



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

---

## **Combined Assessment Program Review of the VA Regional Office Seattle, Washington**

## **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
<b>Executive Summary .....</b>	<b>i</b>
<b>Introduction .....</b>	<b>1</b>
Regional Office Profile .....	1
Objectives and Scope of the CAP Review.....	1
<b>Results of Review.....</b>	<b>3</b>
Organizational Strengths.....	3
Opportunities for Improvement .....	4
Hospital Adjustments.....	4
Government Purchase Card Program.....	5
Vocational Rehabilitation and Employment.....	6
<b>Appendixes</b>	
A. Regional Office Director Comments .....	7
B. Monetary Benefits in Accordance with IG Act Amendments .....	11
C. OIG Contact and Staff Acknowledgments.....	12
D. Report Distribution .....	13

# Executive Summary

## Introduction

During the period April 5–9, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office Seattle, WA. The regional office is part of the Veterans Benefits Administration (VBA) Western Area. The purpose of the review was to evaluate selected regional office operations, focusing on benefits claims processing and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to 223 regional office employees.

## Results of Review

The CAP review covered 10 regional office operational activities. We identified no significant deficiencies in seven activities, and four had noteworthy organizational strengths:

- Regional office management controls were effective.
- Retroactive compensation payments of \$25,000 or more were effectively reviewed.
- Employee claims folders were properly secured.
- Fiduciary and field examinations (F&FE) were completed properly and on time.

We identified opportunities for improvement in 3 of the 10 activities reviewed. For these three activities, the regional office needed to:

- Promptly reduce benefit payments for veterans hospitalized at Government expense for extended periods.
- Strengthen management controls for the Government purchase card program.
- Improve the timeliness of Vocational Rehabilitation and Employment (VR&E) entitlement determinations and update case status data to accurately reflect veterans' training status.

## Regional Office Director Comments

The Regional Office Director agreed with the findings, recommendations, and suggestions and provided acceptable improvement plans. (See Appendix A, pages 7–10, for the full text of the Director's comments.) We will follow up on the implementation of recommended improvement actions.

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

## Introduction

### Regional Office Profile

**Organization and Programs.** The regional office provides compensation and pension (C&P), VR&E, and burial benefits to eligible veterans, dependents, and survivors in Washington and also provides VR&E services to veterans in nine counties in Idaho. In addition, at the Yongsan Army Garrison in Seoul, Korea the regional office manages an office that provides VA assistance to military personnel who are preparing to separate from service. The estimated veteran population served by the regional office is 671,000.

During Fiscal Year (FY) 2003, the regional office authorized about \$817.6 million in C&P payments for 87,677 beneficiaries. VR&E benefits totaling about \$60.7 million were paid to about 11,568 beneficiaries. In addition, the regional office provided fiduciary oversight for 2,089 incompetent veterans and other beneficiaries.

**Resources.** In FY 2003, regional office operating expenditures were about \$20.8 million. As of March 2004, the regional office had 273 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 benefits 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 for benefits and requests for 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. The review covered regional office operations for FY 2003 and FY 2004 through March 2004 and was done in accordance with OIG standard operating procedures for CAP reviews.

In performing the CAP review, we interviewed managers and employees, reviewed beneficiary files and financial and administrative records, and inspected work areas. The review covered the following 10 activities:

Automated Information Systems Security	Government Purchase Card Program
Benefits Delivery Network Security	Large Retroactive Payment Controls
C&P Hospital Adjustments	Regional Office Management Controls
Employee Claims Folder Security	System Error Messages
Fiduciary and Field Examinations	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 4–6). For these activities, we make recommendations or suggestions. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that should be monitored by VBA and regional office management until corrective actions are completed. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, we did not identify reportable deficiencies.

During the CAP review, we also presented 5 fraud and integrity awareness briefings that were attended by 223 regional office employees. The briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating benefits fraud, false claims, procurement fraud, and bribery.

## Results of Review

### Organizational Strengths

**Management Controls Were Generally Effective.** Regional office management had established a positive internal control environment that supported performance improvement. Systematic analyses of operations (SAOs) had been conducted for all critical program areas. These SAOs appropriately identified existing or potential problems and recommended appropriate corrective actions. Management provided ethical conduct and behavior training to regional office employees. In addition, management had implemented a decision quality program under which two Decision Review Officers conducted quality reviews of actions taken on veteran claims, identified trends in the findings, and provided feedback to rating specialists and claims examiners.

**Reviews of Large Retroactive Payments Were Effective.** VBA policy requires the Regional Office Director or designee 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 properly authorized by three Veterans Service Center (VSC) staff, including a supervisor or a coach. We reviewed the 106 large retroactive payments made during the 3-month period October–December 2003. The Assistant Director had properly reviewed and certified the payments within 15 days of receiving notification. In addition, our review of the VA claims folders for 10 veterans who had received large retroactive payments found that the payments had the required three-signature reviews and that the claims folders contained appropriate supporting documentation.

**Employee Claims Folders Were Properly Secured.** Regional office management had implemented satisfactory controls over employee C&P claims folders and other sensitive claims folders. All claims folders for Seattle Regional Office employees had been properly transferred to the Portland Regional Office, and folders for regional office employees in Anchorage, AK and Fort Harrison, MT were secured in locked cabinets at the Seattle Regional Office. Regional office employees performed required semiannual audits to verify the inventory and ensure the security of folders located in Seattle.

**Fiduciary and Field Examination Operations Were Effective.** The F&FE group had established effective controls to ensure that initial appointment and follow-up fiduciary field examinations were completed promptly. During the 12-month period April 2003–March 2004, the F&FE group completed 93 percent of its field examinations on time, exceeding the VBA Balanced Scorecard national target of 92 percent. In addition, during the same 12 months the F&FE group initiated rigorous follow-up with fiduciaries who were delinquent in submitting the required accountings of beneficiary assets and expenses. As a result of these efforts, the number of past due accountings that were 90 or more days late was significantly reduced from 71 to 34 (a 52 percent reduction).

## Opportunities for Improvement

### Hospital Adjustments – Benefit Payments for Hospitalized Veterans Should Be Promptly Reduced

**Condition Needing Improvement.** VSC management needed to improve the processing of hospital adjustments. In certain situations, Federal law requires the reduction of C&P payments for veterans hospitalized at Government expense for extended periods. As of March 2004, there were 344 veterans who had been hospitalized continuously for 90 days or more within the VA Puget Sound Health Care System (PSHCS). To determine if the regional office had properly processed hospital adjustments, we reviewed a judgment sample of claims folders for 30 of the 344 veterans.

Using PSHCS admissions information, C&P benefit payment data, and other relevant information, we determined that overpayments had occurred in 25 of the 30 sample cases (83 percent). The total amount of these overpayments was \$437,740. In 21 of the 25 cases, overpayments occurred because the PSHCS did not notify the VSC that the veterans were hospitalized. In the remaining four cases, overpayments occurred because VSC personnel did not take proper action when notifications were received or because they had overlooked other claims folder evidence, such as medical records.

In preparation for the CAP review, the VSC manager had performed a self-assessment of hospital adjustments. This assessment identified the same 25 instances of overpayments that we identified plus 8 other instances that were not in our judgment sample. These 8 overpayments totaled \$89,856, bringing the total overpayment resulting from ineffective hospital adjustment procedures to \$527,596 (\$437,740 + \$89,856). As of April 2004, VSC management was in the process of adjusting benefit payments for these eight veterans.

**Recommended Improvement Action 1.** We recommended that the Regional Office Director ensure that: (a) VSC management coordinates with appropriate PSHCS staff to ensure that the VSC is notified when veterans are hospitalized, (b) VSC staff properly processes adjustments upon notification to prevent overpayments, and (c) VSC management follows through with action to adjust payments identified by the CAP review and the VSC self-assessment.

The Regional Office Director agreed with the recommendation and reported that monthly notifications of hospitalized patients had been requested from the community nursing home. In addition, VSC staff received refresher training which addressed hospital adjustments. The target date for adjusting overpayments identified by the CAP review and the VSC self-assessment is June 15, 2004. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.



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

**Conditions Needing Improvement.** The Chief of Support Services needed to improve controls over the administration of the Government purchase card program. During the 3-month period October–December 2003, 26 cardholders made 453 purchases totaling \$223,930. Our review of a judgment sample of 25 purchase card transactions found that the purchases were made for valid VA purposes. However, purchase card program controls needed to be strengthened in four areas.

Separation Of Duties. The Purchase Card Coordinator (PCC) was also the Billing Officer, which VA policy does not allow.

Cardholder Warrants. During our review period, two cardholders did not have the required contracting warrants for single purchase limits exceeding the \$2,500 micro-purchase threshold.

Training Documentation. VA policy requires the PCC to ensure that cardholders and approving officials are given initial training on the use of purchase cards, that they receive refresher training every 2 years, and that this training is documented. The PCC did not have initial training documentation for 7 of 26 cardholders or the 2 approving officials. Also, refresher training was not given to the 2 approving officials and 8 of 26 cardholders.

Monthly Reviews. VA policy requires that the PCC conduct monthly reviews to monitor the timeliness of purchase card reconciliations and certifications. The PCC acknowledged that these reviews were not being performed. In addition, we found that 32 of 62 (52 percent) billing statements had either no reconciliation or no certification dates noted. These dates are necessary for the PCC to evaluate the timeliness of purchase card reconciliations and certifications.

**Suggested Improvement Actions.** We suggested that the Regional Office Director ensure that: (a) purchase card duties are properly separated, (b) all cardholders with single purchase limits exceeding \$2,500 are trained and warranted as contracting officers, (c) the PCC maintains required training documentation and provides refresher training, and (d) the PCC performs reviews of the timeliness of purchase card reconciliations and certifications. The Regional Office Director agreed and reported that as of April 2004 a new Billing Officer had been appointed. Cardholders with single purchase limits exceeding \$2,500 were given complete training classes that entitled them to the appropriate warrants. As of April 29, 2004, the PCC provided refresher training and began performing monthly reviews of all cardholder billing statements for timeliness. The implementation actions are acceptable, and we consider the issues resolved.

## **Vocational Rehabilitation and Employment – Entitlement Determinations Should Be Timely and Case Status Data Accurate**

**Conditions Needing Improvement.** VR&E management needed to improve the timeliness of entitlement determinations and the accuracy of case status reporting in the Benefits Delivery Network (BDN) system. To evaluate VR&E claims processing and case management, we reviewed the VBA Balanced Scorecard and a judgment sample of counseling, evaluation/planning, and rehabilitation (CER) folders for 40 veterans enrolled in the VR&E program.

**Timeliness of Entitlement Determinations.** A critical measurement of timeliness on the Balanced Scorecard is the number of days it takes VR&E to notify veterans of their entitlement to benefits once VR&E staff receives an application. For the 6-month period October 2003–March 2004, VR&E’s average time to complete entitlement determinations was 90.5 days, which was more than 30 days longer than the FY 2004 timeliness target of 60 days.

In addition, our CER folder review also indicated a need to improve timeliness. For 15 of the 40 cases (38 percent) reviewed, VR&E staff did not complete entitlement determinations within the 60-day target. Processing time for these 15 cases ranged from 61 days to 428 days. The average processing time for all 40 cases was 76 days.

**BDN Accuracy.** VR&E staff assign each participating veteran to a specific case status at each stage of the rehabilitation process. Generally, veterans who are actively pursuing training should progress from application through the four stages of evaluation and planning, rehabilitation to employment, employment services, and rehabilitated status. Veterans who are temporarily inactive in the program should be assigned to interrupted status. Veterans who leave the program and have not been rehabilitated should be assigned to discontinued status.

In 8 of the 40 (20 percent) cases reviewed, VR&E staff did not accurately report the veterans’ status in the BDN system. All eight cases were shown in the system as being active when they should have been placed in discontinued status. For example, in one case BDN showed the veteran as being in an evaluation and planning status, but he had not participated in the program since July 2002. Inaccurate case status data inflates VR&E workload and may skew performance measures.

**Suggested Improvement Actions.** We suggested that the Regional Office Director ensure that: (a) VR&E entitlement determinations are processed timely and (b) case status is accurately reported in the BDN system. The Regional Office Director agreed and reported that the timeliness of entitlement determinations had been emphasized to staff, actions had been taken to handle any backlog of pending cases, and that the regional office planned to meet the national timeliness standard by September 2004. At quarterly all-staff training sessions, VR&E staff will be reminded of the need for accuracy in the assignment of case status. Further, VR&E supervisors will meet monthly with VR&E staff to review all quality and timeliness issues. The improvement plans are acceptable, and we consider the issues resolved.

## Regional Office Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** May 14, 2004

**From:** Director, Kristine A. Arnold (346/00)

**Subject:** CAP Review Report

**To:** Myra Taylor, VA Office of Inspector General (52SE)

1. Attached is the response to the OIG CAP Site Review.
2. I appreciate the courtesy and cooperativeness displayed by you and all members of the IG Team throughout this review process.

*(original signed by:)*

KRISTINE A. ARNOLD

## **Seattle VA Regional Office Director's Comments Response to the Office of Inspector General Combined Assessment Report**

### **Comments and Implementation Plan**

#### **OIG Recommendation(s)**

##### **1. Hospital Adjustments – Benefit Payments for Hospitalized Veterans Should Be Promptly Reduced**

**Recommended Improvement Actions 1.** We recommend that the Regional Office Director ensure that: (a) VSC management coordinate with appropriate PSHCS staff to ensure VSC is notified when veterans are hospitalized, (b) VSC staff properly process adjustments upon notification to prevent overpayments, and (c) VSC management follows through with action to adjust payments identified by the CAP review and the VSC self-assessment.

#### **Concur with recommended improvement actions**

##### **a. VSC management coordinate with appropriate PSHCS staff to ensure VSC is notified when veterans are hospitalized:**

**Planned Action:** In an effort to make sure we were meeting the manual requirements on processing hospital adjustments, we made contact with Nikko Tiahrt-Conrad, Contract Nursing Home (CNH) Supervisor, in January 2004. We asked to be placed on the list of people who are notified monthly of CNH patient updates. In February 2004, we received a copy of the listing of veterans hospitalized more than 90 days at Government expense at Puget Sound Health Care Systems. VSC management has made arrangements to receive these listings monthly.

##### **b. VSC staff properly process adjustments upon notification to prevent overpayments:**

**Planned Action:** Training Letter 03-05 on hospital adjustments was issued on November 7, 2003, to address findings and recommendations regarding hospital adjustments. This fast letter made training on this topic mandatory. We conducted this training in December 2003. The training letter was revised on February 25, 2004, to provide run times for the hospital admission reports.

**c. VSC management follows through with action to adjust payments identified by the CAP review and the VSC self-assessment:**

**Planned Action:** Due process was sent on these claims at the end of March 2004. We are required to provide a 60-day due process period and diary our pending issue for 65 days. These cases will be ready for adjustment in early June 2004. All adjustments will be completed by June 15, 2004.

**OIG Suggestion(s)**

**2. Government Purchase Card Program – Control Should Be Strengthened**

**Suggested Improvement Actions.** We suggest that the Regional Office Director ensure that: (a) purchase card duties are properly separated, (b) all cardholders with single purchase limits exceeding \$2,500 are trained and warranted as contracting officers, (c) the PCC maintains required training documentation and provides refresher training, and (d) the PCC performs reviews of the timeliness of purchase card reconciliations and certifications.

**Concur with recommended improvement actions**

**a. Purchase card duties are properly separated:**

**Planned Action:** A new Billing Officer was named by the Regional Office on April 7, 2004.

**b. All cardholders with single purchase limits exceeding \$2,500 are trained and warranted as contracting officers:**

**Planned Action:** All credit card holders with limits over \$2,500 had proper training and a valid warrant as of April 1, 2004.

**c. The PCC maintains required training documentation and provides refresher training:**

**Planned Action:** As of April 29, 2004 the newly appointed PCC has conducted training for those cardholders in need of refresher training. Approving Official training was conducted on April 27, 2004.

**d. The PCC performs reviews of the timeliness of purchase card reconciliations and certifications:**

**Planned Action:** The PCC and the Head of the Contracting Activity will meet on the last Thursday of each month to review all cardholder statements for timeliness. The first monthly meeting was held on April 29, 2004.

**3. Vocational Rehabilitation and Employment – Entitlement Determinations Should Be Timely and Case Status Data Accurate**

**Suggested Improvement Actions.** We suggest that the Regional Office Director ensure that: (a) VR&E entitlement determinations are processed timely and (b) case status is accurately reported in the BDN system.

**Concur with suggested improvement actions**

**a. VR&E entitlement determinations are processed timely:**

**Planned Action:** The VR&E management team acknowledges that the division is not currently meeting national or local timeliness standards for entitlement determination. On December 8, 2003, station and division management identified the need for improvement in this area and developed a plan to address this issue. Specifically:

1. Our goal is to meet the national standard by September 30, 2004. We have established monthly benchmarks to monitor and measure progress toward this goal.
2. We have informed each Initial Evaluation Counselor of the importance of timely determinations. We will evaluate each Counselor on this measure as an element of his or her individual performance appraisal.
3. We are now referring cases to private sector vendors for initial assessments. This will expedite the elimination of any backlog of pending cases, particularly in remote areas of the state.

**b. Case status is accurately reported in the BDN system:**

**Planned Action:** Keeping the BDN CAST (320) Screen current and accurate is an on-going issue that has its roots in a variety of sources. Some are training issues, some are telecommunication (remote processing) issues and some are resource issues. We plan to address each of these sources. Our goal is that case status accuracy will meet or exceed nationally accepted standards by September 30, 2004.

1. This station has quarterly all-staff trainings, the last two being December 10 and 11, 2003, and March 10 and 11, 2004. Our next scheduled all-staff training is be June 9 and 10, 2004, and will continue to emphasize the need for accuracy in the area of assignment of case status.
2. In March 2004, the Supervisors began to meet at least monthly with their Counselors to review all quality and timeliness issues.

## 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 should be reduced for certain veterans who were hospitalized at Government expense for extended periods.	\$527,596

## OIG Contact and Staff Acknowledgments

OIG Contact	David Sumrall (206) 220-6654
Acknowledgments	Myra Taylor Sherry Ware Kevin Day Gary Humble Barry Johnson Scott Severns Melinda Toom Jim Eckrich



## Report Distribution

### **VA Distribution**

Office of the Secretary  
Veterans Benefits Administration  
Assistant Secretaries  
General Counsel  
Director, Western Area  
Director, VA Regional Office Seattle  
Veterans Integrated Service Network Director (10N20)  
Chief Executive Officer, VA Puget Sound Health Care System (663/00)

### **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  
U.S. Senate: Maria Cantwell, Larry Craig, Mike Crapo, Patty Murray  
U.S. House of Representatives: Brian Baird, Norm Dicks, Jennifer Dunn, Doc Hastings, Jay Inslee, Rick Larsen, Jim McDermott, George Nethercutt, C.L. "Butch" Otter, Adam Smith

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