



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

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## **Combined Assessment Program Review of the VA Regional Office San Juan, Puerto Rico**

## **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 July 25–August 3, 2005, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) San Juan, PR. The regional office is part of the Veterans Benefits Administration (VBA) Southern 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 5 fraud and integrity awareness briefings that were attended by 110 regional office employees.

### **Results of Review**

This CAP review focused on 12 areas. The regional office complied with selected standards in the following five areas:

- Automated Information Systems (AIS) Security
- Benefits Delivery Network (BDN) Security
- Claims Folder Security
- Compensation and Pension (C&P) Large Retroactive Payment Controls
- Fiduciary and Field Examinations

We identified seven areas that needed additional management attention. The following recommendations were made to both the Southern Area Director and the Regional Office Director:

- Improve controls over future C&P examinations.
- Reduce C&P payments for veterans with children receiving Dependents' Educational Assistance (Chapter 35) benefits.
- Reduce benefit payments for veterans hospitalized for extended periods of time at Government expense.
- Promptly reduce benefit payments for incarcerated veterans.
- Promptly adjust benefit reductions and terminations to ensure that C&P overpayments are minimized.
- Promptly process C&P system messages.
- Strengthen management controls over Government purchase cards.

We also made a recommendation to the Southern Area Director to coordinate with the Eastern Area Director to ensure that the Pension Maintenance Center (PMC) adjusts benefits for veterans hospitalized at Government expense for extended periods of time and initiates appropriate collection actions.

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

### **Southern Area Director and Regional Office Director Comments**

The Southern Area Director and the Regional Office Director agreed with the CAP review findings and recommendations and provided acceptable improvement plans. (See Appendixes A and B, pages 11-19, for the full text of the Directors' comments.) We will follow up on the implementation of recommended improvement actions until they are completed.

*(original signed by:)*

JON A. WOODITCH  
Deputy Inspector General

## Introduction

### Regional Office Profile

**Organization and Programs.** The regional office administers disability pension, disability compensation, survivor benefits, vocational rehabilitation and employment (VR&E) services, loan guarantee services, and Dependents' Educational Assistance to eligible veterans, dependents, and survivors residing in the Commonwealth of Puerto Rico and the U.S. Virgin Islands. The veteran population in the regional office's jurisdiction is approximately 151,000. Approximately 42,000 veterans and survivors are in receipt of C&P benefits, and over 750 veterans are receiving VR&E services. The regional office provides fiduciary oversight for over 3,500 incompetent veterans and other beneficiaries. Fiscal year (FY) 2004 benefit expenditures were about \$388 million.

The Regional Processing Office (RPO), located at VARO Atlanta administers education benefits to veterans residing in the regional office's jurisdiction.

**Resources.** In FY 2004, the regional office's general operating expenses were about \$10.7 million, and budgeted general operating expenses for FY 2005 were \$9.1 million. Staffing as of March 31, 2005, was 142 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 claim processing, financial, and administrative activities to evaluate the effectiveness of benefits delivery and general management and operational controls. The benefits delivery process ensures that veterans' claims for benefits and requests for services are processed promptly and accurately. Management and operational controls include the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure attainment of organizational goals.

In performing the CAP review, we inspected work areas; interviewed managers and employees; and reviewed beneficiary files and financial and administrative records. The review covered selected aspects of the following 12 areas:

AIS Security	C&P Large Retroactive Payment
BDN Security	Controls
Claims Folder Security	C&P Payments for Incarcerated
C&P Accounts Receivable Management	Veterans
C&P Benefits for School Aged Children	C&P System Messages
C&P Future Examinations	Fiduciary and Field Examinations
C&P Hospital Adjustments	Government Purchase Card Program

The review covered facility operations for FY 2004 and FY 2005 through July 2005 and was done in accordance with OIG standard operating procedures for CAP reviews.

In this report we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For activities not discussed in the Opportunities for Improvement section, there were no reportable deficiencies.

During the review, we also presented 5 fraud and integrity awareness briefings attended by 110 regional office employees. The briefings covered procedures for reporting suspected criminal activities to the OIG and included case-specific examples illustrating procurement fraud, false claims, conflicts of interest, and bribery.

## Results of Review

### Opportunities for Improvement

#### Compensation and Pension Future Examinations – Required Medical Examinations Needed To Be Requested

**Condition Needing Improvement.** Veterans Service Center (VSC) personnel did not ensure that required future VA medical examinations were scheduled. As a result, the benefits of veterans with 100 percent service-connected compensation for disabilities subject to reduction were not reduced, even though their treatments had ended.

Veterans with specific disabilities are granted 100 percent service-connection while undergoing treatments 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 condition was incurred in service or was secondary to exposure to Agent Orange. In all cases, these conditions require future VA medical examinations in order to determine if the veterans' medical treatments have been completed and if the 100 percent compensation awards are still warranted.

In order to ensure that the required future VA medical examination takes place, a rating veterans service representative (RVSR) records a future examination date on the rating decision, which is input into BDN. Prior to the date of the future examination, BDN generates a VA Form 21-2507a (Request for VA Examination). An RVSR should review the veteran's claims folder and form, and then schedule the examination. When the VA medical examination is completed, the RVSR reviews the examination report and any other pertinent evidence. If the veteran is still receiving treatment, the RVSR should continue the 100 percent evaluation and, if appropriate, enter another future examination date into BDN. If the veteran is no longer receiving treatment, the RVSR should reduce the 100 percent evaluation and assign the appropriate evaluation for any remaining residual conditions.

We reviewed the records for 32 veterans with 100 percent evaluations that were potentially subject to reduction. For 20 (63 percent) of the 32 veterans, VSC personnel did not make sure future examinations were requested or conducted to determine if the veterans were still receiving treatments and if the veterans still met the criteria for 100 percent evaluations.

The 20 veterans' claim folders did not contain any medical evidence showing continued treatments, and therefore the 100 percent evaluations should not have continued. VSC staff sent the 20 claims folders for VA medical examinations in order to determine if the



veterans were still entitled to the 100 percent evaluations. Five of the veterans were still receiving treatments for their 100 percent evaluated conditions. The regional office appropriately confirmed and continued the five veterans' 100 percent evaluations. The remaining 15 veterans may have been overpaid \$1,533,778 at the time of our review and could receive additional overpayments estimated at \$1,026,360 through FY 2010, for a total estimated overpayment of \$2,560,138.

The VSC Manager agreed with our findings and estimates of potential overpayments and immediately implemented a new training session for RVSRs designed to reinforce the need for future examinations. Additionally, VSC management reminded personnel to ensure that all future examination dates are input into BDN.

**Recommendation 1.** We recommended that the Southern Area Director ensure that the Regional Office Director requires VSC personnel to: (a) make appropriate award adjustments for the cases involving evaluations that should be reduced, (b) conduct refresher training for all RVSRs regarding conditions subject to future examinations, and (c) ensure that future examinations are ordered at appropriate intervals in order to maintain control over cases.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. They stated they had reviewed the 20 cases identified, and issued due process for reductions where appropriate. They conducted training for all RVSRs on diagnostic codes and diary codes input. They also conducted training for all VSC personnel on inputting future examinations when a confirmed and continued rating requires it. The Regional Office Director will implement and conduct a quarterly review for FY 2006 in order to determine if the training efforts have been successful. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## **Compensation and Pension Claims Processing – Payments Should Be Reduced When Veterans' Children Receive Chapter 35 Educational Benefits**

**Condition Needing Improvement.** VSC personnel did not reduce the compensation payments to veterans receiving additional compensation for school-aged children who were receiving Chapter 35 educational benefits. Dependents of veterans who receive compensation for permanent 100 percent disabilities are eligible to receive education assistance while attending school. When an RPO awards a Chapter 35 benefit, the RPO's Education Division is required to notify the VARO having jurisdiction over the veteran's claims folder.<sup>1</sup> The VARO's VSC staff is then required to discontinue the veteran's additional compensation.

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<sup>1</sup> The four RPOs are located at VAROs Atlanta, GA; Buffalo, NY; St. Louis, MO; and Muskogee, OK.

We identified 25 veterans receiving additional compensation for children who were also receiving Chapter 35 benefits. VSC personnel did not identify these veterans because either they did not check BDN for Chapter 35 awards or overlooked the Chapter 35 notifications in the veterans' claims folders. This resulted in overpayments of \$88,023.

During our review, VSC management initiated action to reduce the benefits for the 25 veterans. They also initiated refresher training on proper actions to be taken when a Chapter 35 benefit notification is received, and revised the work process to ensure all awards of Chapter 35 benefits are identified and timely taken. By promptly reducing the veterans' benefits, scheduled future payments of \$97,871 will be avoided. The overpayments and cost avoidance totaled \$185,894.

**Recommendation 2.** We recommended that the Southern Area Director make sure that the Regional Office Director requires VSC personnel to (a) reduce the compensation payments for the 25 veterans inappropriately receiving compensation for school-aged children and (b) implement a tracking mechanism to ensure that RPO notices of Chapter 35 awards are identified and veterans' benefits are reduced.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. They completed all actions to reduce the compensation payments for the 25 veterans as of September 30, 2005. They provided instructions to the Post Determination Team and will provide follow-up training for all Veterans Service Representatives (VSRs) of the Post Determination Team on how to handle the Chapter 35 benefits adjustments. The Regional Office Director will implement and conduct a quarterly review for FY 2006 in order to determine if the control and procedure efforts have been successful. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## **Compensation and Pension Hospital Adjustments – Payments to Veterans Hospitalized at Government Expense Needed To Be Reduced**

**Condition Needing Improvement.** C&P payments to veterans hospitalized for extended periods of time at Government expense were not reduced as required by Federal law. For example, payments to veterans who are entitled to an aid and attendance allowance in addition to their regular disability pension or compensation benefits generally must be reduced to the lower housebound rate if the veterans are hospitalized at Government expense for periods exceeding a full calendar month.

At our request, VA Medical Center (VAMC) San Juan identified 76 veterans who had been continuously hospitalized at Government expense for 90 days or more as of June 1, 2005. We compared the information provided by VAMC San Juan with C&P system records and identified 10 veterans whose C&P payments had not been reduced as required. As of July 2005, these veterans were overpaid \$40,608.

- VARO San Juan overpaid two veterans \$13,730 because VSC personnel did not take appropriate actions when they received notices of the veterans' hospitalizations.
- The Philadelphia PMC overpaid eight veterans \$26,878 because PMC personnel did not make the adjustments to the pension benefits of the hospitalized veterans.<sup>2</sup>

VSC staff at VARO San Juan agreed that the C&P payments should have been reduced and informed us that actions were in process to adjust the payments.

**Recommendation 3.** We recommended that the Southern Area Director ensure that the Regional Office Director requires VSC personnel to (a) adjust benefits for the two veterans identified by our review and initiate collection actions where necessary and (b) provide refresher training for VSC personnel at least annually concerning required reductions of C&P payments to hospitalized veterans.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. They stated that the reductions have been completed as required, refresher training for VSC personnel has been scheduled, and that refresher training will be incorporated in the Annual Training Plan. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

**Recommendation 4.** We recommended that the Southern Area Director coordinate with the Eastern Area Director to ensure that the Philadelphia PMC (a) adjusts benefits for the eight veterans identified by our review and initiates collection actions where necessary and (b) provides refresher training for personnel at least annually concerning required reductions of C&P payments to hospitalized veterans.

The Southern Area Director contacted the Eastern Area Office, which has jurisdiction over the Philadelphia PMC, and notified them of the eight hospital adjustments pending at the PMC. Three of the cases have already been adjusted. Two of the cases have had benefits terminated due to death of the veteran. The remaining three cases will be adjusted by October 25, 2005. The Southern Area Office will work with the Eastern Area Office to ensure refresher training will be incorporated in the PMC's Annual Training Plan. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## **Compensation and Pension Payments for Incarcerated Veterans – Benefit Payments for Incarcerated Veterans Should Be Promptly Reduced**

**Condition Needing Improvement.** VSC management needed to improve the timeliness of benefit reviews and adjustments for incarcerated veterans. Under Federal law, a

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<sup>2</sup> PMCs are responsible for processing all activity related to established pension cases. The three PMCs are located at VAROs Philadelphia, PA; Milwaukee, WI; and St. Paul, MN.

veteran imprisoned in a Federal, State, or local institution within the U.S. is subject to a reduction or discontinuance of C&P benefits. VA has agreements with the Bureau of Prisons and the Social Security Administration under which VA is provided monthly listings of inmates who may also be VA beneficiaries. VBA policy requires VSC staff to review the monthly listings and reduce benefit payments for veterans who have been incarcerated more than 60 days and who meet the benefit adjustment criteria.

For the period May 2004 to May 2005, the VSC received 1 Bureau of Prisons and 4 Social Security Administration listings that identified 10 veterans whose C&P benefits could potentially be reduced or discontinued. We reviewed the 10 veterans' claims folders and found that 8 veterans were incarcerated more than 60 days. We reviewed the claims folders of the eight veterans and found that, as a result of our initial inquiry, the regional office had sent due process letters to notify the veterans that their benefits would be reduced or terminated. One of the veterans responded to the due process letter stating he was not the veteran identified. The regional office will verify the status of this veteran. The overpayments for the remaining seven veterans totaled \$37,447.

**Recommendation 5.** We recommended that the Southern Area Director ensure that the Regional Office Director requires that VSC personnel: (a) reduce the C&P payments for the six veterans receiving compensation benefits, terminate the C&P payment for the one veteran receiving pension benefits, and verify the identity and status of the other individual who responded to the due process letter; and (b) promptly review Bureau of Prisons and Social Security Administration reports, initiate due process, and reduce benefit payments for incarcerated veterans as appropriate.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. They stated that one of the eight veterans did not require a reduction or termination. Two of the eight were still pending due process, and the benefits had been adjusted for the remaining five. The VSC Manager has issued a policy that requires the Post Determination Team Coach to provide a monthly report to the VSC Manager on the incarcerated veterans reports received from the Bureau of Prisons and Social Security Administration. The VSC Manager will also forward copies of the reports to the Director's office for additional review and follow-up as necessary. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## **Compensation and Pension Accounts Receivable – Benefit Reductions and Terminations Needed to be Processed Promptly**

**Condition Needing Improvement.** VSC management needed to improve the timeliness of benefit reductions and terminations to minimize overpayments. When first party information is received directly from a beneficiary indicating that benefits need to be reduced or terminated, VSC personnel should take immediate award action to avoid or minimize overpayments. If information is received from a third party, VSC personnel

must send a notice informing the beneficiary of the proposed reduction or termination of benefits and give the beneficiary an opportunity to offer evidence or arguments to show why the proposed action should not be taken. This notification states that the beneficiary has 60 days to respond, payments will continue for the 60-day period, the beneficiary must repay any overpayment resulting from the continuation of payments, and the beneficiary may minimize any potential overpayment by requesting that benefits be adjusted immediately. VSC personnel should take award action immediately upon receipt of notification from the beneficiary agreeing with the proposed action, or upon expiration of the 60-day period, to avoid additional overpayments.

We reviewed the records for 19 veterans with C&P accounts receivable exceeding \$1,000 that were established during FY 2005. We found evidence of avoidable delays in 11 (58 percent) of the 19 cases. These avoidable delays caused \$7,819 in additional overpayments. The VSC Manager agreed that processing delays had caused additional overpayments. She advised us that VSC personnel had focused on reducing the backlog of rating cases, and nonrating actions had been delayed.

VSC management is establishing procedures for identifying and processing reductions and terminations to minimize overpayments, and has begun refresher training on the importance of processing reductions and terminations in a timely manner.

**Recommendation 6.** We recommended that the Southern Area Director ensure that the Regional Office Director makes sure (a) appropriate controls are in place for future reductions and terminations to be processed timely and (b) refresher training is provided to VSC personnel on timely award processing to minimize overpayments.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. Additional employees were assigned to the Post Determination Team. The VSC Manager will require a monthly report in a spreadsheet format from the Post Determination Team Coach for any due process end product (EP) with a suspension date that is past due. The report will require the Coach to provide the current status of each past due claim to include the date of the last action. The Regional Office Director will include in the FY 2006 Systematic Analysis of Operations (SAO) schedule a biannual SAO on timeliness of non-rating EPs, to be completed in February and August by the VARO Management Analyst. The Post Determination Team Coach gave training to all VSRs on the team regarding proper and timely actions. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## **Compensation and Pension System Messages – System Messages Needed To Be Acted Upon Promptly**

**Condition Needing Improvement.** VSC management needed to improve the processing of automated BDN system messages. BDN generates VA Forms 20-6560 (Notice of Benefit Payment Transaction) to advise regional offices of potential changes in



beneficiaries' status that can affect benefit payments. VBA policy requires VSC staff to review system messages with the appropriate claims folders and ensure necessary actions are taken.

We selected a judgment sample of 23 system messages coded "Diary Due" that BDN generated during January, February, and March 2005. The messages displayed explanations such as "Review Need for Reevaluation" and "Verify School Attendance." We reviewed the appropriate claims folders and found no evidence that VSC personnel had taken action on 17 (74 percent) of the 23 system messages. VSC management advised us that other activities, such as processing the backlog of pending rating claims, had been their priority and that staffing shortages had made processing system messages difficult. VSC management now requires that all messages are distributed to the Triage Coach or a subject matter expert for immediate action. The VSC Manager was scheduling training sessions for all VSC staff on the importance of promptly acting on these messages.

**Recommendation 7.** We recommended that the Southern Area Director ensure that the Regional Office Director: (a) takes appropriate action to correct the specific deficiencies identified, (b) makes sure refresher training is provided to VSC personnel on system messages, and (c) makes sure VSC personnel take appropriate actions on future system messages.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. They stated that system messages are delivered to the Assistant VSC Manager who performs a review and assigns them to the Triage Coach for distribution and action. Refresher training for all VSC personnel was scheduled. As part of the SAO on timeliness of non-rating EPs, the system messages actions will be reviewed as well. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## **Government Purchase Card Program – Controls Needed Improvement**

**Condition Needing Improvement.** The Government purchase cardholder for convenience check purchases acted as his own approving official, and monthly spending limits for five cardholders needed to be reduced. During the 22-month period beginning October 2003, the 12 regional office cardholders made 948 transactions totaling \$459,000. We judgmentally selected 57 transactions for review and determined that the transactions were justified and adequately documented. However, we found that controls needed improvement in two areas.

The Support Services Division (SSD) Chief was designated as a cardholder for convenience checks. However, the SSD Chief also reconciled and signed as the approving official on the monthly statements. The SSD Chief believed there were adequate controls in place because the Agent Cashier prepared the convenience checks

for the SSD Chief's signature. VBA policy prohibits a cardholder from signing the monthly statements as the approving official. The Purchase Card Coordinator and the SSD Chief agreed to change the procedures.

The monthly spending limits for five VR&E cardholders needed to be reduced. These cardholders had monthly spending limits of \$15,000 each. However, none of the five cardholders had spent more than \$4,900 in any month since October 2003. Excessive monthly spending limits put the Government at unnecessary risk. Monthly spending limits should be set in relation to the actual procurement needs of VR&E. These monthly spending limits should be evaluated periodically and when monthly spending limits are established for new cardholders. The Purchase Card Coordinator agreed that the monthly spending limits should be reduced for the five VR&E cardholders.

**Recommendation 8.** We recommended that the Southern Area Director ensure that the Regional Office Director: (a) assigns an appropriate approving official for the convenience check purchase card, (b) makes sure monthly purchase card statements are properly approved, (c) reduces the monthly spending limits of the five VR&E cardholders, and (d) sets all monthly spending limits according to the actual procurement needs of the office.

The Southern Area and Regional Office Directors agreed with the findings and recommendations. The regional office has revised the procedure to prepare, approve, and reconcile the convenience checks expedited by the SSD. The alternate Agent Cashier was appointed to prepare, sign, and reconcile the convenience checks used by the regional office. The SSD Chief, as the approving official, will continue to review the convenience checks monthly reconciliation and sign the monthly statements accordingly. The regional office has also established strict management controls to ensure constant and adequate monitoring is performed on the VR&E Government purchase cards. The improvement actions taken are acceptable, and we will follow up on the planned actions until they are completed.

## Southern Area Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:**

**From:** Director, Southern Area (20F2)

**Subject:** **Combined Assessment Program Review of the VA  
Regional Office San Juan, Puerto Rico**

**To:** Director, Kansas City Audit Operations Division (52KC)

The Southern Area Office has reviewed the draft report.  
We concur with the IG recommendations as well as the  
response submitted by the San Juan Regional Office.

*(original signed by:)*

Michael A. Dusenbery

Southern Area Director



## Regional Office Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** October 6, 2005

**From:** Director, San Juan Regional Office (355/00)

**Subject:** **Combined Assessment Program Review of the VA  
Regional Office San Juan, Puerto Rico**

**To:** Director, Kansas City Audit Operations Division (52KC)

The San Juan Regional Office has reviewed the draft report. We concur with the IG recommendations.

*(original signed by:)*

Sonia Moreno

Director, San Juan Regional Office

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

The following Director's comments are submitted in response to the recommendations in the OIG's Report:

### **OIG Recommendations**

**Recommendation 1.** We recommend that the Southern Area Director ensure that the Regional Office Director requires VSC personnel to: (a) make appropriate award adjustments for the cases involving evaluations that should be reduced, (b) conduct refresher training for all RVSRs regarding conditions subject to future examinations, and (c) ensure that future examinations are ordered at appropriate intervals in order to maintain control over cases.

**Concur      Target Completion Date: November 30, 2005**

- a) The VSC Manager completed the review of all 20 cases. Two cases have protected evaluations as a result of continuous evaluations at 100 percent service-connected for more than 20 years. Two cases are pending completion of VA examinations. Eleven cases have been issued due process for reductions. Five cases were confirmed and continued after the examination results.
- b) Training for RVSRs is scheduled for October 19, 2005. A Decision Review Officer (DRO) will conduct the training for all RVSRs, DROs, Rating Coach and Appeals Coach. Training will address diagnostic codes and diary codes input.

In addition, the Post Determination Coach was informed that the VSRs were not inputting future examinations by the DIAR Command in BDN when a confirmed and continued rating required a PCLR action of the end product. Training on this matter is scheduled for October 17, 2005, for all VSRs.

- c) The San Juan VA Regional Office Director will implement and conduct a quarterly internal control for FY 2006, in order to determine if the training efforts have been successful.

**Recommendation 2.** We recommend that the Southern Area Director make sure that the Regional Office Director requires VSC personnel to (a) reduce the compensation payments for the 25 veterans inappropriately receiving compensation for school-aged children and (b) implement a tracking mechanism to ensure that RPO notices of Chapter 35 awards are identified and veterans' benefits are reduced.

**Concur      Target Completion Date: October 2005**

- a) As of September 30, 2005, all actions were completed for the 25 cases.
- b) Instructions were provided to the Post Determination Team during one of the team meetings held in August. Follow-up formal training will be conducted in October 2005, for all VSRs of the Post Determination Team on how to handle the Chapter 35 benefits adjustments.

VARO San Juan receives Chapter 35 beneficiary notification from the RPO in a Chapter 35 Mailbox. The Post Determination Coach has been designated as responsible for viewing the mailbox and taking timely action. Upon completed action, a notice will be posted in the VSC Mailbox.

The VARO San Juan Director will implement and conduct a quarterly review for FY 06, in order to determine if the control and procedure efforts have been successful.

**Recommendation 3.** We recommend that the Southern Area Director ensure that the Regional Office Director requires VSC personnel to (a) adjust benefits for the two veterans identified by our review and initiate collection actions where necessary and (b) provide refresher training for VSC personnel at least annually concerning required reductions of C&P payments to hospitalized veterans.

**Concur      Target Completion Date: October 25, 2005**

- a) Benefits adjustments were immediately processed on the two veterans identified during the CAP review.
- b) A training session has been scheduled for October 25, 2005, for all VSRs. Refresher training will be incorporated in the Annual Training Plan.

**Recommendation 4.** We recommend that the Southern Area Director coordinate with the Eastern Area Director to ensure that the PMC (a) adjusts benefits for the eight veterans identified by our review and initiate collection actions where necessary and (b) provides refresher training for personnel at least annually concerning required reductions of C&P payments to hospitalized veterans.

**Concur      Target Completion Date: October 25, 2005**

The Southern Area Director contacted the Eastern Area Office, which has jurisdiction over the Philadelphia PMC, and notified them of the eight hospital adjustments pending at the PMC. Three of the cases have already been adjusted. Two of the cases have had benefits terminated due to death of the veteran. The remaining three cases will be adjusted by October 25, 2005. The Southern Area will work with the Eastern Area Office to ensure refresher training will be incorporated in the PMC's Annual Training Plan.

**Recommendation 5.** We recommend that the Southern Area Director ensure that the Regional Office Director requires that VSC personnel: (a) reduce the C&P payments for the six veterans receiving compensation benefits, terminate the C&P payment for the one veteran receiving pension benefits, and verify the identity and status of the other individual who responded to the due process letter; and (b) promptly review Bureau of Prisons and Social Security Administration reports, initiate due process, and reduce benefit payments for incarcerated veterans as appropriate.

**Concur      Target Completion Date: October 2005**

- a) Two of the eight veterans are pending due process expiring on October 5, 2005 and October 10, 2005. One of the eight veterans did not require a reduction nor

termination. The remaining five were adjusted, and the overpayments were created accordingly.

- b) The VSC Manager has issued division policy that requires the Post Determination Coach to provide a monthly report to the VSC Manager on the Incarcerated Veterans Report received from Bureau of Prisons and Social Security Administration. The VSC Manager reviews that appropriate and timely actions have been taken. Beginning FY 2006 the VSC Manager will also forward a copy of the report to the Director's Office for additional review and follow-up as necessary.

**Recommendation 6.** We recommend that the Southern Area Director ensure that the Regional Office Director (a) makes sure appropriate controls are in place for future reductions and terminations to be processed timely and (b) makes sure refresher training is provided to VSC personnel on timely award processing to minimize overpayments.

**Concur      Target Completion Date: October 2005**

- a) Additional full-time equivalent employees were assigned to the Post Determination Team. The results are noted in the decrease of average days pending for EP 600 which dropped from 106.2 to 62.1 days in August. Effective October 3, 2005, the VSC Manager will require a monthly report in a spreadsheet format from the Post Determination Coach for any EP 600 with a suspension date that is past due. The report will require the Coach to provide the current status of each past due claim to include the date of the last action taken. The VSC Manager will ensure instructions will be given for any case that is out-of-line. The first report is due on October 14, 2005.

VARO San Juan Director will include in the FY 2006 SAO schedule a biannual SAO on timeliness of non-rating EPs, to be completed in February and August by the VARO Management Analyst.

- b) In August the Post Determination Coach gave an informal training to all the VSRs in this team regarding proper and timely Work-in Progress Subsystem actions.

The VARO San Juan Director is also in the process of implementing the Capital Asset Realignment for Enhanced Services Customer Service Training for the entire regional office. There are three certified trainers who are designing a training program to meet the customer service (internal and external) needs of the regional office. A stronger focus on the impact of untimely delivery of services to our clients will aid the efforts of addressing issues such as the processing of non-rating EPs.

**Recommendation 7.** We recommend that the Southern Area Director ensure that the Regional Office Director: (a) takes appropriate action to correct the specific deficiencies identified, (b) makes sure refresher training is provided to VSC personnel on system messages, and (c) makes sure VSC personnel take appropriate actions on future system messages.

**Concur      Target Completion Date: October 17, 2005**

- a) System messages are delivered to the Assistant VSC Manager who performs a review and assigns them to the Triage Coach for distribution and action.
- b) Refresher training for all VSRs is scheduled for October 17, 2005.
- c) As part of the SAO on Timeliness of Non-Rating EPs, the system messages actions will be reviewed as well.

**Recommendation 8.** We recommend that the Southern Area Director ensure that the Regional Office Director: (a) assigns an appropriate approving official for the convenience check purchase card, (b) makes sure monthly purchase card statements are properly approved, (c) reduces the monthly spending limits of the five VR&E cardholders, and (d) sets all monthly spending limits according to the actual procurement needs of the office.

**Concur      Target Completion Date: September 19, 2005**

- a) To enhance existing internal controls, the VARO San Juan has revised the procedure to prepare, approve and reconcile the convenience checks expedited by the SSD. The Alternate Agent Cashier was appointed to prepare, sign and reconcile the convenience checks used by the VARO. The Chief of SSD, as the approving official, will continue to review the convenience checks monthly reconciliation and sign the bank statement accordingly. All other internal control procedures in place at the VARO San Juan will remain unchanged.
- b) Despite the continuing decrease of personnel assigned to the Finance and Administrative Sections, we believe that the internal controls, as defined in the VA Handbook 4080 and OMB Circular-123 (Revised June 21, 1995), have been implemented to the greatest extent possible.
- Authorizing - For VARO San Juan to expedite a payment with a convenience check, the request must have the signature of the requestor (the VARO Director, the VSC Manager or the VR&E Counselor). The Agent Cashier and the SSD Chief verifies that the approving official's signature is present on the requesting documentation.
  - Processing - The VARO's Alternate Agent Cashier was appointed to prepare and process convenience checks. The cashier verifies that sufficient and appropriate supporting documentation accompanies each payment request. The cashier verifies information on the BDN System to assure that the payment is allowable. As recommended by the OIG, the Alternate Agent Cashier will sign the check. The convenience check, supporting documentation and convenience check log are forwarded to the SSD Chief for a final review and authorizing initials.
  - Recording - The recording transaction is performed by the Finance Service Center (FSC), after the convenience check is negotiated by the veteran or vendor. The FSC processes a payment to the bank institution and also creates an account payable against the VARO. The VARO's accountant is responsible for

reviewing and offsetting the account payables and allocating the expenditure in the appropriate VARO's cost centers. Therefore the recording process mainly resides on the FSC and VARO's accountant and not on the employee preparing the check nor the approving official.

- c) The VARO San Juan has established strict management controls to assure constant and adequate monitoring is performed on the VR&E Credit Card Program.

To decrease the probabilities of waste, fraud and abuse on the VR&E Credit Card Program, the SSD Chief performs an additional review of the approved statements after it has been submitted to the Finance Section. Redundancy of the approving official's functions has been implemented to further assure the program achieves the intended results.

- d) We have performed a credit card activity review on all seven VR&E credit card holders during FY 2005 and found that two officials performed purchases over \$7,000 during the year. Therefore, we have decreased all cardholders' monthly limits to a maximum of \$8,000. VARO San Juan performs purchase card reviews on a quarterly basis. To assure that monthly spending limits are in accordance with the card utilization trends, we are going to include an additional step on the Internal Controls Guide (VA Handbook 4080 Chapter 5, dated June 8, 2004) to review monthly limits. We are going to perform this additional step once a year during the first quarter of the fiscal year.

/s/

SONIA M. MORENO

Director



## Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Payments to veterans who have 100 percent evaluations subject to reduction and whose treatments had ended should be reduced.	\$2,560,138
2	Payments to veterans who receive additional compensation for school-aged children while the children also receive Chapter 35 benefits should be reduced.	185,894
3	Benefit payments to certain veterans who are hospitalized at Government expense for extended periods should be reduced.	40,608
5	Benefit payments to certain veterans who are incarcerated should be reduced.	37,447
6	Ensure that C&P overpayments are minimized by promptly processing reductions or terminations.	7,819
Total		\$2,831,906

## OIG Contact and Staff Acknowledgments

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