



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Atlanta, Georgia

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

During the period February 3–7, 2003, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Atlanta, Georgia. The purpose of the review was to evaluate selected regional office operations, focusing on benefits claims processing, loan guaranty operations, and financial and administrative controls. During the review, we also provided fraud and integrity awareness training attended by 387 VARO employees.

The VARO provides Compensation and Pension (C&P), Vocational Rehabilitation and Employment (VR&E), and burial benefits to eligible veterans, dependents, and survivors residing in Georgia. The VARO also operates a Veterans Benefits Administration (VBA) Regional Loan Center (RLC) with VA Loan Guaranty program jurisdiction for four states and a Regional Processing Office (RPO) administering VA educational assistance programs in seven states, Puerto Rico, and the U.S. Virgin Islands.

Results of Review

The activities reviewed were generally operating satisfactorily, and management controls were generally effective. To improve operations, the VARO needed to:

- Adjust C&P payments to hospitalized veterans as required.
- Strengthen automated information systems (AIS) security.
- Improve the accuracy of data used to measure education claims processing timeliness and productivity.
- Promptly refer fiduciary cases with past due accountings to appropriate officials.
- Document loan servicing deficiencies in a file for each servicer.

Regional Office Director Comments

The VARO Director agreed with the CAP review findings and provided acceptable improvement plans. (See Appendix B, pages 10–12, for the full text of the Director’s comments.) We will follow up on the implementation of recommended improvement actions until they are complete.

(original signed by Michael G. Sullivan for)
RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization and Programs. VARO Atlanta provides C&P, VR&E, and burial benefits to eligible veterans, dependents, and survivors residing in Georgia. The VARO operates outbased offices providing VR&E services at Augusta, Columbus, Savannah, and Tifton, Georgia, and has outbased Veterans Service Center (VSC) staff at Fort Benning, Georgia. The estimated veteran population in Georgia is 777,000.

In Fiscal Year (FY) 2002, the VARO processed about 62,000 C&P claims and authorized payment of \$532.5 million in C&P benefits. As of November 2002, the VARO had 3,993 participants in the VR&E program, which provides evaluations, counseling, education and training programs, and other services to service-disabled veterans with employment impairments. As of January 2003, the VARO was providing fiduciary oversight for 3,409 incompetent veterans and other beneficiaries.

The VARO operates one of nine RLCs administering VA's Loan Guaranty program. The RLC has program responsibilities for four southeastern states: Georgia, North Carolina, South Carolina, and Tennessee.

In FY 2002, the RLC guaranteed 41,874 home loans with principal values totaling \$4.7 billion. The RLC paid loan guaranty claims to lenders for 3,798 terminated loans; acquired 791 properties; spent \$6.3 million for property repairs, maintenance, and marketing; and sold 796 properties. As of December 2002, the RLC had 394 properties available for sale in inventory.

The VARO includes one of four RPOs administering VA educational assistance programs. The RPO has program responsibilities for Puerto Rico, the U.S. Virgin Islands, and seven southeastern states: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee.

In FY 2002, the RPO processed about 275,000 education claims and authorized educational assistance payments totaling \$326 million.

Resources. In FY 2002, the VARO's general operating expenditures totaled \$38.6 million. As of September 30, 2002, the VARO had 563 full-time employees.

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 VA health care and benefit services. The objectives of CAP reviews are to:

- Conduct recurring evaluations of selected medical center and regional office operations, focusing on patient care, quality management, benefits delivery, and 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 selected benefits claims processing, loan guaranty, financial, and administrative activities to evaluate the effectiveness of benefits delivery and general management controls. Benefits delivery is the process of ensuring that veterans' claims and requests for benefits or services are processed promptly and accurately. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met.

In performing the review, we interviewed managers and employees; reviewed benefits, financial, and administrative records; and inspected work areas. The review covered the following activities:

AIS Security	Fiduciary & Field Examination (F&FE)
Benefits Delivery Network (BDN) Controls	Government Purchase Card Program
C&P Hospitalization Adjustments	Loan Administration
Construction and Valuation	Loan Production
Controls Over Large One-Time Payments	Out-of-System Payments
Director's Performance Standards	Verification of Social Security Numbers
Duplicate Payments	Vocational Rehabilitation and Employment
Education Claims Processing	

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strengths section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4–8). For these activities, we make recommendations or suggestions. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that should be monitored by VBA and VARO management until corrective actions are completed. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, there were no reportable deficiencies.

During the CAP review, we also provided four sessions of fraud and integrity awareness training. The training was attended by a total of 387 VARO employees.

The review covered VARO operations for the period from October 2000 through January 2003 and was done in accordance with OIG standard operating procedures for CAP reviews.

Results of Review

Organizational Strengths

VARO management had created an environment that supported performance improvement. The activities reviewed were generally operating satisfactorily, and management controls were generally effective.

The Director's Reviews of One-Time C&P Payments Were Properly Completed. VBA policy requires the VARO Director or Assistant Director to review all one-time C&P payments of \$25,000 or more. The purpose of this review is to ensure that the payments are appropriate and that the related internal controls are operating effectively. The most important of the related internal controls is the requirement that three VSC employees, one of whom must be a supervisor or team coach, must approve each payment and sign the award document authorizing the payment. If the Director or Assistant Director finds that the payment was released without meeting the three-signature requirement, the VSC Manager is required to personally review the payment to explain why the requirement was not met.

We verified that the Director or Assistant Director had reviewed the 140 C&P payments of \$25,000 or more issued by the VARO during the 3-month period from September 30 through December 30, 2002. We found that the reviews were completed in a timely manner and corrective actions were taken as appropriate.

Recipients of Educational Assistance Met Basic Eligibility Requirements. The RPO administers four VA educational assistance programs with varying eligibility requirements. A veteran's eligibility is generally based upon the period served on active duty, character of discharge, and, in some cases, monetary contributions while on active duty.

We reviewed the records of 50 beneficiaries whose educational assistance claims were processed by the RPO during the 6-month period from July 1 through December 31, 2002. Our random sample included records of participants in VA's three largest educational assistance programs. We verified that all 50 records included appropriate evidence of the beneficiaries' eligibility for the educational assistance programs they were participating in.

BDN Security Controls Were Appropriate. Information Resources Management (IRM) officials had established appropriate controls over the assignment of BDN passwords and C&P claims authorization commands to reduce the risk of fraudulent or improper use of the BDN. Access to the BDN required a strong password as defined by VBA policy, and the number of employees with the C&P authorization command was limited in accordance with applicable directives.

Opportunities for Improvement

Compensation and Pension Claims Processing – Payments to Hospitalized Veterans Should Be Adjusted As Required

Condition Needing Improvement. VSC personnel did not properly reduce the C&P payments to veterans hospitalized for extended periods at Government expense. In certain situations, the law requires reduction of C&P payments to hospitalized veterans. For example, payments to veterans who are entitled to an aid and attendance allowance in addition to their regular disability pension or compensation benefits generally must be reduced to the lower housebound rate if the veterans are hospitalized at Government expense for a period exceeding 1 full calendar month. At our request, the VA medical centers in Atlanta, Augusta, and Dublin, Georgia, identified 415 veterans who had been continuously hospitalized at Government expense for 90 days or more as of December 17, 2002. We compared the information provided by the medical centers with C&P System records for the 415 veterans and found that C&P payments to 23 veterans needed to be reduced. These veterans had been overpaid a total of \$210,920 while hospitalized at Government expense. Their benefit payments had not been reduced because VSC personnel did not properly review data in the Automated Medical Information Exchange System. Also, in nine cases, VSC personnel overlooked other evidence of the veterans' hospitalizations, such as statements in field examiners' reports or letters in the veterans' claims folders.

Recommended Improvement Action 1. We recommended that the VARO Director ensure that: (a) VSC personnel properly adjust C&P payments to the 23 veterans we identified who were hospitalized at Government expense for extended periods and (b) VSC personnel receive refresher training concerning required adjustments of C&P payments to hospitalized veterans. The VARO Director agreed and reported that payments to the 23 veterans were properly adjusted. In addition, a policy letter outlining responsibilities for hospital adjustments was issued in February 2003 and training will be provided in April 2003. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Automated Information Systems Security – The Planning Process Should Be Strengthened and the Information Security Officer Should Be Independent

Conditions Needing Improvement. We evaluated AIS security to determine if controls adequately protected information system resources from unauthorized access, disclosure, modification, destruction, or misuse. Physical security of the computer room and equipment was adequate. Critical data were routinely backed up and stored at a secure offsite location. IRM personnel followed up on the need for inactive accounts and terminated the access of persons who no longer needed access. Recently hired employees received computer security awareness training, and experienced employees received annual refresher training. However, we identified four issues that required management attention.

System Security Plan. VBA policy requires officials to prepare a system security plan for each major application and general support system as part of the IRM planning process. The plan should provide a basic overview of security and privacy requirements, describe programmatic controls and rules of behavior for securing the system, and delineate responsibilities. At the time of our review, VARO officials had not prepared a system security plan.

Risk Assessment. VBA policy requires VARO officials to conduct an AIS risk assessment to ensure that identified risks, vulnerabilities, and threats are adequately addressed by appropriate countermeasures. However, VARO officials had not prepared a risk assessment at the time of our visit.

Contingency Planning. Each VBA facility is required to prepare and maintain an AIS disaster recovery and continuity of operations plan. The plan must be tested annually and updated as needed. A copy of the plan must be stored offsite along with backup media.

VARO officials had prepared the required disaster recovery and continuity of operations plan, but the plan had not been tested. At the time of our review, the plan had not been updated to reflect the retirement effective January 3, 2003, of two key personnel, the Chief of IRM and the Assistant Director/Emergency Preparedness Coordinator. In addition, a copy of the plan was not stored offsite with the backup media.

Separation of Duties. Each VBA facility must have an Information Security Officer (ISO) who is responsible for developing, implementing, and monitoring information security policies and procedures. ISOs should not have any operational responsibilities for the AIS.

At the time of our review, the Acting Chief of IRM, who had system administrator privileges, was serving as the Acting ISO. ISO duties were shared with another IRM staff member, who also had system administrator privileges. The VARO had attempted to recruit a full-time ISO but had not been successful.

Recommended Improvement Action 2. We recommended that the VARO Director: (a) prepare a system security plan; (b) complete and maintain documentation of an AIS risk assessment; (c) test the disaster recovery and continuity of operations plan annually; (d) update the disaster recovery and continuity of operations plan to reflect the recent departures of key personnel; (e) retain a copy of the disaster recovery and continuity of operations plan offsite with the backup media; and (f) continue efforts to recruit an ISO who does not have operational responsibilities for the AIS. The VARO Director agreed. He stated that a system security plan will be developed by April 14, 2003, and a risk assessment will be completed by May 5, 2003. Testing of the disaster recovery and continuity of operations plan is scheduled annually. The disaster recovery and continuity of operations plan has been updated and a copy is maintained offsite. In addition, the VARO Director has appointed an ISO who does not have operational responsibilities for the AIS. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Education Claims Processing – Data Used to Measure Claims Processing Timeliness and Productivity Should Be More Accurate

Condition Needing Improvement. RPO personnel should accurately record the dates when claims are received and ensure that only documented claims are recorded as completed. We reviewed documentation of 50 educational assistance claims to determine whether data used to measure claims processing timeliness and productivity were accurate. We randomly selected the claims in our sample from 131,923 claims recorded as completed by RPO personnel during the 6-month period from July 1 through December 31, 2002. We identified discrepancies involving 7 of the 50 claims.

- RPO personnel recorded incorrect dates of receipt for four claims. The recorded dates of receipt of three of the claims were 1, 3, and 5 days later than the dates when the claims were actually received. These errors occurred because RPO personnel misread date stamps or made input errors. We could not determine the date when the RPO received the fourth claim, which was a computer-generated message notifying the RPO that a veteran failed to certify his continued school enrollment during October 1997. RPO personnel had not recognized the need to take action based upon the computer-generated message until October 15, 2002. At that time, they input data indicating work on the claim was completed the same day it was received. Based upon the criteria concerning computer-generated messages and discussions with an RPO supervisor, we estimated the message was generated at least 42 months earlier. Prior to our review, RPO managers had initiated action to ensure that similar computer-generated messages were processed appropriately. For that reason, we did not make a recommendation or suggestion concerning processing of computer-generated messages.
- Three of the claims included in our sample were not supported by documentation. The records of two beneficiaries did not include evidence of any claims processing actions at the time when RPO personnel recorded the claims as completed. Evidence in another beneficiary's record indicated RPO personnel recorded a completed claim when they corrected an error involving a direct deposit. An Education Service official in VBA Headquarters confirmed our conclusion that correction of the direct deposit error should not have been recorded as a completed claim.

As a result of the discrepancies we identified, reported claims processing times were shorter than the actual processing times and the number of completed claims was inflated.

Suggested Improvement Action. We suggested that the VARO Director remind RPO personnel of the need to accurately record dates of receipt of claims and to record only documented claims as completed. The VARO Director agreed and reported that these issues were specific topics for training on December 4, 2002, and February 11, 2003. RPO personnel are also reminded at regular monthly training sessions. The improvement plans are acceptable, and we consider the issue resolved.

Fiduciary and Field Examination Activities – Legal Instruments Examiners Should Promptly Notify Appropriate Officials of Past Due Accountings

Condition Needing Improvement. Legal Instruments Examiners (LIEs) in the F&FE section needed to notify appropriate officials more promptly when fiduciaries were late with required accountings or failed to submit corrected accountings when requested. The F&FE section is responsible for protecting the interests of incompetent or minor beneficiaries by appointing fiduciaries when necessary to manage the beneficiaries' funds and monitoring the fiduciaries' activities. One method of monitoring fiduciaries' activities is to require the fiduciaries to submit annual accountings listing the beneficiaries' assets, income, and expenses. When a required accounting is not submitted within 90 days of the due date, VA policy requires the LIE to refer the case to a field examiner, the OIG, or the VA Regional Counsel.

We reviewed the records of 15 beneficiaries whose funds were managed by fiduciaries. Fiduciaries for 5 of the 15 beneficiaries in our judgment sample were more than 90 days late submitting required accountings. The accountings for two beneficiaries were 188 and 443 days past due before LIEs referred the cases to field examiners. The fiduciary for another beneficiary submitted an inadequate accounting, which was disapproved by the LIE. The LIE sent a follow-up letter to the fiduciary requesting a corrected accounting within 15 days. At the time of our review 220 days later, the LIE had not received a corrected accounting or referred the case to the appropriate officials.

Suggested Improvement Action. We suggested that the VARO Director ensure that LIEs promptly refer cases with past due accountings to field examiners, the OIG, or the VA Regional Counsel as appropriate. The VARO Director agreed and stated that LIEs are now required to review each accounting more than 90 days old to ensure proper follow-up action has been taken. The LIEs must provide the results of their reviews to their supervisor, who will personally review selected records to ensure that proper follow-up action has been taken. The improvement plans are acceptable, and we consider the issue resolved.

Loan Administration – Loan Servicing Deficiencies Should Be Documented

Condition Needing Improvement. Loan Administration staff should retain documentation of loan servicing deficiencies in a file for each servicer. VBA policy requires Loan Administration staff to maintain a file for each company servicing VA loans. The file should contain copies of all correspondence and records of telephone or personal contacts concerning deficiencies, such as late reporting of defaults or lack of servicing. VARO Loan Administration staff handled servicing deficiencies on a case-by-case basis and did not document those deficiencies in servicer files. They maintained a file for each servicer, but the files contained only documentation establishing interest cutoff dates. Better documentation of servicing deficiencies would enhance the ability of the Loan Administration staff to monitor servicers' performance.

Suggested Improvement Action. We suggested that the VARO Director ensure that documentation of loan servicing deficiencies is retained in a file for each loan servicer. The VARO Director agreed and stated that the Loan Administration staff has been advised to retain copies of correspondence to servicers in performance files. Managers will periodically review the files and take appropriate action if trends are discovered. The improvement plans are acceptable, and we consider the issue resolved.

Monetary Benefits in Accordance with IG Act Amendments

Report Title: Combined Assessment Program Review of the VA Regional Office Atlanta, Georgia

Report Number: 03-00871-84

<u>Recommendation</u>	<u>Explanation of Benefit</u>	<u>Better Use of Funds</u>
1	Payments to certain veterans who were hospitalized at Government expense for extended periods should be reduced.	<u>\$210,920</u>
	Total	\$210,920

Regional Office Director Comments

DEPARTMENT OF VETERANS AFFAIRS

MEMORANDUM

Date: April 4, 2003

From: Director (00)

Subj: Comments – Combined Assessment Program Review
Atlanta VA Regional Office

To: Assistant Inspector General for Auditing (52)

1. Following are comments to the draft report for the Combined Assessment Program (CAP) Review of the VA Regional Office, Atlanta, Georgia.
 - **Recommended Improvement Action 1.** We recommend that the VARO Director ensure that: (a) VSC personnel properly adjust C&P payments to the 23 veterans we identified who were hospitalized at Government expense for extended periods and (b) VSC personnel receive refresher training concerning required adjustments of C&P payments to hospitalized veterans.

Concur. We properly adjusted the 23 veterans records identified by the CAP review. During the March meeting of our training committee, assignments were made to complete a training lesson and implement that lesson as part of the VSRs' monthly proficiency training for the month of April 2003. We also implemented a new written division policy letter dated February 24, 2003. This policy letter outlines in detail the responsibilities and administration of hospital adjustments in the division CPI model.

- **Recommended Improvement Action 2.** We recommend that the VARO Director: (a) prepare a system security plan; (b) complete and maintain documentation of an AIS risk assessment; (c) test the disaster recovery and continuity of operations plan annually; (d) update the disaster recovery and continuity of operations plan to reflect the recent departures of key personnel; (e) retain a copy of the disaster recovery and continuity of operations plan offsite with the backup media; and (f) continue efforts to recruit an ISO who does not have operational responsibilities for the AIS.

Concur.

- (a) A system to chart, inventory, and track security and access to systems by position and divisional requirements will be developed and implemented by 4/14/2003.
- (b) Risk Assessment Plan will be complete and conducted by May 5, 2003.

Appendix B

- (c) Testing of the disaster recovery and continuity of operations plan (COOP) is scheduled annually.
- (d) Disaster recovery and COOP has been updated to reflect loss of key personnel from December 2002.
- (e) A copy of the COOP is maintained off-site.
- (f) As the CAP report accurately noted, we were in a state of transition at the time of their visit. The Acting Chief, IRM, was also performing ISO-related duties. We now have in place a new IRM Chief and a separate ISO, whose duties do not have AIS responsibilities.

- **Suggested Improvement Action.** We suggest that the VARO Director remind RPO personnel of the need to accurately record dates of receipt of claims and to record only documented claims as completed.

Concur. RPO personnel are reminded at regular monthly training sessions of the importance of accurate dates of claim and appropriate end product credit.

Proper date of claim and appropriate end product credit were specific training topics for VCE training on February 11, 2003 and December 4, 2002, respectively. Recent changes for handling NOEs processing have been made, to include making proper notation in TIMS of the award that is generated from the NOE activity, and sending the NOE to be drop scanned so it can be included in the TIMS file. Also, VCEs have been instructed that dates of claims for all NOEs are to be the date indicated on each NOE, which is the run date for the NOE.

- **Suggested Improvement Action.** We suggest that the VARO Director ensure that LIEs promptly refer cases with past due accountings to field examiners, the OIG, or the VA Regional Counsel as appropriate.

Concur. The Accountings Due Report will be generated from the FBS system on the first working day of each month. A copy will be provided to each Legal Instrument Examiner (LIE). Each LIE is required to review each accounting identified as being greater than 90 days old to ensure proper follow-up action has been taken. LIE's are required to provide the results of their review to the Chief, Field Section (CFS). The CFS will personally review the PGF's of selected past due accountings to ensure that proper follow-up action has been taken.

- **Suggested Improvement Action.** We suggest that the VARO Director ensure that documentation of loan servicing deficiencies is retained in a file for each loan servicer.

Concur. Loan Administration staff has been advised to retain an additional copy of correspondence and e-mails sent to servicers and holders. Letters will be filed in performance files by servicer and holder and periodically reviewed by management. If necessary, appropriate action will be taken if trends are discovered.

Appendix B

2. If you have any questions, please do not hesitate to contact me at 404-929-5818.

/s/
P.K. COURTNEY

Appendix C

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.