



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Boston, Massachusetts

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 December 5–13, 2005, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Boston, MA. The regional office is part of the Veterans Benefits Administration (VBA) Eastern 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 2 fraud and integrity awareness briefings to 86 regional office employees.

Results of Review

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

- Automated Information Systems (AIS) Security
- Benefits Delivery Network (BDN) Security
- Vocational Rehabilitation and Employment (VR&E) Program

We identified nine areas that needed additional management attention. To improve operations, the following recommendations were made to both the Eastern Area Director and the VARO Boston Director:

- Promptly reduce benefit payments to veterans hospitalized at Government expense for extended periods.
- Improve one-time retroactive payment processing to prevent inaccurate compensation payments.
- Promptly process beneficiaries' status changes to prevent or minimize overpayments.
- Promptly reduce benefit payments to veterans with children receiving Dependents' Education Assistance benefits.
- Promptly give due process to veterans who are reported incarcerated.
- Improve the security of locked files.
- Obtain delinquent accountings from fiduciaries.
- Strengthen management controls over Government purchase cards.
- Improve procedures for issuing convenience checks.

In addition, two other recommendations were made to the Eastern Area Director:

- Ensure Pension Management Center (PMC) personnel at VARO Philadelphia take appropriate actions when they receive notifications of hospitalization.
- Ensure that the PMC personnel at VARO Philadelphia minimize overpayments by promptly reducing and terminating pension payments when required.

This report was prepared under the direction of Mr. Thomas Cargill, Director, and Mr. Nick Dahl, CAP Review Coordinator, Bedford Audit Operations Division.

Eastern Area Director and Acting VARO Boston Director Comments

The Eastern Area Director and the Acting VARO Boston Director agreed with the findings and recommendations and provided acceptable implementation plans. (See Appendix A, pages 13–15, for the full text of the Eastern Area Director’s comments and Appendix B, pages 16–21, for the full text of the Acting VARO Boston Director’s comments.) We will follow up on the implementation of planned 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 provides compensation, initial pension eligibility determinations, survivor benefits, and VR&E services to eligible veterans, dependents, and survivors residing in Massachusetts, except parts of southeastern Massachusetts, which are served by VARO Providence. The veteran population in the regional office's jurisdiction is about 491,000. Approximately 63,000 veterans and survivors are in receipt of compensation and pension (C&P) benefits and about 1,400 veterans are receiving VR&E services. In fiscal year (FY) 2005, benefit expenditures were about \$422 million.

The Regional Loan Center, located at VARO Manchester, provides loan guaranty services to veterans residing in the regional office's jurisdiction. The Regional Processing Office (RPO), located at VARO Buffalo, administers education benefits to veterans residing in the regional office's jurisdiction.

Resources. In FY 2005, the regional office's general operating expenses were about \$9.1 million. As of October 2005, the regional office had 102 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 and requests for benefits or 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 inspected work areas; interviewed managers and employees; and reviewed beneficiary files and financial and administrative records. The review covered selected aspects of the following areas:

AIS Security	C&P Large Retroactive Payments
BDN Security	C&P Payments to Incarcerated Veterans
Claims Folder Security	Fiduciary and Field Examinations
C&P Accounts Receivable	Government Convenience Checks
C&P Benefits for School-Aged Children	Government Purchase Card Program
C&P Hospital Adjustments	VR&E Program

The review covered regional office operations for FYs 2004, 2005, and 2006 through December 2005 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). In this report we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For the activities not discussed in the Opportunities for Improvement section, there were no reportable deficiencies.

During the review, we also presented fraud and integrity awareness training to 86 regional office employees. The training 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

Hospital Adjustments – Payments to Veterans Hospitalized at Government Expense Needed to be Reduced

Condition Needing Improvement. Veterans Service Center (VSC) and PMC personnel did not properly reduce C&P payments to certain veterans who were hospitalized for extended periods of time at Government expense. In certain situations, Federal law requires reduction 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 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 Centers Bedford, Northampton, and Providence and the VA Boston Healthcare System identified 768 veterans who had been continuously hospitalized at Government expense for 90 days or more as of October 31, 2004. We compared the information provided by the medical facilities with C&P system records for the 768 veterans and identified 33 veterans (4.3 percent) whose C&P payments had not been reduced, as required. As of November 30, 2005, these veterans were overpaid by \$722,437 while hospitalized at Government expense.

- VSC personnel did not take appropriate actions to reduce the aid and attendance allowances for 19 veterans, resulting in overpayments totaling \$600,272. Fourteen of the overpayments resulted from hospitalizations that began prior to January 1, 2005.
- VSC personnel also did not restore benefits at the correct rate to three hospitalized veterans whose pension payments had previously been suspended because they were incompetent, had no dependents, and their estates were over the allowable limit. Under a change in Federal law, payments could resume beginning as early as November 30, 2000, but VSC personnel resumed their payments at the full pension rate rather than at the hospitalized rate. Overpayments to these veterans totaled \$46,398.
- PMC¹ personnel at VARO Philadelphia did not reduce pension payments for seven veterans, with overpayments totaling \$15,645. PMC management reported they had no record of receiving hospitalization reports for four of the seven cases, which represented \$11,651 of the \$15,645.

¹ PMCs are responsible for processing all activity related to established pension cases. The three PMCs are located at VA regional offices in Philadelphia, PA; Milwaukee, WI; and St. Paul, MN.

- We also identified four cases that were managed by other VAROs where benefits had not been properly reduced. These veterans were overpaid \$60,122. We referred these cases to the applicable VAROs for corrective actions.

Recommended Improvement Action 1. We recommended that the Eastern Area Director ensure that the Regional Office Director require VSC management to (a) reduce C&P payments as appropriate for the veterans identified by our review and initiate collection actions where necessary and (b) provide refresher training to VSC personnel at least annually concerning required reductions of C&P payments to hospitalized veterans.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendations. The VARO initiated actions to reduce C&P payments and initiated collection actions on the necessary cases identified during the CAP review. The VARO also implemented new procedures outlined in Fast Letter 05-23 for adjustments to hospitalized veterans' monthly benefit payments. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Recommended Improvement Action 2. We recommended that the Eastern Area Director ensure that Philadelphia PMC management (a) reduce the pension benefits paid to the veterans identified by our review and initiate collection actions where necessary and (b) provide refresher training to PMC personnel at least annually concerning required reductions of pension payments to hospitalized veterans.

The Eastern Area Director agreed with the finding and recommendations. PMC personnel initiated corrective actions in all seven cases and will adjust monthly benefits as appropriate. PMC personnel were provided annual refresher training on hospital adjustments in December 2005. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Large Retroactive Payments – Controls Over Large Retroactive Payments Needed to be Strengthened

Condition Needing Improvement. Regional office controls over large one-time retroactive C&P benefit payments needed to be strengthened. We reviewed a sample of 93 retroactive payments, valued at \$5.9 million, made by the regional office in FY 2004 and FY 2005. We identified the following deficiencies which required management attention.

In three cases, we identified problems processing C&P benefit payments that had resulted in overpayments totaling \$326,463.

- In one case, a veteran received six “out of system” payments totaling \$510,748. Out of system processing is required for any retroactive payments with an effective date earlier than 1992. Due to an error, this veteran was overpaid \$302,254. This occurred

because a Support Services Division employee inadvertently calculated too many years' worth of retroactive payments when processing the award.

- In another case, a veteran received a retroactive payment of \$31,696, which was also processed out of system. Due to another calculation error by a Support Services Division employee, the veteran was overpaid \$11,679.
- In the final case, a veteran received a retroactive payment of \$31,451, which included an overpayment of \$12,530. The overpayment occurred because the veteran had already been paid this amount in a previous retroactive payment.

Large one-time payments require three signatures from VSC personnel and review by the Director or the Director's designee. While these three cases had the required three signatures and evidence of review by the Director's designee, the review process was ineffective in detecting these errors as the reviewers did not identify and prevent the overpayments.

VBA guidance requires that before payments of \$25,000 or more are made to incompetent beneficiaries, VSC personnel refer the case to the Fiduciary Activity for review prior to award authorization. The Fiduciary Activity supervisor should review the award to determine if any pending conditions exist with the veteran's fiduciary account that need to be addressed (e.g., overdue accountings) before VSC personnel authorize the award. We reviewed one retroactive payment of \$78,131 that was made to an incompetent veteran and found the case was not referred to the Fiduciary Activity prior to authorizing and processing the award. Regional office management stated that a memorandum would be sent to all VSC personnel reminding them of the requirement.

Recommended Improvement Action 3. We recommended that the Eastern Area Director ensures that the Regional Office Director: (a) require VSC personnel to initiate collection actions on the cases identified by our review, (b) require all one-time retroactive payments processed out of system be reviewed for accuracy prior to award authorization, and (c) ensure refresher training is provided to VSC personnel on the requirement to submit retroactive payments of \$25,000 or more involving incompetent beneficiaries to the Fiduciary Activity for review.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendations. The VARO notified the identified beneficiaries of overpayments and initiated collection actions as necessary. The VARO implemented new procedures that will require two complete audits prior to making large retroactive payments. The VARO also provided refresher training to VSC personnel regarding the requirement that the Fiduciary Activity review awards of \$25,000 or more to incompetent beneficiaries. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

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. Overpayments generally occur when there are changes in the entitlement status of beneficiaries that require a reduction or termination of benefits. When a beneficiary provides information indicating that benefits need to be reduced or terminated—first party information—VSC personnel should take immediate action to prevent or minimize overpayments. If information is received from a third party, VSC personnel must send the beneficiary a 60-day due process notification of their intent to reduce or terminate benefit payments. The due process notification also allows the beneficiary the opportunity to offer evidence or arguments to show why the proposed action should not be taken.

We reviewed 17 accounts receivable cases which included 9 compensation cases with overpayments valued at \$339,505 and 8 pension cases with overpayments valued at \$162,931. We found evidence of avoidable delays ranging from 3 to 13 months in five of nine compensation cases, with resulting avoidable overpayments totaling \$51,103. VSC management agreed that compensation payments in these cases should have been adjusted more timely. We also found evidence of avoidable delays of 3 months each in two of eight pension cases with resulting avoidable overpayments totaling \$3,780. PMC management agreed that pension payments in these cases could have been adjusted sooner had due process notifications been sent to the beneficiaries in a timely manner. PMC management stated delays in issuing due process notifications are caused by workload, lack of experience on screening procedures, and not receiving information timely from the regional offices.

Recommended Improvement Action 4. We recommended that the Eastern Area Director ensure that the Regional Office Director ensure (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 Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendations. Beginning in FY 2005, the VARO placed additional emphasis on timely processing of proposed benefit reductions through a balanced workload management plan that stresses both rating and non-rating work. Refresher training on timely award processing will be addressed in the annual training plan. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Recommended Improvement Action 5. We recommended that the Eastern Area Director ensure that (a) appropriate controls are in place at the PMC for future reductions

and terminations to be processed timely and (b) refresher training is provided to PMC personnel on timely award processing to minimize overpayments.

The Eastern Area Director agreed with the finding and recommendations. The PMC had mistakenly determined the cases did not require action because of a lack of experience on screening procedures. Refresher training was provided to PMC personnel on screening procedures. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Chapter 35 Educational Benefits – Payments Needed to be Reduced When Veterans’ Children Received 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 Chapter 35 benefits are awarded, the Education Division of the Regional Processing Office (RPO) is required to notify the regional office having jurisdiction over the veteran’s claim folder.² VSC personnel are then required to discontinue the veteran’s additional compensation allowance for the school-aged child.

We identified seven 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 the BDN³ for Chapter 35 awards or overlooked the Chapter 35 notifications in the veterans’ claim folders. This resulted in overpayments totaling \$35,562. During our review, VSC personnel initiated action to reduce the benefits for the seven veterans.

Recommended Improvement Action 6. We recommended that the Eastern Area Director ensure that the Regional Office Director (a) requires VSC personnel to reduce the compensation payments for the seven veterans inappropriately receiving compensation for school-aged children and (b) implement a tracking mechanism to ensure that Chapter 35 awards are identified and veterans’ benefits are reduced.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendations. The VARO took actions to reduce the additional allowance for a school-aged child for the seven cases identified. The VARO is developing and employing a spreadsheet-based tracking system to better ensure appropriate actions are taken in cases where school-aged children are receiving Chapter 35 benefits. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

² The four RPOs are located at VAROs Atlanta, GA; Buffalo, NY; St. Louis, MO; and Muskogee, OK.

³ BDN is the VBA automated processing system used to process veterans’ benefits payments and to maintain entitlement information.

Incarcerated Veterans – Due Process Needed to be More Prompt to Veterans Reported as Incarcerated

Condition Needing Improvement. VSC personnel needed to improve the processing of notifications of incarcerated veterans. Federal law requires adjustments to C&P benefits for veterans incarcerated in Federal, state, or local penal institutions in excess of 60 days. Compensation payments are to be reduced to the 10 percent rate for conviction of a felony, and pension payments are to be terminated for conviction of a felony or misdemeanor.

VAROs receive monthly reports of the results of database cross-matches between the C&P Master Record File and the Federal Bureau of Prisons and the Social Security Administration (SSA) and state prisons to identify veterans who have been incarcerated. Regional office personnel are to review the incarcerated veterans' claim folders and reduce or terminate benefits when necessary for veterans receiving compensation.

We reviewed claim folders for 24 of 54 veterans who were reported incarcerated in SSA reports from April 1, 2005, to September 30, 2005. Our review showed that VSC personnel took timely and appropriate actions on 20 of the 24 notices of incarceration. However, VSC personnel did not take action on four of the notices of incarceration, each of which was over 90 days old. As a result of our review, VSC personnel took appropriate action on the 4 notices and gave due process to the veterans reported as incarcerated.

Recommended Improvement Action 7. We recommended that the Eastern Area Director ensure that the Regional Office Director establish appropriate controls to ensure prompt action is taken on notifications of incarceration.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendation. The VARO provided refresher training on taking timely actions on notices of incarceration. VARO personnel will make every effort to take actions within 30 days of receiving the notices and closely monitor the due process periods to ensure benefits are reduced timely as necessary. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Security of Sensitive Records – Management Controls Needed Improvement

Condition Needing Improvement. Management controls over sensitive claim folders needed improvement. VBA policy requires that these sensitive hardcopy records be secured in locked files with access limited to division chiefs and designated alternates, and sensitive electronic records be secured through the Common Security User Manager (CSUM) application. Sensitive records must be secured at the designated offices of

jurisdiction. VARO Boston serves as the office of jurisdiction for VARO Togus and VARO Manchester serves as the office of jurisdiction for VARO Boston.

To ensure that sensitive records are securely maintained at the proper location, VBA policy requires that regional office personnel conduct semiannual audits of sensitive records. These audits should include inventories of claim folders in locked files; comparisons of CSUM electronically secured file lists with inventories of locked files; and reconciliations of the regional office's and office of jurisdiction's lists of sensitive claim folders.

We evaluated the identification and handling of sensitive records and found the following deficiencies requiring management attention.

- Regional office personnel had not ensured that all employee claim folders were properly stored at the office of jurisdiction. The folder of a former VARO Boston employee was located at VARO Boston rather than in locked files at VARO Manchester. A folder for a current VARO Boston employee was in general files at VARO Manchester rather than in locked files. A file for a service organization representative who works at VARO Boston was located at VARO Boston rather than in general files at VARO Manchester. In addition, the folder of one service organization representative was located at a VARO other than the office of jurisdiction.
- Regional office personnel had not locked all VARO Togus employees' claim folders at VARO Boston. Folders for three employees were located in general files at VARO Boston rather than in locked files. We also identified two VARO Togus employees' claim folders that had not been transferred to VARO Boston to be locked and five VARO Togus employee-relatives' claim folders that had not been transferred to VARO Boston's general files.

Recommended Improvement Action 8. We recommended that the Eastern Area Director ensures the Regional Office Director take action to (a) ensure that all required VARO Boston sensitive folders are properly stored at the office of jurisdiction and (b) properly store all VARO Togus sensitive claim folders.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendations. VARO Boston took corrective action to ensure all VARO Boston sensitive folders were properly stored at VARO Manchester and to ensure all VARO Togus sensitive claim folders were properly stored at VARO Boston during the CAP review. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Fiduciary and Field Examinations – Oversight of Fiduciaries Needed Improvement

Condition Needing Improvement. To improve oversight of fiduciary accounts, regional office management needed to improve follow-up actions to obtain overdue accountings. The Fiduciary and Field Examination (F&FE) unit is responsible for protecting the interests of incompetent or minor beneficiaries by appointing fiduciaries when necessary to manage the beneficiaries' funds and for monitoring the fiduciaries' activities. One method of monitoring fiduciaries' activities is to require the fiduciaries to submit annual accountings of beneficiaries' assets, income, and expenses. These accountings are due within 30 days of the end of the accounting period.

We found that F&FE personnel needed to improve their efforts to obtain overdue accountings. An "Accountings Due Report," dated October 21, 2005, showed 89 cases where the accountings from the fiduciaries were not received within 120 days from the end of the accounting period. VA policy considers such accountings to be seriously overdue. An example of a case with an overdue accounting included one where a court appointed attorney serves as the fiduciary for a veteran who is 100 percent service connected for psychosis. The attorney was appointed the veteran's fiduciary in 1971. The latest available information shows that, as of December 2003, the veteran's estate was valued at approximately \$344,000. As of December 2005, the veteran was receiving annual benefits of over \$28,000. At the time of our review, the required accounting of this veteran's estate was 11 months overdue. No attempts had been made to obtain the overdue accounting.

Recommended Improvement Action 9. We recommended that the Eastern Area Director ensure that the Regional Office Director implement measures to ensure that aggressive follow-up actions are taken to obtain overdue accountings.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendation. The VARO recently received hiring authority to fill the vacant Legal Instruments Examiner (LIE) position. The VARO will utilize the new LIE and a former LIE to aggressively obtain the overdue accountings. The improvement action is acceptable, and we will follow up on the completion of planned action.

Government Purchase Card Program – Controls Needed Improvement

Condition Needing Improvement. Regional office management needed to improve controls over the administration of the Government purchase card program. During the 11-month period October 2004 through August 2005, 11 cardholders made 979 purchases totaling \$331,747. Our review of a sample of 12 purchase card transactions by 4 cardholders found that the purchases were made for valid VA purposes. However, purchase card program controls needed to be strengthened in three areas.

Quarterly Reviews and Annual Audit. VA policy requires that the facility Director or designee perform quarterly focused reviews to provide greater assurance that controls are properly implemented. The annual audit of each cardholder account is required to assist in confirming the integrity of the purchase card program. The Purchase Card Coordinator acknowledged that the quarterly reviews and the annual audit were not being performed.

Appointment of Approving Officials. VA policy requires a written delegation of authority for the appointment of approving officials. The VA Form 0242, Government Wide Purchase Card Certification Form, is mandated for such delegations. We found that VA Form 0242 was not prepared for two approving officials.

Timeliness of Reconciliations and Certifications. VA policy requires cardholders to reconcile purchases and purchase card statements within 10 working days of receipt of the monthly statements and forward the reconciliations to the approving officials for review. Approving officials must then review and certify the reconciliations and forward them to the Billing Officer within 14 days. We reviewed 12 billing statements and found that 10 of the statements were not dated to show when they were reconciled and/or certified.

Recommended Improvement Action 10. We recommended that the Eastern Area Director ensure that the Regional Office Director implement measures to ensure (a) quarterly focused reviews and annual audits are conducted, (b) approving officials are properly appointed, and (c) timely reconciliations and certifications are completed.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendations. The FY 2005 annual audit of each cardholder account will be completed by April 15, 2006. All future quarterly focused reviews will be conducted, with the first quarterly focused review to be completed by March 15, 2006. A VA Form 0242 was prepared for each of the approving officials identified during the CAP review. Beginning October 1, 2005, all billing statements were date stamped, reconciled, signed, and dated within the required 10 days by the cardholders and within the required 14 days by the approving officials. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Convenience Checks – Controls Needed to be Strengthened to Ensure Proper Use of Convenience Checks

Condition Needing Improvement. Regional office management needed to strengthen controls to ensure that convenience checks are appropriately issued and signed by authorized individuals. VA policy requires that an appointed certifying official approve each convenience check prior to the Agent Cashier issuing the check.

We reviewed 25 convenience checks that were issued during FY 2005 with a total value of \$19,794. While the checks were issued for legitimate purposes, we found that

14 valued at \$10,897 had been issued by the Agent Cashier without the required approval from an authorized certifying official.

Recommended Improvement Action 11. We recommended that the Eastern Area Director ensures that the Regional Office Director implements measures to ensure that proper procedures for the issuance of convenience checks are being followed.

The Eastern Area Director and the Acting Regional Office Director agreed with the finding and recommendation. During the CAP review, the VARO reinforced VA policy with the Agent Cashier to ensure that all convenience checks are approved by the certifying official before they are issued. The Chief of the Support Services Division will conduct periodic reviews to ensure convenience checks receive proper authorizations before they are issued. The improvement actions are acceptable, and we will follow up on the completion of planned actions.

Eastern Area Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: February 14, 2006
From: Eastern Area Director
Subject: VA Regional Office Boston, Massachusetts
To: Director, Bedford Audit Operations Division (52BN)

I appreciate the audit team's thorough assessment of the Boston Regional Office (RO) and the recommendations provided in the Boston Combined Assessment Program Review. The audit team identified several areas requiring improvement. Those areas are:

1. Ensure the reduction of C&P payments as appropriate for the veterans identified in the review, initiate collection actions and provide refresher training to VSC personnel at least annually concerning required reductions of C&P payments to hospitalized veterans. I concur with the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program report.
2. Ensure the reduction of pension benefits paid to the veterans identified by the review, initiate collection actions, and provide refresher training to the PMC personnel at least annually concerning the required reductions of pension payments to hospitalized veterans. I concur with the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program report. I feel that the enhanced communication and oversight requirements between regional offices and the PMC, contained in Veterans Benefits Administration Fast Letter 05-23, will reduce the

overpayment of benefits to hospitalized pension veterans.

3. Ensure collection actions are initiated, improve controls and provide refresher training to submit retroactive payments of \$25,000 or more involving incompetent beneficiaries to the Fiduciary Activity for review. I concur with the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program report. I have reviewed and approved the corrective actions the station has taken.
4. Ensure strengthened controls for future reductions and terminations are processed timely and provide refresher training to minimize overpayments. I concur with the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program report.
5. Ensure appropriate controls are in place at PMC so future reductions and terminations are processed timely and that refresher training is provided to the PMC personnel to minimize overpayments. I concur with the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program report. I feel that the refresher training provided by the PMC will reduce overpayments of pension benefits.
6. Ensure that the Regional Office Director require VSC personnel to reduce compensation payments for the seven veterans inappropriately receiving compensation for school aged children and implement a tracking mechanism to ensure that Chapter 35 awards are identified and veterans' benefits are reduced. I concur with the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program report. I will ensure that the countermeasures cited by the station are implemented through site visits and periodic reviews.

7. Ensure that appropriate and prompt action is taken on notifications of incarceration. I concur with the Office of Inspector General's recommendations.
8. Ensure the Regional Office Director make sure all required VARO Boston sensitive folders are properly stored at the office of jurisdiction and that all VARO Togus sensitive claim folders are properly stored. I concur with the Office of Inspector General's recommendations.
9. Ensure that aggressive follow-up actions are taken to obtain overdue accountings. I concur with the Office of Inspector General's recommendations.
10. Ensure that quarterly focused reviews and annual audits are conducted, approving officials are properly appointed and timely reconciliations and certifications are completed. I concur with the Office of Inspector General's recommendations.
11. Ensure that proper procedures for the issuance of convenience checks are being followed. I concur with the Office of Inspector General's recommendations.

To recap, I concur with the Office of Inspector General's recommendations and monetary benefits estimates. Implementation of these recommendations will further strengthen management controls and improve station operations. Again, I thank you for your thorough review and the professionalism your staff exhibited during the review.

If you have any questions, please feel free to contact me or my staff at (734) 930-5800.

(original signed by:)
James A. Whitson

Acting Regional Office Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: February 13, 2006
From: Acting VA Regional Office Director
Subject: VA Regional Office Boston, Massachusetts
To: Director, Bedford Audit Operations Division (52BN)

We concur with all of the Office of Inspector General's recommendations and monetary benefits estimates from the Combined Assessment Program review of the VA Regional Office Boston. Our planned corrective actions follow.

Acting 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:

Recommended Improvement Action 1. We recommend that the Eastern Area Director ensures that the Regional Office Director requires VSC management to: (a) reduce C&P payments as appropriate for the veterans identified by our review and initiate collection actions where necessary and (b) provide refresher training to VSC personnel at least annually concerning required reductions of C&P payments to hospitalized veterans.

Concur **Target Completion Date:** March 31, 2006

The Regional Office concurs with this recommended action item. We initiated action to reduce C&P payments, and where necessary, we initiated collection action on the cases identified during the CAP review. We recently implemented the new procedures outlined in Fast Letter 05-23 for adjustments to hospitalized veterans' monthly benefits. These procedures include appointing a Hospital Adjustment Coordinator and alternate, downloading appropriate reports, and timely action and referrals on identified cases.

Recommended Improvement Action 2. We recommend that the Eastern Area Director ensures that Philadelphia PMC management: (a) reduces the pension benefits paid to the veterans identified by our review and initiate collection actions where necessary and (b) provides refresher training to PMC personnel at least annually concerning required reductions of pension payments to hospitalized veterans.

Concur **Target Completion Date:** Completed

The PMC concurs with this recommendation. Three of the seven pension cases requiring reduction were not reduced because the PMC incorrectly determined that no action was necessary upon receipt of the hospitalization reports, which accounted for \$3,634 of the \$15,645 in overpayments. As noted in the report, the PMC had no record of

receiving hospitalization reports for the remaining four cases. The PMC could not determine why it did not have a record of these four hospitalizations. However, the PMC initiated corrective action and gave due process in all seven cases. Upon expiration of the due process period, the PMC will adjust awards accordingly.

PMC personnel are trained annually on how to process hospital adjustments, and the last training was held in December 2005. Individual employees are provided refresher training when opportunities for improvement from internal sources like the Systematic Technical Accuracy Reviews (STAR) are identified.

Recommended Improvement Action 3. We recommend that the Eastern Area Director ensures that the Regional Office Director: (a) requires VSC personnel to initiate collection actions on the cases identified by our review, (b) requires all one-time retroactive payments processed out of system be reviewed for accuracy prior to award authorization, and (c) ensures refresher training is provided to VSC personnel on the requirement to submit retroactive payments of \$25,000 or more involving incompetent beneficiaries to the Fiduciary Activity for review.

Concur **Target Completion Date:** Completed

The Regional Office concurs with this recommended action item. We initiated action to notify claimants of overpayments and collection actions will be taken where necessary. We implemented new procedures that will require two complete audits prior to large retroactive payments being released. Refresher training has also been provided on the requirement of Fiduciary Activity review for awards of \$25,000 or more to incompetent beneficiaries.

Recommended Improvement Action 4. We recommend that the Eastern Area Director ensures 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.

Concur **Target Completion Date:** September 30, 2006

The Regional Office concurs with this recommended action item. Beginning in FY 2005, the Regional Office placed additional emphasis on timely processing of the proposed reductions. We

instituted a balanced workload management plan, placing equal emphasis on rating and non-rating work. Refresher training on the topic of timely award processing and its impact on minimizing award overpayments will be addressed in the annual training plan for fiscal year 2006.

Recommended Improvement Action 5. We recommend that the Eastern Area Director ensures that: (a) appropriate controls are in place at the PMC for future reductions and terminations to be processed timely and (b) refresher training is provided to PMC personnel on timely award processing to minimize overpayments.

Concur **Target Completion Date:** Completed

The PMC concurs with this recommendation. The PMC did not timely adjust the pension awards for two veterans upon receipt of reports of hospitalization, causing the overpayments identified by the audit team. We concluded that the PMC mistakenly determined the cases did not require action because of a lack of experience on screening procedures. We have addressed this problem with various training sessions.

Recommended Improvement Action 6. We recommend that the Eastern Area Director ensures that the Regional Office Director: (a) requires VSC personnel to reduce the compensation payments for the seven veterans inappropriately receiving compensation for school-aged children and (b) implement a tracking mechanism to ensure that Chapter 35 awards are identified and veterans' benefits are reduced.

Concur **Target Completion Date:** September 30, 2006

The Regional Office concurs with this recommended action item. We took action to reduce the additional allowance for a school age child on the seven cases identified. We are now in the process of developing and employing a Microsoft Excel based tracking system for Chapter 35 education awards and resulting action.

Recommended Improvement Action 7. We recommend that the Eastern Area Director ensures that the Regional Office Director establishes appropriate controls to ensure prompt action is taken on notifications of incarceration.

Concur **Target Completion Date:** Completed

The Regional Office concurs with this recommendation. We provided refresher training on taking timely action upon receiving notifications of incarceration immediately following the OIG CAP review. Regional Office staff now makes every effort to take action within 30 days of receiving notifications of incarceration and they closely monitor the due process periods to ensure timely reductions.

Recommended Improvement Action 8. We recommend that the Eastern Area Director ensures the Regional Office Director takes action to: (a) make sure that all required VARO Boston sensitive folders are properly stored at the office of jurisdiction and (b) properly store all VARO Togus sensitive claim folders.

Concur **Target Completion Date:** Completed

The Regional Office concurs with this recommended action item. All items noted in the CAP Report involving security of sensitive records were corrected during the actual CAP Review.

Recommended Improvement Action 9. We recommend that the Eastern Area Director ensures that the Regional Office Director implements measures to ensure that aggressive follow-up actions are taken to obtain overdue accountings.

Concur **Target Completion Date:** September 30, 2006

The Regional Office concurs with this recommended action item. Over the last year the Fiduciary Activity has suffered several losses in personnel, including the Legal Instruments Examiner (LIE). It is the LIE who is primarily responsible for overdue accounting follow up. We had been attempting to fill-in for the LIE duties with Field Examiners, without great success. We have recently received hiring authority to fill an LIE position. We anticipate the hiring process to be completed by March 1, 2006. We will utilize the new LIE and a former LIE to aggressively obtain the overdue accountings.

Recommended Improvement Action 10. We recommend that the Eastern Area Director ensures that the Regional Office Director implements measures to ensure: (a) quarterly focused reviews and annual audits are conducted, (b) approving officials are properly appointed, and (c) timely reconciliations and certifications are completed.

Concur **Target Completion Date:** April 15, 2006

The Regional Office concurs with this recommended action item. The FY05 annual audit of each cardholder account will be conducted within sixty days from this response. All future quarterly focused reviews will be conducted. The first quarterly review for FY06 will be conducted within thirty days from this response.

At the time of this response, VA Form 0242 has been prepared for the two approving officials.

Starting FY06, all billing statements have been date stamped, reconciled, signed and dated by the cardholder within the required 10 days. The billing statements have also been reconciled, signed and dated by the approving officials within the required 14 days. We will ensure that all future billing statements are reconciled timely.

Recommended Improvement Action 11. We recommend that the Eastern Area Director ensures that the Regional Office Director implements measures to ensure that proper procedures for the issuance of convenience checks are being followed.

Concur **Target Completion Date:** Completed

The Regional Office concurs with this recommended action item. While the OIG audit team was onsite, we reinforced VA policy with the Agent Cashier to ensure that all convenience checks are approved by the Certifying Official before they are issued. The Chief, Support Services Division, will conduct periodic reviews to ensure convenience checks received proper authorization before they were issued.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	C&P payments to certain veterans who were hospitalized at Government expense for extended periods should be reduced and overpayments recovered.	\$ 706,792
2	Pension payments to certain veterans who were hospitalized at Government expense for extended periods should be reduced and overpayments recovered.	15,645
3	Overpayments for three veterans whose retroactive payments were not processed appropriately should be recovered.	326,463
4	Compensation payments should be reduced or terminated by VSC personnel in a timelier manner to avoid or minimize overpayments.	51,103
5	Pension payments should be reduced or terminated by PMC personnel in a timely manner to avoid or minimize overpayments.	3,780
6	Payments to seven veterans receiving school child benefits while the children were receiving Chapter 35 benefits should be stopped and overpayments recovered.	35,562
	Total	\$1,139,345

OIG Contact and Staff Acknowledgments

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Acknowledgments	Stephen Bracci Michael Cannata Nick Dahl James McCarthy Amy Mosman
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