

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Inspection of
VA Regional Office
Little Rock, Arkansas*

February 2, 2016
15-04983-86

ACRONYMS

OIG	Office of Inspector General
RVSR	Rating Veterans Service Representative
SMC	Special Monthly Compensation
TBI	Traumatic Brain Injury
VA	Department of Veterans Affairs
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration
VSC	Veterans Service Center

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Report Highlights: Inspection of VA Regional Office Little Rock, AR

Why We Did This Review

The Veterans Benefits Administration has 56 VA Regional Offices (VAROs) and a Veterans Service Center in Wyoming that process disability claims and provide services to veterans. In September 2015, we evaluated the Little Rock VARO to see how well it accomplishes this mission. We sampled claims we considered at increased risk of processing errors, thus these results do not represent the overall accuracy of disability claims processing at this VARO.

What We Found

Generally, the Little Rock VARO accurately processed the three types of disability claims we reviewed. Overall, 3 of the 34 disability claims (9 percent) reviewed contained processing inaccuracies; resulting in approximately \$29,822 in improper benefits payments to 3 veterans. During this inspection, VARO staff incorrectly processed 2 of 27 temporary 100 percent disability evaluations we reviewed. We also noted a significant improvement from our 2012 inspection where 18 of the 30 sampled cases contained errors.

We also observed that VARO staff generally processed traumatic brain injury claims accurately for two consecutive benefits inspections. During the 2012 inspection, 1 of the 29 cases sampled contained an error; during the 2015 inspection, all 5 cases completed from January through June 2015, were processed correctly. One of the two Special Monthly Compensation and ancillary benefits claims completed by

VARO staff from July 2014 through June 2015 was accurate.

VARO staff established the correct dates of claim for 30 cases reviewed in the electronic record. We also determined VARO staff delayed processing 4 of the 30 benefits reduction cases we reviewed. However, despite having to prioritize other workload higher, the VARO managed these cases more timely than 12 of 16 VAROs inspected during fiscal year 2015. Effective management of this workload can reduce the risk of improper payments and provide better stewardship of taxpayer funds.

What We Recommended

We recommended the Director implement a plan to ensure claims processing staff prioritize actions related to benefits reductions to minimize improper payments to veterans.

Agency Comments

The Director of the Little Rock VARO concurred with our recommendation. Management's planned actions are responsive and we will follow up as required.

BRENT E. ARRONTE
Deputy Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

The Benefits Inspection Program is part of the VA Office of Inspector General's (OIG) efforts to ensure our nation's veterans receive timely and accurate benefits and services. The Benefits Inspection Divisions contribute to improved management of benefits processing activities and veterans' services by conducting onsite inspections at VA Regional Offices (VAROs). These independent inspections provide recurring oversight focused on disability compensation claims processing and performance of Veterans Service Center (VSC) operations. The objectives of the inspections are to:

- Evaluate how well VAROs are accomplishing their mission of providing veterans with access to high-quality benefits and services.
- Determine whether management controls ensure compliance with VA regulations and policies; assist management in achieving program goals; and minimize the risk of fraud, waste, and other abuses.
- Identify and report systemic trends in VARO operations.

Where we identify potential inaccuracies, we provide this information to help the VARO understand the procedural improvements it can make to ensure enhanced stewardship of financial benefits. We do not provide this information to require the VARO to adjust specific veterans' benefits. Processing any adjustments per this review is clearly a Veterans Benefits Administration (VBA) program management decision.

In addition to this oversight, inspections may examine issues or allegations referred by VA employees, members of Congress, or other stakeholders.

Other Information

- Appendix A includes details on the Little Rock VARO and the scope of our inspection.
- Appendix B outlines criteria we used to evaluate each operational activity and a summary of our inspection results.
- Appendix C provides the Little Rock VARO Director's comments on a draft of this report.

RESULTS AND RECOMMENDATIONS

I. Disability Claims Processing

Claims Processing Accuracy

The OIG Benefits Inspection team focused on evaluating the accuracy in processing the following three types of disability claims and determined their effect on veterans’ benefits:

- Temporary 100 percent disability evaluations
- Traumatic brain injury (TBI) claims
- Special monthly compensation (SMC) and ancillary benefits

We sampled claims related only to specific conditions that we considered at increased risk of claims processing errors. As a result, the errors identified do not represent the universe of disability claims or the overall accuracy rate at this VARO.

High Risk Disability Claims Processing

Generally, Little Rock VARO staff accurately processed the three types of high-risk disability claims we reviewed. Overall, VARO staff incorrectly processed 3 of the total 34 disability claims (9 percent) we sampled, resulting in 56 improper monthly payments to 3 veterans, totaling approximately \$29,822.* Table 1 reflects processing errors identified during our review.

Table 1. Little Rock VARO Disability Claims Processing Accuracy for Three High-Risk Claims Processing Areas

Type of Claim	Claims Reviewed	Claims Inaccurately Processed: Affecting Veterans’ Benefits	Claims Inaccurately Processed: Potential To Affect Veterans’ Benefits	Claims Inaccurately Processed: Total
Temporary 100 Percent Disability Evaluations	27	2	0	2
TBI Claims	5	0	0	0
SMC and Ancillary Benefits	2	1	0	1
Total	34	3	0	3

Source: VA OIG analysis of VBA’s temporary 100 percent disability evaluations paid at least 18 months; TBI disability claims completed from January through June 2015; and SMC and ancillary benefits claims completed from July 2014 through June 2015.

* All calculated percentages in this report have been rounded when applicable.

**Temporary
100 Percent
Disability
Evaluations**

VARO staff incorrectly processed 2 of 27 temporary 100 percent disability evaluations we reviewed. VBA policy requires a temporary 100 percent disability evaluation for a veteran's service-connected disability following a surgery or when specific treatment is needed. At the end of a mandated period of convalescence or treatment, VARO staff must request a follow-up medical examination to help determine whether to continue the veteran's 100 percent disability evaluation.

When the VARO obtains evidence that a lower disability evaluation would result in a reduction or discontinuance of current compensation payments, VSC staff must inform the beneficiary of the proposed reduction in benefits. In order to provide beneficiaries due process, VBA allows 60 days for the veteran to submit additional evidence to show that compensation payments should continue at their present level. On the 65th day following due process notification, action is required to reduce the evaluation and thereby minimize overpayments.

Effective management of these temporary 100 percent disability ratings can reduce VBA's risks of paying inaccurate financial benefits and provides stewardship of taxpayer funds. Available medical evidence showed the 2 processing errors we identified resulted in 18 improper payments totaling approximately \$19,643 to 2 veterans. The improper payments occurred from July 2013 to July 2015. VARO management concurred with our assessments in both cases. Summaries of the errors we identified follow.

- The first error occurred when VARO staff delayed reducing an evaluation for prostate cancer from 100 percent disabling to 40 percent. As a result, the veteran was overpaid approximately \$16,599 over a period of 9 months.
- In the second case, a Rating Veterans Service Representative (RVSR) completed a rating decision but did not establish entitlement to additional SMC benefits, as required. As a result, the veteran was underpaid approximately \$3,044 over a period of 9 months.

Generally, VARO staff followed VBA policy when processing temporary 100 percent disability evaluations. As such, we did not make recommendations for improvement in this area.

**Follow-Up to
Prior VA OIG
Inspection**

In our previous report, *Inspection of the VA Regional Office Little Rock, Arkansas* (Report No. 12-00240-236, July 26, 2012), VARO staff incorrectly processed 18 of 30 temporary 100 percent disability evaluations we reviewed. The majority of the errors occurred because VARO staff did not request the medical reexaminations as required. We did not make a recommendation for improvement to the VARO because VBA had implemented a national review plan to address this issue. In response to a recommendation in our report, *Audit of 100 Percent Disability Evaluations*

(Report No. 09-03359-71, January 24, 2011), the Acting Under Secretary for Benefits agreed to modify the electronic record to automatically establish and populate suspense diaries. Further, VBA agreed to review all temporary 100 percent disability evaluations and ensure each had a future exam date entered in the electronic record.

During this September 2015 benefits inspection, we found VARO staff established suspense diaries for future medical reexaminations and generally followed VBA policy when processing temporary 100 percent disability evaluation claims.

TBI Claims

The Department of Defense and VBA commonly define a TBI as a traumatically induced structural injury or a physiological disruption of brain function caused by an external force. The major residual disabilities of TBI fall into three main categories—physical, cognitive, and behavioral. VBA policy requires staff to evaluate these residual disabilities. Additionally, VBA policy requires that employees assigned to the appeals team, the special operations team, and the quality review team complete training on TBI claims processing.

In response to a recommendation in our report, *Systemic Issues Reported During Inspections at VA Regional Offices* (Report No. 11-00510-167, May 18, 2011), VBA agreed to develop and implement a strategy for ensuring the accuracy of TBI claims decisions. In May 2011, VBA provided guidance to VARO Directors to implement a policy requiring a second signature on each TBI case an RVSR evaluates until the RVSR demonstrates 90 percent accuracy in TBI claims processing. The policy indicates second-signature reviewers come from the same pool of staff as those used to conduct local station quality reviews.

During our September 2015 inspection, we found VARO staff correctly processed all five TBI claims completed from January through June 2015. VARO management and staff attributed the high accuracy rate for processing TBI claims to the experience level of staff processing TBI claims and their compliance with the May 2011 policy.

Follow-Up to Prior VA OIG Inspection

In our previous report, *Inspection of the VA Regional Office Little Rock, Arkansas* (Report No. 12-00240-236, July 26, 2012), 1 of the 29 TBI cases reviewed contained errors. We determined VARO staff generally followed VBA policy when processing TBI claims and did not make recommendations for improvement.

Further, during the current 2015 inspection and for a second consecutive inspection, we determined VARO staff continued to accurately process TBI claims. As such, no recommendations for improvement were needed.

**Special
Monthly
Compensation
and Ancillary
Benefits**

As the concept of rating disabilities evolved, it was realized that for certain types of disabilities, the basic rate of compensation was not sufficient for the level of disability present. Therefore, SMC was established to recognize the severity of certain disabilities or combinations of disabilities by adding an additional compensation to the basic rate of payment. SMC represents payments for “quality of life” issues such as the loss of an eye or limb, or the need to rely on others for daily life activities, like bathing or eating. Generally, VBA grants entitlement to SMC when the following conditions exist:

- Anatomical loss or loss of use of specific organs, sensory functions, or extremities
- Disabilities that render the veteran permanently bedridden or in need of aid and attendance
- Combinations of severe disabilities that significantly affect locomotion
- Existence of multiple, independent disabilities evaluated as 50 to 100 percent disabling
- Existence of multiple disabilities that render the veteran in need of such a degree of special skilled assistance that, without it, the veteran would be permanently confined to a skilled-care nursing home

Ancillary benefits are secondary benefits that are considered when evaluating claims for SMC. Examples of ancillary benefits are:

- Dependents’ Educational Assistance under section 35, title 38, United States Code
- Specially Adapted Housing Grants
- Special Home Adaptation Grants
- Automobile and Other Conveyance and Adaptive Equipment Allowance

VBA policy requires staff to address the issues of SMC and ancillary benefits whenever they can grant entitlement. We examined whether VARO staff accurately processed entitlement to SMC and ancillary benefits associated with anatomical loss, loss of use of two or more extremities, or bilateral blindness with visual acuity of 5/200 or worse.

VARO staff incorrectly processed one of the two SMC and ancillary benefits claims completed from July 2014 through June 2015. The error affecting benefits occurred in a January 2015 rating decision when an RVSR did not establish entitlement to a higher level of SMC as required. Additionally, prior to the January 2015 decision, VARO staff had missed establishing entitlement to the higher level SMC on two other occasions which preceded a change to the SMC calculator, a tool used to determine SMC awards. As a result, the veteran was underpaid approximately \$10,179 over a period of

3 years and 2 months. VARO management concurred with our assessment in this case.

In April 2015, VBA modified the SMC calculator to incorporate an additional check for potential entitlement to higher-levels of SMC when applicable. Because the error we observed preceded the SMC calculator modification, we determined VARO staff generally followed VBA policy when processing SMC claims. We attributed the error we identified solely to human error. Therefore, we did not make a recommendation for improvement.

II. Data Integrity

Dates of Claim

To ensure all claims receive proper attention and timely processing, VBA policy directs staff to use the earliest date stamp shown on the claim document as the date of claim. VBA relies on accurate dates of claim to establish and track key performance measures, including the average days to complete a claim. We focused our review on whether VSC staff followed VBA policy for establishing dates of claim in the electronic record.

VSC staff established correct dates of claim for all 30 claims we reviewed. As a result, we determined the VSC was following VBA policy and we made no recommendation for improvement in this area.

III. Management Controls

Benefits Reductions

VBA policy provides for compensation to veterans for conditions they incurred or aggravated during military service. The amount of monthly compensation to which a veteran is entitled may change because his or her service-connected disability may improve. Improper payments associated with benefits reductions generally occur when beneficiaries receive payments to which they are not entitled because VAROs do not take the actions required to ensure correct payments for their levels of disability.

When the VARO obtains evidence that a lower disability evaluation would result in a reduction or discontinuance of current compensation payments, VSC staff must inform the beneficiary of the proposed reduction in benefits. In order to provide beneficiaries due process, VBA allows 60 days for the veteran to submit additional evidence to show that compensation payments should continue at their present level. If the VARO does not receive additional evidence within that period, RVSRs will make a final determination to reduce or discontinue the benefit. On the 65th day following due process notification, action is required to reduce the evaluation and thereby minimize overpayments.

On April 3, 2014, and again on July 5, 2015, VBA leadership modified its policy regarding the processing of claims requiring benefits reductions. The modified policy no longer included the requirement for VARO staff to take “immediate action” to process these reductions. In lieu of merely removing the vague standard of “immediate”, VBA should have provided clearer guidance on prioritizing this work to ensure sound financial stewardship of these monetary benefits.

Finding

Little Rock VARO Lacked Oversight To Ensure Timely Action on Proposed Benefits Reductions

VARO staff delayed processing 4 of 30 cases involving benefits reductions—all 4 of these cases affected veterans’ benefits. This occurred because management did not prioritize this workload. As a result, VA made 30 improper payments to 4 veterans from June 2014 to September 2015, totaling approximately \$8,233.

For the four cases, an average of 8 months elapsed before staff took the required actions to reduce benefits. The most significant improper payment occurred when VARO staff proposed to reduce a veteran’s benefits after medical evidence showed the medical condition had improved. Staff proposed the reduction action in December 2013; however, the final rating decision to reduce benefits did not occur until June 2015—1 year and 3 months beyond the date when the reduction should have occurred. As a result, the veteran was overpaid approximately \$2,916 in improper benefits payments.

VARO management agreed with our assessments in these four cases. However, VARO management reported this workload was not prioritized because the VARO was required to comply with nationally directed mandates involving workload management. Compliance with the nationally mandated workload management affected the VARO's ability to dedicate the appropriate number of resources to address benefits reduction cases.

Despite the nationally directed mandates, we observed that VARO staff processed benefits reduction cases better than 12 of 16 VAROs we inspected during FY 2015. However, it remains VBA management responsibility to ensure this workload is processed timely because it has the potential to entail millions of dollars in improper payments. Without ensuring this work is processed timely, delays in processing benefits reductions result in unsound financial stewardship of veterans' monetary benefits and fail to minimize improper payments.

Recommendation

1. We recommended the Little Rock VA Regional Office Director implement a plan to ensure claims processing staff prioritize actions related to benefits reductions to minimize improper payments to veterans.

Management Comments

The VARO Director concurred with the recommendation. On October 26, 2015, the Director reported adding one additional employee to the team responsible for processing benefits reductions cases. Additionally, the Director indicated VARO staff are prioritizing the oldest rating workload, to include benefits reductions cases, and expects to see a reduction in past due suspense dates by June 30, 2016. The Director also designated division level management to oversee and track the progress of this workload on a monthly basis. Target completion date: June 30, 2016.

OIG Response

The Director's action is responsive to the recommendation.

Appendix A VARO Profile and Scope of Inspection

Organization The Little Rock VARO administers a variety of services and benefits, including compensation; vocational rehabilitation and employment assistance; specially adapted housing grants; benefits counseling; public affairs; and outreach to homeless, elderly, minority, and women veterans.

Resources As of August 2015, VBA's Office of Field Operations reported the Little Rock VARO had a staffing level of 203 full-time employees. Of this total, the VSC had 153 employees assigned.

Workload As of August 2015, VBA reported the Little Rock VARO had 4,219 compensation claims pending with 1,085 (26 percent) pending greater than 125 days. As reported by VBA's Systematic Technical Accuracy Review, as of August 2015, the overall claims based accuracy of the VARO's compensation rating-related decisions was 90.1 percent. We did not test the reliability of these data.

Scope and Methodology VBA has 56 VAROs and a VSC in Wyoming that process disability claims and provide a range of services to veterans. In September 2015 we evaluated the Little Rock VARO to see how well it accomplishes this mission.

We reviewed selected management, claims processing, and administrative activities to evaluate compliance with VBA policies regarding benefits delivery and nonmedical services provided to veterans and other beneficiaries. We interviewed managers and employees and reviewed veterans' claims folders. Prior to conducting our onsite inspection, we coordinated with VA OIG criminal investigators to provide a briefing designed to alert VARO staff to the indicators of fraud in claims processing.

We reviewed 27 of 129 temporary 100 percent disability evaluations (21 percent) selected from VBA's Corporate Database. These claims represented all instances in which VARO staff had granted temporary 100 percent disability evaluations for at least 18 months as of August 11, 2015. This is generally the longest period a temporary 100 percent disability evaluation may be assigned without review, according to VBA policy. We reviewed five disability claims related to TBI that VARO staff completed from January through June 2015. We examined a total of two veterans' claims involving entitlement to SMC and related ancillary benefits completed by VARO staff from July 2014 through June 2015.

We reviewed 30 of the 2,112 dates of claims (1 percent) recorded in VBA's Corporate Database from April through June 2015, pending as of August 11, 2015. Lastly, we looked at 30 of the 265 benefits reductions cases (11 percent) VARO staff completed from April through June 2015.

Data Reliability

We used computer-processed data from the Veterans Service Network's Operations Reports and Awards. To test for reliability, we reviewed the data to determine whether any were missing from key fields, included calculation errors, or were outside the time frame requested. We assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Further, we compared veterans' names, file numbers, Social Security numbers, VARO numbers, dates of claim, and decision dates provided in the data received with information contained in the 94 claims folders we reviewed related to temporary 100 percent disability evaluations, TBI claims, SMC and ancillary benefits, dates of pending claims at the VARO, and completed claims involving proposed benefits reductions.

Our testing of the data disclosed that they were sufficiently reliable for our inspection objectives. Our comparison of the data with information contained in the veterans' claims folders reviewed in conjunction with our inspection of the VARO did not disclose any problems with data reliability.

Inspection Standards

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B Inspection Summary

Table 2 reflects the operational activities inspected, applicable criteria, and whether or not we had reasonable assurance of VARO compliance.

Table 2. Little Rock VARO Inspection Summary

Operational Activities Inspected	Criteria	Reasonable Assurance of Compliance
Disability Claims Processing		
Temporary 100 Percent Disability Evaluations	Determine whether VARO staff properly reviewed temporary 100 percent disability evaluations. (38 CFR 3.103(b)), (38 CFR 3.105(e)), (38 CFR 3.327), (M21-1 MR Part IV, Subpart ii, Chapter 2, Section J), (M21-1MR Part III, Subpart iv, Chapter 3, Section C)	Yes
Traumatic Brain Injury Claims	Determine whether VARO staff properly processed claims for service connection for all disabilities related to in-service TBI. (FL 08-34 and 08-36), (Training Letter 09-01)	Yes
Special Monthly Compensation and Ancillary Benefits	Determine whether VARO staff properly processed SMC and correctly granted entitlement to ancillary benefits. (38 CFR 3.350, 3.352, 3.807, 3.808, 3.809, 3.809a, 4.63, and 4.64), (M21-1MR IV.ii.2.H and I)	Yes
Data Integrity		
Dates of Claim	Determine whether VARO staff accurately established claims in the electronic records. (38 CFR 3.1 (p) and (r)), (M21-4, Appendix A and B), (M21-1MR, III.ii.1.C.10.a), (M21-1MR, III.ii.1.B.6 and 7), (M21-1MR, III.ii.2.B.8.f), (M21-1MR, III.i.2.A.2.c) (<i>VBMS User Guide</i>), (M21-4, Chapter 4.07), (M23-1, Part 1, 1.06)	Yes
Management Controls		
Benefits Reductions	Determine whether VARO staff timely and accurately processed disability evaluation reductions or terminations. (38 CFR 3.103(b)(2)), (38 CFR 3.105(e)), (38 CFR 3.501), (M21-1MR.IV.ii.3.A.3.e), (M21-1MR.I.2.B.7.a), (M21-1MR.I.2.C), (M21-1MR.I.ii.2.f), (M21-4, Chapter 2.05(f)(4)), (<i>Compensation & Pension Service Bulletin</i> , October 2010)	No

Source: VA OIG

CFR=Code of Federal Regulations, FL=Fast Letter, M=Manual, MR=Manual Rewrite

Appendix C VARO Director's Comments

Department of Veterans Affairs

Memorandum

Date: December 21, 2015
From: Lisa Breun, Director, VA Regional Office Little Rock, Arkansas
Subj: Inspection of the VA Regional Office, Little Rock, Arkansas
To: Assistant Inspector General for Audits and Evaluations (52)

OIG Recommendation

OIG recommended the Little Rock VA Regional Office Director implement a plan to ensure claims processing staff prioritize actions related to benefits reductions to minimize improper payments to veterans.

VARO Response

The Little Rock VA Regional Office Director concurs with the OIG findings and recommendation. As of October 26, 2015, Little Rock VA Regional Office added one additional FTE to the non-rating team which processes the benefits reductions. That increased the size of the team by 17 percent. In addition, the Little Rock Regional Office is focusing on completing the oldest rating related end product 600 cases (benefits reduction cases), with past due suspense dates. All management and non-rating team members are aware of the prioritization of these claims. With a systematic approach, we anticipate that we will be able to reduce past due suspense dates to 20 percent by June 30, 2016. Division level management will oversee the effort and track monthly progress.

Target completion date: June 30, 2016

Appendix D **OIG Contact and Staff Acknowledgments**

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Nora Stokes, Director Kristine Abramo Robert Campbell Casey Crump Ramon Figueroa Kerri Leggiero-Yglesias Nelvy Viguera Butler

Appendix E Report Distribution

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