



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Columbia, South Carolina

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 November 3-7, 2003, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Columbia, South Carolina. The purpose of the review was to evaluate the effectiveness of claims processing for Compensation and Pension (C&P) and Vocational Rehabilitation and Employment (VR&E) benefits; selected aspects of the security of automated information systems (AIS) and the Benefits Delivery Network (BDN); and financial and administrative management controls. During the review, we provided 5 fraud and integrity awareness briefings to 206 employees.

Results of Review

Organizational strengths included the Director's review of C&P one-time payments, and VR&E Program claims processing. The operation of the Government Purchase Card Program, and BDN security activities were adequate. The Fiduciary and Field Examination (F&FE) Unit's accuracy rate was below the national level, and VARO management had implemented a strategic plan for corrective action prior to our visit. Therefore, we made no recommendations concerning F&FE. We recommended that the Southern Area Director require that the VARO Director improve:

- Physical security of sensitive claims folders.
- Monitoring of access to the Local Area Network (LAN) system.
- Processing of C&P benefit payment adjustments for hospitalized veterans.

Acting Area Director and VARO Director Comments

The Acting Area Director and the VARO Director agreed with the findings and recommendations and provided acceptable implementation plans. (See pages 7 – 10 for the full text of the Directors' comments.) We will follow up on planned actions until they are completed. This report was prepared under the direction of Mr. James R. Hudson, Director, Atlanta Audit Operations Division.

RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization. VARO Columbia provides C&P and VR&E services to eligible veterans, dependents, and beneficiaries residing in South Carolina. The VARO is part of the Veterans Benefits Administration (VBA) Southern Area and serves a veteran population of about 415,000. The Veteran Service Center (VSC) has out-based C&P claims processing teams at VA Medical Centers Charleston and Columbia, South Carolina.

Loan processing, construction and valuation, and loan servicing and claims functions are performed at the Regional Loan Center (RLC) in Atlanta, Georgia. As of October 1, 2003, Property Management services, formerly provided by VARO Columbia, were outsourced under private contract. A remote Field Review Agent, who reports to the Construction and Valuation Unit at the Atlanta RLC is stationed at the VARO to administer grants related to the VA Specially Adaptive Housing Program. In addition, VARO Atlanta provides education benefits for veterans residing in South Carolina.

Resources. In fiscal year (FY) 2003, the VARO had general operating expenses of \$14 million. FY 2003 staffing totaled 235 full-time equivalent employees.

Workload. In FY 2003, C&P benefits totaling about \$473 million were paid to approximately 50,000 beneficiaries. VR&E benefits totaling about \$8 million were paid to about 2,400 beneficiaries. As of September 30, 2003, the F&FE Unit had 2,091 active fiduciary cases with a total estate value of more than \$42 million.

Objectives and Scope of the 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. The CAP review covered regional office operations for FY 2002 through October 16, 2003, and was done in accordance with OIG standard operating procedures for CAP reviews.

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:

AIS Security	C&P One-Time Payments
BDN Security	F&FE Administration
C&P Hospital Adjustments	Government Purchase Card Program
C&P Locked Files	VR&E 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 3 – 6). In this report we make recommendations for improvements. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For the activities not discussed in the Organization Strengths or Opportunities for Improvements sections, we did not identify reportable deficiencies.

During the review, we also provided 5 fraud and integrity awareness briefings to 206 VARO employees. These briefings covered procedures for reporting suspected criminal activity to the OIG and included case specific examples illustrating procurement fraud, false claims, conflicts of interest, and bribery.

Results of Review

Organizational Strengths

The Director's C&P One-Time Payment Reviews Were Effective. The VARO Director or Assistant Director is required to review all C&P one-time payments of \$25,000 or more to ensure that these payments are appropriate and that each award has a third-signature approval. During July through September 2003, the Director, Assistant Director, and VSC management had reviewed each of the 71 one-time payments of \$25,000 or more. VARO management had certified to VBA that a third-signature was obtained for each of the one-time payments, the payments issued were appropriate, and no evidence of fraud was identified.

VR&E Provided Quality Services and Payment Transactions Were Appropriate. VR&E management had established effective controls to ensure that only eligible veterans were placed in the program and that payment transactions were appropriate. We reviewed 18 of 2,402 cases selected from the Active Case Workload Report dated October 16, 2003. We found documentation in all 18 cases reviewed to justify placement under Chapter 31 benefits. Case file notes were complete with actions appropriately documented for rehabilitation and employment. Interruptions in training were documented to show that they were unavoidable. The justification and authorization of transactions involving payments to training facilities and vendors, and contracts for services were well documented. VR&E credit card transactions and convenience check payments were approved in accordance with VA regulations. Annual Systematic Analysis of Operations reviews documented VR&E's effectiveness in the areas of debt avoidance and fiscal control.

Opportunities for Improvement

Physical Security of Sensitive Claims Folders – Management Controls Needed Improvement

Condition Needing Improvement. Management controls over C&P claims folders designated as sensitive records [i.e., records of employees, employee-relatives, Veteran Service Officers (VSO), etc.] needed improvement to ensure that the claims folders are appropriately secured and controlled at all times. VARO Montgomery, Alabama employee claims folders should be in locked files at VARO Columbia, and VARO Columbia employee claims folders should be in locked files at VARO St. Petersburg, Florida (commonly referred to as "sister" stations). Employee-relative and VSO files should be maintained at the sister station, but can be held in the general file population rather than in locked files.

In order to ensure that sensitive records are securely maintained at the proper location, VBA policy requires that a semi-annual audit be completed for sensitive records. The semi-annual audit should include a VSC inventory of physically locked files, and a reconciliation of the VSC inventory listing with the sister station inventory listing, and the Information Resources Management (IRM) listing of electronically locked files.

Inaccuracies in VARO Columbia's inventory listing of locked files went undetected because the required semi-annual audits had not been performed, and local policy for locked files was not being followed. The following conditions needed management attention:

- The VARO could not provide documentation that a semi-annual audit had been performed since May 3, 2002. The inventory listing of locked files had not been reconciled with IRM or VAROs' Montgomery and St. Petersburg inventory listings.
- Three VARO Montgomery employee claims folders were in locked files, but were not on the VARO Columbia inventory listing.
- Two VARO Columbia VSO claims folders were located onsite. One was located in the general file population, and the other file was located in the Veteran Service Organization's office where the VSO was employed. The VSO claim folders were on the IRM listing of electronically locked files, but were not on the VSC inventory listing. These VSO claims folders should have been maintained at VARO St. Petersburg.
- Two VARO Montgomery employee claims folders were on the inventory listings for both VAROs Montgomery and Columbia, but were not in locked files. The VARO claims folder electronic tracking system also showed their location as VARO Columbia. However, our review showed that the files had been retired to the Records Management Center in St. Louis, Missouri in August 2003.
- The locked files clerk did not control the claims folders by using charge cards when the folders were checked out.
- The local policy for delivering locked files to only Team Coaches was not followed. The locked files clerk was delivering sensitive folders to any employees requesting them.
- The locked files clerk was not notified when sensitive claim folders were returned from the Board of Veterans Appeals (BVA). We found two VARO Montgomery employee folders in BVA locked files. These employees were on the VSC inventory listing, but there were no charge cards in the locked files cabinets to show where these folders were actually located.
- One file cabinet used to store sensitive claims folders had no lock.

- Only the locked files clerk had a set of keys to the locked files cabinets and the drawer where the file cabinet keys were stored. He reportedly took the keys home on occasion, and no one had access to the locked files if he did not come in the next workday. The VARO Director took immediate action to order two sets of keys for both the locked files area and file cabinets. The extra sets of keys will be stored in secured locations in the VARO, accessible by senior management, if necessary.
- VBA's St. Petersburg Network Support Center (NSC) performed a site survey in March 2003. The report stated that the reconciliation of electronically and physically locked files was performed semi-annually in accordance with VBA policy. However, our review of locked files identified the conditions described above. We discussed the NSC site survey methodology with the NSC Team Leader, who told us that she received no documentation or evidence that the reconciliations were being performed, but relied on oral statements from VARO Columbia employees. Employee access to claims folders in locked files increases the VARO's vulnerability to fraud.

Recommended Improvement Action(s) 1. The Area Director should require that the VARO Director ensures that:

- a. The semi-annual audit of locked files is performed as required by VBA policy.
- b. Local policy for locked files is followed.

The Acting Area Director and the VARO Director agreed with the findings and recommendations, and the Acting Area Director agreed with the VARO Director's corrective action plan. The VARO Director provided acceptable improvement plans. We will follow up on the planned actions until they are corrected.

Automated Information Systems Security – Access to the Local Area Network System Needed Monitoring

Condition Needing Improvement. The LAN system could be accessed without using a "strong" password. Although IRM staff had installed the required Service Pack in May 2000 that should have forced a "strong" password to access the LAN system, at the time of our visit not all parameters were properly set. The NSC performed an IRM site survey in March 2003, but the team did not test the network systems to ensure users were forced to use a "strong" password. Therefore, VARO management was not aware that the system would accept passwords that did not contain all required elements until our testing identified this vulnerability.

IRM staff immediately updated the LAN system by properly setting the parameters so that the LAN system would force a "strong" password in accordance with VBA criteria. We subsequently tested the LAN system and verified that the LAN system forced a strong password.

According to officials at VA's Office of Cyber and Information Security, the Information Security Officer (ISO) should frequently test network systems to ensure that users are forced to use "strong" passwords.

Recommended Improvement Action(s) 2. The Area Director should require that the VARO Director ensures that the ISO routinely tests network systems to verify that a "strong" password is required to gain access.

The Acting Area Director and the VARO Director agreed with the findings and recommendations, and the Acting Area Director agreed with the VARO Director's corrective action plan. The VARO Director provided acceptable improvement plans. We will follow up on the planned actions until they are corrected.

Compensation and Pension Hospital Adjustments – Adjustments For Hospitalized Veterans Could Be Improved

Condition Needing Improvement. C&P benefits for veterans hospitalized at Government expense were not reduced as required. As of September 18, 2003, there were 101 veterans who had been continuously hospitalized at VAMCs Columbia and Charleston, South Carolina, for 90 days or more. Our review found that benefits for 10 veterans had not been properly reduced, resulting in overpayments of \$44,294, as shown below.

- In seven cases, overpayments in the amount of \$38,138 occurred because C&P awards were not properly reduced when the notifications were received that the veterans were hospitalized.
- In three cases, overpayments in the amount of \$6,156 occurred because the medical center failed to notify the VSC of the veterans' hospitalizations.

Recommended Improvement Action(s) 3. The Area Director should require that the VARO Director ensures that:

- a. Notifications that veterans have been continuously hospitalized at Government expense for 90 days or more are properly processed.
- b. The VSC Manager coordinates with VAMCs Columbia and Charleston to ensure VARO Columbia is properly notified when veterans are hospitalized.

The Acting Area Director and the VARO Director agreed with the findings and recommendations, and the Acting Area Director agreed with the VARO Director's corrective action plan. The VARO Director provided acceptable improvement plans. We will follow up on the planned actions until they are corrected.

Acting Area Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: January 6, 2004

From: Acting Director, Southern Area Office (20F2)

Subject: Combined Assessment Program Review of VARO Columbia, South Carolina

To: Director, Office of Inspector General, Office of Audit (52AT)

The Southern Area Office has reviewed the draft report and action items and concurs with the IG recommendations and the response submitted by the Columbia Regional Office.

/s/
JOHN MONTGOMERY

VARO Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: January 6, 2004

From: Director, VARO Columbia, South Carolina (319/00)

Subject: Combined Assessment Program Review of VARO Columbia, South Carolina

To: Director, Office of Inspector General, Office of Audit (52AT)

1. The purpose of this letter is to provide a response to the draft report of the Combined Assessment Program (CAP) review of the VA Regional Office Columbia, South Carolina dated December 16, 2003.

2. We appreciate the professional manner in which the survey was conducted. The draft report accurately reflects the findings and discussions held during the review. We concur with the findings and recommendations and have provided specific implementation plans to address the issues raised.

3. If you need further information or assistance, please contact Larry Jordan, Management Analyst, at (803) 255-4126.

/s/

CARL W. HAWKINS, JR.

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

The following VARO Director's comments are submitted in response to the recommendations in the Office of Inspector General Report:

Recommended Improvement Action(s) 1. The Area Director should require that the VARO Director ensures that:

- (a) The semi-annual audit of locked files is performed as required by VBA policy.
- (b) Local policy for locked files is followed.

Concur

Target Completion Date: February 28, 2004

(a) The Veterans Service Center Manager has obtained an up-to-date copy of the sensitive file master list for the Montgomery Regional Office (RO). (Additionally, as a result of the Inspector General (IG) inquiry to the Montgomery Information Security Officer (ISO), numerous VA Forms 20-344a from Montgomery have also been received.) The sensitive file master list is being methodically analyzed to ensure all employee and employee-relative files are properly identified. A preliminary review indicates that several corrections need to be made. A report will be prepared to identify the corrections needed by the ISO at Montgomery VARO. This report will be forwarded to the Director at Montgomery VARO with a copy to Director, Southern Area. The ISO at each office will work to ensure reconciliation of the differences found. As an added precaution the semi-annual reconciliation results will be reviewed as a part of the Veterans Service Center (VSC) Internal Control Statistical Analysis of Operations (SAO).

(b) The VSC immediately made corrections and are following the local policy for locked files. The VSC has revised the current station circular concerning locked files to specify delivery and receipt responsibilities under the Claims Process Improvement (CPI) structure. The office circular states that February and August are the designated months for completion of the semi-annual locked file/sensitive file reconciliation. This reconciliation is currently in progress and is scheduled to be completed by February 2004.

Recommended Improvement Action(s) 2. The Area Director should require that the VARO Director ensures that the ISO routinely tests network systems to verify that a "strong" password is required to gain access.

Concur

Target Completion Date: Completed. Monitoring ongoing.

While the Information Resource Management (IRM) staff has spent considerable time training the RO staff about the importance of a "strong"

password and ensuring all were using a strong password, the IRM staff did not know the Local Area Network (LAN) system was not “forcing” the use of a “strong” password. (It is important to note that during the IG visit, no employee could be identified with anything less than a “strong” password). Once this failure of the LAN system to “force” a “strong” password was pointed out by the IG team, it was immediately corrected by the IRM staff.

The Director, VARO Columbia, has mandated a test of the LAN system be completed with each regularly scheduled password change. This test will require the ISO and IRM staff to attempt to use a “weak” password to test the system with each regularly required change of passwords.

Recommended Improvement Action(s) 3. The Area Director should require that the VARO Director ensures that:

- (a) Notifications that veterans have been continuously hospitalized at Government expense for 90 days or more are properly processed.
- (b) The VSC Manager coordinates with VAMCs Columbia and Charleston to ensure VARO Columbia is properly notified when veterans are hospitalized.

Concur

Target Completion Date: Completed.

(a) The VSC provided training on hospital adjustments December 8-18, 2003, for all VSC employees involved in the adjudication process. Coordination with the Triage, Pre-Determination, and Post-Determination Teams coaches was accomplished to reiterate VSC procedures and to ensure consistency of responsibilities (under the CPI model) for this process.

(b) The VSC contacted the Chief of Health Administration (HA) at the Charleston VAMC and the Chief of HA at the Columbia VAMC. Each were told of the errors noted during the recent CAP review and are following up on the specific cases where notification was not received. Additionally each has agreed to include these issues in their next “correct input for admissions” training session.

Monetary Benefits in Accordance With IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
3	Benefits not reduced for veterans hospitalized at Government expense for more than 90 days.	\$44,294
	Total	\$44,294

OIG Contact and Staff Acknowledgements

OIG Contact	James Hudson, Director, Atlanta Audit Operations Division 404.929.5921
Acknowledgements	Yolonda Johnson, Audit Manager (CAP Coordinator) George Boyer, Team Leader Melissa Colyn E. Marcia Drawdy Earl Key Tina Mitchell Al Tate

Report Distribution

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