Department of Veterans Affairs
Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Roanoke, Virginia

Report No. 02-01929-156 **September 3, 2002**

VA Office of Inspector General
Washington, DC 20420

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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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) Roanoke, Virginia during the weeks of May 13 and 20, 2002. The purpose of the review was to evaluate claims processing and selected administrative operations. During the review, we also provided 3 fraud and integrity awareness briefings to about 200 employees.

Results of Review

Regional office financial and administrative activities were generally operating satisfactorily and management controls were generally effective. Loan guaranty and vocational rehabilitation and employment (VR&E) services were provided in an efficient manner. One-time payments were supported by appropriate documentation, and benefit adjustments for hospitalized veterans were appropriately processed. To improve operations, management needed to:

- Improve the timeliness of compensation and pension (C&P) claims processing.
- Strengthen management controls over the Government Purchase Card Program.
- Enhance security over automated information systems (AIS).
- Improve oversight of incompetent beneficiaries.
- Enhance access controls for the Benefits Delivery Network (BDN).

During the review, we also identified possible deficiencies in the awarding of a 3-year service contract valued at $3.3 million. This issue remains under review. Because contracting officers at VA Medical Center (VAMC) Salem, Virginia were responsible for the negotiation and award of this VARO Roanoke contract, we will address any necessary recommendations to the Director, VAMC Salem at the conclusion of our review.

VARO Roanoke 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 Roanoke provides C&P services to eligible veterans, dependents, and survivors in Virginia. The VARO currently receives about 3 percent of the national C&P claims workload. In addition, the VARO provides VR&E services to beneficiaries residing in Virginia, except for those residing in the counties of Arlington and Fairfax and the cities of Alexandria and Falls Church. The regional office is also one of nine designated VA Regional Loan Centers (RLC). The RLC administers Loan Guaranty services in the areas of Construction and Valuation and Property Management in the states of Virginia and West Virginia, except for those properties in the Virginia counties of Arlington, Fairfax, Loudoun, Prince William, Stafford and the cities of Alexandria, Falls Church, and Fredericksburg. Loan Production and Loan Administration services are provided in the states of Virginia, West Virginia, Maryland, Kentucky, and the District of Columbia. VARO Buffalo, New York provides education services to veterans and their dependents residing in Virginia.

The regional office serves a veteran population of nearly 700,000 veterans. During Fiscal Year (FY) 2002, the VARO had a staff of approximately 375 employees and an operating budget of more than $23 million. During FY 2001, about $564 million in C&P benefits were paid to approximately 90,000 beneficiaries. At the start of FY 2002, the regional office had a pending C&P claims workload of about 17,700 claims. VARO Roanoke also provided VR&E services to about 2,500 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 claims processing 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 the need to refer suspected fraud to the OIG.

Scope. We reviewed claims processing and selected administrative activities to evaluate the timeliness and effectiveness of the benefits delivery system and associated management controls. These management controls are the policies, procedures, and information systems used to administer Veterans Benefits Administration (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
- C&P Hospital Adjustments Processing
- Retroactive Benefit Payments
- Property Management
- Construction and Valuation
- Loan Administration
- Loan Production
- Government Purchase Card Program
- Service Contracts
- BDN Security
- AIS Security
- VR&E Claims Processing
- Fiduciary and Field Examinations

During the review, we also presented three fraud and integrity awareness briefings for VARO employees. Approximately 200 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 Roanoke operations for FYs 2001 and 2002 through April 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 did identify 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.

Timely processing of claims is one of a regional office's most important responsibilities. As of October 2001, VBA's nationwide pending C&P workload was about 536,000 claims, of which VARO Roanoke had approximately 17,700 claims. This represented an increase in the regional office's pending workload of about 9,000 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 100 randomly selected C&P claims. The claims consisted of original and reopened C&P claims selected from the BDN[1] Work In Process system. Claims processing actions on these claims were completed between October 1, 2000, and February 28, 2001. Our review identified 41 claims with avoidable processing delays averaging 134 days. Delays were not confined to one phase of the claims processing cycle as illustrated below:

Processing Phase	No. of Claims With Avoidable Processing Delays[2]	Range of Avoidable Processing Delays	No. of Claims With Avoidable Processing Delays Over 200 Days
Claims Establishment	20	1 to 122 days	0
Claims Development	14	10 to 299 days	1
Claims Rating	30	6 to 255 days	7
Claims Authorization	2	3 days	0

The following examples illustrate these delays:

- The regional office received a veteran's original compensation claim on December 8, 1999. The claim was properly established in BDN on December 13, 1999, and claims development was initiated. Once the results of a requested VA medical examination were received at the regional office on February 22, 2000, all required claims development necessary to rate the

[1] BDN is VBA's automated processing system used to process veterans' benefits payments and maintain entitlement information.
[2] The total is greater than 41 as some claims had delays in multiple processing phases.

case was completed. An October 30, 2000, memorandum from a service organization questioned why rating action had not yet been taken on this claim. Upon receipt of this memorandum, the regional office rated this claim on November 17, 2000. Because timely rating action was not taken, the veteran's award was unnecessarily delayed by about 250 days.

- A veteran filed a reopened compensation claim that was properly established in BDN on February 1, 2000. However, VSC staff did not initiate claims development until May 4, 2000, when they requested non-VA medical records and a VA medical examination. All required medical evidence necessary to rate the claim was received by July 5, 2000, but the claim was not rated until January 31, 2001. Because of delays in both claims development and claims rating, the veteran's award was unnecessarily delayed by about 240 days.

Our review of claims processing procedures revealed a number of factors that negatively impacted the regional office's ability to timely process C&P claims. Staffing issues were a major factor as the VSC was 15 full-time equivalent employees below the authorized ceiling and more than half of the Veterans Services Representatives on staff had less than 2 years experience. Also impacting claims processing timeliness was the enactment of the Veterans Claims Assistance Act of 2000, which resulted in the need to rework approximately 6,000 claims.

As part of VBA's ongoing effort to improve claims processing, VARO Roanoke recently served as the test site for a Claims Process Improvement initiative. VSC management believes implementation of the new Claims Process Improvement organizational structure will be an improvement over the previous methodology. However, results from the initiative were not yet available at the time of review to compare the methodologies.

Recommended Improvement Action 1. We recommended that the VARO Director ensure that: (a) VSC staff improve claims processing timeliness by reducing avoidable processing delays, and (b) efforts are made to increase VSC staffing.

The Director agreed with the finding and recommendations and provided acceptable implementation plans. The improvement actions are acceptable and we will follow up on the planned actions until they are completed.

Government Purchase Card Program – Controls Needed to be Strengthened

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

VA employees must use Government purchase cards for all small purchases (those under $2,500). Federal Acquisition Regulations also permit the Government to use purchase cards for the acquisition of goods and services 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 transactions every month and approving officials are responsible for certifying the appropriateness of transactions made by cardholders. Responsibilities of the facility's Finance Officer include monitoring reconciliations and serving as the certifying authority for facility purchases. Others with program responsibility include the facility's Billing Officer whose duties include auditing the Government purchase card activity of cardholders and approving officials, and the facility's Dispute Officer who is responsible for monitoring disputed transactions, credits, and billing errors.

The Government purchase card program at VARO Roanoke included 24 cardholders and 7 approving officials. During the first 6 months of FY 2002, cardholders made 543 purchases totaling $280,000. The following areas affect program effectiveness and/or illustrate control weaknesses:

- **Separation of Duties.** Internal control requirements for the separation of duties were not followed. The Government Purchase Card Program Coordinator had not appointed the required Billing and Dispute Officers. Instead, the Government Purchase Card Coordinator was performing some of the functions required of these positions. VBA policy and conflict of interest principles require separation of these duties.

- **Audits of Cardholders.** Periodic audits of cardholders were not conducted as required. VA policy requires that these audits be of sufficient scope to identify examples of purchase splitting and the use of the card for prohibited transactions. These audits should be documented and performed by the Billing Officer.

- **Government Purchase Card Oversight.** The VARO's Finance Officer was not performing the required Government purchase card oversight functions, which include reviewing sampled transactions selected by the Financial Service Center and certifying their accuracy, serving as the final certifying authority for facility purchases, and monitoring reconciliations of cardholder transactions.

- **Government Purchase Card Spending Limits.** VARO management should evaluate the monthly Government purchase card spending limits of cardholders and take action to reduce monthly spending limits. Our review revealed three cardholders with higher than normal spending limits. This included two cardholders—a purchasing agent and a financial technician—who had monthly spending limits of $150,000 each, and a cardholder in VR&E who had a monthly spending limit of $100,000. In FY 2001, total Government purchase card transactions, excluding VR&E, were only $372,000. VR&E's FY 2001 transactions totaled $58,000. Reducing spending limits would improve internal controls and reduce the Government's risk and exposure to liability.

Recommended Improvement Action 2. We recommended that the VARO Director ensure that: (a) Billing and Dispute Officers are appointed and properly trained, (b) required program functions are conducted, (c) the Finance Officer performs required oversight duties, and (d) Government purchase card spending limits are evaluated and reduced where appropriate.

The Director agreed with the finding and recommendations and provided acceptable implementation plans. The improvement actions are acceptable and we will follow up on the planned actions until they are completed.

Information Technology Security – Automated Information Systems Security Needed to be Enhanced

Conditions Needing Improvement. VARO management needed to enhance the information technology (IT) security program. Improved IT security is necessary to better protect automated resources from unauthorized access, disclosure, modification, destruction, or misuse.

- **Risk Assessments.** The regional office had not conducted risk assessments of their AIS, as required by VBA policy. Risk assessments are critical to ensure that identified risks, security threats, and vulnerabilities have been identified and the appropriate security measures have been implemented. Assessing risk should be an ongoing effort to ensure that any new security threats and vulnerabilities are identified and the appropriate security measures are taken to counter such threats. The regional office needs to conduct risk assessments for each AIS.

- **Contingency Planning.** While the VARO had a disaster recovery and continuity of operations plan, the contingency plan was not being regularly tested. VA policy requires that each facility develop, document, test, and update its contingency plan. Contingency plans should be tested annually. 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 contingency plan can include reviews, analyses, and simulations of disasters. The results of these tests should be documented and the necessary changes implemented.

Recommended Improvement Action 3. We recommended that the VARO Director ensure that: (a) risk assessments of each AIS are conducted as required, and (b) the facility's contingency plan is tested annually and updated as needed.

The Director agreed with the finding and recommendations and provided acceptable implementation plans. The improvement actions are acceptable and we will follow up on the planned actions until they are completed.

Fiduciary and Field Examinations – Action Needed to Improve the Oversight of Incompetent Beneficiaries

Conditions Needing Improvement. VARO management needed to improve the oversight of incompetent beneficiaries to ensure that their rights and assets are protected.

As part of the Fiduciary and Field Examination (F&FE) Unit'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 eight Principal Guardianship Folders to determine whether the eight field examination reports adequately addressed the conditions of the beneficiaries. Three of the eight field examination reports did not adequately address either the physical, mental, and/or environmental conditions of the beneficiaries. For example, in one case the report noted that the field examiner had not inspected the veteran's apartment. Additionally, the report did not disclose whether the veteran had been referred to either a VAMC or a community health provider when the field examiner found that the veteran had significantly increased his daily alcohol intake. In another case, a report contained no evidence that the field examiner took any action after finding that the beneficiary and his wife (the fiduciary) lived in deplorable living conditions which included the presence of rats. The report also did not address the competency of the fiduciary.

In the cases identified, the living conditions and situations of the incompetent beneficiaries indicated that they might have needed additional assistance. The field examiners did not recommend actions or make referrals that may have improved the well being of the incompetent beneficiaries.

Recommended Improvement Action 4. We recommended that the VARO Director ensure field examiners conduct thorough field examinations and make appropriate recommendations or referrals.

The Director agreed with the finding and recommendation and provided an acceptable implementation plan. The improvement actions are acceptable and we will follow up on the planned actions until they are completed.

Benefits Delivery Network Security – Access Controls Needed to be Enhanced

Conditions Needing Improvement. VARO management needed to ensure that access to BDN is properly controlled and documented, and that generic BDN user accounts are removed.

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

An employee's Division Chief must request all BDN access commands required by an employee on VA Form 20-8824. An approving official must then authorize these requests. Typically, the BDN security officer would serve as the approving official. However, at VARO Roanoke, an

internal policy requires the Regional Office Director to approve requests for any user requiring a BDN sensitivity access level above zero.[3] Our review of BDN access records for 135 users with a BDN sensitivity access level of 7 or above revealed 8 instances where either there was no supporting VAF 20-8824 or the form was not properly approved. In addition, we found two employees—one with the BDN command to adjudicate a C&P claim and one with the BDN command to authorize a C&P claim—who were not properly authorized to have access to these commands on their VA Forms 20-8824.

A separate review of 53 BDN user accounts for which the users had the command required to either authorize a C&P or education award, identified 5 individuals with generic BDN user accounts. Although VA Forms 20-8824 were signed and approved for these accounts, the accounts were not assigned to specific individuals. In the event that these BDN user accounts were used inappropriately, VARO management may not be able to identify the user who took the inappropriate action because these user accounts were not assigned to a specific individual.

Suggested Improvement Action. We suggested that the VARO Director ensure that: (a) all BDN user commands are properly approved and documented, and (b) generic BDN user accounts are removed.

The Director agreed with the finding and suggestions and provided acceptable implementation plans. The improvement actions are acceptable and we consider the issues resolved.

Service Contracts – Controls Over the Contract Negotiation and Award Process

To determine the effectiveness of the contract award and negotiation process, we reviewed four service contracts with an estimated value of $3.9 million. Our review identified possible deficiencies in the awarding of a 3-year service contract valued at $3.3 million. This contract was for VR&E case management services. Contracting officers at VAMC Salem are responsible for the negotiation and awarding of VARO Roanoke contracts. We have notified the responsible contracting officer of our concerns regarding this contract. When our review is complete, we will issue a report to the Director, VAMC Salem to address any recommendations that may be necessary.

[3] BDN sensitivity 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 C&P workload.

Appendix A

VARO Roanoke Director Comments

DEPARTMENT OF VETERANS AFFAIRS
Roanoke Regional Office
210 Franklin Road, SW
Roanoke, Virginia 24011

August 7, 2002 In Reply Refer to: 314/00

Mr. Thomas Cargill, Jr., Director
Bedford Audit Operations Division
VA Medical Center
200 Springs Road
Bedford, MA 01730

SUBJ: Combined Assessment Program Review: VA Regional Office, Roanoke
(Project No. 2002-01929-R1-0111)

Dear Mr. Cargill:

During the weeks of May 13 and 20, 2002, a Combined Assessment Program Review was conducted at this office. Mr. Nicholas Dahl and his team of auditors did a thorough review and conducted themselves in a very professional manner while on station.

The VA Regional Office, Roanoke, Virginia, concurs with the findings and recommendations of the CAP review. Please see the enclosure for our detailed response to your recommendations.

If you need additional information, please contact me at 540-857-2100.

Sincerely,

/s/
JOHN W. SMITH
Director

Enclosure

Appendix A

VARO Roanoke Director Comments

Combined Assessment Program Review of the VARO Roanoke

I. C&P CLAIMS PROCESSING - Recommended Improvement Action 1. We recommend that the VARO Director ensure that (a) VSC staff improve claims processing timeliness by reducing avoidable delays, and (b) efforts are made to increase VSC staffing.

(a) The Roanoke VA Regional Office has implemented the Claims Process Improvement Model in a reorganization of the Veterans Services Center and has demonstrated improvement in several critical claims processing areas. We are reducing delays in processing those claims that are ready to rate and continue to concentrate on the older pending claims.

(b) We concur with your recommendation on Veterans Services Center staffing. Roanoke continues to have over 17,600 claims pending and has lost six additional FTE in the Veterans Services Center since the CAP review. Although staffing levels are not commensurate with workloads, the Roanoke Office has been placed in a category that precludes outside recruitment. We are recruiting internally to fill current vacancies in the Veterans Services Center, but will not be able to achieve our projected staffing needs.

II. GOVERNMENT PURCHASE CARD PROGRAM - Recommended Improvement Action 2. We recommend that the VARO Director ensure that (a) Billing and Dispute Officers are appointed and properly trained, (b) required program functions are conducted, (c) the Finance Officer performs required oversight duties, and (d) purchase card spending limits are evaluated and reduced where appropriate.

(a) We have recently moved the Government Purchase Card Program functions from the Human Resources/Budget Section to the Finance Section in order to effectively separate the duties of the Program Coordinator, Billing Officer and Dispute Officer. We have posted a new position and will delegate these duties to three individuals in compliance with the separation of duties requirement.

(b) Periodic audits of cardholders will be performed by the new station Internal Auditor position that will be designated as the Billing Officer. We expect to have this position filled by the end of August 2002. The Billing Officer will conduct audits that will be sufficient to identify purchase splitting and use of the card for prohibited purposes.

Appendix A

VARO Roanoke Director Comments

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(c) The Program Coordinator has recently been moved under the direct supervision of the Finance Officer. The Finance Officer will provide oversight of the Program Coordinator and will review and certify the accuracy of sampled transactions selected by the Financial Services Center. The Finance Officer will also serve as the final certifying authority for station purchases and will monitor reconciliation of cardholder purchases.

(d) We have completed an evaluation of the purchase card spending limits and reduced the monthly purchase card spending limit for the VR&E Technician from $100,000 to $35,000. Our evaluation indicated that the limits for the Purchasing Agent and the Financial Technician should remain at $150,000. While the average monthly purchase card transactions are much lower, we have to make large purchases to support expansion of our office space, both here and at Portsmouth, Virginia. We will monitor these limits and make any necessary adjustments at the end of each fiscal year.

III. IT SECURITY - Recommended Improvement Action 3. We recommend that the VARO Director ensure that (a) risk assessments of each AIS are conducted, and (b) the facility's contingency plan is tested annually and updated as needed.

(a) Our office conducts informal periodic risk assessments of the AIS. In addition, a security tool (Kane Security Analysis software) is used by VBA. The program is run by the Network Support Center in St. Petersburg, FL, and tests our computer systems monitoring and assessing risks to network, servers and software. The Kane Security Analysis software is run on a quarterly basis and generates extensive reports requiring a response to perceived deficiencies. VBA is formalizing Information Technology Risk Assessment procedures, as well as an IT Certification and Accreditation. We expect to participate in an additional risk assessment using these standardized procedures, which should be in place within the next calendar year. However, we will conduct a formal risk assessment of the AIS annually and document the results for each AIS. The first one will be completed by September 30, 2002.

(b) The CAP Review recommends the facility's contingency plan be tested annually and updated as needed. We agree with this recommendation. We will conduct a test of the Continuity of Operations Plan (COOP) and document a review of the results and implement any necessary changes. We will conduct the first review by October 31, 2002. The test will be repeated annually.

Appendix A

VARO Roanoke Director Comments

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IV. FIDUCIARY AND FIELD EXAMINATIONS - Recommended Improvement Action 4. We recommend that the VARO Director ensure field examiners conduct thorough field examinations and make appropriate recommendations or referrals.

Two critical vacancies in the Field Fiduciary Unit have recently been filled and the supervisor of the field examiners has conducted training on the need to conduct field examinations with complete documentation of the physical, mental and environmental conditions of beneficiaries. Referrals for additional care or treatment will be documented in the reports. A systematic analysis of operations will be conducted every six months that will review the quality and adequacy of field fiduciary reports. As part of this review, a random sampling of cases will be audited and trends or deficiencies noted. With scheduled audits in place, the success of our countermeasures can be validated.

IV. BDN - Suggested Improvement Action. We suggest that the VARO Director ensure that (a) all BDN user commands are properly approved and documented, and (b) generic BDN user accounts are removed.

(a) We concur with the findings and recommendations of the report. All VA Form 20-8824's are being reviewed and reconciled with their corresponding Terminal Access Commands to ensure users have the commands authorized by their supervisors. This will be accomplished by September 30, 2002.

(b) All generic accounts have been deleted.

Appendix B

Final Report Distribution

VA Distribution

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Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations, U.S. Senate
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Subcommittee on Benefits, Committee on Veterans' Affairs, U.S. House of Representatives
Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations, U.S. House of Representatives

Appendix B

Subcommittee on National Security, Veterans' Affairs and International Relations, Committee on Government Reform and Oversight, U.S. House of Representatives
Staff Director, Committee on Veterans' Affairs, U.S. House of Representatives
Staff Director, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, U.S. House of Representatives

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.**