



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Little Rock, Arkansas

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.
- 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.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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Executive Summary

Introduction

During the week of November 1–5, 2004, the Office of the Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Little Rock, AR. The regional office is part of the Veterans Benefits Administration's (VBA) Central 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 provided fraud and integrity awareness training to 110 regional office employees.

Results of Review

This CAP review covered 10 areas. The VARO complied with selected standards in the following areas:

- Benefits Delivery Network (BDN) Security
- Compensation and Pension (C&P) Locked Files
- C&P One-Time Payments
- C&P Payments for Incarcerated Veterans

Based on our review, the following organizational strength was identified:

- Controls over benefits for incarcerated veterans were effective.

We identified six areas that needed additional management attention. To improve operations, the following recommendations were made:

- Improve controls over C&P future examinations.
- Promptly adjust C&P payments to veterans hospitalized at Government expense for extended periods.
- Reduce C&P payments for veterans with children receiving Dependents' Educational Assistance (Chapter 35) benefits.
- Include all required information in the Information Technology (IT) Contingency Plan and limit employee Local Area Network (LAN) access to the hours necessary to perform assigned duties.

- Consider using the national IT contract when purchasing IT equipment for Chapter 31 beneficiaries.
- Strengthen controls to make sure fiduciaries are adequately bonded to protect the interests of beneficiaries.

This report was prepared under the direction of Mr. William Withrow, Director, and Mr. Joe Janasz, CAP Review Coordinator, Kansas City Audit Operations Division.

Central Area Director and VARO Little Rock Director Comments

The Directors agreed with the CAP review findings and recommendations and provided acceptable improvement plans. (See Appendixes A and B, pages 12–18, for the full text of the Directors' comments.) We will follow up on the implementation of planned improvement actions.

(original signed by:)

RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization and Programs. VARO Little Rock provides C&P, Vocational Rehabilitation and Employment (VR&E), and burial benefits to eligible veterans, dependents, and survivors. The estimated veteran population served by the regional office is 277,000.

During Fiscal Year (FY) 2004, the regional office authorized about \$414 million in C&P payments for 35,000 beneficiaries. VR&E benefits totaling about \$4.8 million were paid to 2,791 beneficiaries. In addition, the regional office provided fiduciary oversight for 1,428 incompetent veterans and other beneficiaries.

Resources. In FY 2004, the regional office had general operating expenses of about \$9.5 million, and staffing totaled 120 full-time equivalent 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 the CAP review are to:

- Conduct recurring evaluations of selected health care facility and regional office operations focusing on patient care, quality management, benefits, 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 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 10 operational activities:

Automated Information Systems	C&P Payments for Incarcerated
BDN Security	Veterans
C&P Future Examinations	Dependents' Educational Assistance
C&P Hospital Adjustments	(Chapter 35) Benefits
C&P Locked Files	Fiduciary and Field Examinations
C&P One-Time Payments	(F&FE) Administration
	Government Purchase Card Program

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strength section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4–11).

During the CAP review, we also presented 3 fraud and integrity awareness briefings that were attended by 110 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 Strength

Controls over C&P Benefits for Incarcerated Veterans Were Effective. VBA policy requires that Veterans Service Center (VSC) staff reduce C&P benefits for veterans incarcerated in Federal, state, or local penal institutions in excess of 60 days. Pension benefits are to be terminated and compensation benefits reduced for veterans convicted of felonies. VSC staff review monthly listings of matches between the C&P Master Record File and the Social Security Administration and Bureau of Prisons' state prisoner data. We reviewed benefit payment records of 55 veterans whose names appeared on the monthly listings during the 6-month period March–September 2004. The regional office had properly taken action in all 55 cases, reducing or terminating benefits when appropriate.

Opportunities for Improvement

Compensation and Pension Future Examinations – Controls Needed To Ensure Medical Examinations Are Conducted and Award Reductions Processed

Condition Needing Improvement. VSC staff did not establish proper controls to ensure that future VA medical examinations are conducted and that award reductions are processed. As a result, the benefits of veterans with 100 percent service-connected compensation for disabilities subject to reduction were not reduced, even though claims files did not contain evidence that the veterans continued to be treated for their conditions. Also, one veteran was awarded compensation benefits for a presumptive condition secondary to exposure to Agent Orange that was not supported by evidence.

Veterans with specific disabilities are granted 100 percent service-connection while undergoing treatment for certain diseases and conditions. The majority of the disabilities result from orthopedic conditions such as knee surgery or joint replacement. However, the regional office's rating board can grant 100 percent service-connection for veterans who are undergoing treatments for cancer or have had heart surgery, if the conditions either were incurred in service or were secondary to Agent Orange exposure. These conditions require future VA medical examinations to determine whether the veterans are still receiving treatments and whether reductions in the 100 percent evaluations are warranted.

To ensure that the required future VA medical examinations are performed, rating specialists enter future examination dates into the rating decisions. When Veteran Service Representatives (VSRs) input awards, they should enter future examination dates into the BDN 301 screen. Before the examination date, BDN generates a VA Form 21-2507a (Request for VA Examination). Once this form is generated, the claims folder is pulled from the file bank, and the form and the folder are sent to the rating board for review and scheduling of the examination. After the examination is completed, the rating board reviews the evidence of record. If the veteran is still receiving treatment, the 100 percent evaluation is continued and another future examination is scheduled. If the veteran is no longer receiving treatment, the rating specialist will reduce the 100 percent evaluation and assign the appropriate disability level for any residual disability.

We reviewed a sample of 41 compensation cases from a universe of 121. These veterans were receiving 100 percent service-connected compensation for disabilities potentially subject to reduction. For 20 of the 41 cases, VSC staff did not make sure examinations were conducted or that award reductions were processed.

- For 10 cases, the rating specialists did not annotate on the rating decisions the need for future examinations to determine if the 100 percent evaluations were still appropriate.
- For four cases, the rating specialists annotated the need for future examinations; however, the VSRs did not enter the dates of the future examinations into BDN, and no further actions were taken.
- For four cases, future examination dates were input into BDN, but VSC staff did not schedule the examinations.
- For two cases, examinations were conducted, and the rating specialists proposed reductions in the evaluations. However, the VSRs who input the awards into BDN did not send due process notices to the veterans, and no further actions were taken on the proposed reductions.

We referred these 20 cases to the VSC Manager and a Decision Review Officer to determine if the conditions continued to warrant the 100 percent evaluations. In 14 cases, the veterans were still undergoing treatments or new information was obtained to support the awards. Therefore, the 100 percent evaluations should continue. The VSC Manager stated that future examination dates would be entered into BDN. For the remaining six cases, the veterans' benefits should have been reduced but were not.

No Evidence of Treatments. For three of the six cases, the claims files and medical records did not contain any evidence that the veterans continued to receive treatments for their conditions. Therefore, the 100 percent evaluations should have been reduced. Based on the evidence in the claims files, we estimate that these three veterans were overpaid \$187,603 and would have received an additional \$433,795 through FY 2009.

Veterans No Longer Receiving Treatments. For two of the six cases, examinations showed that the veterans were no longer receiving treatments for their conditions, and the rating specialists proposed reductions in the veterans' evaluations. However, no further actions were taken on these cases. The two veterans were overpaid \$139,732 and would have received an additional \$129,167 through FY 2009.

Presumptive Awards Not Supported. For one of the six cases, VSC staff improperly granted service connection for a presumptive condition secondary to Agent Orange exposure. VA regulations require the veteran to have served in Vietnam to be granted service connection for this presumptive condition. However, there was no evidence in the claims file substantiating that this veteran had served in Vietnam. Thus, this veteran received payments totaling \$110,064 that were not supported.

VSC management agreed with our findings and stated they would conduct refresher training and remind VSC staff to ensure future examination dates are input into BDN.

Recommended Improvement Action 1. We recommended that the Central Area Director make sure that the Regional Office Director requires VSC to: (a) make appropriate award adjustments for the cases involving evaluations that should be reduced, (b) change the service-connection status of the veteran who did not serve in Vietnam, (c) establish a control to ensure VSRs input future examination dates into BDN, and (d) conduct refresher training for rating specialists to ensure disabilities subject to reduction are reduced when appropriate.

The Area and Regional Office Directors agreed with the finding and recommendations and stated that action was being taken to resolve the six cases identified in the review. In four cases, VARO staff initiated the process to reduce awards. In the other two cases, VARO staff requested "immediate" examinations and will take appropriate actions upon receipt of the examination results. VARO staff conducted refresher training for VSRs on procedures to follow in cases where disabilities are subject to reduction. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Compensation and Pension Hospital Adjustments – Benefit Adjustments Needed Improvement

Condition Needing Improvement. VSC staff did not adjust C&P benefits for veterans hospitalized at Government expense. In certain situations, Federal law requires adjustments of C&P payments to hospitalized veterans. For example, payments to veterans who are entitled to an aid and attendance allowance in addition to their regular C&P benefits generally must be reduced to the lower housebound rate if the veterans are hospitalized at Government expense for a period exceeding 1 full calendar month.

At our request, VA medical centers in Little Rock and Fayetteville, AR; Poplar Bluff, MO; and Memphis, TN; identified 245 veterans hospitalized at Government expense for 90 days or more as of September 1, 2004. We reviewed the BDN records of these 245 veterans and identified 29 whose benefits were subject to reduction. Of the 29 cases, VSC staff appropriately adjusted 10. The following actions were needed on the remaining 19 cases:

- For 15 veterans whose cases were managed at VARO Little Rock, C&P payments needed to be reduced. These 15 veterans had been overpaid \$195,952.
- Benefits also needed to be reduced on four veterans' cases managed at three other VAROs (VAROs Milwaukee, WI; Montgomery, AL; and Seattle, WA). These veterans were overpaid \$238,785.

The 19 veterans were overpaid \$434,737. VSC staff at VARO Little Rock and the three other VAROs agreed that the C&P payments should have been reduced and told us that actions had been taken to adjust the payments.

VA policy requires VSC staff to run several reports from the Automated Medical Information Exchange (AMIE) system each month to identify hospitalized veterans who are subject to benefit adjustments. If the veteran's claims file is managed by the VARO, VSC staff should adjust benefits if needed. If the veteran's claims file is managed by another VARO or if the veteran is receiving pension, VSC staff should refer the information to the appropriate VARO or Pension Maintenance Center (PMC) to adjust benefits if needed.

VSC staff ran the appropriate AMIE reports each month. However, C&P payments had not been reduced, primarily because VSC staff did not act on this information to initiate the adjustments or had coded incorrect entitlement information, causing the veterans to be omitted from the reports. Also, PMC staff said they did not receive referrals from VARO Little Rock, and VSC staff did not document their referrals to the PMC.

As a result of our review, VSC management implemented new procedures for the proper handling of AMIE reports. These procedures include having the Triage Team Coach review all hospital reports to determine if award actions are necessary. Also, VARO management stated that a mechanism to track referrals to other VAROs and PMCs would be implemented.

Recommended Improvement Action 2. We recommended that the Central Area Director make sure the Regional Office Director requires that VSC staff: (a) adjust the payments to the 19 veterans hospitalized at Government expense for extended periods, (b) promptly process all adjustments upon notification, and (c) provide refresher training to VSC staff on the proper procedures for reducing C&P benefits for veterans hospitalized at Government expense.

The Area and Regional Office Directors agreed with the finding and recommendations and stated that VARO staff took appropriate actions to properly adjust the records of the 19 veterans identified. VSC implemented procedures that ensure the generation and processing of all hospitalization notifications and provided refresher training on the proper procedures for reducing C&P benefits for veterans hospitalized at Government expense. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Compensation and Pension Claims Processing – Compensation Payments to Veterans Should Be Reduced when Veterans' Children Receive Chapter 35 Benefits

Condition Needing Improvement. VSC staff did not properly reduce C&P payments to veterans receiving additional compensation for school aged children who were receiving Chapter 35 benefits. Dependents of veterans receiving compensation for a permanent 100 percent disability are eligible to receive Chapter 35 benefits. When a VBA Regional

Processing Office (RPO) awards a Chapter 35 benefit, the RPO's Education Division is required to notify the VARO having jurisdiction over the veteran's claim file. The VARO's VSC staff is then required to discontinue the veteran's additional compensation for the school-aged children receiving Chapter 35 benefits.

We identified 12 veterans receiving additional compensation benefits for children who were receiving Chapter 35 benefits. VSC staff was in the process of reducing benefits for 2 veterans, but no action was taken on the other 10 veterans. RPO staff at VARO Muskogee, OK told us that they sent e-mail notices of the Chapter 35 awards to VARO Little Rock; however, VSC staff stated that they had not received these notices. VSC staff stated that these e-mails are not kept and there is no tracking mechanism to make sure notices sent by RPO staff are received by VSC staff. Consequently, 10 veterans were overpaid approximately \$24,500.

During our review, VSC management initiated action to reduce the benefits for the 10 veterans and revised the workflow process to ensure that all awards for Chapter 35 benefits are identified and appropriate actions taken.

Recommended Improvement Action 3. We recommended that the Central Area Director make sure that the Regional Office Director requires VSC staff to: (a) reduce the C&P payments for the 10 veterans inappropriately receiving additional compensation for school-aged children, and (b) implement a tracking mechanism to ensure that RPO notices of Chapter 35 awards are identified and appropriate actions are taken.

The Area and Regional Office Directors agreed with the finding and recommendations and stated that VARO staff took action to reduce the C&P payments for the 10 veterans identified. The RPO established an electronic mailbox and VARO point of contact to receive future notifications of Chapter 35 awards. The Triage Team Coach or their designee reviews the mailbox daily, prints copies, and forwards them to the VSRs for claims processing. A log of all reduction notifications is reviewed to make sure reductions in benefits are processed when needed. VSC staff maintains copies of each notification to assure all notifications are logged in. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Information Technology Security – Improvements Were Needed To Comply with VA and Local Policies

Condition Needing Improvement. VARO managers needed to strengthen IT security. We found adequate security plans, risk assessments, and password controls, and critical data backups were being regularly performed. However, we identified two areas that required management attention.

The IT Contingency Plan did not include an inventory of IT equipment. National Institute of Standards and Technology standards require that the IT Contingency Plan

include a current IT equipment inventory to accurately assess damage sustained in the event of minor or major service disruptions.

For certain employees, LAN log-on hours did not match corresponding work shifts. Our review of 10 user accounts identified 9 with 18-hour LAN access and 1 with 24-hour LAN access 7 days a week. VA policy requires restricting LAN access to the users' specific duty hours to mitigate the threat of unauthorized modifications of data and software.

Recommended Improvement Action 4. We recommended that the Central Area Director make sure that the Regional Office Director: (a) includes an IT equipment inventory in all copies of the IT Contingency Plan, and (b) limits user LAN access to the hours necessary to perform assigned duties.

The Area and Regional Office Directors agreed with the finding and recommendations and stated that VARO staff added an inventory of IT equipment to the IT Contingency Plan and updated all copies. Also, VARO staff reduced the number of user accounts with 24-hour, 7 days a week access from 11 to 3 and the number of accounts with 18-hour, 7 days a week access from 116 to 29. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Purchase Card Program – VA's National IT Contract Should Be Considered for Chapter 31 IT Purchases

Condition Needing Improvement. VR&E staff should consider using the national IT contract when purchasing IT items for Chapter 31 beneficiaries. We found no evidence of fraud, personal use, or split purchases using Government purchase cards. IT purchases were proper and represented legitimate veterans' needs. However, VR&E staff could realize cost savings by using VA's national IT contract when feasible.

In January 2002, VA required that VA facilities purchase IT equipment at discount rates from a national IT contract that included a consortium of vendors. However, in December 2002 the Assistant Secretary for Information and Technology granted a waiver exempting all VAROs from using the contract for Chapter 31 purchases because the contract did not provide certain brands of equipment needed for veterans. In FY 2004, VR&E staff made 85 Chapter 31 IT purchases totaling \$177,217. We reviewed a judgment sample of five IT purchases totaling \$8,766, and determined that compatible, if not identical, IT equipment could have been purchased from the national contract at a savings of approximately 25 percent. If the national contract had been considered for all FY 2004 Chapter 31 IT purchases, savings of up to \$43,601 could have been realized. The VR&E Chief agreed that IT purchases could be made through the national contract and that the contract would be considered in the future.

Recommended Improvement Action 5. We recommended that the Central Area Director make sure that the Regional Office Director instructs VR&E staff to use the national IT contract when it meets VR&E objectives.

The Area and Regional Office Directors agreed with the finding and recommendation and stated that in November 2004 VARO staff began using the national contract for Chapter 31 purchases when it meets VR&E objectives. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Fiduciary and Field Examinations – Fiduciaries Need To Be Adequately Bonded To Protect Beneficiary Interests

Condition Needing Improvement. F&FE staff needed to make sure that fiduciaries were adequately bonded to protect the interests of beneficiaries. The basic function of the F&FE program is to protect the interests of minors and incompetent veterans through effective estate supervision. VA policy requires that bonds be considered for fiduciaries of all beneficiaries with estates totaling more than \$20,000. If F&FE staff decide that a bond is not needed, the basis for the decision must be documented in the Principal Guardianship File (PGF).

We reviewed a judgment sample of 15 PGFs for beneficiaries with estates over \$20,000 and found that the fiduciaries of 4 beneficiaries were not sufficiently bonded or considered for bonding.

- In two cases, F&FE staff identified the need for bonds or increases in the bond amounts totaling \$60,606 and sent letters to the fiduciaries requesting that they obtain appropriate bonds. However, F&FE staff did not establish a diary control to ensure these requests were answered. As a result, appropriate bonds were not obtained for these two veteran estates. The F&FE manager agreed that these cases had not been monitored appropriately.
- In two other cases, F&FE staff did not consider bonding because the beneficiaries were the widows of veterans but not veterans themselves. However, one of these estates totaled \$157,113 and the other totaled \$25,376. The F&FE manager stated that bonds were not considered because staff misunderstood VA policy.

Recommended Improvement Action 6. We recommended that the Central Area Director make sure that the Regional Office Director: (a) requires F&FE staff to establish proper controls to obtain bonds when required, (b) provides F&FE staff refresher training on bonding requirements, and (c) directs F&FE staff to obtain bonds or document reasons for not obtaining bonds in the four cases identified in our review.

The Area and Regional Office Directors agreed with the finding and recommendations and stated that VARO staff was implementing controls to ensure bonds were obtained when required. All field examiners annotate all field examination reports to show

whether a bond is required. If the bond is not received within 90 days, a field examiner is assigned to appoint another payee. Refresher training on bonding requirements has been conducted. For the four cases cited in the review, VARO staff obtained bonds in two cases and documented reasons for not obtaining bonds in the other two cases. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Central Area Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: January 10, 2005
From: Central Area Director
Subject: **Combined Assessment Program Review of the VA
Regional Office Little Rock, Arkansas**
To: Assistant Inspector General for Auditing (52)

We concur with the Little Rock Regional Office's comments and actions plans included in Little Rock's response.

If you have any questions, please contact me at (918) 781-7900.

(original signed by:)

WILLIAM D. FILLMAN, JR.

Regional Office Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: January 7, 2005
From: Regional Office Director
Subject: **Combined Assessment Program Review of the VA
Regional Office Little Rock, Arkansas**
To: Assistant Inspector General for Auditing (52)

We concur with the recommendations, suggestions, and monetary benefits contained in the Draft Report - Combined Assessment Program Review of the VA Regional Office, Little Rock, AR (Project No. 2004-03331-R5-0450). Our responses to the report's recommendations and suggestions are contained in the following pages.

We appreciate the thorough review conducted by the Kansas City Audit Team and compliment them for their courteous manner, professionalism, and technical expertise. We thank all members of the team for their audit of our station. We would like to especially thank Mr. Joe Janasz, Audit Manager, for his support, cooperation, and timely communication throughout this review. In addition, we extend our appreciation to Mr. Tom Godeaux, Resident Agent-in-Charge, for conducting fraud and integrity awareness briefings for our employees during the review.

If you have any questions, please contact me at (501) 370-3700.

(original signed by:)

WILLIAM E. NICHOLAS

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

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

OIG Recommendation(s)

Recommended Improvement Action 1. We recommend that the Central Area Director ensure that the Regional Office Director requires VSC to: (a) make appropriate award adjustments for the cases involving evaluations that should be reduced, (b) change the service-connection status of the veteran who did not serve in Vietnam, (c) establish a control to ensure VSRs input future examination dates into BDN, and (d) conduct refresher training for rating specialists to ensure disabilities subject to reduction are reduced when appropriate.

Concur **Target Completion Date:** February 2005

(a) We developed for due process on two separate cases. Diaries in January 2005 have been established for appropriate action.

(b) In regard to the case where entitlement to presumptive service connection was granted without evidence of in-country service in Vietnam, it is noted that the veteran is now deceased. His date of death was October 24, 2004, and action has been taken to terminate benefits.

(c) On the three cases where veterans were granted 100 percent evaluations for conditions subject to a reduction, the following information is provided:

One veteran was receiving benefits at the 100 percent rate for non-Hodgkin's lymphoma. Medical evidence shows the veteran's last chemotherapy treatment was March 2001. VA Medical Center treatment report of November 17, 2004, shows the cancer to be in remission with no current residual disability. Based on this information, a rating decision dated December 29, 2004, proposed to reduce the evaluation under 38 CFR 3.105(e) to 0 percent following due process notification sent December 30, 2004.

"Immediate" routine future examinations were requested for the other two cases on December 1, 2004. As of December 28, 2004, they remained pending. Upon receipt of the examinations, action will be taken.

(d) Refresher training for the Rating Veterans Service Representatives (RVSRs) will be conducted in January 2005 on the procedures to follow in cases where disabilities are subject to reduction.

Recommended Improvement Action 2. We recommend that the Central Area Director make sure the Regional Office Director requires that VSC staff: (a) adjust the payments to the 19 veterans hospitalized at Government expense for extended periods, (b) promptly process all adjustments upon notification, and (c) provide refresher training to VSC staff on the proper procedures for reducing C&P benefits for veterans hospitalized at Government expense.

Concur **Target Completion Date:** January 2005

(a) We have taken appropriate action to properly adjust the records of the 19 veterans identified by the CAP review.

(b) The VSC has implemented procedures whereby all requisite hospitalization reports are generated and processed accordingly. The VSC has updated their Compensation and Pension Record Interchange (CAPRI)/AMIE User Plan to incorporate procedural changes for the generation of these reports.

(c) Refresher training on the proper procedures for reducing C&P benefits for veterans hospitalized at government expense will be conducted on January 12, 2005.

Recommended Improvement Action 3. We recommend that the Central Area Director make sure that the Regional Office Director requires VSC staff to: (a) reduce the C&P payments for the 10 veterans inappropriately receiving additional compensation for school aged children and (b) implement a tracking mechanism to ensure that RPO notices of Chapter 35 awards are identified and appropriate actions are taken.

Concur **Target Completion Date:** Completed Nov 2004

(a) We have taken action to reduce the C&P payments for the 10 veterans identified by the CAP review.

(b) An electronic mailbox and station point of contact have been established for the RPO to send future notifications of Chapter 35 awards. The mailbox is reviewed daily and copies are printed for each notification received by the Coach, Triage Team, or his designee. The copies are sent to the VSRs for claims processing. A log has been established to show the veteran's name, veteran's claim number, name of the claimant, date the notification was received, name of the VSR the claim was assigned to, date reviewed, if it was determined that no action was necessary, if due process was required, date due process will expire, and the date the award was adjusted, if necessary. The log is reviewed to assure that each notification that requires a reduction of benefits is processed.

In addition, the program analyst assigned to the VSC Manager staff maintains a copy of each notification to compare to the log to assure all notifications are logged in.

Recommended Improvement Action 4. We recommend that the Central Area Director make sure that the Regional Office Director: (a) includes an IT equipment inventory in all copies of the IT Contingency Plan and (b) limits user LAN access to the hours necessary to perform assigned duties.

Concur **Target Completion Date:** Completed Jan 2005

(a) An inventory of IT equipment has been added to the IT Contingency Plan and copies provided in accordance with plan distribution.

(b) Action was taken November 5, 2004, to limit LAN access to specific business hours. Users with 24-hour access 7 days a week were reduced from 11 to 3. Users with 18-hour access 7 days a week were reduced from 116 to 29.

Recommended Improvement Action 5. We recommend that the Central Area Director ensure that the Regional Office Director instructs VR&E staff to use the national IT contract when it meets VR&E objectives.

Concur **Target Completion Date:** Completed Nov 2004

We are now using national contracts for Chapter 31 purchases when it meets VR&E objectives. However, we continue to use other sources when it is more advantageous to the government due to cost savings.

Recommended Improvement Action 6. We recommend that the Central Area Director make sure that the Regional Office Director: (a) requires F&FE staff to establish proper controls to obtain bonds when required, (b) provides F&FE staff refresher training on bonding requirements, and (c) directs F&FE staff to obtain bonds or document reasons for not obtaining bonds in the four cases identified in our review.

Concur **Target Completion Date:** Completed Nov 2004

(a) Action to ensure proper controls are placed to obtain bonds when required has been taken. All Field Examiners are now annotating whether or not a bond is required on all field examination reports, in accordance with M21-1, Part VIII, Chapter 10. If a bond is required, the Legal Instrument Examiners are placing diaries in the Fiduciary Beneficiary System (FBS) and the Principal Guardianship File (PGF) for follow-up action. If the needed bond is not received within 90 days, a field examiner is assigned to appoint another payee.

(b) Refresher training on bonding requirements was immediately conducted upon completion of the CAP Review.

(c) The two cases where diaries were not reflected in the PGF had electronic diaries established in the FBS. This information was shared with the reviewer; however, he indicated that the PGF should be annotated with the diary controls as well. We took action to document the PGFs in question with established diaries. These bonds have now been received and are a matter of record.

The remaining two cases identified did not require bonds. These cases were on widow beneficiaries and no bonds were considered based on no estate savings being derived.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1a	Payments to veterans with 100 percent service-connected compensation for disabilities subject to reduction should be reduced.	\$890,297
1b	Payments to veterans with service-connection for conditions secondary to Agent Orange exposure should be stopped.	110,064
2	Payments to certain veterans hospitalized at Government expense for extended periods should be reduced.	434,737
3	Payments to 10 veterans inappropriately receiving additional compensation for school aged children should be stopped.	24,500
5	Contracts should be considered when purchasing IT items for Chapter 31 beneficiaries.	<u>43,601</u>
	Total	\$1,503,199

OIG Contact and Staff Acknowledgments

OIG Contact	William Withrow, (816) 426-7100
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Acknowledgments	Tom Godeaux
	Tim Halpin
	Joe Janasz
	Russ Lewis
	Ken Myers
	Jason Schuenemann
	Scott Severns

Report Distribution

VA Distribution

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Non-VA Distribution

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Office of Management and Budget
U.S. Senate: Blanche Lincoln, Mark Pryor
U.S. House of Representatives: Marion Berry, John Boozman, Mike Ross, Vic Snyder

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