



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Winston-Salem, North 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.

**To Report Suspected Wrongdoing in VA Programs and Operations
Call the OIG Hotline – (800) 488-8244**

Contents

	Page
Executive Summary	i
Introduction	1
Facility Profile	1
Objectives and Scope of the CAP Review.....	1
Results of Review.....	3
Organizational Strengths.....	3
Opportunities for Improvement	3
Compensation and Pension Hospital Adjustments	3
Compensation and Pension for Incarcerated Veterans	4
Compensation and Pension Claims Processing	5
Benefits Delivery Network Security	6
Physical Security of Sensitive Claims Folders	8
Vocational Rehabilitation and Employment.....	9
Appendices	
A. Area Director's Comments	11

B. Regional Office Director's Comments.....	12
C. Monetary Benefits in Accordance with IG Act Amendments	17
D. OIG Contact and Staff Acknowledgements.....	18
E. Report Distribution.....	19

Executive Summary

Introduction

During the week of February 9-13, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Winston-Salem, North Carolina (the regional office). 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 4 fraud and integrity awareness briefings to 187 employees.

Results of Review

Organizational strengths included the Regional Office Director's review of C&P one-time payments and Fiduciary and Field Examination (F&FE) administration. We found no significant deficiencies in our review of the Government Purchase Card Program and AIS security. We recommended that the Southern Area Director require that the Regional Office Director improve:

- Adjustments of C&P benefits for hospitalized veterans.
- Reductions of C&P benefits for incarcerated veterans.
- C&P claims processing data validation.
- Oversight of BDN operations.
- Physical security of sensitive claims folders (C-files).
- VR&E claims processing.

Area Director and Regional Office Director Comments

The Area and VARO Directors agreed with the findings and recommendations and provided acceptable implementation plans. (See pages 11 - 16 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.

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

Introduction

Facility Profile

Organization. VARO Winston-Salem provides C&P and VR&E services to eligible veterans, dependents, and beneficiaries residing in North Carolina. The Eastern Eligibility Center located at the regional office is one of two in the Nation. The Eligibility Center is responsible for processing home loan benefit eligibility determinations for veterans in 23 eastern states, Puerto Rico, and the District of Columbia. The regional office is part of the Veterans Benefits Administration (VBA) Southern Area and serves a veteran population of about 793,000. Two C&P Pre-Discharge Program claims processing teams, out-based at Fort Bragg and Camp Lejeune, provide services to six active duty military installations in North Carolina. VR&E has out-based sites at Fayetteville and Jacksonville, North 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 VA Regional Office Winston-Salem, 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 regional office to administer grants related to the VA Specially Adapted Housing Program. In addition, VARO Atlanta provides education benefits for veterans residing in North Carolina.

Resources. In fiscal year (FY) 2003, the regional office had general operating expenses of \$25 million and FY 2003 staffing totaled 384 full-time equivalent employees.

Workload. In FY 2003, C&P benefits totaling about \$717 million were paid to approximately 93,000 beneficiaries. VR&E benefits totaling about \$20.5 million were paid to about 1,500 beneficiaries. As of September 30, 2003, the F&FE Unit had 3,731 active fiduciary cases with a total estate value of more than \$75.7 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 regional office 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 requirement to refer suspected criminal activity to the OIG.

Scope. The review included selected regional office 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 July 2003 through February 2004, 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 Locked Files
BDN Security	C&P One-Time Payments
C&P Data Validation	F&FE Administration
C&P Hospital Adjustments	Government Purchase Card Program
C&P Incarcerated Veterans	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 - 10). In this report we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, there were no reportable deficiencies.

During the review, we also provided 4 fraud and integrity awareness briefings to 187 regional office employees. These briefings covered procedures for reporting suspected criminal activities 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 Reviews Were Effective. The Regional Office 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 the period October 1 through December 31, 2003, the Director or Assistant Director, and Veterans Service Center (VSC) management reviewed each of the 115 one-time payments of \$25,000 or more. Regional office management had ensured 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.

The F&FE Unit Provided Timely Services to Veterans. The F&FE Unit met or exceeded VBA performance goals for initial appointments, field examinations, and accountings. Our review of 27 cases selected from the January 7, 2004, *Fiduciary Beneficiary System Detailed Report*, validated that F&FE workload data reported to VBA for its performance goals was accurate.

Opportunities for Improvement

Compensation and Pension Hospital Adjustments – Adjustments of Benefits Needed To Be Improved

Condition Needing Improvement. C&P benefits for veterans hospitalized at Government expense were not reduced as required. In 2001, pension claims maintenance responsibility was centralized to three Pension Maintenance Centers (PMCs), resulting in shared responsibility between the regional office and the PMCs for decisions and actions on pension claims. The regional office is responsible for deciding the original pension benefit decisions, and the PMCs are responsible for subsequent maintenance of the claims. As of January 9, 2004, there were 366 veterans who had been continuously hospitalized at VA Medical Centers (VAMCs) Asheville, Durham, Salisbury, and Fayetteville, North Carolina, for 90 days or more. Our review of 28 cases found that benefits for 23 veterans (82 percent) had not been properly reduced, resulting in overpayments totaling \$328,386, as shown below.

- In 14 cases, overpayments in the amount of \$274,108 occurred because the regional office did not properly reduce C&P awards when notifications were received from the VAMCs that veterans were hospitalized.

- In seven cases, overpayments in the amount of \$39,554 occurred because the VAMCs failed to notify the VSC of the veterans' hospitalizations. VAMC Salisbury failed to notify the regional office in four cases, and VAMC Fayetteville failed to notify the regional office in three cases.
- In one case, an overpayment of \$3,952 occurred because pension benefits were not properly reduced by the PMC when notification was received from the regional office that the veteran was hospitalized.
- In one case, overpayments totaling \$10,772 resulted because the regional office failed to take proper action when the notification of hospitalization was received (\$1,973), and the PMC failed to take timely action to terminate the benefits (\$8,799).

As a result of our review, VSC management took immediate action to: a) develop an action plan for refresher training for employees to emphasize that hospital adjustments must be processed properly and timely, and b) schedule a conference call with the four North Carolina VAMCs to discuss the importance of providing the regional office with accurate and timely information on hospitalized veterans.

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

- a. Notifications that veterans have been continuously hospitalized at Government expense for 90 days or more are properly processed.
- b. VSC management coordinates with the four North Carolina VAMCs to ensure that the regional office is properly notified when veterans are hospitalized.

The Area and Regional Office Directors agreed with the findings and recommendations. The Regional Office Director implemented corrective action while the CAP review team was onsite, and we consider the issue resolved.

Compensation and Pension for Incarcerated Veterans – Reduction of Benefits Needed Improvement

Condition Needing Improvement. C&P benefits for veterans incarcerated in excess of 60 days were not reduced as required. VA policy requires adjustments to C&P benefits for veterans incarcerated in Federal, State, or local penal institutions in excess of 60 days. Compensation benefits are to be reduced to 10 percent for conviction of a felony, and pension payments are to be terminated for conviction of a felony or misdemeanor.

VBA provides VAROs the monthly reports of the results of database cross-matches between: a) the C&P Master Record File and the Federal Bureau of Prisons (BOP), and b) the Social Security Administration (SSA) and State prisons to identify veterans that have been incarcerated since the last reports. VAROs are to review the incarcerated veterans' C-files and reduce or terminate benefits when necessary. We reviewed 31 of 83 veterans' C-files (37 percent) from the regional office's lists of new additions to the BOP and SSA reports from July 1, 2003, to December 31, 2003. Our review showed that benefits for 4 of the 31 veterans (13 percent) had not been properly reduced or terminated, resulting in overpayments of \$10,583, as shown below.

- In three cases, the regional office did not appropriately reduce the compensation benefits, resulting in overpayments of \$2,589.
- In one case, the regional office failed to notify the PMC of the need to terminate the pension benefit, resulting in an overpayment of \$7,994.

As a result of our review, VSC management took immediate action to reduce compensations on the three cases we identified, and to forward the pension case to the PMC for termination of benefits.

Recommended Improvement Action(s) 2. The Area Director should require that the Regional Office Director ensures that:

- a. VSC management monitors the BOP and SSA reports for necessary reductions of incarcerated veterans compensation benefits.
- b. Pension cases of incarcerated veterans are forwarded to the PMC as soon as it is determined that reductions of benefits are required.

The Area and Regional Office Directors agreed with the findings and recommendations. The Regional Office Director implemented corrective action while the CAP review team was onsite, and we consider the issue resolved.

Compensation and Pension Claims Processing – Data Validation Needed Improvement

Condition Needing Improvement. Management controls to prevent the overstatement of C&P End Product¹ (EP) work credit needed improvement. VSC staff had taken multiple Rating EPs for individual claims, and deviated from VBA policies and procedures for processing disability claims. Since only one Rating EP work credit is allowed per claim, productivity can be enhanced by inappropriately taking multiple Rating EPs for the same claim.

¹ An End Product is used by VBA to account for the direct labor time invested for work measurement credit.

Our review of the Work-In-Progress (WIPP) file from October 1, 2002, through January 9, 2004, showed that the regional office had taken 39,145 Rating EPs for work credit. We identified 278 multiple Rating EPs that appeared to have been inappropriately claimed as work credit. However, our analysis showed no trends or patterns indicating a deliberate attempt to enhance productivity. We reviewed 11 C-files with 26 of the 278 multiple Rating EPs and found that 15 EPs were inappropriately taken for credit. The VSC Manager reviewed the 11 C-files and agreed that the EPs were inappropriate. We also found that many of the EPs were not annotated in the C-files. We provided the VSC Manager with a copy of the WIPP data for her review, and she agreed that 257 multiple Rating EPs (less than 1 percent) were inappropriately taken for work credit. The multiple EPs identified are shown below:

- There were 245 inappropriate EPs taken on 266 claims with 2 multiple EPs.
- There were 8 inappropriate EPs taken on 4 claims with 3 multiple EPs.
- There were 4 inappropriate EPs taken on 1 claim with 5 multiple EPs.

As a result of our review, VSC management took immediate action to provide refresher training to all appropriate VSC employees to emphasize when EPs can be appropriately taken for work credit, and to annotate EPs in the C-files.

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

- a. VSC management monitors questionable EPs.
- b. VSC management continues to provide refresher training to VSC employees regarding EPs that can be appropriately taken for work credit.
- c. EPs are annotated in C-files.

The Area and Regional Office Directors agreed with the findings and recommendations. The Regional Office Director implemented corrective action while the CAP review team was onsite, and we consider the issue resolved.

Benefits Delivery Network Security – Oversight of Operations Needed Improvement

Condition Needing Improvement. VARO management did not oversee BDN operations in accordance with VBA requirements. BDN security controls are intended to protect the privacy

of personal data and prevent fraudulent use of the system. Our review of BDN security identified the following areas that did not conform with VBA policy:

- The Information Security Officer (ISO) reported to the Assistant Director instead of the Director.
- The ISO and BDN System Administrator (BDNSA) alternates had operational commands.
- The ISO and BDNSA alternates had not been adequately trained to perform their duties.
- The ISO was not aware that he could request the BDN Security Violation Log daily by e-mail, but was reviewing the hard copies of the logs when they were received by regular mail. Waiting for the hard copies to arrive by mail delayed the reviews by up to 5 days. The daily e-mail request provides the ISO the security violations the next day for review. It is essential that the ISO review the BDN Security Violation Log daily, because this review is currently the only control VBA has in effect to identify employees that inappropriately access sensitive files and who may have performed fraudulent actions.

As a result of our review, the Regional Office Director took immediate action to assign the ISO to report to the Director, and directed the ISO to request and review the BDN Security Violation Log daily. The Regional Office Director also initiated action to appoint new ISO and BDNSA alternates who did not have operational commands, and schedule training for the ISO and BDNSA alternates.

Recommended Improvement Action(s) 4. The Area Director should require that the Regional Office Director ensures that:

- a. The ISO reports to the Director.
- b. The ISO and BDNSA alternates have no operational commands, and are adequately trained to perform their duties.
- c. The ISO requests and reviews the BDN Security Violation Log daily.

The Area and Regional Office Directors agreed with the findings and recommendations. The Regional Office Director implemented corrective action while the CAP review team was onsite, and we consider the issue resolved.

Physical Security of Sensitive Claims Folders – Management Controls Needed Improvement

Condition Needing Improvement. Management controls over C&P C-files designated as sensitive records² needed improvement to ensure that C-files are appropriately secured and controlled at all times. VARO Huntington, West Virginia employee C-files should be in locked files at VARO Winston-Salem, and VARO Winston-Salem employees C-files should be in locked files at VARO Roanoke, Virginia. Employee-relatives and Veteran Service Officer (VSO) files should be maintained at the regional office of jurisdiction, but can be held in the general file population rather than in locked files. We identified the following areas that did not conform with VBA policy:

- The latest semi-annual audit and reconciliation was performed by the ISO, rather than jointly by the ISO and the VSC Locked Files Custodian.
- Employee-relatives and VSO files were not included as part of the semi-annual audit.
- Even though a semi-annual audit and reconciliation was completed in February 2004, the VSC inventory list did not reconcile with the ISO's Master Sensitive Files List, nor was the inventory listing updated routinely to ensure accuracy.
- The VSC Locked Files Custodian did not maintain an inventory list of employee, work-study, employee-relatives, and VSO files that should be located at VAROs Winston-Salem and Roanoke.
- Three VARO Huntington work-study C-files, two employee C-files, and one VSO C-file were at stations other than VARO Winston-Salem because VARO Winston-Salem did not reconcile the locked files inventory list with VARO Huntington.
- Two former VARO Winston-Salem employee files were located at stations other than VARO Roanoke because VARO Winston-Salem did not reconcile the locked files inventory list with VARO Roanoke.
- Forty one of 69 (59 percent) locked files reviewed did not contain VA Form 0344a, "Notification of an Employee or Employee-Relative C-Files," which documents why the file is designated as sensitive.

As a result of our review, VSC management immediately initiated action to correct each of the above deficiencies that should have been identified during the most recent semi-annual audit and reconciliation.

² Employee, work-study, employee-relatives, VSO, and high profile or infamous veteran C-files.

Recommended Improvement Action(s) 5. The Area Director should require that the Regional Office Director ensures that:

- a. The semi-annual audit and reconciliation of locked files is jointly performed by the ISO and the VSC Locked Files Custodian, and includes employee-relatives and VSO files.
- b. The VSC inventory list is reconciled with the ISO's Master Sensitive Files List, and is updated routinely to ensure accuracy.
- c. The VSC maintains an inventory list of sensitive files that should be located at VAROs Winston-Salem and Roanoke, and all locked files contain VA Form 0344a.

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

Vocational Rehabilitation and Employment – Timeliness of Claims Processing and File Documentation Needed Improvement

Condition Needing Improvement. VR&E needed to improve the timeliness of claims processing and the documentation maintained in Counseling Evaluation and Rehabilitation (CER) files. We reviewed 22 of 3,040 cases selected from Corporate WINRS³ reports dated January 29, 2004. Additionally, the *Active Case Workload Detail Report* showed that 108 of 360 (30 percent) veterans were in Applicant Status for more than 60 days, ranging from 62 to 1,214 days. Therefore, notifications of entitlement to VR&E benefits were not provided to the veterans within 60 days, as required. In addition, we reviewed the CER files of 6 of 124 veterans to whom VR&E provided eye examinations and/or glasses and found the need for improved documentation. We identified the following deficiencies that needed management attention.

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

- In seven cases (32 percent), notifications of entitlement to VR&E benefits were not provided to veterans within 60 days.
- In six cases (27 percent), correct dates were not established in BDN to properly calculate the timeliness of veterans' notifications of entitlement.

³ Corporate WINRS is a VR&E electronic case management system. The acronym was derived from the five VARO pilot test stations for the original program: Winston-Salem, Indianapolis, Newark, Roanoke, and Seattle.

- In two cases (9 percent), veterans should have been placed in Discontinued Status 8 and 14 months earlier, when VR&E determined they were unemployable.

CER File Documentation Needed Improvement

- None of the 22 CER files properly documented that veterans were notified of their eligibility determinations within 60 days from the receipt of their applications.
- We reviewed an additional 6 CER files for veterans that were provided medical services during the first quarter of FY 2004. We found that none of the CER files contained documentation for the justifications and authorizations for the eye examinations and/or glasses. (For example, VR&E should use VA Form 28-8861, "Request for Medical Service - Chapter 31," to identify the services requested at VA facilities, or VA Form 28-1902n, "Narrative Report," when non-VA facilities are used.)

As a result of our review, VR&E management scheduled additional group orientation sessions for veterans in Applicant Status to reduce the backlog, and initiated action to improve the timeliness of claims processing and documentation in CER files.

Recommended Improvement Action(s) 6. The Area Director should require that the Regional Office Director ensures that:

- a. The backlog of veterans in Applicant Status is reduced, veterans receive notifications of eligibility for VR&E benefits within 60 days, and the notifications are documented in the CER files.
- b. Appropriate dates are established in BDN to properly calculate timeliness.
- c. Justifications for veterans' eye examinations and/or glasses are documented in the CER files.

The Area and Regional Office Directors agreed with the findings and recommendations. The Regional Office Director implemented corrective action while the CAP review team was onsite, and we consider the issues resolved.

Area Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: April 1, 2004

From: Director, Southern Area Office

Subject: VA Regional Office Winston-Salem, North 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 Winston-Salem Regional Office. Additionally, we will be asking the VBA Performance Analysis and Integrity staff to do a follow-up review of Winston-Salem cases to check on the data validation issue raised in the report.

/s/

Michael A. Dusenbery

Southern Area Director

Regional Office Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: March 31, 2004

From: Director, VARO Winston-Salem, North Carolina

Subject: VA Regional Office Winston-Salem, North Carolina

To: Enclosed is the Winston-Salem Regional Office's response to the Combined Assessment Program (CAP) Review Draft Report. This office concurs with the recommendations 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 (336) 631-5301.

/s/

JOHN MONTGOMERY

Director

Regional Office 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(s) 1. The Area Director should require that the Regional Office 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 the four North Carolina VAMCs to ensure the regional office is properly notified when veterans are hospitalized.

Concur **Target Completion Date:** Completed

All cases requiring adjustment were processed while the OIG team was still present. In December 2003, centralized refresher training was provided to all VSC personnel on Hospital Adjustments. On December 1, 2003, the Triage Team began keeping a log of all weekly and monthly downloads from AMIE/CAPRI. Training Notes based on items found on the CAP Review were forwarded to all VSC personnel prior to the OIG Team's departure.

On February 19, 2004 a telephone conference with members of all the VAMCs in North Carolina took place. It was agreed that the VAMCs would provide the RO with a quarterly report of veterans who have been hospitalized for 90 days. The review of the listing of veterans who are hospitalized for 90 days will be incorporated into future SAOs relating to hospitalization.

It is noted that nine of the 28 cases cited involved instances where the regional office did not receive notification of hospitalization from the VAMC; however, there was evidence in the claims file indicating hospitalization. We also note that two cases accounted for over 80% of the total overpayment cited.

Recommended Improvement Action(s) 2. The Area Director should require that the Regional Office Director ensures that:

- a. VSC management monitors the BOP and SSA lists for necessary reductions of incarcerated veterans compensation benefits.
- b. Pension cases of incarcerated veterans are forwarded to the PMC as soon as it is determined that reductions of benefits are required.

Concur **Target Completion Date:** Completed

Procedures have been initiated whereby monthly contact with C&P Service will take place so as to ensure that we receive the monthly BOP Match List. Refresher training was conducted with all VSC personnel prior to the OIG Team's departure.

All cases involving pension adjustments will immediately be shipped to the PMC. One case was identified on CAP as not being forward to the PMC for action. It should be noted that the case had been identified and flagged for transfer to the PMC during the first week of January; however, it was not transferred when it appeared on the data request list for OIG. Had the OIG data request not been received, the claim would have been at the PMC (and probably adjusted) when the OIG Team was on site.

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

- a. VSC management monitors questionable EPs.
- b. VSC management continues to provide refresher training to VSC employees on when EPs can be appropriately taken for work credit.
- c. EPs are annotated in C-files.

Concur **Target Completion Date:** Completed

Refresher training has been conducted regarding proper establishment and clearing of end products, including proper annotation of the claims folder when end products are accidentally cleared. Additionally, the management team has begun weekly reviews of the duplicate EP listing posted by PA&I.

While we endeavor to completely eliminate erroneous end products, we believe that a success rate of 99.35% is well within the tolerance for human error. The CAP review noted that there was no deliberate attempt to manipulate performance data. In fact, this small number of cases had virtually no statistical impact upon the regional office's productivity or timeliness data.

Recommended Improvement Action(s) 4. The Area Director should require that the Regional Office Director ensures that:

- a. The ISO reports to the Director.
- b. The alternate ISO and BDNSA have no operational commands, and are adequately trained to perform their duties.
- c. The ISO requests and reviews the BDN Security Violation Log daily.

Concur **Target Completion Date:** Completed

The organizational chart was amended while the OIG Team was on site to reflect that the ISO reports directly to the Director.

The need for alternates with no operational commands was noted on a Network Support Center site visit prior to the OIG Team visit. At the time of the CAP review, a search was being conducted to identify individuals who had the requisite systems knowledge and yet had no need for operational commands (The number of such individuals is extremely small, even at a large office such as ours). The OIG Team was consulted during their visit regarding potential candidates and their recommendations noted. Selection of new alternates was accomplished shortly after the CAP Review. The new alternates have no operational commands.

The ISO now requests and reviews daily BDN logs by e-mail. VBA OIM HANDBOOK No. 5.00.02 HB2 sec 1.11 states that BDN generates a daily log of security violations. It does state that the ISO will review the logs daily however it does not state how the ISO will obtain the logs. The ISO was reviewing the hard copy logs received by mail. Each and every day's log was reviewed by the ISO. The ISO was aware that the logs could be requested by e-mail but was informed by the Network Support Center that review of the mailed logs met the requirements of the regulation.

Recommended Improvement Action(s) 5. The Area Director should require that the Regional Office Director ensures that:

- a. The semi-annual audit and reconciliation of locked files is jointly performed by the ISO and the VSC Locked Files Custodian, and include employee-relatives and VSO files.
- b. The VSC inventory list reconciles with the ISO's Master Sensitive Files List, and is updated routinely to ensure accuracy.
- c. The VSC maintains an inventory list of sensitive files that should be located at VAROs Winston-Salem and Roanoke, and all locked files contain VA Forms 0344a.

Concur **Target Completion Date:** April 20, 2004

All future audits will be conducted jointly between the Service Center and the ISO. The Service Center's next audit and reconciliation of locked files with the ISO is scheduled for April 20, 2004.

The ISO has contacted ISO's at Roanoke and Huntington RO's concerning the semi-annual audits. They have agreed to provide necessary sensitive file lists, etc., needed for the completion of the audit.

Per M21-1, pt II, 3.04, certain claim folders will be locked per the direction of the Service Center Manager. These folders will have a memo from the VSCM but not a VA Form 0344a. VA Form 0344a's are now being generated for those folders that should have them.

Recommended Improvement Action(s) 6. The Area Director should require the Regional Office Director ensures that:

- a. The backlog of veterans in Applicant Status is reduced, veterans receive notifications of eligibility for VR&E benefits within 60 days, and the notifications are documented in the CER files.
- b. Appropriate dates are established in BDN to properly calculate timeliness.
- c. Justification for veterans' eye examinations and/or glasses are documented in the CER files.

Concur **Target Completion Date:** Completed

Significant reductions in the number of cases in Applicant Status have already been achieved. We have reduced this backlog from 360 at the time of the CAP review to 255 as of March 16. Although there were two "outlier" cases, it should be noted that virtually all cases in Applicant Status were in the 60 to 90-day range. We have reduced the number of decision pending more than 60 days from 30% to 8%. On February 15, we issued guidance to our counselors to make a copy of the BDN 320 screen when the EP719 is cleared and place it in the CER.

The Assistant VR&E Officer is now performing Quality Review at the local level and is checking the Applicant Status beginning date on all cases to ensure that date is correct.

We issued a memorandum on February 15 instructing our case managers to prepare a Report of Contact on all requests for eyeglasses or eye exams and place it in the CER.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Benefits not reduced for veterans hospitalized at Government expense for more than 90 days.	\$328,386
2	Benefits not reduced for veterans incarcerated for more than 60 days.	\$10,583
	Total	\$338,969

OIG Contact and Staff Acknowledgements

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

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Assistant Secretaries
General Counsel
Acting Director, Southern Area Office (20F2)
Director, VARO Winston-Salem, North Carolina (318/00)

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on VA, HUD, and Independent Agencies
House Committee on Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on VA, HUD-Independent Agencies
Senate Committee on Government Affairs
National Veterans Service Organizations
General Accounting Office
Office of Management and Budget
Senator Elizabeth Dole
Senator John Edwards
Congressman Frank W. Balance, Jr.
Congressman Cass Ballenger
Congressman Richard Burr
Congressman Howard Coble
Congressman Bob Etheridge
Congressman Robin Hayes
Congressman Walter B. Jones, Jr.
Congressman Mike McIntyre
Congressman Brad Miller
Congressman Sue Myrick
Congressman David E. Price
Congressman Charles H. Taylor

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.