR&E Officer concurred with the discrepancies we identified and stated that many of these discrepancies were due to system problems encountered while the regional office served as a test site for the Corporate WINRS system. Corrective actions were taken on these cases while we were on-site.

Timeliness of Application Processing. VR&E policy states that the purpose of applicant status is to process a veteran's claim for assistance under Chapter 31 in a timely manner. A veteran is moved from applicant status into evaluation and planning status once the veteran has had his or her initial counseling appointment. Our review of the 94 veterans in applicant status as of January 2002, revealed 45 (48 percent) of them had been in applicant status for longer than 60 days. The VR&E Officer agreed that the timely processing of applications was an issue and attributed the delays to being understaffed.

Suggested Improvement Action. We suggested that the VARO Director ensure that VR&E Service: (a) accurately enter dates of claim into BDN, (b) monitor and properly record veteran's case status, (c) accurately input claims-related data into BDN, and (d) process veterans' applications for VR&E benefits in a timely manner.

The Director agreed with the finding and suggestions, and provided acceptable implementation plans. (See Appendix A, pages 20-21 for the Director's implementation plan and target dates.) The improvement actions are acceptable and we consider the issues resolved.

Benefits Delivery Network Security – Access Controls Need to be Enhanced

Conditions Needing Improvement. VARO management needed to ensure that access to BDN commands allowing users to authorize award payments is properly approved, approvals allowing access to sensitive records are appropriately obtained, and BDN access for separated employees is terminated timely.

Controlling access to BDN commands and access to sensitive records is critical to ensure the privacy and protection of veterans' personal data stored in BDN. Proper controls are also essential to reduce the risk of fraudulent or improper use of the system.

An employee's division chief must request all BDN system access commands required by the employee on VA Form 20-8824. An approving official, typically the BDN security officer, must also authorize these requests. Our review of system access forms for 39 individuals who had BDN commands allowing them to either authorize a C&P or an education award revealed that 7 of the 39 (18 percent) users did not have their authorization commands requested and/or approved on their VA Form 20-8824. In addition, we found that 1 of the 2 individuals who had a BDN sensitivity access level of 8 did not have that high level of access approved on his VA

Form 20-8824.⁶ Finally, our review also disclosed that BDN access had not been terminated for two employees no longer employed by the regional office. BDN user accounts for these separated employees were terminated during our review.

Suggested Improvement Action. We suggested that the VARO Director ensure that: (a) all BDN user commands and sensitivity levels are properly approved and documented, and (b) BDN access for separated employees is terminated timely.

The Director agreed with the finding and suggestions, and provided acceptable implementation plans. (See Appendix A, pages 21-22 for the Director's implementation plan and target dates.) The improvement actions are acceptable and we consider the issues resolved.

⁶ BDN access levels range from 0 to 9, with levels 7 through 9 assigned on a limited basis to the minimum number of employees required to process the workload.

VARO Newark Director Comments



DEPARTMENT OF VETERANS AFFAIRS
Regional Office
20 Washington Place
Newark, NJ 07102-3174

In Reply Refer To:
309/00

Director, Bedford Audit Operations Division
VA-OIG (52BN)
200 Springs Road, Building 12
Bedford, MA 01730-1198

SUBJ: Draft Report – Combined Assessment Program Review:
VA Regional Office Newark (Project No. 2002-01259-R1-0082)

We concur with all recommended and suggested actions in the cited report. Below are our responses to each item:

OIG Recommended Improvement Action 1: *We recommend that the VARO Director ensure that (a) VSC staff improve monitoring of claims processing and aggressively follow up on processing delays, (b) additional training is provided to all VSC staff to facilitate the proper identification and analysis of claims-related mail to ensure appropriate claim processing actions are taken, and (c) VSC staff review AMIE reports on a regular basis and take timely action to prevent benefit overpayments.*

Response

a) Implementation of a revised WIPP User Plan is expected to improve both claims processing timeliness and our control of the pending workload. The revision was completed May 10, 2002 and provided to the union for comment on May 20, 2002. The revised plan was initiated on June 1, 2002, and is consistent with the specialized (i.e., functional) team concept described in the *VA Claims Processing Task Force Report*. Limiting the range of different tasks for which each individual is responsible helps supervisors monitor individual performance and progress. The revised WIPP Plan is designed not only to finalize issues as they mature, but also to provide review of the accuracy of our evidence development efforts. If additional development is needed, action can be initiated prior to the suspense date, thereby improving overall processing

VARO Newark Director Comments

time. Coaches will be required to ensure that reviews are completed on a weekly basis and reviewers submit annotated lists indicating what action was taken on each case reviewed. We anticipate that the revised WIPP User Plan (Attachment A) will be fully implemented by July 1, 2002.

b) Training to assure proper identification and analysis of claims-related mail is being addressed directly by our Control Team. Over the past 3 months this specialized team (formed in February 2002) has made considerable progress in establishing timely controls on incoming mail. The team reviews all division incoming mail, determining if it should be pulled, dropped or a claim established. If claims establishment is needed, the team is establishing controls within 7 days of receipt of the mail. The success of the Control Team is being monitored on a weekly basis by review of the Inventory Management Reports. Specialized training for the members of this team is conducted routinely at each team meeting to ensure that mail is properly routed and timely processed. Formal training has included:

- (1) Jurisdiction and Transfer
- (2) Proper Use of End products
- (3) FNOD Processing
- (4) Claims Establishment and Mail Management
- (5) End Product Codes and Work Rate Standards
- (6) CAPS processing
- (7) Processing of Returned Mail

The Coach also performs a quality review of 5% or more of each VSRs work to help design individual and group training and quizzes on identification of issues, EP establishment and BDN screens.

Our goal is that by the end of FY 2002, the CAPS system will report an average of 37 days for the initial establishment of claims, an improvement from the 44 day average that existed as of March 1, 2002.

(c) We are now reviewing AMIE reports on a regular basis to prevent benefit overpayments. This countermeasure is based on the reviewer's finding that three of nine pension cases with long-term hospitalizations were not timely reduced while the veterans were being maintained at government expense. Procedures are now in place that assign the Development Team to generate these reports and pursue timely award adjustments. Verbal instruction was given April 1, 2002 and we have attached a memo (Attachment B) which formalized the procedure.

Recommended Improvement Action 2: *We recommend that the VARO Director ensure that a) controls are implemented to administer the Government Purchase Card Program effectively, b) competition is solicited when appropriate and the practice of*

VARO Newark Director Comments

purchase splitting is ended, and c) purchase card spending limits are evaluated and reduced where appropriate.

Response

a) We are enhancing controls and strengthening procedures for our Government Purchase Card Program:

(1) March 13, 2002--We requested that Citibank provide us with copies of monthly statements for the period 7/1/2001 through 2/1/2002 for audit purposes.

(2) April 18, 2002--Six Support Services personnel, including the Chief, Support Services Division (new Agency Official Purchase Card Coordinator /AOPC), attended a Citibank training session at the Bronx VA Medical Center.

(3) May 22, 2002--We requested access to the Citibank database to have capability to download current guidelines, access online reports, create ad hoc reports and set up new accounts.

(4) June 10, 2002--Anticipated completion of audit 1st QTR 2002, purchases which was not available during the OIG CAP Survey.

(5) August 16, 2002--Completion of local guidelines to include, but not limited to the following concerns: responsibilities of program participants, authorized use of card, reconciliation requirements, dollar limitations, prohibition of purchase splitting, requirements for competitive bids, identifying backups, and account suspensions.

(6) August 30, 2002--Completion of training for agency participants.

(7) October 1, 2002--Creation of internal control system for quarterly reporting through FY 2003; semi-annual reporting effective FY 2004, and inclusion of subject area on Director's Office SAO schedule effective FY 2003.

b) We have implemented procedures to ensure compliance with purchase splitting regulations. Each individual cardholder has been instructed not to purchase any item group that exceeds \$2,500 without the approving official's review and written concurrence.

c) Purchasing limits for all cardholders (in Support Services and VR&E) will be reviewed and adjusted to limit the potential for misuse. For example, our five VR&E cardholders each have a single purchase limitation of \$2,500 and monthly limits of \$50,000. In the VR&E program the monthly purchase limit is being adjusted to \$25,000 since more schools accept credit cards for tuition payments; this adjusted limit will

VARO Newark Director Comments

permit us to meet our current program needs. This decision is supported by our own reviews: our first six months of credit card purchases in FY 2002 totals less than \$30,000 for all five cardholders.

The following is a chronology of actions taken or planned to improve compliance with purchase card limits and purchase splitting regulations:

- (1) March 15, 2002--Cardholders were briefed on audit findings and reminded about prohibited practices and required procedures. Emphasis was placed on avoiding purchase splitting, required solicitations, and necessary documentation.
- (2) May 30, 2002--VR&E Officer trained each VR&E cardholder to ensure solicitation of 3 quotes on all purchases contemplated above \$2,500 is made and not to purchase any item group that exceeds \$2,500.
- (3) May 31, 2002--The VR&E Officer checked with three other offices (Roanoke, Louisville and Philadelphia) for comparison of card limits; they have monthly limitations from \$2,500 through \$25,000.
- (4) June 1, 2002--VR&E Officer requested the AOPC to contact our credit card company and have each cardholder reduced to a \$25,000 per month limit. He will confirm that the revised limits have been put in place (follow-up due 6/30/02).
- (5) June 14, 2002--The AOPC will provide written guidance to all cardholders concerning solicitation requirements as they apply to government and commercial sources as well as dollar approval limits to prevent purchase splitting and revise total purchase limits.
- (6) August 30, 2002--Completion of local guidelines and training on Purchase Card Procedures

Recommended Improvement Action 3. *We recommend that the VARO Director ensure that (a) an Information Security Officer and alternate, properly trained in IT security, is appointed to assist in developing and implementing an adequate IT security program, (b) all users of VBA systems receive initial and annual security awareness training, (c) the COOP is tested and updated as needed, (d) a risk assessment is conducted and any necessary security policies are issued, (e) the computer room and surrounding area is secured, and (f) a strong password policy is implemented.*

Response

a) The following defines our actions to meet Information Security program requirements:

VARO Newark Director Comments

(1) May 8, 2002--Alternate ISO completed on-line ISO Security Training. Certification released to VACO on 5/21/02.

(2) May 9, 2002--VACO notified of new ISO and alternate ISO for station. Request made for password for new ISO to complete the on-line ISO Security Training course.

(3) May 13-17, 2002--New ISO attended VA InfoSec2002 Conference in New Orleans. She attended sessions based on deficiencies that were identified at the OIG CAP exit interview.

(4) June 30, 2002--By this date the ISO will have received access to the Training Course web site and completed the online ISO Security Awareness course. Receipt of password will also allow her access to over 600 online security courses.

(5) September 30, 2002--The ISO function will be included for routine review under the Director's Office SAO schedule for FY 2003.

b) The annual security awareness refresher training for all employees will be completed by June 30, 2002.

c) The COOP will be updated and a continuous station operational plan (COP) developed by September 30, 2002. The updated COOP will be tested by October 31, 2002.

d) We will complete a Risk Assessment of the IRM Activity by October 31, 2002, based on the report of findings of the NSC Site Survey and address any security policy concerns.

e) Computer room security issues, including access to computer room and surrounding area, were also examined in a NSC Site Survey conducted subsequent to the OIG visit. Further managerial actions will be pursued after we receive the NSC report that will clarify the requirements for limiting access to the computer room.

f) Strong Password criteria and implementation will be reviewed and follow-up actions, including employee refresher training on this subject, will be completed by June 30, 2002.

Recommended Improvement Action 4. *We recommend that the VARO Director ensure: (a) F&FE staff follow up on delinquent accountings, (b) F&FE staff review accountings within 14 days of receipt and take appropriate follow up actions when necessary, and (c) field examiners are notified of pertinent issues to be addressed*

VARO Newark Director Comments

during field examinations, conduct thorough field examinations, make appropriate recommendations or referrals, and appropriately file and distribute field examination reports.

Response

a) All delinquent accountings were identified and a schedule established to complete reviews of them by September 30, 2002. As of this date, 24% (86) of the 361 delinquent accountings have been reviewed. Milestones for completion are 45% by June 30, 2002, 65% by July 31, 2002, 85% by August 31, 2002, and 100% by September 30, 2002.

b) Problems with the receipt and tracking procedure identified by the OIG have been corrected. The F&FE staff now reviews accountings within 14 days of receipt and takes appropriate follow-up actions when necessary. Based on the OIG's review, it was decided that the Accounts Log Book and Assignment Slips would be maintained by the Unit Supervisor who now makes all assignments and tracks their progress through his log. This change has been in effect since mid-March and follow-ups on accountings have been current since that time.

c) Based on the OIG findings concerning issues to be addressed during field exam, our procedure was revised. The Legal Instrument Examiner and Supervisor now insure that notations are made on the 4716a form for Field Examiner review prior to the field exam. Any missing issues are identified by the reviews conducted within 14 days of receipt of the completed exam. Reports are being timely filed.

Suggested Improvement Action 1. *We recommend that the VARO Director ensure that VR&E Service (a) accurately enter dates of claim into the BDN, (b) monitor and properly record veteran's case status, (c) accurately input claims-related data into BDN and (d) process veteran's applications for VR&E benefits in a timely manner.*

Response

a) The date of claim is the date the case is date-stamped into any element of VA. The OIG review found cases that were not in agreement with the date stamp. Research determined that there were two factors causing this error. The first factor was the testing of the Batch Processor during the development phase of Corporate WINRS. For over one year, many of the issues were a result of the Batch Processor writing the date as the current processing date. The Batch Processor has since been corrected, but there are an unknown number of cases that were affected for the last two years. The second factor was our GED processing. Our sole program clerk was using the date received in VR&E as the date of claim. Training was given to her during the OIG visit

VARO Newark Director Comments

and spot checks since that time have found 100% accuracy in the date of claim on the CAST 320 screens.

b) To improve control of cases, each staff member has been trained to use the new Corporate WINRS program to review, on a weekly basis, all of his/her active cases to ensure that case status data are correct. Further, the Division will be performing a one-time audit of all counseling and training cases to ensure that each case status has been properly recorded in the BDN and in Corporate WINRS. This special project will start on June 19, 2002 and is expected to be completed by July 1, 2002. Because of staffing losses, maintenance of accurate case status has been more challenging. The Division has recently requested authority to hire two additional counselors. Since our loss of a journeyman Counseling Psychologist on 10/1/01, the Division has been unable to meet a timeliness standard of 60 days per case. Although a contract was signed in southwestern New Jersey, the contract is limited to \$25,000 and is not sufficient to handle all the cases that generated from that area of the state. It is projected that two new counselors will be on board by July 2002. In the interim, we are using group counseling and additional contracting to process the pending case workload. One of the areas of concern was the length of time interrupted cases have been without services. A special review is underway to reduce the number of interrupted cases. Starting on June 1, 2002, the VR&E Officer began reviewing and assigning 25 cases per month to potential contractors to reduce the number of cases that have been without contact. Contractors are going to be used to either motivate the veteran to re-enter services or to move the case into a proper discontinued status.

c) Accuracy of the claims-related data input into BDN sampled during the OIG visit was affected by a lack of case managers to update the information and erroneous information created by the system during Corporate WINRS testing. Additional case managers will help to ensure BDN accuracy.

d) It is projected that two new counselors will be on board by the end of the 3rd quarter, FY 2002. It will take approximately three to six months to reduce the entire backlog of counseling cases and to bring our average down to the 60 day goal. In the past few months our average has improved from 127 days average timeliness to 93 days in April 2002.

Suggested Improvement Action 2. *We recommend that the VARO Director ensure that (a) all BDN user commands and sensitivity levels are properly approved and documented, and (b) BDN access for separated employees is terminated timely.*

VARO Newark Director Comments

Response

a) We have corrected deficiencies found during the OIG audit and will strengthen our procedures to ensure BDN user commands and sensitivity levels are properly approved and documented:

(1) March 11, 2002 Action was taken at the time of the survey to correct seven BDN user commands and two sensitivity levels, which were not properly approved and documented. Also, BDN access for two separated employees was terminated.

(2) July 31, 2002 Revision of local procedures defining the protocol for BDN access (to include when access is terminated) will be completed. Distribution will include all users connected to our network.

b) On March 4, 2002, five VR&E employees were deleted from 1000 series in BDN, per VR&E guidelines.

Actions to correct the deficiencies identified during the OIG CAP Review are being monitored by my office. Enclosed is a copy of the spreadsheet we are using to monitor the progress of the corrective action for each Recommended Improvement Action and each Suggested Improvement Action. If there are additional questions about our corrective actions or monitoring of them, please contact Mr. Gregory Watkins, my Senior Management Analyst.

/s/
WILLIAM E. NICHOLAS
Director

Encl.

Monetary Benefits in Accordance with IG Act Amendments

Report Title: Combined Assessment Program Review of VARO Newark, New Jersey
Report Number: 02-01259-148

<u>Recommendation</u>	<u>Explanation of Benefit</u>	<u>Better Use of Funds</u>
1	Better use of funds through timely processing of hospital adjustments.	<u>\$9,160</u>
	Total	<u>\$9,160</u>

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Appendix C

Staff Director, Committee on Veterans' Affairs, U.S. House of Representatives
Staff Director, Subcommittee on Oversight and Investigations, Committee on Veterans'
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This report will be available in the near future on the VA Office of Audit Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>, *List of Available Reports*. This report will remain on the OIG Web site for 2 fiscal years after it is issued.