



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Sioux Falls, South Dakota

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 period November 15–19, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office Sioux Falls, SD. The regional office is part of the Veterans Benefits Administration (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. We also provided fraud and integrity awareness training to 38 regional office employees.

Results of Review

The CAP review covered 10 regional office operational activities. We identified no significant deficiencies in two activities:

- Benefits Delivery Network Security
- Locked Files

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

- Improve the processing of compensation and pension (C&P) payment adjustments for hospitalized veterans.
- Improve the timeliness of field examinations and accountings, follow up on delinquent accountings, and properly authorize fees or commissions paid to fiduciaries.
- Develop information technology contingency and security plans, obtain accreditation of automated information systems (AIS), and upgrade security and environmental controls for the computer room.
- Properly process C&P system messages.
- Improve controls over retroactive payments of \$25,000 or more.
- Record the dates of Vocational Rehabilitation and Education (VR&E) applications correctly.
- Follow up on the status of incarcerated veterans and reduce payments accordingly.
- Improve the timeliness of rating actions and fiduciary activities to meet “Balanced Scorecard” targets.

This report was prepared under the direction of Mr. Freddie Howell, Jr. Director, and Mr. William J. Gerow, Jr., Audit Manager, Chicago Audit Operations Division.

Regional Office Director Comments

The Regional Office Director agreed with the findings and recommendations and provided acceptable implementation plans. (See pages 13-18 for the full text of the Director's comments.) We will follow up on planned actions until they are completed.

(original signed by:)

RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization and Programs. The regional office provides C&P, VR&E, and burial benefits to eligible veterans, dependents, and survivors in South Dakota. The estimated veteran population served by the regional office is 76,800.

During Fiscal Year (FY) 2004, the regional office authorized about \$91 million in C&P payments for 11,257 veterans and other beneficiaries. VR&E benefits totaling about \$2.6 million were paid to 1,008 veterans and other beneficiaries. In addition, the regional office provided fiduciary oversight for 484 incompetent veterans and other beneficiaries.

On May 16, 2004, the regional office was organizationally separated from the former VA Medical and Regional Office Center (VAMROC) Sioux Falls. The regional office's first and current Director was appointed in June 2004.

Resources. In FY 2004, regional office operating expenditures were about \$2.8 million. As of October 2004, the regional office had 39 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 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. 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 10 activities on the following page:

Automated Information Systems Security	Incarcerated Veterans
Benefits Delivery Network Security	Locked Files
C&P System Messages	Retroactive Payments
Director's Performance Standards	Vocational Rehabilitation and
Fiduciary and Field Examinations	Employment
Hospital Adjustments	

The review covered regional office operations for FYs 2003, 2004, and 2005 through October 2004 and was done in accordance with OIG standard operating procedures for CAP reviews.

Activities needing improvement are discussed in the Opportunities for Improvement section (pages 3–12). For these activities, we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented.

Results of Review

Opportunities for Improvement

Hospital Adjustments – Benefit Payments for Hospitalized Veterans Needed To Be Reduced

Condition Needing Improvement. Veterans Service Center (VSC) staff needed to improve the process of adjusting C&P benefits for veterans hospitalized for extended periods. In certain situations, Federal law requires that VA reduce C&P payments to veterans hospitalized for 90 days or more at Government expense. As of October 2004, there were 129 veterans who had been hospitalized continuously for 90 days or more at the VA Black Hills Healthcare System and at the VA Medical Center Sioux Falls. Benefits Delivery Network (BDN) data showed that 38 of these veterans had received payments that could be subject to reduction due to extended hospitalizations.

Among a judgment sample of 18 of these 38 veterans, there were 5 whose C&P payments had not been properly adjusted by VSC and VA St. Paul Pension Maintenance Center (PMC) staff. This resulted in overpayments totaling \$30,221. Four of these overpayments occurred because VSC or PMC staff had not used information provided by VA's Automated Medical Information Exchange (AMIE) system. The other occurred because staff calculated a wrong effective date. The five cases that needed adjustments were:

- VSC staff did not act on AMIE information regarding a veteran's admission to a VA-contracted nursing home, resulting in an \$11,739 overpayment.
- VSC staff overlooked an AMIE notification in a veteran's records when they restored compensation payments after a change in Federal law. VSC staff awarded a "basic" special monthly compensation rate instead of a reduced "hospital" special monthly compensation rate, resulting in a \$7,218 overpayment.
- VSC staff did not extract information from AMIE regarding a veteran's admission to a VA-contracted nursing home, resulting in a \$3,348 overpayment.
- PMC staff did act on an AMIE notification that VSC staff stated had been forwarded to the PMC, resulting in a \$2,124 overpayment. (Available regional office records did not show whether this notification had been sent or not.)
- VSC staff incorrectly calculated the effective date when processing a payment reduction, resulting in a \$5,792 overpayment.

As a result of our review, VSC staff took action to adjust payments to these five veterans.

Recommended Improvement Action 1. We recommended that the Regional Office Director: (a) establish controls to ensure that VSC staff properly process C&P payment adjustments for hospitalized veterans and follow up when necessary with PMC staff, and (b) ensure that VSC staff review the 20 hospitalization cases not reviewed in our sample and, if necessary, adjust payments.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that as of January 6, 2005, South Dakota VA medical facilities were providing supplemental admission and discharge information for contract nursing homes, which will ensure that proper adjustments are made and which will facilitate proper referrals to the PMC.

Fiduciary and Field Examinations – Timeliness of Field Examinations and Accounting Functions Needed To Be Improved

Condition Needing Improvement. Regional office management needed to improve the timeliness of field examinations and accountings. VBA policy requires that Fiduciary and Field Examination (F&FE) staff conduct an initial appointment examination within 45 days of receiving notification that a veteran has been declared incompetent. Subsequent examinations can be scheduled from 1–3 years later, depending on the veteran’s physical or mental condition and living environment. These subsequent examinations must be completed within 120 days of the scheduled date.

F&FE staff are responsible for protecting the interests of incompetent or minor beneficiaries by appointing fiduciaries when necessary to manage beneficiary funds and by monitoring fiduciary activities. One method used to monitor fiduciary activities is to require fiduciaries to submit periodic accountings listing beneficiaries’ assets, income, and expenses. VBA policy requires that F&FE staff analyze these accountings for appropriateness within 14 days of receiving them. If a fiduciary does not submit a required accounting within 90 days of its due date, F&FE staff must refer the case to a field examiner, the OIG, or a VA Regional Counsel for follow-up. In addition, the VSC Manager must authorize any fees or commissions paid to fiduciaries.

Field Examinations. As of November 16, 2004, “Work-in-Process” reports from VBA’s automated Fiduciary-Beneficiary System showed that 38 of 70 pending field examinations (54 percent) exceeded timeliness standards. In addition, our review of a judgment sample of 21 incompetent veterans’ Principal Guardianship Files (PGFs) showed that 5 (24 percent) did not meet these standards:

- One initial appointment examination exceeded the 45-day standard by 155 days.
- Four subsequent field examinations exceeded the 120-day standard from 105 days to about 5 years.

Accountings. As of November 16, 2004, “Work-in-Process” reports showed that F&FE staff had not analyzed any of 55 pending accountings within the 14-day standard. The “Account Due Report” also showed that in 24 of 45 cases fiduciaries were overdue from 140 to 509 days in submitting required accountings. In addition, our review of 16 PGFs identified 15 deficiencies among 12 of them:

- F&FE staff had not analyzed two accountings within the required 14 days.
- Fiduciaries had not filed 10 required accountings, and F&FE staff did not follow up on or refer 8 of these cases to a field examiner, the OIG, or a VA Regional Counsel.
- PGFs did not contain documentation that the VSC Manager authorized payments of fees or commissions to three fiduciaries.

The VSC Manager attributed the backlog in performing field examinations, in following up on delinquent accounts, and in analyzing accountings to limited staffing in the F&FE unit. Two new F&FE staff were added in March and April 2004, which should reduce these backlogs. The September 2004 “Balanced Scorecard” report noted timeliness problems related to various F&FE functions. These timeliness problems are further discussed in the Director’s Performance Standards section of this report on page 11.

Recommended Improvement Action 2. We recommended that the Regional Office Director ensure that: (a) F&FE staff complete field examinations and accountings within required timeliness standards; (b) F&FE staff follow up on delinquent accountings from fiduciaries and, when required, refer delinquencies to field examiners, the OIG, or a VA Regional Counsel; and (c) the VSC Manager authorizes fees or commissions paid to fiduciaries.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that F&FE staffing levels are now adequate to timely process accounting and field examinations and the training for two newly hired staff is mostly complete. Initial appointments are now compliant with timeliness standards, and accountings and follow-up field examinations will be compliant by October 1, 2005. Delinquent accounts have been identified and are being followed up by F&FE staff. In addition, as of November 19, 2004, the VSC Manager was authorizing fees and commissions paid to fiduciaries.

Automated Information Systems Security – Contingency and Security Plans Needed To Be Developed and Other Security Controls Improved

Condition Needing Improvement. Contingency and security plans needed to be developed, AIS needed to be certified, and computer room security needed to be improved. Staff responsible for AIS security promptly terminated user privileges when required, backed up critical data for offsite storage, and provided security awareness

training to employees. However, management needed to improve security controls in four other areas.

Contingency Plans. Regional office staff had not prepared contingency plans for major automated application and support systems. VBA policies require that regional offices develop, document, maintain, and test AIS contingency plans. Contingency plans must designate an alternate processing site to provide backup AIS services in an emergency and must provide detailed technical information about all systems and their security requirements and controls. Plans must be communicated to the appropriate users and must be stored off site with the backup data.

Security Plans. Regional office staff had not prepared security plans for major automated application and support systems such as the BDN or the local area network. VBA policy requires that security plans be prepared according to the “VBA Security Plan Templates for Major Applications or General Support Systems.” The plans must provide a basic overview of security and privacy requirements, describe programmatic controls and rules of behavior for securing the systems, and define staff responsibilities.

Certification and Accreditation. The AIS that supported regional office operations and assets were not accredited and certified as required by VA policy. Before accreditation, each system should undergo technical certification evaluations. The evaluations must demonstrate that security safeguards are adequate and appropriate before authorization is given to activate a system.

Computer Room Security. VA and VBA policies require that environmental safeguards be installed to protect AIS resources. At a minimum, a computer room must have the following environmental safeguards: fire prevention, detection, and suppression; water hazard prevention and detection; uninterrupted power supply; temperature and humidity control; magnetism protection; and good housekeeping procedures. The computer room did not have a sprinkler system, an uninterrupted power supply, or smoke, water, and heat detectors. The lack of any one of these safeguards could negatively affect operations.

The AIS security requirements discussed above are normally the responsibility of an Information Security Officer (ISO). However, until May 2004, the regional office was organizationally part of the former VAMROC Sioux Falls and received AIS security support from the medical center’s ISO. In addition, until May 2004, the regional office was included in the medical center’s contingency and security plans. At the time of our review, the regional office had no ISO of its own but was in the process of recruiting one. When hired, a new ISO’s first responsibilities should be to address the issues discussed above.

Recommended Improvement Action 3. We recommended that the Regional Office Director take action to: (a) develop contingency plans, (b) develop security plans, (c)

obtain accreditation and certification of AIS, and (d) upgrade security and environmental controls for the computer room.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that the regional office hired an ISO who will, by October 1, 2005, develop contingency and security plans specifically for regional office needs. The regional office is working with the VA Office of Facilities, Access and Administration and the Network Support Center to help develop these plans. In addition, the Network Support Center is assisting the regional office in obtaining accreditation and certification of its AIS, which is to be completed by October 1, 2005. The computer room now has an uninterrupted power supply and smoke detection, and a sprinkler system and water and heat protectors will be installed by October 1, 2005.

Compensation and Pension System Messages — System Messages Needed To Be Acted Upon Promptly

Condition Needing Improvement. VSC staff needed to improve the processing of automated C&P system messages. The BDN system automatically generates system messages that alert VSC staff to take some kind of action. This action may include award adjustment, correction of BDN data, verification that an indicated action has already occurred, or the forwarding of the message to another VA entity for action. For example, when a compensation or pension record in the BDN matches a Social Security Administration (SSA) death record, the BDN system generates an “SSA Death Mismatch” message. This would require VSC staff to determine if a VA beneficiary had died. VBA policy requires that VSC staff review system messages when they are received, take appropriate actions, and establish any necessary automated controls.

We reviewed a judgment sample of 56 messages generated during July and August 2004. Of the 56 messages, 52 (93 percent) had not been properly processed in some respect. In some cases, VSC or PMC staff did not adjust or release payments to veterans. For example:

- VSC staff did not forward two clothing allowance-related system messages to a Veterans Health Administration Prosthetics Representative. Consequently, two veterans did not receive the clothing allowances they were due. During our review, a VSC supervisor took action to instruct the Prosthetics Representative to release \$1,188 to one veteran and \$588 to the other.
- PMC staff did not process two system messages that VSC staff stated had been forwarded to the PMC. (Available regional office records did not show whether these notifications had been sent or not.) In one of the cases, the system message should have resulted in a payment increase of \$598 per month. During our review, the VSC

supervisor acted to adjust that veteran's payment. There was no monetary impact for the other case.

In other cases, VSC staff did not correct dependency data recorded in the BDN to prevent it from generating unnecessary system messages. For example:

- From October 1993 to August 2004, the BDN system generated 42 identical dependency status messages for a veteran because VSC staff had not taken action to correct dependency data in the BDN. In a similar example, from February 1995 to August 2004, the BDN system generated 23 identical dependency status messages for another veteran.
- The BDN system generated four system messages for four veterans because VSC staff had not reset automated diary controls related to dependency information.

There were other problems related to the processing of system messages. For example:

- VSC staff took incorrect credit for work related to the processing of 14 messages and did not annotate another 8 messages to show what work credit was taken. For example, in one case VSC staff took work credit for making a correction when they should not have. In another example, VSC staff wrote a letter to a claimant but took work credit for reopening a claim. In three other cases, VSC staff took less credit for work than they were entitled to.
- VSC staff took too long to process system messages. VBA policy requires that automated controls be established within 7 days and that the related actions be performed promptly. VSC staff took an average of 76 days to process 42 of the 56 sampled messages. Because of incomplete information, we were unable to determine an average processing time for the other 14 messages. Not processing system messages promptly can increase the amounts of overpayments or underpayments to beneficiaries.

Recommended Improvement Action 4. We recommended that the Regional Office Director establish controls to ensure that: (a) BDN system messages are properly processed, and (b) VSC staff follow up with PMC staff when necessary.

The Regional Office Director agreed with the findings and recommendation and provided acceptable improvement plans. The Director reported that as of January 6, 2005, training had been provided to staff who process system messages and that regional office management will monitor all receipts and ensure that controls are working and that referrals are made to the PMC. In addition, bi-annual Statistical Analysis of Operations will measure improvement and institute corrective action if necessary.

Retroactive Payments – Review Procedures Needed To Be Improved

Condition Needing Improvement. Regional office controls for retroactive C&P benefit payments of \$25,000 or more needed to be improved. VBA policy requires that a VSC claims processor and a senior claims processor review and authorize retroactive payments of less than \$25,000. For payments of \$25,000 or more, VBA policy requires that a VSC supervisor conduct a third review before payments are released. In addition, regional office Directors or Assistant Directors are required to review claims folder documentation to verify the validity of these payments.

To evaluate regional office retroactive payment controls, we reviewed a judgment sample of 76 payments with a combined value of \$3.2 million. The payments occurred between October 3, 2002, and September 1, 2004. Of the payments reviewed, 47 were subject to a supervisory third review. All 76 payments were valid. However, the following control deficiencies needed to be addressed.

Third Reviews by Supervisors. VBA policy requires that VSC supervisors document their reviews and approvals of retroactive payments of \$25,000 or more by signing and dating award transaction documents in the veterans' claims folders. For 2 of the 47 retroactive payments (4 percent), a supervisory third review was not documented in the claims folders. According to the VSC Manager, VSC staff overlooked these two payments in the supervisory third review process. There was also no documentation to show that the Director, who did review them, returned them to VSC for a supervisory third review, nor were they referenced in the Director's verification notice to VBA.

Director's Verification Reviews. VBA policy requires that regional office Directors or Assistant Directors complete required verification reviews of retroactive payments of \$25,000 or more within 15 days of payment notifications. The Director (at the time, the Director of the former VAMROC) performed two verification reviews late, one by 27 days and the other by 40 days.

Recommended Improvement Action 5. We recommended that the Regional Office Director ensure that: (a) VSC staff improve controls to ensure that retroactive payments over \$25,000 receive a supervisory third review, and (b) that the Director's verification reviews are completed timely.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that as of November 19, 2004, supervisory third reviews are checked at the time of the Director's verification review and corrective actions taken, if necessary. In addition, as of November 19, 2004, all reviews by the current Director were in compliance with timeliness standards.

Vocational Rehabilitation and Employment – Accuracy of Application Dates Needed To Be Improved

Condition Needing Improvement. VR&E and VSC staff needed to improve the accuracy of recording application dates in automated case management systems for disabled veterans who applied for VR&E benefits. So that VR&E staff and regional office managers can measure the progress of processing applications, VBA policy requires that regional office staff enter the dates they receive VR&E applications into both the Corporate WINRS¹ (CWINRS) system and the BDN system. To determine if data recorded in these two systems and among paper application records maintained in veterans' Counseling, Evaluation, and Rehabilitation (CER) files was accurate, we reviewed a judgment sample of 20 cases and found the following inconsistencies:

- In three cases, application dates in the CWINRS system did not agree with dates in both the BDN system and in CER records.
- In three cases, application dates in the BDN system did not agree with dates in the CWINRS system, although they agreed with dates in CER records.
- In two cases, application dates were not recorded in the CWINRS system, and the dates that were recorded in the BDN system did not agree with dates in CER records.

Recording the correct application dates in the CWINRS and BDN systems is necessary to determine if applications are processed within VBA standards.

Recommended Improvement Action 6. We recommended that the Regional Office Director establish controls to ensure that VR&E and VSC staff enter correct VR&E application dates into the CWINRS and BDN systems.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that as of December 17, 2004, local procedures required staff to manually check the application dates in the CWINRS and BDN systems.

Incarcerated Veterans – Benefit Payments to an Incarcerated Veteran Needed To Be Reduced

Condition Needing Improvement. VSC staff needed to reduce benefits for one incarcerated veteran. Federal law requires that VA reduce compensation payments to incarcerated veterans on the 61st day following a felony conviction and discontinue pension payments to incarcerated veterans on the 61st day following either a felony or a misdemeanor conviction.

¹ Corporate WINRS is a VR&E electronic case management system. The acronym was derived from the five regional office pilot test stations for the original program: Winston-Salem, Indianapolis, Newark, Roanoke, and Seattle.

According to information from the SSA and the Bureau of Prisons, from August 2003 through September 2004 there were 43 incarcerated South Dakota veterans entitled to either compensation or pension benefits. From a judgment sample of 32 of these veterans, there were 31 for whom VSC staff properly reduced benefits. However, because VSC staff did not follow up on the status of one veteran incarcerated in December 2002, benefits to that veteran were not reduced. VSC staff had been unable to confirm the veteran's location. At our request, VSC staff made a follow-up telephone call to prison officials who confirmed the veteran's incarceration. The telephone call revealed that the veteran had been transferred between two prison facilities, which caused confusion about his prison status.

During our review, VSC staff reduced the veteran's compensation to the appropriate level. This also created an overpayment of \$2,059, representing the difference between the veteran's 20 percent service connected disability rating and the 10 percent level required by law.

Recommended Improvement Action 7. We recommended that the Regional Office Director ensure that VSC staff follow up on incarcerated veterans when necessary to determine their status and reduce payments accordingly.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that, as of November 19, 2004, reports of incarcerated veterans are consolidated and assigned to a Senior Veterans Service Representative to ensure proper adjustment and follow up.

Director's Performance Standards – Two Areas Needed To Be Improved

Condition Needing Improvement. There were two regional office functions related to the Director's performance standards that needed to be improved. Although regional office management complied with VBA policies regarding the administration of benefits and closely monitored the accuracy, quality, and timeliness of benefits processing, the September 2004 "C&P Service Systematic Technical Accuracy Review" and the September 2004 "Balanced Scorecard" showed that management needed to reduce the inventory of pending rating claims and improve fiduciary and field examination timeliness.

Rating Decisions. The number of pending rating decisions needed to be reduced:

- The regional office's pending inventory of rating decisions was 1,376, which was 25 percent above the national "Balanced Scorecard" performance goal of 1,098.
- The average time rating decisions remained pending was 96 days, which was 5 percent longer than the performance goal of 91 days.

- Regional office staff used 129 days to complete the processing of rating decisions, which was 32 percent longer than the performance goal of 98 days.

Fiduciary Activities. As discussed on page 4, regional office staff also needed to improve the timeliness of certain fiduciary-related activities:

- Twenty-three percent of initial fiduciary appointments exceeded 45 days, compared to a national “Balanced Scorecard” performance goal of 8 percent.
- Thirty-five percent of fiduciary benefit appointments took more than 120 days to process, compared to a performance goal of 8 percent.
- Twenty-nine percent of fiduciary benefit appointments were pending longer than 120 days, compared to a performance goal of 12 percent.

The Regional Office Director stated that he expects the addition of two new F&FE staff in March and April 2004 will improve performance.

Recommended Improvement Action 8. We recommended that the Regional Office Director continue to monitor timeliness of rating actions and fiduciary activities to meet “Balanced Scorecard” performance goals.

The Regional Office Director agreed with the findings and recommendations and provided acceptable improvement plans. The Director reported that performance indicators are monitored to determine the best utilization of overtime funds and to make adjustments to work assignments.

Regional Office Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: January 27, 2005
From: Director, VA Regional Office Sioux Falls, SD (438/00)
Subject: CAP Review Report
To: Director, Chicago Audit Operations Division (52CH)

Enclosed is the Dakotas Regional Office, Sioux Falls Campus, response to the Combined Assessment Program (CAP) Review Draft Report. I concur with the recommendations and suggested improvement actions for our station. Attached is information concerning specific corrective actions.

We appreciate the analysis and cooperation provided by the audit team. Their findings, along with our corrective actions, provides opportunity to improve our operation.

Should you have any questions regarding our reply, please contact me at (605) 333-6825.

(original signed by:)

JOHN SMITH

Enclosure

Regional Office Director 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 1. We recommend that the Regional Office Director (a) establish controls to ensure that VSC staff properly process C&P payment adjustments for hospitalized veterans and follow up when necessary with PMC staff

Concur **Target Completion Date:** 01/06/05

The medical center now provides a supplemental listing of individuals admitted and/or discharged from contract nursing homes. This listing is in addition to the routine AMIE reports currently being processed. Management is reviewing this supplemental report and provides oversight for all AMIE reports. This increased reporting and oversight will ensure proper adjustments are made should coding errors occur at the medical center and also to facilitate proper referrals to the Pension Maintenance Center.

and (b) ensure that VSC staff review the 20 hospitalization cases not reviewed in our sample and, if necessary, adjust payments.

Concur **Target Completion Date:** 01/06/05

The 20 hospitalization cases identified have been reviewed and adjusted as necessary.

Recommended Improvement Action 2. We recommend that the Regional Office Director ensure that: (a) F&FE staff complete field examinations and accountings within required timeliness standards;

Concur **Target Completion Date:** 10/01/05

Staffing levels are adequate to timely process accountings and field examinations following the hiring of two examiners last fiscal year. The majority of their training is now complete and great progress has been made to complete the 14-month backlog that occurred when staffing levels were inadequate. Initial appointments are currently 100% compliant and anticipate compliance with accountings and follow-up field examinations by the end of fiscal year 2005.

(b) F&FE staff follow up on delinquent accountings from fiduciaries and, when required, refer delinquencies to field examiners, the OIG, or a Regional Counsel;

Concur **Target Completion Date:** 10/01/05

Delinquent accountings from fiduciaries have been identified and are being followed up on by F&FE staff. Delinquencies will be referred for further action as needed.

and (c) the VSC Manager authorizes fees or commissions paid to fiduciaries.

Concur **Target Completion Date:** 11/19/04

The VSC Manager authorizes all fees or commissions paid to fiduciaries.

Recommended Improvement Action 3. We recommend that the Regional Office Director take action to: (a) develop contingency plans,

Concur **Target Completion Date:** 10/01/05

The regional office (RO) contingency plans were incorporated as part of the medical center's plans by reference prior to management changes occurring in June 2004. The recent gain in December 2004 of an independent Information Security Officer (ISO) for the RO establishes a resource with the ability to formulate contingency plans designed specifically for our needs.

(b) develop security plans,

Concur

Target Completion Date: 10/01/05

The regional office (RO) security plans were incorporated as part of the medical center's plans by reference prior to management changes occurring in June 2004. The recent gain in December 2004 of an independent Information Security Officer (ISO) for the RO establishes a resource with the ability to formulate security plans designed specifically for our needs.

(c) obtain accreditation and certification of automated systems,

Concur

Target Completion Date: 10/01/05

We are currently working with the Office of Facilities, Access & Administration and the Network Support Center (NSC) to help develop contingency and security plans. The NSC is also assisting us with obtaining accreditation and certification of our automated systems.

and (d) upgrade security and environmental controls for the computer room.

Concur

Target Completion Date: 10/01/05

Computer room security will incorporate a sprinkler system, water detector, and heat detector by the end of this fiscal year. A work order has been requested for a local contractor to complete these actions. The computer room currently has an uninterrupted power supply and smoke detection.

Recommended Improvement Action 4. We recommend that the Regional Office Director establish controls to ensure that BDN system messages are properly processed and followed up with PMC staff when necessary.

Concur

Target Completion Date: 01/06/05

Appropriate training with staff involved with processing system messages is completed. Management will initially monitor all receipts and ensure controls are established and/or referred to the Pension Maintenance Center. Statistical Analysis of Operation (SAO) is scheduled bi-annually to measure improvement and institute a means for corrective action, if necessary.

Recommended Improvement Action 5. We recommend that the Regional Office Director ensure that (a) VSC staff improve controls to ensure that retroactive payments over \$25,000 receive a supervisory third review

Concur **Target Completion Date:** 11/19/04

Completion of a supervisory third review is checked at the time of the Director's verification review. If a third review has not been completed, the claim file is returned to appropriate supervisory personnel for action.

and (b) that the Director's verification reviews are completed timely.

Concur **Target Completion Date:** 11/19/04

All reviews by the current Director are within time frames. Appropriate backup exists to maintain compliance.

Recommended Improvement Action 6. We recommend that the Regional Office Director establish controls to ensure that VR&E and VSC staff enter correct VR&E application dates into the CWINRS and BDN systems.

Concur **Target Completion Date:** 12/17/04

Local procedures now include a requirement to manually check all files verifying that correct application dates are used in CWINRS and BDN. In the near future, consolidation of BDN and CWINRS functions is anticipated which would eliminate and/or minimize disparities.

Recommended Improvement Action 7. We recommend that the Regional Office Director ensure that VSC staff follow up on incarcerated veterans when necessary to determine their status and reduce payments accordingly.

Concur **Target Completion Date:** 11/19/04

Reports of incarcerated veterans are consolidated and assigned to a Senior VSR to ensure proper adjustment and follow up.

Recommended Improvement Action 8. We recommend that the Regional Office Director continue to monitor timeliness of rating actions and fiduciary activities to meet Balanced Scorecard performance goals.

Concur **Target Completion Date:** 10/01/05

Rating Decisions: Variations in fiscal year Balanced Scorecard performance consider shifts in workflow and staffing/training levels. Inventory goals for this fiscal year are being met with performance lags in average time to complete and average days pending for rating decisions. These performance indicators are monitored to determine the best utilization of overtime funds and make adjustments to work assignments within the organization.

Fiduciary Activities: Addressed in recommended improvement action 2.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Benefit payments to veterans hospitalized at Government expense for extended periods should be reduced.	\$30,221
7	Benefit payments to an incarcerated veteran should be reduced.	2,059
	Total	\$32,280

OIG Contact and Staff Acknowledgments

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Acknowledgments	Larry Chinn Patricia Conliss William J. Gerow, Jr. Raymond Jurkiewicz Cherie Palmer Jennifer Roberts Ora Dell Young
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