



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Buffalo, New York

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 July 14–18, 2003, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office Buffalo, New York (the Regional Office). The purpose of the review was to evaluate selected Regional Office operations, focusing on benefits claims processing and financial and administrative controls. We also provided fraud and integrity awareness training attended by 180 Regional Office employees.

The Regional Office provides Compensation and Pension (C&P), Vocational Rehabilitation and Employment (VR&E), and burial benefits to eligible veterans, dependents, and survivors residing in the western part of New York. The Regional Office also operates a Veterans Benefits Administration (VBA) Regional Processing Office (RPO) administering VA educational assistance programs in 14 states and the District of Columbia.

Results of Review

RPO determinations of veterans' eligibility for educational assistance were appropriate, C&P payments over \$25,000 were properly reviewed, and field examinations for veterans unable to manage their own financial affairs were conducted in a timely manner. To improve operations, the Regional Office needed to:

- Reduce C&P payments to veterans hospitalized for extended periods of time at Government expense as required.
- Schedule and complete the required number of compliance surveys of educational institutions and promptly correct invalid facility codes in education master records.
- Promptly refer fiduciary cases with past due accountings to appropriate officials.
- Promptly place veterans who are not actively pursuing their approved training programs in discontinued status.

Regional Office Director Comments

The Director concurred with the CAP review findings and provided acceptable improvement plans. (See Appendix A, beginning on page 9, for the full text of the Director's comments.) We consider all review issues to be resolved but may follow up on the implementation of planned improvement actions.

This report was prepared under the direction of Michael Guier, Director, Dallas Audit Operations Division, and Nicolas Torres, CAP Review Coordinator, Dallas Audit Operations Division.

(original signed by:)

RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization and Programs. The Regional Office provides C&P, VR&E, and burial benefits to eligible veterans, dependents, and survivors residing in the western part of New York. The Regional Office operates outbased offices in the VA medical centers at Batavia, Bath, Buffalo, Canandaigua, and Syracuse, New York. Outbased pre-discharge benefits offices at Fort Drum and the VA medical center at Syracuse provide special processing for military members being discharged from active service. The estimated veteran population served by the Regional Office is 395,000.

In Fiscal Year (FY) 2002, the Regional Office processed about 22,000 C&P claims and authorized payment of \$366.3 million in C&P benefits. During FY 2002, the Regional Office had 1,004 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 June 10, 2003, the Regional Office provided fiduciary oversight for 2,255 incompetent veterans and other beneficiaries.

The Regional Office includes one of four RPOs administering VA educational assistance programs. The RPO has program responsibilities for the District of Columbia and 14 states: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia. The RPO has 14 Education Services Units (ESUs) that perform compliance surveys of educational institutions and training facilities participating in VA educational assistance programs. One ESU is located at the Regional Office, and 13 ESUs are located in outbased offices.

In FY 2002, the RPO processed about 272,000 education claims and authorized educational assistance payments totaling \$375.5 million.

Resources. In FY 2002, the Regional Office's general operating expenditures were \$18 million. As of March 31, 2003, the Regional Office had 293 full-time employees.

Objectives and Scope of the 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, 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 beneficiary files and financial and administrative records; and inspected work areas. The review covered the following activities:

Automated Information Security	Duplicate Payments
Benefits Delivery Network Controls	Educational Assistance Programs
C&P Hospitalization Adjustments	Fiduciary and Field Examinations
Controls Over Large One-Time C&P Payments	Government Purchase Card Program
Director's Performance Standards	Vocational Rehabilitation and Employment

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 Regional Office management until corrective actions are completed. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, we did not identify reportable deficiencies.

During the CAP review, we also provided fraud and integrity awareness training. The training was attended by 180 Regional Office employees.

The review covered Regional Office operations for the period from October 2001 through June 2003 and was done in accordance with OIG standard operating procedures for CAP reviews.

Results of Review

Organizational Strengths

Recipients of Educational Assistance Met Basic Eligibility Requirements. The RPO administers four VA educational assistance programs. Eligibility for educational assistance 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 all four of VA's major educational assistance programs. We verified that all 50 records included appropriate evidence of the beneficiaries' eligibility for the educational assistance programs in which they were participating.

The Director's Reviews of Large One-Time C&P Payments Were Properly Completed. VBA policy requires the Regional Office 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. Three Veterans Service Center (VSC) employees, one of whom must be a supervisor or team coach, should 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 should personally review the payment to explain why the requirement was not met.

We verified that the Director or Assistant Director had reviewed the 137 C&P payments of \$25,000 or more issued by the Regional Office during the 3-month period from March through May 2003. We found that the reviews were completed in a timely manner and corrective actions were taken as appropriate.

Field Examinations Were Timely. When a state court or VA rating board determines that a beneficiary is incapable of managing his or her own financial affairs, Fiduciary and Field Examinations (F&FE) personnel are generally asked to conduct a field examination to determine the most appropriate method of payment for the beneficiary. If payments are made to a beneficiary through a designated fiduciary, follow-up field examinations are scheduled periodically to reassess the beneficiary's status. VBA policy requires F&FE personnel to complete initial field examinations within 45 days of receipt of the requests and to complete follow-up field examinations within 120 days of the scheduled dates.

To assess the timeliness of field examinations, we reviewed the principal guardianship folders of 15 judgmentally selected beneficiaries whose VA funds were managed by fiduciaries. We found that the most recent field examination for each of the 15 beneficiaries was completed within the required time period.

Opportunities for Improvement

Compensation and Pension Claims Processing – Payments to Hospitalized Veterans Should Be Reduced as Required

Condition Needing Improvement. VSC personnel did not properly reduce the C&P payments to veterans hospitalized for extended periods of time 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 Albany, Bath, Canandaigua, and Syracuse, New York, and Erie, Pennsylvania, identified 315 veterans who had been continuously hospitalized at Government expense for 90 days or more as of May 23, 2003. We compared the information provided by the medical centers with the C&P System records for the 315 veterans and found that C&P payments to 15 of the veterans needed to be reduced. These veterans had been overpaid a total of \$137,831 while hospitalized at Government expense. Benefit payments had not been reduced in five cases because VSC personnel overlooked relevant information in the claims folders regarding the veterans' hospitalization. In the other 10 cases, the medical centers failed to notify the VSC of the veterans' hospitalization.

Recommended Improvement Action 1. We recommended that the Regional Office Director ensure that VSC personnel: (a) reduce C&P payments as appropriate for the 15 veterans we identified who were hospitalized at Government expense for extended periods; (b) receive refresher training concerning required adjustments of C&P payments to hospitalized veterans; and (c) consult with VA medical center staff to improve compliance with requirements for notification when veterans are hospitalized for extended periods. The Regional Office Director agreed and reported that actions have been initiated to adjust payments on the 15 cases the OIG identified. Refresher training was conducted in August 2003, and employees were provided information on accessing a software program that is available to assist them in the processing of hospital adjustments. VSC managers will discuss notification requirements with appropriate hospital staff during medical center liaison visits to be completed by the second quarter of FY 2004.

Educational Assistance Programs – RPO Personnel Should Complete the Required Number of Compliance Surveys and Correct Facility Codes in Education Master Records

Condition Needing Improvement. RPO personnel needed to complete the required number of compliance surveys and promptly correct invalid facility codes in beneficiaries' master records.

Compliance Surveys. Additional management actions were needed to ensure the required number of compliance surveys was scheduled and completed by each ESU. VBA policy requires RPO personnel to conduct compliance surveys of educational institutions and other training facilities where students are receiving VA educational assistance. Compliance surveys are performed to verify the propriety of educational assistance payments, help school officials and beneficiaries understand their responsibilities to VA, identify deviations from requirements, and ensure that discrepancies are corrected.

Fourteen ESUs administer the RPO's compliance survey program for 14 states and the District of Columbia. VBA policy requires that each ESU perform compliance surveys of at least 33 percent of the universities, colleges, and trade or technical schools in its jurisdiction each year. All of the ESUs report to the Chief Education Liaison Officer (CELO), who is responsible for monitoring the scheduling and completion of compliance surveys.

At the time of our review in July 2003, the CELO did not have sufficient documentation for 3 of the 14 ESUs to determine the number of compliance surveys required, scheduled, or completed in FY 2002. Of the 11 ESUs where sufficient data were available, 6 had not completed the required number of compliance surveys. Two of the six ESUs with identified shortfalls had performed the required number of onsite visits to educational institutions but had not verified that required award adjustments were made and completed the compliance survey process. The following table shows the number of surveys required, scheduled, completed, and pending at the six ESUs.

FY 2002 Compliance Surveys

<u>ESU Name</u>	<u>Required</u>	<u>Scheduled</u>	<u>Completed</u>	<u>Pending*</u>
Maryland	31	35	24	0
New Hampshire	22	24	15	0
New Jersey	56	56	42	9
Ohio	83	103	74	0
Virginia	68	69	61	8
West Virginia	19	23	17	6

*Compliance surveys pending final actions at time of CAP review

For FY 2003, the CELO did not have sufficient documentation to determine the total number of compliance surveys scheduled for 1 of the 14 ESUs (Vermont). Also, three ESUs did not schedule the required number of compliance surveys for FY 2003.

- The New Hampshire ESU, which was required to complete 25 surveys, scheduled only 19 surveys.
- The Eastern Pennsylvania/Delaware ESU, which was required to complete 93 surveys, scheduled only 91 surveys.

- The Eastern New York/New York City ESU was required to complete 91 surveys but scheduled only 90.

Facility Codes. Each month, the RPO receives a Special Audit of School Codes report, which is a listing of beneficiaries' education master records containing facility codes that do not match codes of educational institutions and training facilities in the Hines Facility File. VBA policy requires RPO officials to reconcile the listing with local records of new or revised facility codes and correct any invalid codes in beneficiaries' master records. The facility codes in education master records affect the selection of facilities for compliance surveys, determination of the number of beneficiaries' records to review during surveys, and selection of survey samples.

After reviewing the June 2003 Special Audit of School Codes report, we asked the CELO about the current status of the reconciliation process. The CELO acknowledged that the reconciliation had not been performed in recent months. Prompt completion of the required reconciliation and correction of invalid facility codes in beneficiaries' master records would help ensure that RPO personnel schedule the required number of compliance surveys and select appropriate survey samples.

Suggested Improvement Action 1. We suggested that the Regional Office Director ensure that the CELO: (a) instructs each ESU to schedule and complete the required number of compliance surveys; (b) monitors the scheduling and completion of compliance surveys; and (c) requires the responsible RPO staff to review, validate, and update the facility codes listed in the education master records. The Regional Office Director agreed and reported that the CELO has informed RPO personnel about the proper method for scheduling compliance surveys and will review all survey schedules at the beginning of the fiscal year to confirm compliance with required procedures. In addition, the CELO will monitor survey completion rates monthly. RPO personnel review and confirm the facility codes listed in the Special Audit of School Codes report each month, and they will maintain a copy of this report with corrective actions annotated.

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 submitting required accountings. 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 delays in submitting required accountings for these beneficiaries ranged from 127 to 1,260 days. The LIEs had not referred any of these cases to a field examiner, the OIG, or the Regional Counsel.

Suggested Improvement Action 2. We suggested that the Regional Office Director ensure that LIEs promptly refer cases with past due accountings to field examiners, the OIG, or the VA Regional Counsel as appropriate. The Regional Office Director agreed and reported that the appropriate actions have been completed or are pending on the five cases identified with past due accountings. Close coordination with the Regional Counsel will continue, and field examiners and the OIG will be asked to review those cases involving late accountings.

Vocational Rehabilitation and Employment Program – Veterans Who Are Not Actively Pursuing Their Approved Training Programs Should Be Promptly Placed in Discontinued Status

Condition Needing Improvement. We did not identify any reportable deficiencies in most aspects of the VR&E program that we reviewed. However, improved monitoring was needed for those veterans classified in interrupted status.

VBA designed the Chapter 31 Case Status System to help VR&E personnel manage their workload. VBA also uses data in the system to measure performance. VR&E personnel assign each program participant to a specific case status at each stage of the rehabilitation process. Generally, veterans pursuing higher education or other training should move sequentially from applicant status through evaluation and planning status, rehabilitation to the point of employability status, employment services status, and rehabilitated status. Veterans who leave the program without being classified as rehabilitated are placed in discontinued status. VBA policy states that a veteran who must temporarily suspend participation in the program should be placed in interrupted status if VR&E personnel can establish a definite date for program resumption or if the evidence indicates the veteran will be able to resume the program at a date that can be estimated.

To assess the accuracy of data in the Chapter 31 Case Status System, we reviewed the Counseling, Evaluation, and Rehabilitation (CER) folders of 20 veterans, 5 each in evaluation and planning status, rehabilitation to the point of employability status, rehabilitated status, and interrupted status. We did not identify any deficiencies in the classification of veterans in evaluation and planning status, rehabilitation to the point of employability status, or rehabilitated status. However, we concluded that two of the five veterans in interrupted status as of May 2003 should have been placed in discontinued status. These two veterans had been classified in interrupted status 467 and 611 days at the time of our review and there was no evidence in their CER folders showing they intended to resume their approved training programs at any date that could be estimated. Delays in placing veterans who are not actively pursuing their programs in discontinued status inflate the VR&E workload and may skew performance measurements.

Suggested Improvement Action 3. We suggested that the Regional Office Director instruct VR&E personnel to place veterans who are not actively pursuing their approved training programs in discontinued or rehabilitated status as appropriate. The Regional Office Director agreed and reported that VR&E personnel were instructed during a July 2003 staff meeting to properly classify such cases. All interrupted cases have been reviewed and properly classified as discontinued or rehabilitated.

Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: November 17, 2003

From: Director, VA Regional Office Buffalo, New York

Subject: Reply to CAP Report on Buffalo Regional Office Operations

To: Assistant Inspector General for Auditing (52)

Enclosed is the Buffalo RO response to the Combined Assessment Program (CAP) Review Draft Report dated October 27, 2003. The Buffalo RO concurs with the recommendations and suggested improvement actions contained in the draft report. Attached is additional information concerning specific corrective actions resulting from the review.

We appreciate the analysis provided by the team concerning their findings and believe their recommendations will improve benefits and service delivery by the RO.

If you have any questions or concerns in this matter or our reply, please feel free to contact me at (716) 551-5201.

/S/

Jack McCoy
Director

Director's Comments to Office of Inspector General's Report

The following Director's comments are submitted in response to the recommendation and suggestions in the Office of Inspector General Report:

OIG Recommendation(s)

Recommended Improvement Action 1. We recommend the Regional Office Director ensure that VSC personnel: (a) reduce C&P payments as appropriate for the 15 veterans we identified who were hospitalized at Government expense for extended periods; (b) receive refresher training concerning required adjustments of C&P payments to hospitalized veterans; and (c) consult with VA medical center staff to improve compliance with requirements for notification when veterans are hospitalized for extended periods.

Concur **Target Completion Date:** February 10, 2004

(a) Action has been taken to properly reduce VA benefits for the veterans identified from the CAP Review as hospitalized at government expense. Ten of the fifteen cases await expiration of the due process period before the award action can be finalized, all others have been appropriately addressed.

(b) In August 2003, a training class was held to review required adjustments of C&P payments to hospitalized veterans. Employees were also provided information on how to access the VSR Assistant Program which is available on their personal computers to assist them in the processing of hospital adjustments. The provisions of C&P Training Letter 03-05, dated November 7, 2003, will be adhered to, and compliance with training reported to C & P service as required.

(c) Service Center Management will include the notification issue in meetings with appropriate hospital staff during liaison visits with the VISN Medical Centers. Meetings will be completed by the second quarter of FY 2004.

OIG Suggestion(s)

Suggested Improvement Action 1. We suggest the Regional Office Director ensure that the CELO: (a) instructs each ESU to schedule and complete the required number of compliance surveys; (b) monitors the scheduling and completion of compliance surveys; and (c) requires the responsible RPO staff to review, validate, and update the facility codes listed in the education master records.

Concur **Target Completion Date:** Completed, monitoring ongoing

a. The CELO has instructed each ELR and ECSS on the correct way of scheduling compliance surveys in accordance with M22-4, Part X, 2.02. They have also been informed to always round the number up when computing the number of surveys to schedule for a fiscal year. A review by the CELO of each schedule at the beginning of each fiscal year will confirm compliance.

b. The CELO is requiring each ELR and ECSS to submit copies of the RCS 20-0259 and RCS 20-0260, along with the work sheet and schedule of surveys for the CELO's review and approval. Any adjustments or shortages to the schedule will be documented. An EXCEL report and DOOR data will be reviewed monthly to ensure an appropriate completion rate is being maintained.

c. The Buffalo ELR and clerical staff review and confirm monthly each facility code on the Special Audit of School Codes. Annotations are made on this report to indicate if new facility codes have been assigned or if and what corrective action is required. Contact is made with remote ELRs when necessary to confirm information. A copy of the list is maintained and appropriate referrals are given to the Claims Processing Section Chief for distribution to the processing teams. The VCEs take the corrective actions and annotate the listing with action taken and the list is returned to the CELO within 30 days. A file of the Special Audit of School Codes will be maintained at the RPO for each month.

Suggested Improvement Action 2. We suggest the Regional Office Director ensure that LIEs promptly refer cases with past due accountings to field examiners, the OIG, or the VA Regional Counsel as appropriate.

Concur **Target Completion Date:** February 10, 2004

Action has been taken on the five cases identified during the CAP review with past due accountings to bring the accounts current. Accountings have been completed on two of these cases and all necessary action on those remaining has been taken to ensure completion as soon as possible. We will continue to work closely with Regional Counsel and utilize field examiners and the OIG to address cases in which there are delays in submitting required accountings.

Suggested Improvement Action 3. We suggest the Regional Office Director instruct VR&E personnel to place veterans who are not actively pursuing their approved training programs in discontinued or rehabilitated status as appropriate.

Concur

Target Completion Date: Completed

During their July staff meeting the Buffalo VR&E staff was informed of the above suggestion. Due to heavy caseloads compensatory overtime was utilized to place cases in the appropriate classification. Coin Tar reports were distributed to case managers with instructions to review all interrupted cases with veterans who were not actively pursuing the program and to move them to discontinued or rehabilitated status as appropriate. All interrupted cases have been reviewed and appropriately classified as discontinued or rehabilitated. Coin Tar reports are analyzed monthly to ensure that interrupted cases are discontinued or rehabilitated as appropriate.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Payments to certain veterans who were hospitalized at Government expense for extended periods should be reduced	\$137,831
	Total	\$137,831

OIG Contact and Staff Acknowledgements

OIG Contact	Nicolas Torres, (214) 253-3302
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VA Distribution

Non-VA Distribution

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.