



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Chicago, Illinois

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 week of February 3–7, 2003, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Chicago, Illinois. The purpose of the review was to evaluate the effectiveness of Compensation and Pension (C&P) and Vocational Rehabilitation and Employment (VR&E) benefits claims processing, Automated Information Systems (AIS) and Benefits Delivery Network (BDN) security, and financial and administrative management controls. During the review, we provided fraud and integrity awareness training to 18 employees.

Results of Review

The areas reviewed generally required management attention. The VARO Director needed to improve:

- The VARO's performance in meeting the service delivery measures in the Director's Performance Standards.
- C&P claims processing workload management processes.
- Processing and review of C&P one-time payments.
- BDN security.
- AIS security.
- Timeliness and accuracy of VR&E claims processing.
- Administration of Fiduciary and Field Examinations (F&FE) Section.
- Utilization of Government purchase cards.

Regional Office Director Comments

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. (See Appendix A, page 16, for the full text of the Director's comments.) We may follow up on the implementation of planned improvement actions until they are completed.

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

Introduction

Regional Office Profile

Organization. VARO Chicago provides C&P and VR&E services to eligible veterans, dependents, and beneficiaries residing in Illinois. The Veterans Service Center (VSC) has outbased C&P claims processing teams at VA Medical Centers (VAMC) Chicago (West Side), North Chicago, and Hines, Illinois.

The VARO provides property management services for veterans residing in the Chicago area. However, loan processing, construction and valuation, and loan service and claims functions are performed at the Regional Loan Center (RLC) in St. Paul, Minnesota. A remote Field Review Agent, who reports to the Construction and Valuation Unit at the St. Paul RLC, is stationed at the VARO to administer grants related to the VA Specially Adaptive Housing Program.

Resources. In fiscal year (FY) 2002, the VARO had general operating expenses of \$16 million. FY 2002 staffing totaled 222 full-time equivalent employees. During FYs 2000 through 2002, the VSC hired 33 Veteran Service Representatives (VSRs) at grade levels 5 and 7. During the same period, the VARO lost 13 of these VSRs for an attrition rate of about 39 percent, which was significantly higher than the national average of 15 percent. Although all 13 losses occurred within 1 year of the date of employment, the VARO has not had a loss of VSR 5/7s since December 2001. In 2003, the VARO must reduce its overall staffing level from 222 to 203.

Workload. VARO Chicago serves a population of about 927,000 veterans. During FY 2002, C&P benefits totaling about \$518 million were paid to approximately 95,200 beneficiaries. VR&E benefits totaling about \$24 million were paid to about 1,600 beneficiaries. The F&FE Section had about 2,800 active fiduciary cases with a total estate value of more than \$99 million.

Objectives and Scope of CAP Review

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

- Conduct recurring evaluations of selected VARO operations, focusing on the delivery of benefits, security of information technology systems, 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. The review included selected VARO activities to evaluate the effectiveness of C&P and VR&E benefits claims processing, AIS and BDN security, and financial and administrative management controls. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met.

In performing the review, we interviewed managers and employees, and reviewed benefits and financial and administrative records. The review covered selected aspects of the following areas and activities:

Director's Performance Standards
C&P Claims Processing
C&P One-Time Payments
BDN Security

AIS Security
VR&E Claims Processing
Administration of F&FE Section
Government Purchase Card Program

During the review, we provided 2 fraud and integrity awareness briefings to 18 VARO employees.

The CAP review covered VARO activities from October 1, 2001, through February 3, 2003, and was done in accordance with OIG Standard Operating Procedures for CAP Reviews.

In this report we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented.

Results of Review

Opportunities For Improvement

Director's Performance Standards – Production, Timeliness, and Accuracy In Service Delivery Categories Need Improvement

Conditions Needing Improvement. The VARO was not meeting all the mandated performance goals in service delivery categories of the Director's Performance Standards. At the request of the Veterans Benefits Administration (VBA), we collected and analyzed the following data reported by the VARO for service delivery as part of the Director's Performance Standards for FY 2002 and the first 4 months of FY 2003.

Director's Performance Standards ¹										
	FY 2002	October 2002		November 2002		December 2002		January 2003		FY 2003
Service Delivery Category	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal
C&P Rating End Products										
Completed	18,315	1,712	1,691	1,436	1,264	1,273	1,329	1,752	1,379	18,606
Pending Inventory	5,351	5,280	5,192	5,164	5,213	5,080	5,056	4,990	4,905	4,268
% Pending > 180 Days	17.2	17.1	16.8	17.0	16.7	16.1	18.1	15.7	17.2	12.6
Average Days to Complete	190.6	193.5	134.1	191.0	137.2	156.0	136.5	153.5	139.0	133.0
Average Days Pending	109.7	116.1	108.5	115.0	107.3	103.7	111.8	101.7	109.0	85.8
Accuracy	Rating (%)	76.0	88.0	75.0	88.0	75.0	88.0	73.0	88.0	88.0
	Authorization (%)	86.0	82.0	87.0	82.0	87.0	82.0	90.0	82.0	90.0
	Fiduciary (%)	69.0	85.0	65.0	85.0	65.0	85.0	55.0	85.0	61.0
Appeals										
Remands Pending	330	323	293	301	285	251	271	225	256	15
NOD Days Pending	185.4	185.0	185.1	183.7	183.4	177.7	178.9	175.1	175.5	154.4
Form 9 Days Pending	728.3	725.2	688.1	714.8	615.9	678.0	541.4	661.2	510.2	527.1
Vocational Rehabilitation and Employment										
Days to Entitlement	64.3	60.0	71.7	60.0	72.1	60.0	74.5	60.0	76.8	60.0
Outcome Accuracy (%)	74.0	90.0	74.0	90.0	74.0	90.0	74.0	90.0	74.0	90.0
Rehabilitation Rate (%)	63.2	65.0	65.0	65.0	71.0	65.0	73.7	65.0	70.3	65.0

To monitor and evaluate the performance of VAROs, VBA established goals for service delivery related to timeliness and accuracy. VARO Directors are required to meet monthly and annual

¹ Standards not met are bolded.

goals for C&P End Products (EPs) completed and pending,² appeals cases pending, and VR&E days to notification of entitlement. For purposes of accuracy, Directors are required to achieve Fiscal-Year-To-Date (FYTD) accuracy rates for rating, authorization, and fiduciary actions in C&P, and for program outcomes in VR&E.

Although we did not validate the data for all service delivery elements, we performed tests relating to C&P EPs completed and pending, and VR&E days to notification of entitlement and program outcome accuracy. Our review indicated that management attention was needed in the following areas:

Production Goals for Rating-Related Cases Were Not Met. The VARO did not meet the performance goals for C&P rating cases completed in 3 of the first 4 months in FY 2003. The VARO Assistant Director³ stated that production goals were not met because some Rating VSRs were assigned non-rating responsibilities to assist in meeting other performance goals. As a result, the number of rating cases completed was lower than the required goal.

Based on current performance levels, the VARO will not meet the FY 2003 completion goal of 18,606 rating cases by the end of the rating period. The VARO had completed only 5,663 rating cases through January 2003 for a monthly average of 1,416. In order to meet the end-of-year goal, the VARO must complete an average of 1,618 rating cases each month for the remainder of the year. The VARO did not meet the annual production goal for rating cases in FY 2002 by about 3,000 cases.

Timeliness Goals for Rating-Related and Appeals Cases Pending Were Not Met. The VARO did not meet the December 2002 and January 2003 performance goals for percent of rating cases pending more than 180 days, average days rating-related cases were pending, or remands pending. The Assistant Director stated that the VARO considered reducing total pending inventory to be a priority, and had achieved significant reductions in the inventories of both ratings and appeals cases pending. However, our review of C&P claims processing showed that some disability claims and pre-discharge cases were improperly processed, and the performance results reported for these activities were not reliable. Therefore, the VARO had no assurance that the goals for pending workload were actually achieved as reported. (*see page 5 for the results of the reviews of these areas*).

Accuracy Goals for F&FE Were Not Met. Through January 2003, F&FE had achieved an accuracy rate of only 61 percent. The mandated goals in the FY 2003 Director's Performance Standards require an 85 percent accuracy rate, as measured by the C&P Systematic Technical Accuracy Review.

Timeliness and Accuracy Goals for VR&E Were Not Met. The VARO did not meet the VR&E timeliness goal for entitlement notifications to beneficiaries within 60 days of the date of claim, and the FYTD accuracy goal of 90 percent for program outcomes. Through January 2003,

² An End Product is the "Work Unit" used by VBA to measure the results of the efforts by one or more workers in processing a claim.

³ The Assistant Director was the Acting Director during the period of the CAP review because the Director had been temporarily detailed to another VARO as Acting Director. He returned to VARO Chicago on May 5, 2003.

VR&E averaged 77 days for entitlement notifications, and had a program outcome accuracy rate of 74 percent (*see page 11 for the results of the review of this area*).

The Director's Performance Standards established minimum requirements for effective management of VAROs. VARO Directors are expected to ensure the development and implementation of processes and procedures necessary to achieve mandated results in all applicable areas. The Assistant Director agreed that the VARO had not met the goals for some service delivery elements. While VARO management expects to meet all goals by the end of the rating period, subsequent performance goals were also not met for February and March, which indicates that mandated goals may not be met for some service delivery elements.

Recommended Improvement Action 1. The VARO Director should take action to increase the productivity, and processing timeliness and accuracy of VARO staff, as necessary, to consistently meet all requirements of the Director's Performance Standards.

The VARO Director agreed with the finding and recommendation, and provided acceptable improvement plans. We will follow up on planned actions until they are completed.

Compensation and Pension Claims Processing – Workload Management Processes Need Improvement

Conditions Needing Improvement. VSC staff had entered inaccurate data into the Work-In-Process Subsystem (WIPP system),⁴ deviated from VBA policies and procedures for processing disability claims and pre-discharge cases, and removed the separation of duties control from the adjudication and authorization processes at the VAMC North Chicago outbased site. Program performance results were reported inaccurately, and VARO management had no assurance that C&P services and benefits were provided timely.

Disability Claims Were Not Processed Properly. To evaluate the procedures VSC staff were using to process C&P disability claims, we reviewed 104 of 24,823 original and reopened claims that were processed during the period October 1, 2001, through December 13, 2002. A total of 26 errors related to EPs, rating decisions, and claims authorization practices were identified in 24 of the 104 (23 percent) claims reviewed:

- 11 (11 percent) EPs were taken inappropriately.
- 5 (5 percent) EPs were taken prematurely.
- 3 (3 percent) incorrect EPs were taken.
- 3 (3 percent) EPs had an incorrect date of claim (DOC).

⁴ The WIPP system is a workflow management system used by VBA to assist management in identifying areas that require attention and analysis. It provides information from the pending issue file concerning claims processing timeliness by end product for the current and previous calendar month, as well as other information on all cases in a pending status.

- 2 (2 percent) EPs taken were not properly annotated in the claims folders.
- 2 (2 percent) rating decisions were not supported by the evidence, or did not address all issues.

The Assistant VSC Manager stated that the errors occurred because claims processing staff were not familiar with VBA workload measurement criteria. Although the Assistant VSC Manager stated that training was provided to staff when VSC set up new claims processing teams to implement the Claims Processing Improvement Model in October 2002, our review showed that errors were still occurring as late as December 2002.

Pre-Discharge Cases Were Not Processed Properly. We reviewed 18 pre-discharge cases selected from the universe of 24,823 original and reopened claims that were processed during the period October 1, 2001, through December 13, 2002. These 18 cases were selected for review because each case included the cancellation of 1 or more original EPs after an extended period, followed within days by the authorization of another original EP. This pattern, which inaccurately reduces the average days to complete a claim, occurred 733 times during the review period.

VAROs are authorized to initiate the claims process for service members up to 180 days before their separation from active duty. For workload management purposes, a diary or future date equivalent to the service member's projected release from active duty (RAD) plus 1 day is established in BDN. Before the RAD plus one date, pre-discharge cases are not counted as pending workload in the WIPP system. Active duty personnel are not eligible for VA benefits; therefore, service members have only potential claims during the pre-discharge period (referred to in this report as cases, instead of claims).

When the projected RAD plus one date arrives, pre-discharge cases automatically convert from diary to control issues, and then become pending workload with the projected RAD plus one date as the DOC. If the projected RAD plus one date is different from the actual RAD plus one date, the projected RAD plus one date recorded in BDN must be changed to the actual RAD plus one date, as documented in the veteran's discharge papers (DD Form 214). If the VARO has not received evidence of discharge by the projected RAD plus one date, the VARO should send the service member a request for evidence of discharge. Claims should be denied within 90 days when service members do not provide that evidence.

The following deficiencies were identified:

- In all 18 cases reviewed, claims processing staff manipulated the WIPP system by advancing the future date to prevent the maturity dates from arriving instead of allowing the cases to convert to a pending workload status. Cases were kept in suspense from 589 days to 860 days. VSC staff subsequently cancelled the EPs initially established for these cases, and then inappropriately established new EPs with current dates for the DOC, establishment, and disposition. Because VSC supervisors do not routinely review canceled actions, cases that

were in suspense for unreasonable periods of time were not reviewed or included as pending workload, and were ultimately replaced by cases that appeared to be processed in only 1 day.

- In 12 cases (67 percent), potential claims involving service members were not followed up timely to obtain evidence of discharge.
- In 11 cases (61 percent), a rating specialist violated the separation of duties principle by authorizing or disallowing awards on cases he rated.
- In 6 cases (33 percent), EPs to reopen claims were used to establish initial claims.
- In 5 cases (28 percent), VSC staff used dates other than the service members' RAD plus one day as the DOCs, such as the dates the VARO received the DD 214s. E-mail instructions transmitted to the staff by the VSC Manager sanctioned the departure from VBA policy by allowing the staff to use dates inconsistent with policy requirements, specifically so that "our control time isn't impacted."
- The Memorandum of Understanding (MOU) with the Great Lakes Naval Training Center allowed service members to begin the pre-discharge process up to 1 year before their discharge, rather than 180 days, as required. In two cases, VSC staff initiated the pre-discharge process 1 year before the anticipated discharge date. One case was 750 days old before it was denied because the service member was still on active duty, and the other case was almost 600 days old before the service member was discharged.

The deficiencies in the workload management process used by VSC staff to process disability claims and pre-discharge cases reduced the integrity and reliability of the WIPP system, and distorted the performance data used by the VARO and VBA for program assessment. The VSC Manager did not provide proper supervision to the VAMC North Chicago VSC claims processing team, and allowed claims processing staff to use inappropriate DOCs.

Recommended Improvement Action 2. The VARO Director should improve the workload management processes related to C&P disability claims and pre-discharge cases by requiring VSC management to ensure that:

- a. VSC staff is provided refresher training regarding the identification, classification, and processing of C&P disability claims and pre-discharge cases.
- b. Separation of duties is established and maintained in the adjudication and authorization processes.
- c. The pre-discharge period in the MOU with the Great Lakes Naval Training Center is revised from 1 year to 180 days to correspond with VBA policy, and pre-discharge cases are processed accordingly.

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

Compensation and Pension One-Time Payments – Controls Need Improvement

Conditions Needing Improvement. Third-signature authorizations on C&P one-time payment awards were not performed, as required, and VARO management did not determine the reasons for not doing so. In addition to the signatures of a VSR and an authorizer, the VSC manager or supervisory designee not lower than a team coach, is required to review and sign awards authorizing initial, increased or resumed benefit payments under \$25,000 for a retroactive period of more than 2 years. Three signatures are required on original or reopened awards authorizing any one-time payment of \$25,000 or more. The following areas needed management attention.

Awards for One-Time Payments Under \$25,000 Were Not Properly Processed. A review of 21 of 985 awards for one-time payments under \$25,000 made in FY 2002 identified 13 awards (62 percent) for retroactive periods of more than 2 years that did not have the required third signatures. Two of the 13 awards (15 percent) without required third signatures resulted in overpayments to beneficiaries totaling about \$16,000:

- A VSR input incorrect payment information when adding dependents to a veteran's award, resulting in an overpayment to the veteran totaling about \$15,000.
- The same 1-year period was included in both a BDN in-system award and a manual out-of-system award,⁵ resulting in an overpayment of more than \$900.

VSC management can eliminate or reduce overpayment errors by establishing controls to ensure that third-signature authorizations are performed when required. The VSC Manager attributed the errors and omissions to authorizer oversight. She stated that actions would be taken to correct the payment errors and that authorizers would be counseled and reminded during monthly meetings of VBA requirements to obtain third signatures for one-time payments under \$25,000.

Awards for One-Time Payments of \$25,000 or More Were Not Properly Reviewed. The Director, Assistant Director, or an employee outside VSC designated by the Director, is required to review all one-time payments of \$25,000 or more. If the review finds that a payment was made without a third signature, it should be referred to the VSC Manager, or Assistant Manager, for personal review and a written explanation as to why there was no third signature. The Assistant Director certified to VBA that he personally reviewed the 125 one-time payments over \$25,000 awarded by the VARO from October through December 2002. Our review showed that 10 (8 percent) of the 125 payments did not have third signatures, and written explanations were not required from VSC management.

The Assistant Director stated that he did not require VSC management to provide written explanations because these types of errors had declined over the past 6 months, and now occurred infrequently. Without written explanations from VSC management, there was no

⁵ A manual out-of-system award must be prepared when the award is for payment for a retroactive period earlier than the rate-generation capability of the BDN system, the award exceeds the maximum 16 lines available for a BDN award, or the award exceeds \$99,999.99.

documentation that VSC management reviewed the awards, and the reasons for the missing signatures could not be trended to determine needed corrective actions.

Recommended Improvement Action 3. The VARO Director should take action to ensure that:

- a. Accounts receivable are established to recover the two amounts paid in error.
- b. All awards for one-time payments have a third-signature authorization as required by VBA policy.
- c. Awards generating retroactive payments in excess of \$25,000 are reviewed in accordance with VBA policy.

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

Benefits Delivery Network Security – Oversight Needs to Be Improved

Conditions Needing Improvement. The Information Security Officer (ISO) did not manage BDN access in accordance with VBA requirements. BDN security controls are intended to protect the privacy of personal data and prevent fraudulent use of the system. A review of BDN security identified the following areas that need management attention:

- A VR&E GS-9 claims examiner had access to all three BDN commands required to establish, adjudicate, and authorize (CAUT-C&P) C&P awards. The CAUT-C&P command should be limited to employees at the GS-11 or higher grade levels, and no employee should have authority to both establish and authorize payments on the same claim. According to the VR&E Officer (VREO), these commands were authorized for this employee several years ago to enable VR&E to expedite adding dependents to Chapter 31 veterans' compensation awards. VARO management terminated the CAUT-C&P access immediately when it was brought to their attention.
- A rating specialist had CAUT-C&P access that should have been terminated because it was no longer needed to perform his duties.
- The terminal access commands requested for 9 of 13 employees reviewed were not consistent with the commands authorized in BDN. A comparison of the commands requested on VA Form 20-8824, or Terminal Access Request (TAR), with the terminal access commands in BDN showed that: (a) 2 employees were authorized commands that were not requested, (b) 2 employees had commands requested that were not authorized, and (c) 5 employees had both commands that were not requested, and commands requested but not authorized. This condition was also identified by VBA's St. Paul Network Support Center⁶ (NSC) Site Survey conducted in March 2002.

⁶ Network Support Centers perform oversight functions for VBA Information Technology staff and systems at VAROs.

- TAR forms were outdated, and Information Resources Management (IRM) Service staff used white correction fluid or pen and ink to make changes to some user accounts, with no documentation that the VARO Director approved the changes. This was also identified by the NSC site survey in March 2002.
- TAR data for Veteran Service Officers and VARO outbased staff needed updating.

These deficiencies occurred due to a lack of local policy regarding how BDN access would be assigned, the failure of IRM Service staff to validate terminal access commands requested on the TAR forms with the commands actually authorized in BDN, and inadequate oversight of BDN activities by the ISO. The ISO stated he had little knowledge of the BDN system, and depended on the BDN Administrator to manage BDN activities. At the time of the CAP review, the VARO was in the process of recruiting a full-time ISO.

Recommended Improvement Action 4: The VARO Director should ensure that action is taken to:

- a. Terminate CAUT-C&P access that was no longer needed for the one rating specialist.
- b. Develop policies and procedures for requesting and granting BDN access, and ensure that new TAR forms are prepared when requesting the creation, deletion, or modification of BDN user accounts.
- c. Prepare new TAR forms for all BDN user accounts using the latest version of VA Form 20-8824.
- d. Require IRM staff to independently validate changes made to BDN user accounts to ensure that only those terminal access commands requested are authorized in BDN.
- e. Require the ISO to manage BDN access in accordance with VBA requirements.

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

Automated Information Systems Security – Management Controls Need Improvement

Conditions Needing Improvement. The ISO needs to improve Automated Information Systems (AIS) management controls over security. Security controls are required by VBA to strengthen AIS against the risks of unauthorized modification, destruction, or release of sensitive information. The following deficiencies require management attention:

The Security Plan Did Not Meet VBA Requirements:

- Laws and regulations establishing specific requirements for confidentiality, integrity, or availability of data in the system were not identified.
- Risk was not correlated with the risk factors determined for the system.

- Procedures to ensure the system continued to process critical applications in the event of a disaster were not addressed.
- Refresher security awareness training provided to users was not documented.
- Controls to restrict the ability of authorized users to read, write, copy, or delete files or data within the system were not identified.
- Hardware or technical controls that provide protection against unauthorized system penetration via the Internet were not explained, nor were the controls to protect data against unauthorized disclosure.
- Procedures for handling system incidents were not described.

AIS Security Was Weakened By Other Deficiencies:

- System users were not required to certify that they had read and understood the AIS Rules of Behavior and that they would comply with them, although the Chief, IRM said he had distributed the AIS rules to system users.
- The contingency plan was not tested annually.
- Although the door to the computer room had a cipher lock, the door was left open four times in 2 days during the CAP review.

According to the ISO, who was also the Chief, IRM, he was more involved with the operational aspects of AIS, than with administrative controls. The VARO was in the process of recruiting a full-time ISO at the time of the CAP review.

Recommended Improvement Action 5. The VARO Director should ensure that AIS security is improved by requiring the ISO to:

- a. Develop comprehensive security plans that are consistent with VBA requirements.
- b. Distribute and obtain signed copies from all AIS users that they had read and understood the Rules of Behavior.
- c. Test the contingency plan on an annual basis.
- d. Control access to the computer room by keeping the door closed and locked.

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

Vocational Rehabilitation and Employment – Claims Processing Timeliness and Accuracy Need Improvement

Conditions Needing Improvement. VR&E was not meeting its performance goals for claims processing timeliness and accuracy. We reviewed 14 of 2,674 cases selected from the Active

Case Workload Detail Report, dated January 13, 2003. A total of 32 errors related to timeliness of notifications of entitlement, claims processing, and program outcome accuracy were identified in 13 of the 14 cases reviewed:

Timeliness of Notifications of Entitlement and Other Aspects of Claims Processing Needed Improvement:

- In 5 cases (36 percent), notifications of entitlement to VR&E benefits were not provided to veterans within 60 days.
- In 10 cases (71 percent), appropriate DOCs were not established in BDN to properly calculate timeliness.
- In 2 cases (14 percent), the Counseling, Evaluation, and Rehabilitation (CER) file did not contain an application for VR&E benefits.

The VREO stated that processing timeliness had declined because of a significant increase in eligibility determinations in FY 2002 and the inexperience of several new Vocational Rehabilitation Counselors (VRCs) hired by VR&E to reduce its reliance on contracting. VR&E used experienced VRCs to train the new staff, resulting in a decline in processing time of the experienced VRCs.

Program Outcome Accuracy Needed Improvement

- In 7 cases (50 percent), veterans' status as recorded in BDN and/or Corporate WINRS⁷ was not consistent with data recorded in the CER file.
- In 5 cases (36 percent), BDN and Corporate WINRS were not updated after veterans were placed in "Discontinued" or "Interrupted" status.
- In 3 cases (21 percent), veterans should have been placed in "Interrupted" status due to inactivity.

In addition to the above, the VREO stated that the program outcome accuracy rate was low because decisions by VRCs to place some cases in "Discontinued" status were incorrect. The VREO stated that a change in VBA policy requiring the VREO or Assistant VREO to review and sign all cases prior to processing an outcome, and providing refresher training for VRCs in determining program outcomes should improve the program outcome accuracy rate.

Recommended Improvement Action 6. The VARO Director should improve VR&E claims processing timeliness and accuracy by requiring the VREO to ensure that:

- a. Entitlement notifications regarding VR&E benefits are provided to veterans within 60 days.

⁷ Corporate WINRS is a VR&E electronic case management system. The acronym was derived from the five VARO pilot test stations for the original program: Winston-Salem, Indianapolis, Newark, Roanoke, and Seattle.

- b. Appropriate DOCs are established to calculate timeliness.
- c. An official application for VR&E benefits is obtained from all applicants and filed in the CER files.
- d. Veterans' case status in BDN and Corporate WINRS are accurate and in agreement with the CER files.
- e. Veterans' claims are updated timely to show the correct status.

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

Fiduciary and Field Examinations – Administration Needs Improvement

Conditions Needing Improvement. Accountings were delinquent, and the Fiduciary-Beneficiary System (FBS) and the Principal Guardianship Folders (PGF) contained erroneous information and overstated estate values. As of February 3, 2003, the FBS Accounting Due Report showed that 239 of 499 (48 percent) accountings were delinquent. Also, 9 of 15 (60 percent) PGF folders reviewed contained 11 errors or did not match the information in FBS, as discussed below:

- In 4 cases (27 percent), unsigned accountings and other administrative errors were found in the PGFs.
- In 3 cases (20 percent), accounting timeliness data was inconsistent with the FBS Master Listing.
- In 2 cases (13 percent), questionable expenditures indicated the possible misuse of funds but were not referred to the OIG Office of Investigations. The F&FE Chief referred these cases to Office of Investigations as soon as we brought them to her attention.
- In 2 cases (13 percent), estate values were overstated by a total of \$4 million.

The F&FE Chief stated that she had recently implemented new procedures to reduce the number of delinquent accounts, and had dedicated certain staff to bring accountings current. The F&FE Chief was aware that administrative errors were being made, and had recently started providing refresher training to F&FE staff.

Recommended Improvement Action 7. The VARO Director should ensure that:

- a. Delinquent accountings are brought current.
- b. Accounting timeliness data is consistent with the FBS Master Listing.
- c. Documentation contained in the PGFs is signed and accurately completed.
- d. Cases involving possible misuse of funds are referred to the OIG Office of Investigations.
- e. Estate values are accurately recorded in the FBS.

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

Government Purchase Card Transactions – Management Controls Need Improvement

Conditions Needing Improvement. The VARO was using convenience checks inappropriately, and some holders of Government purchase cards did not have warrants for acquisitions exceeding \$2,500. The following conditions need management attention:

Convenience Checks Were Used Instead of Purchase Cards. During the first quarter of FY 2003, the VARO disbursed 146 convenience checks totaling \$150,886. A review of 10 checks valued at \$36,390 identified 3 (30 percent) checks issued to vendors that accepted Government purchase cards, and 2 (20 percent) checks were issued for Specially Adapted Housing (SAH) grants:

- The Finance Manager approved a convenience check for purchases totaling \$2,400 to a vendor that accepted the Government purchase card in order to avoid the possibility of a year-end accrual.
- The Finance Manager approved two convenience checks for \$5,267 and \$5,123 to vendors that accepted Government purchase cards because the purchases exceeded the cardholders' single purchase limits of \$2,500.
- The Field Review Agent (FRA) arranged to have convenience checks for \$10,000 each disbursed to two veterans to temporarily defray expenses associated with SAH grants. On these occasions, construction contractors demanded payment before the VARO received the Treasury checks. The Treasury checks were then endorsed by the veterans and used to replenish the VARO General Operating Expense account.

Although the Finance Manager considered convenience checks a more expedient manner for processing the above transactions, VA policy requires the use of Government purchase cards to the maximum extent practicable. The FRA stated that he no longer used convenience checks for SAH grants. Convenience checks should be used only when the vendor does not accept purchase cards, or when they are more cost-effective and practicable to use than purchase cards.

Cardholders Were Not Warranted. Two cardholders without warrants had single-purchase limits greater than \$2,500. Cardholders with single-purchase limits over \$2,500 are required to have specialized training and warrants disclosing the limitations on their purchasing authority. The Finance Manager was aware that these cardholders needed warrants, but had not scheduled the required training.

Recommended Improvement Action 8. The VARO Director should ensure that:

- a. The use of convenience checks is limited, as required, and Government purchase cards are used to the maximum extent practicable.
- b. Warrants are established for cardholders with single purchase limits in excess of \$2,500.

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

Appendix A

VARO Chicago Director Comments



June 11, 2003

Mr. James R. Hudson
Director (52AT)
Office of Inspector General
Atlanta Audit Operations Division
1700 Clairmont Rd.
Decatur, GA 30033

Subject: Draft Report: Combined Assessment Program Review – VA Regional Office, Chicago, IL (Project No. 2003-00758-R3-0051)

We would like to preface our response with a concern. It is important for managers of any organization to use tools available to monitor performance and we will continue to do so. Our concern is the lack of tools that would allow us to selectively review cases with the highest probability of being incorrect such as the IG uses in their CAP Reviews. Problems could be quickly identified and potential solutions developed with the results of these kinds of reviews. Although VBA has improved data collection dramatically over the last several years the ability to sort and match is not available to Regional Office managers with the sophistication level of IG. I would ask that IG be willing to share portions of their software helpful in identifying the highest potential problem areas.

In response to the findings and recommendations of the above referenced Combined Assessment Program (CAP) Review, the Chicago VA Regional Office is furnishing the following comments:

Recommended Improvement Action 1.

The VARO Director should take action to increase the productivity, and processing timeliness and accuracy of VARO staff, as necessary, to consistently meet all requirements of the Director's Performance Standards.

We concur with this recommendation. Much of the corrective action that will be listed in response to later recommendations are designed to address processing timeliness and accuracy. Managers and Supervisors will continue to pay close attention to individual staff member performance against standards.

Recommended Improvement Action 2.

The VARO Director should improve the workload management processes related to C&P disability claims and pre-discharge cases by requiring VSC management to ensure that:

a. VSC staff is provided refresher training regarding the identification, classification and processing of C&P disability claims and pre-discharge cases.

We concur in this recommendation. When the Veteran Service Center moved into the CPI model a number of the deficiencies noted in the CAP review were discovered. Training was conducted regarding proper EP control, dates of claim, and other workload management issues. We will continue to monitor this activity with the tools available to determine if training has had its desired effect. As part of WIPP reviews we will ask those responsible to review

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cases for proper dates of claim and proper EP establishment. When staff is authorizing claims, review of the folder for proper annotation will be required. During the CAP review the Veteran Service Center Manager discovered she had given incorrect instruction to the staff at the PredischARGE Center. She subsequently reissued instructions consistent with manual instructions. At the request of the Acting Director the C&P Service Survey Team reviewed the procedures at the BDD and validated processing was correct.

b. Separation of duties is established and maintained in the adjudication and authorization processes.

This is corrective action. No Rating VSR is allowed to authorize a claim that he/she has rated.

c. The pre-discharge period in the MOU with the Great Lakes Naval Training Center is revised from 1 year to 180 days to correspond with VBA policy, and pre-discharge cases are processed accordingly.

We concur in this recommendation. The Regional Office is renegotiating the MOU with Great Lakes Naval Training Center to incorporate the 180-day requirement into the document with an anticipated completion date of August 1, 2003. In the interim we will not accept applications that are beyond the 180-day window.

Recommended Improvement Action 3.

The VARO Director should take action to ensure that:

a. Accounts receivable are established to recover the two amounts paid in error.

We concur with finding however, we are writing off the overpayments as “administrative errors” in accordance with M21-1, Part IV, Chapter 11, Paragraph 31(b)(2). Both of these errors were errors of commission on the part of VA employees. There was no fraud or misrepresentation on the part of the claimant. We believe it would be a hardship on the veteran to collect this money. I have consulted the Deputy Director, C&P Service, to assure we are not exceeding our authority.

b. All awards for one-time payments have a third signature authorization as required by VBA policy.

We concur in this recommendation. We continue to remind our staff of the requirement for third signatures on all awards for retroactive benefits in accordance with VBA policy. We will monitor this closely and search for data that will allow us to validate this is being done.

c. Awards generating retroactive payments in excess of \$25,000 are reviewed in accordance with VBA policy.

We concur in this recommendation. The Director’s office has been reviewing these awards since instructions were issued. In addition to reporting to the “retro” email box answers to the four questions required by the review we have been reporting if a third signature was on the award in the file. We have seen a significant decline in the number of cases where the third signature was not on the award. Although we did not document the feedback to the VSC we were getting feedback. We have since developed a printed form that requires a response when a third signature is not present.

Recommended Improvement Action 4.

The VARO Director should ensure that action is taken to:

a. Terminate CAUT-C&P access that was no longer needed for the one rating specialist.

This action was completed while the IG Audit Team was still on station.

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b. Develop policies and procedures for requesting and granting BDN access, and ensure that new TAR forms are prepared when requesting the creation, deletion, or modification of BDN user accounts.

We concur in this recommendation. A comprehensive review of procedures for requesting and granting BDN access as it exists presently is being done by the newly appointed ISO. Following his review he will prepare written guidelines that will effectively follow all security guidelines. Expected completion date for the issuance of these guidelines is August 1, 2003.

c. Prepare new TAR forms for all BDN user accounts using the latest version of VA Form 20-8824.

New forms, using the most recent version, have been completed for all user accounts.

d. Require IRM staff to independently validate changes made to BDN user accounts to ensure that only those terminal access commands requested are authorized in BDN.

We concur in this recommendation. It should be noted here, even the most current version of the VA Form 20-8824 is not a form that corresponds accurately to the BDN commands screen (96B). This creates confusion and increases the chance for error when inputting the requested commands. Even the IG when reviewing the 13 cases mentioned in the CAP report made mistakes on 2 of the comparisons cited in the first draft of the CAP Review. Although this office will formally request that VACO revise the form to "mirror" the (96B) screen it would be helpful if IG also made it known this simple change could significantly reduce errors. This office did a three-person review of all of the new 8824s and compared them to the 96B when requests for commands were input to assure accuracy. We will continue to monitor this activity as changes are made.

e. Require the ISO to manage BDN access in accordance with VBA requirements.

We concur in this recommendation. The ISO is actively involved in all areas of Information Security. He is the focal point for all areas in need of improvement in the security arena.

Recommended Improvement Action 5.

The VARO Director should ensure that AIS security is improved by requiring the ISO to:

a. Develop comprehensive security plans that are consistent with VBA requirements.

We concur in this recommendation. A new ISO was selected on April 21, 2003. He is doing considerable research into all aspects of VA/VBA security requirements. He will be attending ISO training in Dayton in June. He will also attend the InfoSec conference in San Francisco the same month. He has been tasked with doing appropriate research and networking in preparation for developing a comprehensive security plan. That plan will be completed by October 1, 2003.

b. Distribute and obtain signed copies from all AIS users that they had read and understood the Rules of Behavior.

We concur in this recommendation. The ISO has prepared a document outlining the Rules of Behavior that will be distributed to all employees by June 2, 2003 with signed responses due to be returned no later than June 30, 2003. The ISO will validate that all employees have signed the appropriate document.

c. Test the contingency plan on an annual basis.

We concur in this recommendation. The ISO in conjunction with the Chief, IRM is reviewing the station's contingency plan. This plan will be tested by September 30, 2003.

Appendix A**d. Control access to the computer room by keeping the door closed and locked.**

We concur in this recommendation. We have requested GSA install an automatic closure on the door to the computer room. We have requested installation to be complete by August 1, 2003. The automatic closure for the computer room door was installed on June 10, 2003.

Recommended Improvement Action 6.

The VARO Director should improve VR&E claims processing timeliness and accuracy by requiring the VREO to ensure that:

a. Entitlement notifications regarding VR&E benefits are provided to veterans within 60 days.

We concur in this recommendation. Although we concur in this recommendation the staffing levels in the VR&E Division will not allow improvement in this particular measure for the near term. The hiring freeze will greatly impact our ability to improve timeliness of entitlement determinations. In June 2002 we had ten VRCs stationed at the Regional Office. Beginning in June 2002 to the present we have lost four VRCs from the Regional Office. We are losing one outbased VRC May 30, 2003 and yet another in July 2003. We were in the process of interviewing and hiring additional staff when the hiring freeze was imposed.

b. Appropriate DOCs are established to calculate timeliness.

We concur in this recommendation. We will emphasize with our staff the importance of determining the correct date of claim and inputting that into our computer systems. We believe there is a system problem when a veteran reapplies for Chapter 31 benefits. In cases where a veteran reapplies after being discontinued, the system automatically defaults to the date of processing for the beginning date of applicant case status, thus giving an incorrect DOC. We have discussed this and have been advised of a work around. We will "overwrite" the default DOC on cases where this is an issue.

c. An official application for VR&E benefits is obtained from all applicants and filed in the CER files.

We concur in this recommendation. We have given instructions to staff to check to make sure that an official signed copy of the application is part of the CER file. We will check for a copy of the application as part of our quality review process locally.

d. Veterans' case status in BDN and WINRS are accurate and in agreement with the CER files.

We concur with this recommendation. Although we concur in the recommendation the reconciliation of the two systems is a national problem. Often the systems don't synchronize and a case status change made to one system is not reflected in the other system. We will emphasize the importance of maintaining the computer systems to reflect what is in the file but without changes to the computer system we believe inconsistencies will occur. In all cases where a change in Case Status occurs our staff will review CWINRS, BDN, and the CER folder to assure the case status agrees in all three places. Do to staffing shortages we will not make changes to past entries unless the case is being currently worked.

e. Veterans' claims are updated timely to show the correct status.

We concur in this recommendation. We understand the importance of having accurate data in our systems. As mentioned in 6a above, we are faced with a critical staffing shortage that will not be solved in the short term. Updating the systems to show the correct status is simple. Doing all appropriate follow up and making contact with veterans to assure we move them to the correct status is extremely labor and time intensive. We began the process following the VR&E survey with a review of cases in interrupt status more than six months and cases in RTE status over nine months without pay dates. That review is going slowly because the responsibility felt by the limited staff members focuses on those veterans actively pursuing a program leading to employment. Tracking down a veteran with whom we have not had contact, either veteran or VA initiated, for an extended period of time takes a back seat

Appendix A

given the loss of key staff. We will attempt to have reviewed and updated correct status by the end of September 2003.

Recommended Improvement Action 7.

The VARO Director should ensure that:

a. Delinquent accountings are brought current.

We concur in this recommendation. We will work diligently to review delinquent accountings. All cases with delinquent accountings will be identified and marked for follow up action. We currently have 256 accountings that are delinquent. We will review delinquent accounting cases at the rate of 2 cases per day per LIE, beginning in June. This schedule will continue until all delinquent cases have had an initial review. At the initial review the LIE will issue a final letter to the payee, (Demand for Account Letter). A 30-day diary will be established. If the accounting is not received in a Federal Fiduciary case a new payee will be appointed and the case will be submitted for IG review. If the accounting is not received in a Court Appointed case we will refer the cases to Regional Counsel for demand and appointment of a new payee.

b. Accounting timeliness data is consistent with the FBS Master Listing.

We concur in this recommendation. During the C&P Survey recently conducted the Legal Instrument Examiners received training in the correct method of FBS coding. All Examiners have been provided with the tools, (ex. The FBS Desktop Icon, with the FBS Coding Manual) to improve their knowledge of the FBS & Fiduciary requirements.

Ad-hoc reports are being reviewed to identify & correct any possible errors in coding.

c. Documentation contained in the PGFs is signed and accurately completed.

We concur in this recommendation. As mentioned in 7a above training was conducted for all LIEs during the C&P survey. As part of the review of delinquent accounts recommendation above, PGFs will be reviewed for signatures and accuracy. This will be an ongoing area of emphasis as cases come due for action. Additional teleconference training sessions will enhance our staff's understanding of the importance of accuracy.

d. Cases involving possible misuse of funds are referred to the OIG Office of Investigations.

We concur in this recommendation. The cases mentioned in the CAP report have been referred to the OIG Office of Investigations. Training was conducted on site by Special Agent in Charge, John W. Brooks of the OIG Office of Criminal Investigations shortly after the time of the CAP review. That training improved our understanding of the criteria for referral. The personal contact with Mr. Brooks gives us a point of contact for discussions when we believe a case merits referral.

e. Estate values are accurately recorded in the FBS.

We concur in the recommendation. As mentioned previously, training has been given on the importance of accurate data input. That will be a continuing theme in our training and quality review process. Additionally we will use ad hoc reports to identify any possible errors. When errors are discovered they will be brought to the attention of the person who caused the error. They will correct the error and learn from this experience.

Appendix A

Recommended Improvement Action 8.

The VARO Director should ensure that:

- a. The use of convenience checks is limited, as required, and Government purchase cards are used to the maximum extent practicable.**

We concur in this recommendation. We do use credit cards for most purchases in the Regional Office. We will continue to do so. We will train and instruct cardholders in the appropriate use of credit cards. Our goal last year was to reduce the number of convenience checks issued. We will continue to reduce the use of convenience checks but in a more aggressive manner. We reduced the number of convenience checks issued by 9% when comparing FY2001 to FY2002. The first quarter of FY2003 we reduced the number of checks issued by 28.4% compared to the same quarter in FY2002. The second quarter of FY2003 compared to the same quarter FY2002 we reduced the number by 35.6%.

- b. Warrants are established for cardholders with single purchase limits in excess of \$2,500.**

We concur with this recommendation. We have reduced the credit card limit to \$2,500 for all cardholders on station. We are evaluating the need to increase the credit card limit above \$2,500 requiring a warrant. If we do increase the limit we will provide necessary training and assure warrants are issued. We make very few purchases, even in VR&E, that exceed the \$2,500 last year. Any purchase that exceeds the \$2,500 limit is forwarded to the Great Lakes Acquisition Center for processing, located in Milwaukee, Wisconsin. Training necessary for an individual to receive a warrant requires travel funds as well as the cost of a course.

/s/

Michael D. Olson
Director

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Congressional Committees (Chairmen and Ranking Members):

Committee on Governmental Affairs, U.S. Senate

Committee on Veterans' Affairs, U.S. Senate

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