



# **Department of Veterans Affairs Office of Inspector General**

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## **Combined Assessment Program Review of the VA Regional Office San Diego, California**

## **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 November 17–21, 2003, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office San Diego, California (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 to 192 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 Southern California counties of Imperial, Riverside, and San Diego.

## Results of Review

The Regional Office's C&P program achieved significant performance improvement during Fiscal Year (FY) 2003. The total pending C&P inventory was reduced by 38 percent. C&P claims over 180 days were reduced by 77 percent while claims pending over 1 year were reduced by 89 percent. In FY 2003, the Regional Office participated in 289 Transition Assistance Program briefings attended by over 19,500 service members. Vocational rehabilitation and education counseling was provided to over 4,500 separating service members. The Regional Office also participated in 38 Disabled Transition Assistance Program briefings with over 750 service members entering the VR&E (Chapter 31) program.

CAP review results show that reviews of retroactive payments over \$25,000 were properly performed. Physical security of automated information system (AIS) assets was adequate and AIS incident reporting was adequate and timely. To improve operations, the Regional Office, and where indicated, the Veterans Benefits Administration (VBA) and VA Regional Office Los Angeles (VARO Los Angeles), needed to:

- Reduce C&P payments to veterans hospitalized for extended periods of time at Government expense.
- Improve the timeliness of field examinations and analyses of accountings in the Fiduciary and Field Examinations (F&FE) section.
- Improve data accuracy and strengthen controls over payments in VR&E.
- Improve AIS contingency planning.

- Strengthen Benefits Delivery Network (BDN) password security (a VBA Central Office issue).
- Strengthen administrative controls over the Government Purchase Card Program.
- Strengthen controls over VA Regional Office San Diego employee-veteran claims folders (a VARO Los Angeles issue).
- Improve the timeliness of C&P system error message processing.

## **Regional Office Directors' and VBA Deputy Chief Information Officer's Comments**

The San Diego and Los Angeles Regional Office Directors and the VBA Deputy Chief Information Officer (CIO) agreed with the CAP review findings and provided acceptable improvement plans. (See Appendixes A, B, and C, on pages 12-18, for the full text of the Regional Office Directors' and VBA Deputy CIO's comments.) We consider all issues to be resolved but may follow up on implementation of planned improvement actions and the issue of VBA funding for AIS operational tests. This report was prepared under the direction of Janet C. Mah, Director, Los Angeles Audit Operations Division and Gregory C. Gladhill, CAP Review Coordinator, Los Angeles 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 Southern California counties of Imperial, Riverside, and San Diego. Out based pre-discharge benefits offices provide support to military communities at the Camp Pendleton Marine Corps Base and Miramar Marine Corps Air Station. The estimated veteran population in the Southern California counties of Imperial, Riverside, and San Diego is 432,000.

In FY 2003, the Regional Office processed C&P claims for 25,034 beneficiaries and authorized payment of \$424 million in C&P benefits. As of November 2003, the Regional Office had 1,719 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 October 2003, the Regional Office was providing fiduciary oversight for approximately 1,100 incompetent veterans and other beneficiaries.

**Resources.** In FY 2003, the Regional Office's general operating expenditures totaled \$148 million. As of October 2003, the Regional Office had 206 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 requirement to refer suspected criminal activity 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 System Security	Controls Over Large One-Time Payments
Benefits Delivery Network Security	Fiduciary and Field Examinations
Compensation and Pension Claims Processing	Government Purchase Card Program
Compensation and Pension System Notices and Messages	Physical Security of Claims Folders
	Returned Mail
	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 4-11). 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 Regional Office or VBA management until corrective actions are completed. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, we did not identify any reportable conditions.

During the CAP review, we also provided three fraud and integrity awareness training sessions. The training was attended by 192 Regional Office employees.

The review covered Regional Office operations for FY 2003 and FY 2004 through October 2003, and was done in accordance with OIG standard operating procedures for CAP reviews.

## Results of Review

### Organizational Strengths

**Reviews of Retroactive Payments of \$25,000 Or More Were Properly Performed.** 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 the review is to ensure that the payments are appropriate and that the payments are properly authorized by three Veterans Service Center (VSC) staff, including a supervisor or a coach. During the 3-month period from August through October 2003, we found that the Assistant Director had reviewed and certified retroactive payments of \$25,000 or more as required by VBA policy. The Assistant Director had reviewed the payments within 15 days of receiving notification of the payments, conducted reviews when the payments did not have the required three-signature authorizations, and had taken or planned necessary corrective actions to ensure that required three-signature authorizations were obtained.

**AIS Security Was Generally Effective.** VA and VBA policies require that physical devices and control measures be used to protect information assets and sensitive information from damage and misuse by accidents, fires, power outages, environmental hazards, and malicious actions. Accordingly, VA and VBA have implemented controls related to AIS access and computer virus protection. Moreover, VBA has specifically required regional offices to implement an incident reporting process to ensure the timely detection and reporting of suspected and actual AIS security violations.

We found that physical security of the computer room and equipment was adequate and that the AIS were supported by an uninterrupted power supply that was tested periodically. Alternative processing sites were identified and critical data was routinely backed up, tested, and stored in an off-site location. Local Area Network access security and virus protection procedures were consistent with VA and VBA policies. Information Security Officer (ISO) duties were appropriately segregated and security incident monitoring and reporting was effective. While AIS security was generally effective, we concluded AIS security could be further strengthened by improving AIS contingency planning (see page 7).

**BDN Security Was Generally Effective.** VBA requires regional offices to have controls in place to prevent unauthorized access and misuse of BDN and related sensitive veteran and beneficiary data. We found that BDN access was limited to authorized users with a legitimate need, inactive accounts were disabled after 90 days of nonuse, and only staff, grades GS-11 and higher, were given access to authorize C&P claims. We also found that sufficient controls were in place to prevent the same employee from establishing and authorizing a C&P claim. We concluded that the Regional Office's BDN security was effective but could be improved by strengthening implementation of VBA's national password security procedures to prevent a portion of the user's account name from being used as part of the password (see page 8).

## Opportunities for Improvement

### Compensation and Pension Claims Processing – Payments to Hospitalized Veterans Needed to Be Reduced As Required

**Condition Needing Improvement.** VSC staff did not properly reduce C&P payments to veterans hospitalized for extended periods of time at Government expense. In certain situations, the law requires the reduction of C&P payments to hospitalized veterans. For example, payments to veterans who are entitled to aid and attendance allowances, 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. The reduction is effective the last day of the month following the month in which the veteran is admitted for hospitalization.

At our request, the VA healthcare systems in San Diego and Loma Linda, California, identified 160 veterans who had been continuously hospitalized at Government expense for 90 days or more as of October 2003. We compared the information provided by the healthcare systems with C&P System records for the 160 veterans and found that C&P payments for 5 veterans needed to be reduced. These veterans had been overpaid a total of \$53,627 while hospitalized at Government expense. Benefit payments had not been reduced in two cases because VSC staff overlooked relevant information in the claims folders regarding the veterans' hospitalizations. In the other three cases, staff at the VA San Diego Healthcare System failed to notify the VSC of the veterans' hospitalizations.

**Recommended Improvement Action 1.** We recommended that the Regional Office Director ensure that VSC staff: (a) reduce C&P payments as appropriate for the five veterans who were hospitalized at Government expense for extended periods; (b) receive refresher training on processing hospital adjustments; and (c) consult with VA healthcare system staff to improve compliance with notification requirements when veterans are hospitalized for extended periods.

The Regional Office Director agreed with the finding and recommendations and reported that payments have been adjusted for the five veterans identified by the OIG. Refresher training on hospital adjustments was conducted in December 2003 in accordance with national policy. Procedures have been established to ensure that VA healthcare system staff notifies the Regional Office when veterans are hospitalized for extended periods. The improvement plans are acceptable, and we consider the issues resolved.

## **Fiduciary and Field Examination Activities – Timeliness of Field Examinations and Analyses of Accountings Needed to Be Improved**

**Conditions Needing Improvement.** VSC management needed to ensure that the F&FE section improved the timeliness of field examinations and analyses of fiduciary estate accountings. The F&FE section is responsible for ensuring that the interests of incompetent beneficiaries are protected through the appointment of fiduciaries and analyses of their estate accountings to prevent the loss or diversion of incompetent veterans' funds. When a beneficiary is deemed incapable of managing his or her own financial affairs, F&FE staff are generally asked to conduct an initial field examination to determine the most appropriate method of payment for the beneficiary. If payments are made to a fiduciary, follow-up field examinations are scheduled periodically to reassess the beneficiary's status. VBA policy requires F&FE staff to complete initial field examinations within 45 days of receipt of the request and follow-up field examinations within 120 days of the scheduled dates. Legal Instrument Examiners (LIEs) in the F&FE section monitor the fiduciaries' activities by analyzing the required annual accountings that list the beneficiaries' assets, income, and expenses. Objections or exceptions to accountings must be taken within 14 days of the receipt of the accounting. If an accounting is not submitted within 90 days of the due date, VA policy requires LIEs to refer the case to a field examiner, the OIG, or the VA Regional Counsel.

Timeliness of Field Examinations. We reviewed the principal guardianship folders for 23 judgmentally selected beneficiaries whose VA funds were managed by fiduciaries. For the 23 beneficiaries, 6 initial field examinations had not been completed within the required 45-day time frame. Instead, the six initial field examinations were conducted between 49 and 154 days after the requests for initial field examinations were received. In addition, for 10 of the 23 beneficiaries, follow-up field examinations were not timely performed because they were completed between 123 and 402 days after the scheduled dates.

Timeliness of Analyses of Accountings. We also reviewed the records of 14 beneficiaries whose fiduciaries were required to submit accountings. At the time of our review, the 14 beneficiaries' accountings had not been completed within 14 days of their receipt in the F&FE section and the age of the accountings ranged from 97 to 489 days old. Furthermore, we noted during the CAP review that the F&FE section had a total of 127 delinquent accountings, of which 42 were over 200 days old and 23 were over 300 days old.

The VSC Manager was aware of the problems related to the timeliness of field examinations and accountings in the F&FE section. However, he stated that he had not corrected the problems because of a shortage of qualified F&FE staff.

**Recommended Improvement Action 2.** We recommended that the Regional Office Director ensure that the F&FE section: (a) is properly staffed and that staff are trained to perform timely initial and follow-up field examinations and analyses of accountings as required by VBA policy; and (b) eliminates the backlog of delinquent accountings.

The Regional Office Director agreed with the findings and recommendations and reported that a plan has been developed to draw staff and/or assistance from other parts of the Regional Office to assist the F&FE section in performing field examinations as well as processing accountings more timely. A training plan has been developed and implemented to train new F&FE employees as well as provide refresher training to the present F&FE staff. A reduction of the backlog of delinquent accountings has already been accomplished since the time of the review. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Vocational Rehabilitation and Employment Program – Program Data Accuracy and Purchase Card Monitoring Needed to Be Improved**

**Conditions Needing Improvement.** We found that VR&E staff did not update the Case Status System (CSS) promptly to accurately reflect the current status of VR&E program participants and case managers did not properly monitor purchase card transactions.

Accuracy of Program Data. VBA designed CSS to help VR&E staff manage their workload and measure their performance. VR&E staff assigns each program participant to a specific case status at each classification 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 temporarily suspend participation in the VR&E program are placed in interrupted status, and those that leave the program without being classified as rehabilitated are placed in discontinued status.

To assess the accuracy of data in CSS, we judgmentally selected 15 veterans from the October 1, 2003 Open Case Status report. We reviewed the Counseling, Evaluation, and Rehabilitation (CER) folders for the 15 veterans, 5 each in applicant status, evaluation and planning status, and rehabilitation to the point of employability status. We did not identify any deficiencies in the classification of veterans in the rehabilitation to the point of employability status. However, we found deficiencies related to 4 of the 10 veterans in the applicant and evaluation and planning status classifications. The CERs for these four veterans indicated that they had left the program but they had not been placed in discontinued status in CSS. Also, we could not verify the correct classification of one veteran in applicant status because the veteran's claim folder could not be located to confirm the correct application date. The VR&E application date contained in the CER was July 30, 2003, but BDN indicated that it was July 30, 2001.

VR&E staff did not promptly identify and input status changes and promptly follow-up on rejected case status information caused by inputting inaccurate data in CSS. Inaccurate data in CSS impedes the monitoring of veterans' progress in the VR&E program. In addition, delays in placing veterans who are not actively pursuing their programs in discontinued status inflate the VR&E workload and may skew performance measurements.

Controls for Program Payments. VR&E case managers did not verify that veterans received purchased goods and services for which vendors had requested payments. VR&E policies require case managers to select a random sample of billed purchase card transactions each month and contact the veterans to ensure that they actually received the goods and services. We found that the case managers for the 15 veterans we reviewed above did not have any documentation to show that they performed the required monthly verification of transactions. The VR&E Officer stated that the case managers had not verified that veterans received purchased goods and services because the case managers were not aware of the requirement.

**Recommended Improvement Action 3.** We recommended that the Regional Office Director ensure that VR&E staff: (a) promptly identify and input status changes in CSS; and (b) verify and document that veterans have received goods and services for which vendors have requested payments.

The Regional Office Director agreed with the findings and recommendations and reported that the VR&E Officer will complete a biweekly review of pending status changes that have not been completed or updated by the case managers to ensure that these corrective actions are completed timely. A random sample of purchase orders for goods or services will be reviewed monthly by the VR&E Officer to ensure that the veterans did actually receive the orders. The results of these monthly reviews will be incorporated into the annual “Systematic Analysis of Operations”. The improvement plans are acceptable, and we consider the issues resolved.

## **Automated Information System Security – Contingency Planning Should Be Improved**

**Condition Needing Improvement.** We considered major aspects of the Regional Office’s AIS security to be an organizational strength. However, we determined that AIS security could be further strengthened if the AIS contingency plan was improved.

VBA policy requires that each facility prepare and maintain an AIS disaster recovery and continuity of operations plan as part of the overall AIS contingency plan. The plan must be tested annually and updated as needed. The Information Technology (IT) Contingency Response Team, consisting of the Emergency Preparedness Coordinator, the Network Support Center (NSC) Director, and other team members from the Regional Office, had recently updated the AIS disaster recovery and continuity of operations plan and conducted periodic tabletop tests, but had not performed operational tests. Operational tests, unlike tabletop tests that only involve the discussion of the plan, are key to identifying critical weaknesses that might compromise the continuity of vital IT operations during a disaster. The NSC Director expressed concerns that a system shut down during an operational test would adversely affect the Regional Office’s productivity and operations. However, these concerns could be addressed by performing the operational tests after normal business hours or on weekends to minimize disruptions to the Regional Office’s regular operations.

We also found that cellular phones belonging to four key emergency contacts listed in the AIS disaster recovery and continuity of operations plan, including the Emergency Preparedness Coordinator, did not work properly. The cellular phones worked properly when they were turned on. However, when the cellular phones were turned off, the caller received a message stating the phone was not in service and was not allowed to leave a voice-mail message. This reduced the effectiveness of the disaster recovery and continuity of operations plan because emergency contact staff could not be readily contacted if they were not at their offices or residences. The Emergency Preparedness Coordinator indicated that the problem would be corrected since the Regional Office was in the process of upgrading cellular telephones for key management officials.

**Suggested Improvement Action.** We suggested that the Regional Office Director ensure that the IT Contingency Response Team: (a) conducts and documents annual operational tests of the AIS disaster recovery and continuity of operations plan; and (b) periodically tests cellular phones of key emergency contact staff.

The Regional Office Director reported that periodic full operational tests would require shutting down the system and moving it to an alternate site, which would require additional funding from VBA. VBA Central Office has indicated that funding is not available for this type of testing. The Regional Office Director agreed with the finding and recommendation concerning cellular phones. New cellular phones have been purchased and voice-mail will be tested every 90 days to ensure proper functioning. The Regional Office's improvement plan is acceptable, and we will follow up on the issue of funding for AIS operational tests with VBA.

## **Benefits Delivery Network Security – User Password Controls Should Be Improved**

**Condition Needing Improvement.** We identified BDN security as an organizational strength at the Regional Office and concluded that BDN security controls were generally effective in protecting veteran and beneficiary data from unauthorized access, fraud, or misuse. However, we determined that BDN security could be further strengthened if VBA user password controls were fully implemented.

We evaluated BDN password security to determine if adequate controls were in place to prevent unauthorized access to BDN and the associated sensitive veteran and beneficiary data. VBA password security policy states that no portion of a user's account name can be used in a password. Because staff tend to select a password that is easy to remember, passwords that contain a portion of a user's account name leave BDN vulnerable to unauthorized access. We tested BDN password security by creating passwords that included users' last names. In two separate tests, we found that BDN accepted last names as a component of BDN passwords, a violation of VBA policy. The ISO informed us that the Regional Office could not correct this problem because BDN password security was controlled by VBA Central Office.

**Suggested Improvement Action.** We suggested VBA's Deputy CIO responsible for the Office of Information Management (OIM) strengthen BDN security so that no portion of a user's account name can be used as a component of a BDN password.

VBA's Assistant Deputy CIO reported that OIM agreed with the finding and suggestion and the contractor responsible for the software will incorporate the more stringent password security requirements in the next release of the software. The improvement plan is acceptable, and we consider this issue resolved.

## **Government Purchase Card Program – Controls Should Be Strengthened**

**Conditions Needing Improvement.** We evaluated the Government Purchase Card Program to determine if Regional Office controls were effective. All cardholders were VA employees as required and all cardholders and approving officials attended the mandatory training regarding the proper use of purchase cards. In addition, our review of selected transactions showed that the purchases appeared to be appropriate and had adequate supporting documentation. However, we identified three areas that required management attention.

Timeliness of Reconciliations and Certifications. VA policy requires cardholders to reconcile purchases and purchase card statements within 10 working days of the receipt of monthly statements and forward reconciliations to approving officials for review. Approving officials must then review and certify the reconciliations and forward them to the Billing Officer within 14 working days. We reviewed billing statements and supporting documentation for 25 judgmentally selected purchases made with Government purchase cards during the last quarter of FY 2003 and found that the statements were not dated to show when they were reconciled and certified.

Segregation of Duties. VA policy forbids the Government Purchase Card Program Coordinator (Program Coordinator) and the Alternate Program Coordinator from being cardholders or approving officials. However, we found that the Alternate Program Coordinator was also an approving official. The Support Services Division Fiscal Chief (Fiscal Chief) was aware of the policy but stated that he had appointed himself as the alternate because he did not want to burden other staff with additional duties. As a result of the CAP review, the Fiscal Chief and Program Coordinator selected a new Alternate Program Coordinator to comply with VA policy.

Limit on Micro-Purchases. VA policy requires that Government purchase cards be used for micro-purchases that do not exceed \$2,500. We reviewed 25 judgmentally selected transactions and found 1 transaction in the amount of \$2,777 that exceeded the \$2,500 limit. The cardholder had been allowed to make purchases that exceeded the \$2,500 single purchase limit because the Program Coordinator was not aware of the limitation. Once informed of the policy, the Program Coordinator decreased the single purchase limit of all cardholders who had been previously allowed to make purchases in excess of \$2,500 to the required \$2,500 micro-purchase limit.

**Suggested Improvement Action.** We suggested that the Regional Office Director: (a) reiterate the need to record the dates of monthly purchase card reconciliations and certifications; (b) ensure that the Fiscal Chief and Program Coordinator designate an Alternate Program Coordinator in accordance with VA policy; and (c) ensure micro-purchases do not exceed the \$2,500 limit.

The Regional Office Director agreed with the findings and suggestions and reported that written instructions were issued to all authorized purchase cardholders advising them of the requirement to record the dates of monthly purchase card reconciliations and certifications. A new Alternate Program Coordinator was selected while the CAP review team was on site. The Program Coordinator reduced the single purchase limitation to \$2,500 for all purchase cardholders who previously had higher spending limits. The improvement plans are acceptable, and we consider the issues resolved.

## **Physical Security of Claims Folders – Controls Should Be Strengthened**

**Condition Needing Improvement.** The Regional Office employee-veteran claims folders were secured but access to the folders was not properly controlled. VBA assigns each regional office a sister station to store the regional office's employee-veteran claims folders and adjudicate the regional office's employee-veteran claims. VBA requires regional offices to transfer their employee-veteran claims folders to the sister stations to protect personal information; prevent potential misuse arising from improper access, modification, or destruction of records; and eliminate real or perceived conflicts of interest in determining employees' entitlement to benefits. In addition, VBA requires "sister" stations to secure employee-veteran claims folders in a physically locked cabinet or room; designate a single custodian for the employee-veteran claims folders; and use a log system to control and monitor the movement of the "locked files."

We found that the Regional Office's employee-veteran claims folders had been properly secured. The Regional Office had sent all of its employee-veteran claims folders to its assigned "sister" station, VARO Los Angeles, which secured the claims folders in a locked room. However, VARO Los Angeles did not properly control access to the locked files. Six VARO Los Angeles employees functioned as custodians and they did not use a centralized log system to control and monitor access to the "locked files".

**Suggested Improvement Action.** We suggested that the VARO Los Angeles Director ensure that: (a) only one employee is designated the custodian of the Regional Office's employee-veteran claims folders; and (b) the custodian uses a centralized log system to control and monitor access to the employee-veteran claims folders.

The VARO Los Angeles Director agreed with the finding and suggestions and reported that there is now one custodian for the "locked files". Effective January 5, 2004, a log system was put in place to track movement of all files to and from the locked file room. This log is maintained by

the custodian and is kept in the locked file room. The improvement plans are acceptable, and we consider the issues resolved.

## **Compensation and Pension System Error Messages – Timeliness of System Error Message Processing Could Be Improved**

**Condition Needing Improvement.** C&P system error messages were not always promptly processed. VBA policy requires the Regional Office to take initial action on C&P system error messages within 7 calendar days of receipt. BDN-generated C&P system messages are an important internal control that helps VSC ensure the accuracy of benefit payments and enhance customer service. When VSC receives system error messages, VSC staff should review the messages and take appropriate actions. Delays or failures in processing system error messages can result in over or underpayments to beneficiaries.

To assess the timeliness and accuracy of C&P system error message processing, we reviewed a judgment sample of 50 C&P system error messages generated during July and August 2003. We found that 32 of the messages were correctly processed and 18 messages required further review of the veterans' claim folders. One veteran's award had not been adjusted as required within 7 days of the receipt of the system error message. As a result, the veteran received an overpayment of \$2,267. VSC staff could not explain why the adjustment had not been made 4 months earlier when the system error message was received.

**Suggested Improvement Action.** We suggested that the Regional Office Director ensure that VSC staff: (a) process C&P system error messages in a timely manner; and (b) take corrective action to collect the overpayment made to the veteran.

The Regional Office Director agreed with the finding and suggestions and reported that C&P error messages are now forwarded to the Post-Determination Coach when they are received. The Post-Determination Coach is responsible for reviewing the messages and ensuring that corrective actions are timely. In addition, due process was provided the veteran who received the overpayment and corrective action was taken. The improvement plans are acceptable, and we consider the issues resolved.

## VA Regional Office San Diego Director's Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** January 20, 2004

**From:** VA Regional Office San Diego Director

**Subject:** **Combined Assessment Program Review of the VA Regional Office San Diego, California**

**To:** Director, Los Angeles Audit Operations Division Office of Inspector General (52)

Enclosed is the San Diego Regional Office response to the Combined Assessment Program (CAP) Review Draft Report. The San Diego office concurs with the recommendations and suggested improvement actions for our station. Attached is additional information concerning specific corrective actions resulting from the review.

We appreciate the analysis provided by the audit team. Their findings, along with our corrective actions, should improve the delivery of benefits and services at this regional office.

Should you have any questions or concerns regarding our reply, please feel free to contact me at (619) 400-5400.

/s/

MICHAEL DUSENBERY

Director

## VA Regional Office San Diego Director's Comments to Office of Inspector General's Report

The following VA Regional Office San Diego Director's comments are submitted in response to recommendations and suggestions in the Office of Inspector General Report:

### OIG Recommendation(s)

**Recommended Improvement Action 1.** We recommend that the Regional Office Director ensure that VSC staff: (a) reduce C&P payments as appropriate for the five veterans who were hospitalized at Government expense for extended periods; (b) receive refresher training on processing hospital adjustments; and (c) consult with VA Healthcare System staff to improve compliance with notification requirements when veterans are hospitalized for extended periods.

Response to Improvement Action 1. (a) The C&P payments were appropriately reduced. (b) Refresher training on hospital adjustments was conducted in December 2003, in accordance with the national directive. (c) We have established controls and communication with the San Diego Health Care System to ensure that notification is received when veterans are hospitalized for extended periods. Points of contact were established between the Assistant Service Center Manager at the Regional Office and the Head of Healthcare Information Management Service, formerly Medical Records, at the La Jolla Medical Center.

**Recommended Improvement Action 2.** We recommend that the Regional Office Director ensure that the F&FE section: (a) is properly staffed and that staff are trained to perform timely initial and follow-up field examinations and analyses of accountings as required by VBA policy and (b) eliminates the backlog of delinquent accountings.

Response to Improvement Action 2. (a) While the report accurately stated that shortage of qualified staff was a concern of the VSC Manager, he also stated that remote areas of coverage, a dearth of fiduciaries in some areas, cyclical submission of accountings and a higher number of field exams were all contributing factors to the timeliness of field exams and accountings in the F&FE section. In response to such issues, the RO has put in place a plan to draw staff and or assistance from other parts of the RO to assist the Fiduciary and Field Examinations section in both performing field examinations as well as processing accountings more timely. A training plan has been developed and implemented to train employees new to the F&FE section as well as provide refresher training to the present F&FE staff. (b) Reduction of the backlog of delinquent accountings has already been accomplished since the time of the review. The backlog has been reduced by an average of just under 20% per month and we expect to continue or exceed that rate until the backlog is eliminated.

**Recommended Improvement Action 3.** We recommend that the Regional Office Director ensure that VR&E staff: (a) promptly identify and input status changes in the CSS and (b) verify and document that veterans have received goods and services for which vendors have requested payments.

Response to Improvement Action 3. (a) The VR&E Officer will complete a review every two weeks of the pending status changes that have not been completed or updated by the case managers, to ensure that these corrective actions are completed timely. (b) A random selection of purchase orders for goods or services will be reviewed monthly by the VR&E Officer to ensure that the veteran did actually receive the order. The results of these monthly reviews will be incorporated into the annual Systematic Analysis of Operation.

**OIG Suggestion(s)**

**Suggested Improvement Action.** We suggest that the Regional Office Director ensure that the IT Contingency Response Team: (a) conducts and documents annual operational tests of the AIS disaster recovery and continuity of operations plan; and (b) periodically tests cellular phones of key emergency contact staff.

Response to Improvement Suggestion. (a) Periodic full operational tests, unlike tabletop exercises, require shutting down the system and moving it to an alternate site which would require additional funding from VBA. Our contact with our Central Office has indicated that funding is not available for this type of testing. This suggestion needs to be addressed at the national level. (b) New cellular phones have been purchased and voice-mail will be tested every 90 days to ensure proper functioning.

**Suggested Improvement Action.** We suggest that the Regional Office Director: (a) reiterate the need to record the date of monthly purchase card reconciliations and certifications; (b) ensure that the Fiscal Chief and Program Coordinator designate an Alternate Program Coordinator in accordance with VA policy; and (c) ensure micro-purchases do not exceed the \$2,500 limit.

Response to Improvement Suggestion. (a) Written instructions were issued to all authorized purchase card holders advising them of the requirement to record the date of monthly purchase card reconciliations and certifications. (b) As stated in the report, this issue was resolved to comply with VA policy prior to the IG team departure. (c) The Program Coordinator reduced the single purchase limitation to \$2,500.00 for all purchase card holders that previously had a higher authority. We are aware of the limitation and will ensure that it is not exceeded.

**Suggested Improvement Action.** We suggest that the Regional Office Director ensure that VSC staff: (a) process C&P system error messages in a timely manner and (b) take corrective action to collect the overpayment made to the veteran.

Response to Improvement Suggestion. (a) Error messages are now forwarded to the Post-Determination Coach as received. The messages are then reviewed by the Coach and controlled to insure that corrective action is completed timely. (b) Due process was provided to the veteran and corrective action was taken.

## VA Regional Office Los Angeles Director's Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** January 20, 2004

**From:** VA Regional Office Los Angeles Director

**Subject:** **Combined Assessment Program Review of the VA Regional Office San Diego, California (Los Angeles RO Locked Files finding)**

**To:** Janet C. Mah, Director, Los Angeles Audit Operations Division (52LA)

Attached is the Los Angeles Regional Office response to the OIG suggestion regarding improvements need in the handling of employee locked files at the Los Angeles Regional Office. We appreciate the opportunity to respond and hope our improvement actions will meet with your approval.

/s/

STEWART LIFF

**VA Regional Office Los Angeles Director's Comments  
to Office of Inspector General's Report**

The following VA Regional Office Los Angeles Director's comments are submitted in response to a suggestion in the Office of Inspector General Report:

**OIG Suggestion(s)**

**Suggested Improvement Action.** We suggest that the VA Regional Office Los Angeles Director ensure that: (a) only one employee is designated the custodian of VA Regional Office San Diego's employee-veteran claim folders and (b) the custodian uses a log system to control and monitor access to the employee-veteran claim folders.

**Response:**

Concur. There is now only one "custodian" for the locked files. That employee is an Administrative Assistant in the Los Angeles Veterans Service Center. The Veterans Service Center Manager and a Coach oversee the Administrative Assistant. They also know the lock combination and can provide access in the Administrative Assistant's absence.

The combination lock for the locked file room was changed January 12, 2004 and will be changed every 90 days to prevent unauthorized access. A log system had previously been in place but, due to recent changes in personnel in the front office, these procedures were not being followed as noted in the IG review. Effective January 5, 2004, a log system was put back in place to track movement of all files to and from the locked file room. This log is maintained by the Administrative Assistant and is kept in the locked file room.

## VBA Deputy Chief Information Officer's Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** February 5, 2004

**From:** VA Deputy Chief Information Officer for Benefits

**Subject:** **Combined Assessment Program Review of the VA Regional Office San Diego, California**

**To:** Director, Los Angeles Audit Operations Division (52LA)

We concur with the OIG recommendation that BDN SMGW security could be further strengthened if national VBA user password controls were strengthened. Attached is the VA Deputy Chief Information Officer for Benefits response to the OIG suggestion regarding improvements needed in BDN SMGW security at the San Diego Regional Office.

We appreciate the opportunity to respond.

/s/  
Thomas E. Lloyd

Assistant Deputy CIO for Benefits

**VBA Chief Information Officer's Comments  
to Office of Inspector General's Report**

The following VBA Chief Information Officer's comments are submitted in response to a suggestion in the Office of Inspector General Report:

**OIG Suggestion(s).** We suggest the VBA Chief Information Officer strengthen BDN security so that no portion of a user's account name can be used as a component of a BDN password.

**Response:**

We have discussed the SMGW Password issue with our contractor, Performance Engineering Corp. (PEC) who is responsible for the modifications. PEC has determined that this issue can be remedied by following the VBA IRM Handbook N. 5.00.02.HB1. We have provided PEC the explicit requirements for engineering the change. The change will be incorporated into the TP8 Migration SMGW release scheduled for October 2004.

## 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.	\$53,627
N/A	Payments to a veteran that were not adjusted in a timely manner should be corrected.	2,267
	Total	\$55,894

## OIG Contact and Staff Acknowledgments

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OIG Contact	Janet C. Mah, (310) 268-4335
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