

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Audit of
Compensation Program
Claims Brokering*

September 27, 2011
09-03154-271

ACRONYMS AND ABBREVIATIONS

DIBC	Day-One Brokering Center
GAO	Government Accountability Office
OIG	Office of Inspector General
STAR	Systematic Technical Accuracy Review
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration
VSC	Veterans Service Center

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Report Highlights: Audit of Compensation Program Claims Brokering

Why We Did This Audit

Processing the increased number of veterans' compensation benefit claims received has been a major challenge for the Veterans Benefits Administration (VBA). To help address this challenge, VBA has increased claims brokering from veterans service centers (VSCs) to resource centers or other VSCs to better align workload with staffing resources. We conducted this audit to evaluate the effectiveness of VBA's claims brokering.

In June 2010, VBA began using all but one of nine resource centers to readjudicate approximately 94,000 claims associated with a U.S. District Court decision in *Nehmer versus U.S. Department of Veterans Affairs*. However, VBA expects to resume brokering to its resource centers after the Nehmer claims are completed. The release of this report coincides with the planned restart of VBA's brokering initiative.

What We Found

VBA can improve the effectiveness of claims brokering by ensuring area offices consider additional factors affecting timeliness and accuracy. Strengthening controls over VA regional office (VARO) informal claims brokering will also improve effectiveness. For nearly 171,000 brokered claims completed during FY 2009, we projected the average processing time of 201 days would have been 49 days less (152 days) if VBA had avoided the claims-processing delays identified in this report.

Of nearly 117,000 claims VBA brokered for ratings, we projected area offices brokered about 54,000 (46.2 percent) to facilities with lower rating accuracy rates than original VSCs. In addition, staff at three of seven VAROs we visited brokered claims without area office approval. Increased effectiveness will reduce the risks of claims-processing inaccuracies.

What We Recommended

We recommended the Under Secretary for Benefits revise brokering policies and procedures to help improve claims-processing timeliness and accuracy, include brokered claims-processing timeliness and accuracy performance measurements in director performance plans, and evaluate VSC compliance by area office staff with brokering policies and procedures during annual VARO site visits.

Agency Comments

The Under Secretary agreed VBA can improve the overall effectiveness of brokering. The Under Secretary also agreed with our recommendations and provided acceptable implementation plans for the recommendations. We will monitor the implementation of corrective actions.

BELINDA J. FINN
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INTRODUCTION

Objective	The Office of Inspector General (OIG) conducted this audit to evaluate the effectiveness of claims brokering by the Veterans Benefits Administration (VBA) Compensation Program.
Compensation Program	VBA's largest program is its Compensation Program. It provides veterans and their families' monetary benefits for service-connected diseases and disabilities. During FY 2010, approximately 3.5 million claimants received compensation benefits totaling about \$41.5 billion.
VBA Claims Brokering	VBA's main goals of brokering are to reduce claims backlogs by expediting processing and helping Veterans Service Center (VSC) staff meet their processing timeliness targets. VBA has created 13 resource centers to process compensation claims brokered from VA Regional Office (VARO) VSCs. Staff at four resource centers perform the development phase (development centers), eight perform the rating, award, and authorization phases (rating centers), and one performs the development, rating, award, and authorization phases. VBA refers to this resource center as the "Tiger Team." Resource centers are co-located with VSCs at VAROs, and the same director manages both. VSC staff also broker claims between each other.
Area Offices' Role in Claims Brokering	VBA policies require the four area offices (Eastern, Southern, Central, and Western) to develop and approve VBA-wide claims brokering plans. These monthly plans show which VSCs will broker claims and the number of claims they will broker to resource centers. Appendix A contains more information on area offices' role in claims brokering.
Claims Brokering Growth/Nehmer Claims	VBA has increasingly used claims brokering to better align VAROs' workload with staffing resources and address the challenge of reducing claims backlogs. From FY 2006 through FY 2009, the number of brokered claims grew from 90,000 to 171,000 (90 percent), and the percent of claims brokered increased from 12 to 18 percent. However, in June 2010, claims brokering increases were interrupted because VBA began using resource centers to address an additional challenge of readjudicating approximately 94,000 claims associated with a U.S. District Court decision in <i>Nehmer versus U.S. Department of Veterans Affairs</i> . Claims brokering effectiveness remains important because one resource center, the Tiger Team, continues to process brokered claims, and VBA plans to resume full brokering after the Nehmer claims are completed. This report coincides with the planned restart of VBA's brokering initiative.

RESULTS AND RECOMMENDATIONS

Finding 1 Area Offices Need To Consider Additional Factors When Brokering Claims

Area offices can improve brokering effectiveness by considering additional factors affecting timeliness and accuracy when making brokering decisions. Untimely processing of brokered claims to facilities with lower accuracy rates occurred because VBA had inadequate claims brokering policies and procedures related to factors affecting timeliness and accuracy. Another contributing cause was VARO director performance plans for resource centers and VSCs did not include timeliness and accuracy measures for processing brokered claims. As a result, VBA's claims brokering process was less effective because the process delayed compensation benefit payments to some veterans and increased the risk of claims-processing inaccuracies.

Better Brokering Decisions Are Needed

For the just over 171,000 completed claims brokered during FY 2009, we projected VBA's average processing time was 201 days—40 days more than VBA's 161-day average for compensation claims, and 76 days more than VBA's 125-day strategic target. We also projected the average processing time would have been 49 days less (152 days) if VBA had avoided the claim-processing delays identified in this report.

Of the nearly 117,000 claims brokered to resource centers or VSCs with reported processing accuracy rates, we projected that area offices brokered almost 54,000 (46.2 percent) to facilities with lower accuracy rates than VSCs.* Factors affecting the timeliness and accuracy of claims processing included the originating VSC staff not brokering claims promptly, excess inventories of unprocessed claims at resource centers, brokering to separate facilities for development and rating, and brokering claims to resource centers with lower claim processing accuracy rates than originating VSCs.

Broker Claims Promptly

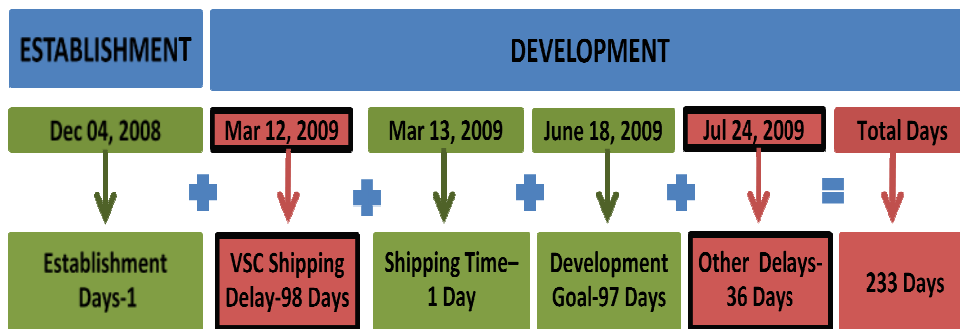
VSC staff did not always promptly broker claims after completing their last action. When brokering claims for development, the last originating VSC action required by VBA policy is claim establishment. When brokering claims for rating, the last originating VSC action is to annotate claims as ready to rate after completing reasonable efforts to gather the evidence (development) related to the claims. Of 171,000 brokered claims

*Originating VSC staff brokered the other 54,000 claims ($171,000 - 117,000 = 54,000$) to development centers or other VSCs for development only. VBA's Systematic Technical Accuracy Review tracks and measures accuracy for ratings, not development.

completed during FY 2009, we projected 165,000 (96.0 percent) were delayed an average of 32 days because originating VSC staff did not promptly broker claims. These delay days represent the time between the date staff at an originating VSC performed its last claims-processing action and the date they shipped the claims folder to a resource center or other VSC and ranged from 1 to 430 days.

The following example highlights a significant case of how staff at an originating VSC delayed claims brokering for development.

On December 4, 2008, staff at a VSC established a veteran's claim for diabetes mellitus and a back condition. The originating VSC staff brokered the claims folder to a development center for processing 98 days later on March 12, 2009. On July 24, 2009, or 233 days after the veteran submitted the claim, the development center staff completed claim development. VSC management agreed that the VSC's 98-day time frame (as illustrated below) in brokering the claim, combined with other delays totaling 36 days, caused untimely benefit payments to the veteran.



The next example shows how staff at an originating VSC delayed brokering a claim for rating after annotating the claim as ready to rate.

On May 21, 2009, staff at a VSC annotated a veteran's claim as ready to rate. The veteran had claimed nine different health conditions. The originating VSC staff shipped the veteran's claims folder to a rating center 83 days later on August 12, 2009. VSC management agreed the 83-day delay (as illustrated below) caused untimely payments to the veteran.



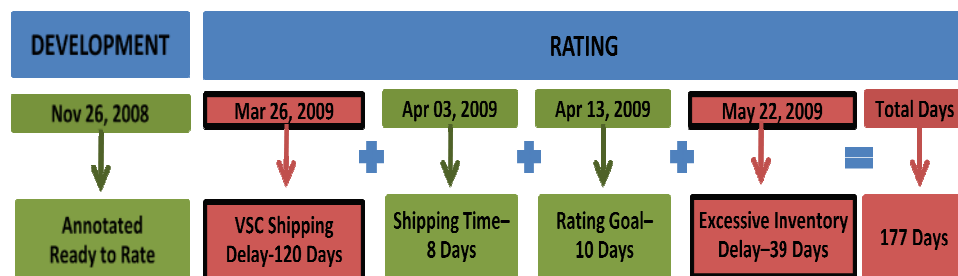
To improve brokering effectiveness and better align workload with staffing resources, VBA needs to require VSC staff to include steps in their workplans that ensure prompt and systematic processing of actions. In addition, VBA must require area offices to consider if VSC staff promptly broker claims when making brokering decisions.

Monitoring Inventories

Excessive resource center and VSC inventories of unprocessed brokered claims can significantly delay processing. Brokering claims to facilities that have excessive inventories of unprocessed brokered claims is contrary to the brokering concept of reallocating pending workload to facilities with available resources. Of the 171,000 claims, we projected 93,000 (54.4 percent) were delayed an average of 23 days because staff at resource centers and VSCs maintained excessive claims inventories they could not process timely. These delay days represent the time between the date staff at a resource center or VSC received the claims folder to first development or rating action date and ranged from 1 to 204 days.

Of the 93,000 delayed claims, staff at resource centers processed almost 82,000 and VSCs about 11,000. For resource center staff who only process brokered claims, maintaining claims inventories they cannot process timely will result in processing delays. Resource center staff needs to provide area offices complete and accurate monthly inventory data to help ensure brokering decisions effectively align workload with staffing resources. The following example highlights an example of how a resource center delayed claim processing because it maintained an excessive inventory of unprocessed claims.

On November 26, 2008, staff at an originating VSC annotated a veteran's claim as ready to rate. They shipped the claims folder to a resource center 120 days later on March 26, 2009. On April 3, 2009, the resource center received the claims folder. However, because the resource center's inventory of unprocessed brokered claims was too high, the resource center staff did not rate the claim until May 22, 2009, or 39 days more than the rating goal of 10 days. VSC management agreed the total 159-day delay (as illustrated below) caused untimely payments to the veteran.



When resource centers' claims inventories become low, staff can run out of brokered claims to process. When this happens, staff at resource centers circumvent formal area office brokering plans by processing claims received informally from colocated VSCs' pending workload. These efforts focus on improving colocated VSCs' claim processing timeliness. While these efforts are intended to improve claims-processing timeliness, they can potentially diminish the effectiveness of area office VBA-wide brokering plans, which contain information needed to process workload effectively. The next section, Finding 2, contains more details on VARO informal claims redistributions.

To improve brokering effectiveness, VBA needs to track and monitor pending workload and activity for brokered claims. Otherwise, VBA's brokering plans and decisions are based on incomplete information.

***Broker Claims
for All Phases
Except
Establishment***

Staff at VSCs established claims and then brokered them to resource centers and VSCs that did not complete the other claims-processing phases—development, rating, award, and authorization. Staff at some resource centers and VSCs completed only the development phase, while staff at other resource centers and VSCs completed only rating, award, and authorization phases. VBA claims brokering is more effective when staff at resource centers and VSCs perform development, rating, award, and authorization phases because:

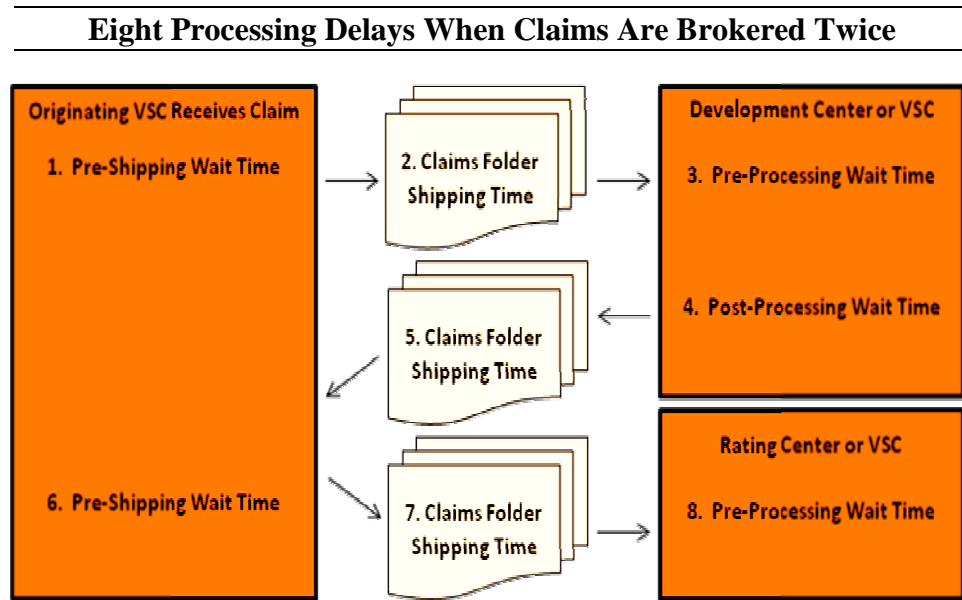
- It prevents staff at VSCs from brokering individual claims more than once,
- It eliminates brokering claims that are not ready to rate, and
- It reduces the likelihood of staff at VSCs brokering claims they can process more quickly.

***Brokering
Individual
Claims More
Than Once***

Of the 171,000 claims, we projected that almost 26,000 (15.2 percent) were delayed an average of 55.1 days because staff at VSCs brokered claims to one resource center or VSC for development and another for rating. These delay days represent the extra shipping and pre- and post-processing wait times resulting from brokering claims more than once. These delays ranged from 8 to 302 days.

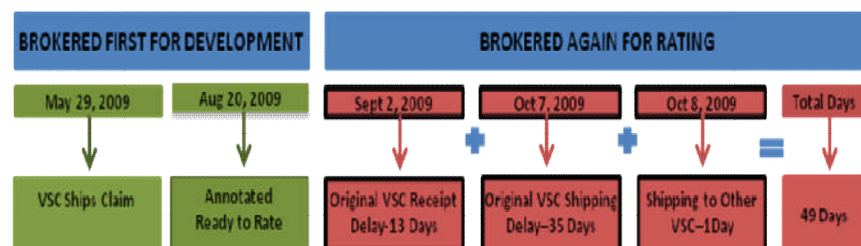
Figure 1 on the following page illustrates eight claim-processing delays that occur when staff at VSCs broker a claim to a development center or VSC to complete the development phase and a rating center or VSC at a different location to complete the rating, award, and authorization phases.

Figure 1



The following example highlights the ineffectiveness of brokering an individual claim to more than one resource center or VSC.

On May 13, 2009, staff at a VSC established a veteran's claim for two disabilities. They shipped the veteran's claims folder to a development center for processing on May 29, 2009. Staff at the development center completed its last action and annotated the claim as ready to rate on August 20, 2009. Staff at the originating VSC received the claim back from the development center 13 days later on September 2, 2009. On October 7, 2009, 35 days later, the originating VSC shipped the claim to another VSC for rating, award, and authorization. The other VSC received the claim 1 day later. VSC management agreed the total 49-day delay (as illustrated below) caused untimely benefit payments to the veteran.



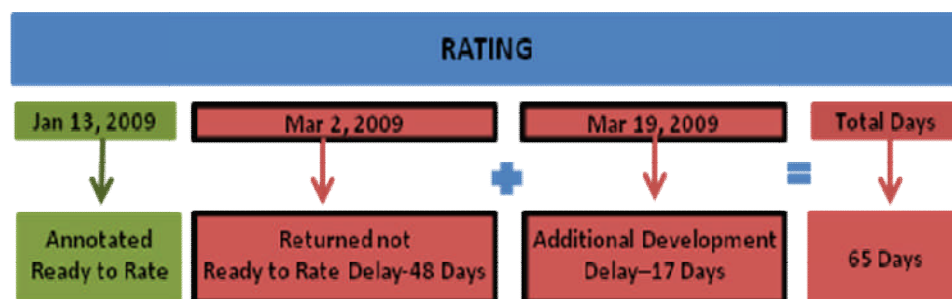
When staff at VSCs broker an individual claim to one resource center or VSC for claims-processing phases except establishment, the processing delays are reduced from eight to three—waiting time before shipping, shipping time, and pre-processing wait time at the resource center or VSC.

*Brokering
Claims Not
Ready To Rate*

Of the 171,000 claims, we projected that almost 13,000 (7.6 percent) were delayed an average of 112 days because staff at originating VSCs brokered claims that were not ready to rate. These delay days represent the time between the date staff at a VSC incorrectly determined the claim was ready to rate to the date staff at the originating VSC received the unrated claims folder back from a resource center. These delays ranged from 10 to 339 days.

When staff at VSCs broker a claim that is not ready to rate, resource center or VSC staff receiving the claim have two choices. They can either ship the claims folder back to the originating VSC for additional development or spend time to become familiar with the claim and complete development themselves. Both choices negatively impact timeliness of claims processing. The example below highlights the ineffectiveness of brokering a claim that is not ready to rate.

On January 13, 2009, staff at a VSC annotated a claim as ready to rate. The veteran claimed several disabilities including impaired hearing. Thirteen days later the VSC staff shipped the claims folder to a rating center. On March 2, 2009, 48 days after the originating VSC staff annotated the claim as ready to rate, the rating center staff determined the claim was not ready to rate because the VSC staff needed to perform additional development to support the impaired hearing disability. Then 17 days later, on March 19, 2009, the rating center staff requested an audiology examination for the veteran. After they received the examination results, the rating center staff rated the claim. Rating center management agreed the 65-day delay (as illustrated below) caused untimely payments to the veteran.



If staff at originating VSCs always brokered claims for development, rating, award, and authorization, they would only need to establish brokered claims. This would eliminate the need for VSC staff to develop brokered claims and the possibility of brokering claims that are not ready to rate.

*Claims VSCs
Could Process
More Quickly*

Of the more than 100,000 claims that area offices approved for brokering to rating centers, we projected that staff at the originating VSCs could have rated about 28,000 (27.9 percent) in the same amount of time or quicker than staff at the rating centers. We estimated that originating VSC staff could have processed these claims an average of 30 days faster. These delay days represent time between the actual date staff at a resource center completed processing the claim and the date staff at an originating VSC could have completed claim processing. These delays ranged from 1 to 217 days.

Generally, the likelihood of staff at resource centers and VSCs processing brokered claims more promptly than originating VSCs and meeting VBA's strategic target is higher if they complete rating, award, and authorization phases. This is because completing these phases takes significantly less time than the development phase.

For example, VBA's strategic target for completing the development, rating, award, and authorization phases is 118 days, but VBA's strategic target for the rating, award, and authorization phases is only 21 days. Therefore, when considering a conservative 7 days is generally needed to ship claims folders and begin processing, staff at resource centers only have 14 days remaining to meet the 21-day strategic target. The likelihood of staff at VSCs completing these phases quicker and meeting VBA's strategic target is higher because originating VSCs do not experience the delays associated with claim brokering.

The following example highlights how we estimated that staff at a VSC would have completed a claim brokered for rating, award, and authorization phases faster than a resource center.

On April 13, 2009, staff at a VSC annotated a veteran's claim as ready to rate. The VSC staff brokered the claim to a rating center for processing 14 days later. The rating center staff completed the claim on July 28, 2009, 106 days after it was ready to rate. We estimated that the originating VSC staff could have completed the claim 45 days earlier than achieved with brokering. We made this estimate by starting with the VSC's April 13, 2009, reported 2,716 ready-to-rate claims inventory. Then, using the originating VSC's reported rate of completing claims during April, May, and June, we estimated that the VSC staff would have completed 2,716 ready-to-rate claims, including the sampled claim, by June 12, 2009.

To improve brokering effectiveness, VBA needs to revise policies and procedures to require area offices to broker claims for all claims-processing phases except establishment and to document any exceptions with evidence showing staff at the originating VSC would take longer to process the claims.

Broker Claims to Facilities with Higher Accuracy Rates

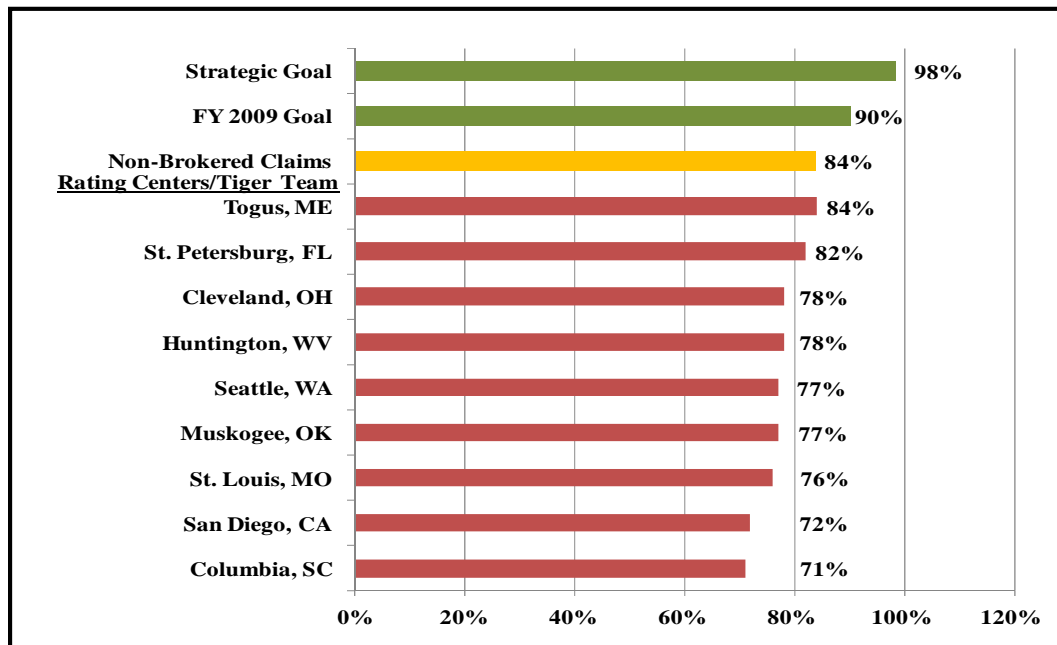
Claims-processing inaccuracies occurred when area offices brokered claims to rating centers and VSCs with lower accuracy rates. Rating centers and VSCs with reported claims-processing accuracy rates completed almost 117,000 of the 171,000 brokered claims. Of the 117,000 claims, we projected that area offices brokered almost 54,000 (46.2 percent) to VBA claims-processing facilities with lower accuracy rates than originating VSCs. Of these 54,000 claims, area offices brokered 18,000 to VSCs and 36,000 to rating centers. Rating center accuracy rates ranged from:

- 1–5 percent lower for about 6,000 (16.6 percent) of the 36,000 claims,
- 6–10 percent lower for 12,000 (33.3 percent) claims, and
- 11–17 percent lower for 18,000 (50.0 percent) claims.

In addition, as shown in Figure 2, none of the eight rating centers nor the Cleveland Tiger Team met VBA’s target of 98 percent accuracy or the FY 2009 accuracy goal of 90 percent, and only the Togus Rating Center had an accuracy rate as high as the accuracy rate for non-brokered claims.

Figure 2

Comparison of Accuracy Rates for Non-Brokered and Rating Center Claims (April Through September 2009)



Brokering claims to rating centers with lower accuracy rates than originating VSCs reduces brokering effectiveness. VBA did not perform Systematic Technical Accuracy Reviews (STAR) of claims processed by rating centers until April 2009. Rating center accuracy rates should improve as staff use STAR results to improve rating decisions. To

improve brokering effectiveness and reduce introducing unnecessary and increased risk of claims-processing inaccuracies, VBA needs to revise policies and procedures to require area offices to stop brokering claims to resource centers and VSCs with significantly lower accuracy rates than originating VSCs to the extent feasible.

***Performance
Plans for
Brokered
Claims***

Performance plans for directors of VAROs processing brokered claims included measurement goals for completing a designated amount of brokered claims. The plans also included performance measurements related to timely and accurate processing of non-brokered claims. However, the plans did not include timeliness and accuracy performance measurements for brokered claims.

Different performance measurements for non-brokered and brokered claims could encourage VARO directors to inappropriately shift non-brokered and/or brokered claims informally between VSCs and resource centers. (Finding 2 contains more information concerning improving controls over VARO informal claims brokering.) To improve the effectiveness of brokered claims processing, VBA must include timeliness and accuracy measurements for brokered claims in performance plans for directors of VAROs processing brokered claims.

***Effect of Not
Considering
Additional
Factors***

By not considering additional factors, VBA's brokering process was less effective, delaying compensation benefit payments to veterans and increasing the risk of claims-processing inaccuracies. For example, we projected brokering inefficiencies caused VBA's average processing times for the 171,000 brokered claims to be 201 days instead of 152 days (49 day difference). In addition, area offices brokered about 54,000 claims to rating centers or VSCs with lower accuracy rates than originating VSCs.

Conclusion

During FYs 2006 through 2009, the percent of claims area offices brokered climbed from 12 to 18 percent. VBA interrupted this growth for a short term in June 2010 by assigning staff at resource centers to process Nehmer claims. However, continuation of Cleveland Tiger Team processing of brokered claims and planned resumption of full brokering upon completion of the Nehmer claims processing requirements makes effective brokering particularly important. Given VBA's need for strategic flexibility to align pending workload with available resources, we do not recommend actions to stop claims brokering. However, we identified opportunities for VBA to improve the effectiveness of its brokering efforts.

VBA can improve brokering effectiveness by revising policies and procedures to ensure area offices consider additional factors when brokering claims and to include timeliness and accuracy measurements in performance plans for directors of VAROs that process brokered claims.

Increased claims brokering effectiveness will help VBA accomplish its core mission of providing timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of disabled veterans.

- Recommendations**
1. We recommended the Under Secretary for Benefits revise brokering policies and procedures to require Veterans Service Centers to include steps in their work plans that ensure prompt claims brokering using a bimonthly shipment schedule.
 2. We recommended the Under Secretary for Benefits revise policies and procedures to require area offices to monitor resource centers and Veterans Service Centers claims inventories and ensure claims are not brokered to resource centers or Veterans Service Centers with excessive claims inventories.
 3. We recommended the Under Secretary for Benefits revise policies and procedures to require area offices to broker claims to one resource center or Veterans Service Center for all claims-processing phases except establishment and to document any exceptions with evidence showing that the originating Veterans Service Center would take longer to process the claim.
 4. We recommended the Under Secretary for Benefits revise policies and procedures to require area offices to stop brokering claims to resource centers and Veterans Service Centers with accuracy rates that are significantly lower than originating Veterans Service Centers.
 5. We recommended the Under Secretary for Benefits include brokered claims-processing timeliness and accuracy performance measures in the performance plans for directors of VA Regional Offices that process brokered claims.

**Management
Comments**

The Under Secretary for Benefits generally agreed with our recommendations and provided acceptable action plans but did not agree with the report findings, voicing concerns regarding some comparative analyses used in this report. The Under Secretary's specific concern was the report's comparison of average processing times for brokered claims with the national average for all compensation claims. The Under Secretary stated the comparison to national average processing times fails to demonstrate whether the intended effect of brokering was accomplished, which is a faster decision for the veterans whose cases were brokered. A more appropriate comparison would have been to show whether the brokered cases were processed faster than they would have been had they remained at the originating regional office.

Additionally, the Under Secretary said brokering claims promptly after the last development action would increase resources needed to manage and oversee the shipping and receiving of claims and diminish the area office's capability to maintain accurate inventory counts at brokering stations. The report states claims were delayed because brokering centers and veterans service centers' maintained excessive claims inventories that they could not process timely. The Under Secretary maintained that leaving the claims at the regional offices would not have resulted in timelier processing because the regional offices could not process them timely.

The Under Secretary stated VBA historical data shows that regional offices facing workload and performance challenges have significantly benefited from brokering. VBA's claims brokering reduces claims processing times and the inventory of pending claims. Because of the perceived invalid timeliness comparison and suggestion that regional offices should ship claims promptly on an irregular schedule, the Under Secretary did not believe the issues discussed in Finding 1 to be fully supported.

Despite the concerns described above, the Under Secretary said the report recommendations would help VBA further improve the effectiveness of claims brokering and assist VAROs facing workload and performance challenges. VBA will revise area office brokering plans to ensure prompt claims brokering by using a bimonthly shipping schedule. In addition, area offices will include a process for monitoring resource center and VSC claim inventories in brokering plans. VBA created D1BCs by adding development capacity at rating resource centers, rating capacity at development resource centers, and development and rating capacity at Appeals Resource Centers. However, D1BCs will not begin to operate as brokering sites until FY 2012.

The Under Secretary also said VBA will revise training and oversight measures to improve quality at both regional offices and resource centers. If a resource center is unable to achieve and maintain an acceptable quality level, brokered work will no longer be assigned to that facility, and resource levels will be appropriately adjusted. Area offices will also revise brokering plans to ensure VBA does not broker claims to facilities with unacceptable quality levels.

Finally, the Under Secretary said that D1BC resource centers will process brokered claims under the same performance expectations and standards as claims received at regional offices. VBA incorporated these expectations and standards in director's performance standards for FY 2011.

OIG Response

We have considered the Under Secretary's concerns and maintain the validity of our finding that VBA can improve brokering effectiveness. During the audit, we used the best data available to compare the processing time for brokered and non-brokered claims. For example, we analyzed data for regional offices that brokered claims and estimated originating VSCs could have rated about 28 percent of the claims in the same amount of time or quicker than resource centers. (See Finding 1.) Further, we believe that comparing the processing times for brokered claims and all claims provides a reasonable indication of the effectiveness of claims brokering since one of the main goals of claim brokering is to expedite the processing of all claims.

We agree that a better comparison would compare processing timeliness between brokered and non-brokered claims, but VBA could not provide processing times for non-brokered claims. We also agree that an analysis to determine whether resource centers processed brokered claims faster than they would have been had they remained at the originating regional office would provide relevant information. However, VBA officials said they had not performed this type of analysis and did not have reliable information available to accomplish this analysis.

Our audit found that VSCs averaged 32 days to broker claims after completing the last action. Our original recommendation was that VSCs should broker claims promptly after finishing the last action to minimize delays. During discussions on our draft report, we agreed that a bimonthly shipping schedule for brokered claims could reduce current delays in claims processing. Our audit found, however, that VSCs did not consistently broker claims on a bimonthly shipping schedule. The delays between the VSCs' last action and brokering should not exceed 15 days, when the VSCs ship claims consistent with this schedule.

We will monitor VBA's implementation of our recommendations until proposed actions are completed and follow up on their effectiveness when VBA resumes regular brokering. Appendix D contains the full text of the Under Secretary for Benefits' comments.

Finding 2 **Area Offices Need To Strengthen Controls Over VARO Informal Claims Brokering**

Area offices did not have adequate controls to prevent VAROs from brokering claims informally between resource centers and VSCs without specific area office approval or including the brokering in VBA-wide brokering plans. Informal brokering occurred because of inadequate policies, procedures, and area office oversight. Lack of these controls increased the risk that VBA and area office managers will rely on inaccurate claim processing and timeliness data to make staffing and brokering decisions.

Three of Seven VAROs Visited Brokered Claims Informally

Of seven VAROs we visited, three brokered claims informally. VARO Togus brokered claims informally between the colocated VSC, development center, and rating center; VARO Cleveland brokered claims informally between the VSC and Tiger Team; and VARO Manchester brokered claims informally between VSCs located in Manchester, NH, and White River Junction, VT. Although the volume, frequency, and other circumstances of the three VAROs' informal brokering varied, one common attribute was that area offices did not specifically approve the informal brokering.

VARO Togus

VARO Togus has a VSC, a development center, and a rating center. The VARO Director and other staff stated they routinely brokered claims informally between the VSC and resource centers that were not specifically approved by the area office. Both Eastern Area Office staff and the VARO Togus Director stated the VARO brokers an unlimited number of claims informally between the VSC, development center, and rating center without specific area office approval.

The VARO Togus' practice of routine informal brokering caused area offices to use inaccurate VARO Togus brokering data when developing VBA-wide brokering plans. As a result, area offices did not have reasonable assurance that brokering decisions related to VARO Togus was the most effective use of VBA claims-processing resources.

VARO Cleveland

VARO Cleveland has a VSC and the Tiger Team resource center. The VARO Director and the Tiger Team Manager stated that the VARO occasionally brokered claims informally between the VSC and Tiger Team. Area offices did not approve this brokering.

The VARO Director and Tiger Team Manager stated that the VSC only brokered claims informally when the Tiger Team did not have adequate workload. However, considering the main goal of the Tiger Team is to help reduce claim backlogs VBA-wide, the Tiger Team should always have a workload until VBA eliminates its claims backlog.

VARO Manchester VARO Manchester includes VSCs located in Manchester, NH, and White River Junction, VT. The VARO Director and White River Junction VSC Manager stated, and we confirmed, that in September 2009, the Manchester VSC brokered 50 claims to the White River Junction VSC. Similar to informal brokering at VAROs Togus and Cleveland, the area office did not approve the VARO Manchester brokering.

Causes of Informal Claims Brokering Unapproved VARO claims brokering occurred because of workload demands and inadequate area office controls. VBA needs to strengthen controls by revising claims brokering policies and procedures to require area offices to approve informal VARO brokering. In addition, VBA must require area offices to monitor compliance with revised policies and procedures during annual VARO site visits.

Effects of Informal Brokering Generally, VARO managers told us they brokered claims informally to help resource centers or VSCs achieve monthly or annual claims-processing performance targets. However, VBA's ability to effectively manage its workload is negatively impacted when area offices do not approve VARO brokering.

- VBA and area office managers using incomplete brokering data to assess workload capacities and make decisions on staffing allocations and brokering. Using incomplete brokering data can lead to less effective decisions on when and where VSCs broker claims.
- VAROs delaying processing of some veterans' claims to meet resource center or VSC targets related to other veterans' claims.

Conclusion VBA must strengthen controls over VARO informal claims brokering to ensure VBA and area office managers utilize accurate and complete brokering data when making staffing allocation and brokering decisions. More importantly, area offices need strengthened controls to ensure VBA claims brokering effectiveness and prompt and accurate delivery of compensation benefits to veterans and their families.

- Recommendations**
6. We recommended the Under Secretary for Benefits revise claims brokering policies and procedures to require area offices to approve and document informal VARO brokering decisions.
 7. We recommended the Under Secretary for Benefits require area offices to assess compliance with revised claims brokering policies and procedures during annual VA Regional Office site visits.

Management Comments The Under Secretary for Benefits generally agreed with our findings and recommendations and provided acceptable action plans. VBA will clarify that area offices must approve and document informal brokering to ensure

accountability for performance measurement and resource allocation. VBA agrees to require area offices to assess VARO compliance with revised brokering policies and procedures during FY 2012.

The Under Secretary said this report relies on assertions of employees and an anonymous letter from a veteran service organization. These individuals may not fully understand VA's overarching national priorities and workload management strategies.

OIG Response

We received allegations that VAROs with colocated resource centers inappropriately delayed processing claims received from local veterans to instead process claims brokered in from other VAROs. We validated these allegations through discussions with VARO management at the stations discussed in the report. Since the allegations were site specific, we did not include a discussion of that evidence in this final report. We will follow up on VBA's implementation of our recommendations until proposed actions are completed. Appendix D contains the full text of the Under Secretary for Benefits' comments.

Appendix A Background

Area Offices’ Role in Claims Brokering

VBA’s four area offices (Eastern, Southern, Central, and Western) are responsible for developing and approving VBA-wide claims brokering plans. These plans show which VSCs will broker claims and the number of claims VSCs will broker to each resource center. Area offices develop plans for rating centers every month and for development centers every quarter.

On a monthly/quarterly basis, area offices determine “wellness goals” for each VSC by analyzing the number of compensation claims VSCs receive, the number of pending compensation claims, and the VBA-established inventory goal. Wellness goals represent how well VSCs are achieving their claim inventory goals. Area offices then use wellness goals to determine the number of claims each originating VSC will broker monthly/quarterly to each resource center.

Resource Centers Processing Nehmer Claims

Under the order of U.S. District Court for the Northern District of California, in *Nehmer versus U.S. Department of Veterans Affairs*, VA must readjudicate previously denied claims known as Agent Orange/Nehmer claims. Originally, Nehmer claims were compensation claims submitted by Vietnam veterans or their survivors for several diseases caused by exposure to Agent Orange. However, on October 13, 2009, VA’s Secretary announced intent to establish presumptive service connection for three additional diseases related to Nehmer claims.

VA must readjudicate approximately 94,000 Nehmer claims filed from September 25, 1985, to the effective date of VA’s final regulation establishing a presumption of service connection for these diseases. VBA must also adjudicate a number of new claims filed subsequent to the court’s order. On June 24, 2010, all resource centers except the Tiger Team began processing Nehmer claims. The Tiger Team continued to process only brokered claims.

Previous Reviews

In March 2009, we issued the report *Audit of Veterans Benefits Administration Compensation Rating Accuracy and Consistency Review* (Report No. 08-02073-97, March 12, 2009). The report found VBA’s STAR program did not provide a complete assessment of compensation claim rating accuracy because VBA officials excluded brokered claims from STAR. A sample review of brokered claims found an accuracy rate of only 69 percent. The audit team recommended and the Under Secretary for Benefits agreed that VBA should establish procedures to review brokered claims as part of STAR. In April 2009, STAR began reviewing the accuracy of rating center processing of brokered claims.

In January 2010, the Government Accountability Office (GAO) issued the report *Veterans' Disability Benefits—Further Evaluation of Ongoing Initiatives Could Help Identify Effective Approaches for Improving Claims Processing* (Report No. GAO-10-213). GAO concluded that expanding claims brokering could improve claims-processing timeliness. However, VBA had not collected data to evaluate the effectiveness of this practice.

GAO also reported that brokering could pose operational challenges and inefficiencies such as rating centers returning claims to originating VSCs because the claims require further development before they can be rated. GAO recommended the Secretary of Veterans Affairs direct VBA to collect data on brokered claims for development, rating, and appellate work to assess the timeliness and accuracy of resource centers' output and the effectiveness of workload brokering.

Appendix B Scope and Methodology

Scope

We conducted the audit from October 2009 through August 2010. The audit focused on resource center and VSC operations related to the processing of 171,000 brokered claims completed during FY 2009. The audit scope included VBA's 4 development centers and its 8 rating centers, the Tiger Team resource center, and the 26 VSCs that processed the 171,000 brokered claims. The scope did not include reviewing the accuracy of individual claims rating decisions.

Methodology

To accomplish the audit objective, we reviewed applicable laws and VBA regulations, policies, procedures, and guidelines. We also audited a statistical sample of 300 brokered claims selected from the universe of 171,000 brokered claims completed during FY 2009. Appendix C provides details on the sampling methodology and estimates. Figure 3 identifies the 8 facilities we visited to audit the 300 sampled brokered claims.

Figure 3

Facilities Visited	
Facility & Location	Area
Development Centers	
1. Roanoke, VA	Southern
2. Phoenix, AZ	Western
Rating Centers	
3. Togus, ME	Eastern
4. St. Louis, MO	Central
Tiger Team Resource Center	
5. Cleveland, OH	Eastern
VSCs	
6. Togus, ME	Eastern
7. White River Junction, VT	Eastern
8. San Diego, CA	Western

To obtain VBA program officials' perspective on claims brokering, we interviewed managers from the Office of Field Operations, Compensation and Pension Service, and Office of Program Analysis and Integrity. To obtain resource center and VSC staff perspectives on claims brokering, we interviewed VARO directors, assistant directors, resource center and VSC managers, coaches, Rating Veterans Service Representatives, and Veterans Service Representatives. We also visited the Western Area Office in Phoenix, AZ, where we interviewed area office staff and reviewed area office claims brokering plans, policies, and procedures.

***Reliability of
Computer-
Processed Data***

To accomplish the audit objective, we used computer-processed data from resource center and VSC automated spreadsheets. To test the reliability of this data, we compared relevant computer-processed data with hardcopy claims folder documents. The data was sufficiently reliable for the audit objective.

***Compliance With
Government
Auditing
Standards***

Our assessment of informal controls focused on those controls relating to the audit objective. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C Statistical Sampling Methodology

Audit Universe The audit universe consisted of 171,000 brokered rating claims completed by staff at 13 resource centers and 26 VSCs during FY 2009. Automated spreadsheets developed and maintained by resource centers and VSCs were the sources of universe data.

Sampling Design We designed a two-stage statistical sampling plan to compute the error rates of brokered claims with ineffective processing. In the first stage of sampling, we randomly selected five resource centers and three VSCs for review using probability proportional to size sampling based on the ratio of completed claims brokered during FY 2009.

For the second stage of sampling, we randomly selected a total of 300 brokered claims from the following four strata: development centers, rating centers, Tiger Team, and VSCs that processed brokered claims. We selected 300 claims from the 5 resource centers and 3 VSCs visited, as indicated in the previous section, Figure 3. Figure 4 shows the number of claims in the audit universe and sample.

Figure 4

Audit Universe and Sample by Strata		
Strata	Claims	
	Universe	Sample
1. Development	42,174	60
2. Rating	91,864	60
3. Tiger Team Resource Center	16,598	90
4. VSCs	20,820	90
Total	171,456	300

Sampling Results Sample projections related to ineffective processing of the approximately 171,000 brokered claims completed by resource centers and VSCs during FY 2009. We used a replication method that accounts for differential weights, stratification, and self-representing strata in the sample design to compute the sampling errors for our projections. Figures 5 and 6, on the following pages, show the projections discussed in the body of this report. The margin of error and confidence interval are indicators of the precision of the projections. Repeated statistical sampling of this universe would result in projections within these bounds.

Figure 5

Projected Claims and Average Days Delayed

Descriptions (FY 2009)	Projections (Rounded) Actual	Margin of Error (Based on 90 % Confidence Interval)	90% Confidence Interval	
			Lower Limit	Upper Limit
1. All Brokered Claims				
Average Days to Complete	201	14	187	215
Average Days to Complete Without Brokering Delays	152	12	140	164
2. Not Brokered Promptly				
Claims Delayed	(165,000)	160,086	169,148	4,531
Percent of Claims Delayed	96.0 %	93.4 %	98.6 %	2.6 %
Average Days Delayed	32	28	36	4
3. Processing Not Prompt				
Claims Delayed	(93,000) 93,289	8,834	84,454	102,123
Percent of Claims Delayed	(56.3 %) 54.4 %	5.20 %	49.3 %	59.6 %
Average Days Delayed	23	4	19	27
a. Processing Not Prompt by RCs				
Claims Delayed	(82,000) 81,844	8,447	73,397	90,291
Percent of Claims Delayed	(88.1 %) 87.7 %	2.70 %	85.1 %	90.4 %
Average Days Delayed	23	5	18	28
b. Processing Not Prompt by VSCs				
Claims Delayed	(11,000) 11,444	2,587	8,858	14,031
Percent of Claims Delayed	(11.8 %) 12.3 %	2.70 %	9.6 %	15.0 %
Average Days Delayed	22	7	14	28
4. Brokered More Than Once				
Claims Delayed	(26,000) 25,560	5,072	20,488	30,632
Percent of Claims Delayed	(15.2 %) 14.9 %	3.00 %	11.9 %	17.9 %
Average Days Delayed	55	14	41	69
5. Not Ready To Rate				
Claims Delayed	(13,000) 12,783	7,081	5,702	19,864
Percent of Claims Delayed	(7.6 %) 7.5 %	4.10 %	3.3 %	11.6 %
Average Days Delayed	112	64	48	176
6. Processed Quicker by VARO				
Claims Delayed	(28,000) 28,110	9,462	18,649	37,572
Percent of Claims Delayed	(28.0 %) 28.1 %	9.50 %	18.6 %	37.5 %
Average Days Delayed	30	16	14	46

Figure 6

Projected Claim Brokering to Resource Centers and VSCs With Lower Accuracy Rates

Descriptions	Projections	Margin of Error	90% Confidence Interval	
(FY 2009)	(Rounded) Actual	(Based on 90 % Confidence Interval)	Lower Limit	Upper Limit
Lower Accuracy Rates				
1. Resource Centers/VSCs Claims	(117,000)	N/A	N/A	N/A
2. Resource Centers/VSCs Claims	(54,000) 53,558	10,030	43,528	63,588
Percent of Claims	(46.2) 45.9 %	8.60 %	37.30 %	54.50 %
3. By 1–5 %–Resource Centers Claims	(6,000) 5,933	4,277	1,656	10,210
Percent of Claims	(16.6) 16.6 %	11.7 %	4.8 %	28.3 %
4. By 6–10 %–Resource Centers Claims	(12,000) 11,681	5,986	5,695	17,667
Percent of Claims	(33.3) 32.6 %	12.6 %	20.0 %	45.2 %
5. By 11–17 %–Resource Centers Claims	(18,000) 18,221	6,940	11,281	25,161
Percent of Claims	(50.0) 50.8 %	15.4 %	35.4 %	66.3 %

Appendix D Under Secretary for Benefits Comments

Department of Veterans Affairs

Memorandum

Date: August 18, 2011
From: Under Secretary for Benefits (20)
Subj: OIG Draft Report—Audit of VBA’s Compensation Program Claim Brokering (Project No. 2009-03154-R3-0151)—VAIQ 7040827
To: Assistant Inspector General for Audits and Evaluations (52)

1. Attached is VBA’s revised response to the OIG’s Draft Report—Audit of VBA’s Compensation Program Claim Brokering.
2. Questions may be referred to Nancy Holly, Program Analyst, at 461-9199.

(original signed by:)

Allison A. Hickey

Attachment

Attachment

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Audit of Compensation Program Claim Brokering**

The Veterans Benefits Administration (VBA) provides the following comments:

VBA has concerns regarding some comparative analyses used in this study. Specifically, the report indicates VBA's average processing time during FY 2009 was 201 days for brokered cases, 40 days more than VBA's 161-day average for all compensation claims and 76 days more than VBA's 125-day strategic target. The comparison to national average days to complete is not a valid comparison, as it fails to demonstrate whether the intended effect of brokering was accomplished, which is a faster decision for the Veterans whose cases were brokered. A more appropriate comparison would have been to show whether the brokered cases were processed faster than they would have been had they remained at the originating regional office.

Additionally, the report advocates brokering claims promptly after the last development action is completed. The suggested approach would increase the required resources needed for management and oversight of shipping and receiving claims, as well diminish the area office's capability to maintain accurate inventory counts at brokering stations. Also of concern, the report states claims were delayed because brokering centers and veterans service centers maintained excessive claims inventories that they could not process timely; however, the claims were brokered to these sites because the regional office of original jurisdiction could not process them timely. Leaving them at the regional office would not have resulted in timelier processing or better service to Veterans.

The report relies on assertions of employees and an anonymous letter from a Veteran service organization. These individuals may not fully understand VA's overarching national priorities and workload management strategies. The additional staffing and resources allocated to high performing offices and resource centers are provided with the specific purpose of expanding local capacity to support our national mission of timely and accurate service delivery to all Veterans. In direct contrast to many of the OIG's findings presented in this report, VBA historical data shows that regional offices facing workload and performance challenges have significantly benefited from brokering by reducing processing times and the inventory of pending claims.

Both the invalid timeliness comparison mentioned above and the suggestion that irregular shipping schedules would be more effective are used as the primary basis for the OIG finding highlighted on page 2, "Better Brokering Decisions Are Needed"; therefore, we do not believe this finding to be fully supported. VBA does agree improvements can be made in overall effectiveness of brokering by incorporating timeliness and accuracy of brokering centers into performance measures.

The following comments are submitted in response to the recommendations in the OIG draft report:

Recommendation 1: We recommend the Under Secretary for Benefits revise brokering policies and procedures to require Veterans Service Centers to include steps in their work plans that ensure prompt claims brokering using a bimonthly shipment schedule.

VBA Response: VBA concurs with utilizing a bimonthly shipment schedule. VSCs currently broker claims on a bi-monthly shipping schedule, which allows brokered work to arrive at resource centers on the first and fifteenth of each month. By utilizing a bi-monthly shipment schedule, VSCs and brokering sites are equipped to organize and manage work and maintain accountability for deliveries. VBA will incorporate procedures to ensure the oldest claims meeting the criteria for brokering are scheduled in the first available shipment cycle, once the area office approves the regional office to broker claims. Area offices will revise brokering plans by November 2011.

Recommendation 2: We recommend the Under Secretary for Benefits revise policies and procedures to require area offices to monitor resource center and VSC claim inventories and ensure claims are not brokered to resource centers or VSCs with excessive claim inventories.

VBA Response: VBA concurs. The objective of the brokering process is to provide processing assistance to stations facing challenges in production and timeliness. Rating resource centers have 45 days, from the date the brokering shipment arrives at the facility, to complete all cases in the shipment and return the shipment to the station of original jurisdiction. This methodology allows the resource center to maintain a continuous flow of work. The key indicators of a center's capability to accept brokered claims are not specifically related to on-hand inventory, but rather the productive capacity of the brokering site and the age of the work already on-hand. VBA management will continue to monitor inventory levels at resource centers to ensure they are able to process claims in a timely manner. Area offices will include a process for monitoring resource center and VSC claim inventories in brokering plans by November 2011.

Recommendation 3: We recommend the Under Secretary for Benefits revise policies and procedures to require area offices to broker claims to one resource center or VSC for all claim-processing phases except establishment and document any exceptions with evidence showing that the originating VSC would take longer to process the claim.

VBA Response: VBA concurs in principle. Prior to the release of this report, VBA transitioned from multiple brokering sites focused on specific claims processing actions to brokering sites focused on the full spectrum of claims processing. Day-One Brokering Centers (D1BCs) were created by adding development capacity at rating resource centers (RCs); rating capacity at development resource centers (DRCs); and development and rating capacity at Appeals Resource Centers (ARCs). D1BCs provide additional brokering flexibility for VBA, help to improve the overall timeliness for claims completed via brokering, and enhance control of brokered work. However, D1BCs will not operate as brokering sites until fiscal year 2012,

since the D1BCs are now entirely devoted to the re-adjudication of Agent Orange claims impacted by the *Nehmer* decision. Therefore, brokering among ROs, based on specific needs and capacity, will continue until the D1BCs can be converted to full-time brokering.

Additionally, regional office dynamics are continually changing due to employee retirements, promotions, and other unanticipated factors that can quickly alter the workforce composition at a particular site. Changes in law or regulations, increased claim receipts, employee experience levels, and modifications to workflow processes can all further contribute to workload challenges at regional offices that necessitate brokering assistance in one or more aspects of claims processing. For example, an RO that experiences an unexpected loss of employees who perform claims development, but has sufficient rating personnel, may only require assistance in the development process. Individual situations will continue to necessitate brokering only for a specific phase of claims processing. In these situations, cases will only be brokered once and then returned to the originating regional office for completion.

Recommendation 4: We recommend the Under Secretary for Benefits revise policies and procedures to require area offices to stop brokering claims to resource centers and VSCs with accuracy rates that are significantly lower than originating VSCs.

VBA Response: VBA concurs. VBA is working to improve overall quality at VBA regional offices and has taken steps to ensure the level of quality in our resource centers. Due to previous resource constraints in the staffing level of the Systematic Technical Accuracy Review (STAR) program, claims completed by resource centers have only been subject to STAR accuracy reviews since June 2009, and we have therefore only had statistically valid results since late in FY 2010. VBA will continue to revise training and oversight measures to improve quality at both our regional offices and resource centers. If a resource center is unable to achieve and maintain an acceptable quality level, brokered work will no longer be assigned to that facility and resource levels will be appropriately adjusted. Area offices will revise brokering plans by November 2011.

Recommendation 5: We recommend the Under Secretary for Benefits include brokered claim processing timeliness and accuracy performance measures in the performance plans for directors of VAROs that process brokered claims.

VBA Response: VBA concurs. As D1BCs transition from re-adjudicating Agent Orange claims to full-time brokering, the brokered claims received at D1BCs will be processed under the same performance expectations and standards as claims received at regional offices. Brokered claims received at D1BCs and ROs will be controlled and monitored under identified end products in the same manner as workload received at regional offices. These measures were incorporated in the directors' performance standards for FY 2011.

Recommendation 6: We recommended the Under Secretary for Benefits revise claims brokering policies and procedures to require area offices to approve and document informal VARO brokering decisions.

VBA Response: VBA concurs. We will clarify that area offices must approve and document informal brokering to ensure accountability for performance measurement and resource allocation. While informal brokering between a regional office and resource center will be subject to approval of the area office, VBA also maintains that area and regional offices need the flexibility to make prompt decisions in situations where workflow modifications necessitate informal brokering of claims to help achieve local and national objectives. Area offices will revise brokering plans by November 2011.

Recommendation 7: We recommend the Under Secretary for Benefits require area offices to assess compliance with revised claim brokering policies and procedures during annual VARO site visits.

VBA Response: VBA concurs. Area offices will review brokering policies and procedures in fiscal year 2012, after DIBC's complete the re-adjudication of Agent Orange claims and convert to full-time brokering.

Appendix E OIG Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Kent Wrathall, Director Elizabeth Butler George Boyer Madeline Cantu Stacy Gavalas Lee Giesbrecht Nathaniel Holman Whittie Lockett Earl Key Jamillah Mallory Felicia Stovall Steve Wiggins
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