

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Inspection of
the VA Regional Office
Louisville, Kentucky*

August 23, 2017
17-00394-298

ACRONYMS

AVSCM	Assistant Veterans Service Center Manager
ASPEN	Automated Standardized Performance Elements Nationwide
DOC	Date of Claim
DRO	Decision Review Officers
EP	End Product
FY	Fiscal Year
NWQ	National Work Queue
OIG	Office of Inspector General
QRT	Quality Review Team
RQRS	Rating Quality Review Specialist
RVSR	Rating Veterans Service Representative
SAH	Specially Adapted Housing
SHA	Special Home Adaptation
SMC	Special Monthly Compensation
TBI	Traumatic Brain Injury
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration
VSC	Veterans Service Center
VSCM	Veterans Service Center Manager
VSR	Veterans Service Representative

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Highlights: Inspection of the VARO Louisville, KY

Why We Did This Review

In December 2016, we evaluated the Department of Veterans Affairs Regional Office (VARO) in Louisville, Kentucky, to determine how well Veterans Service Center (VSC) staff processed disability claims, how timely and accurately they processed proposed rating reductions, how accurately they entered claims-related information, and how well VARO staff responded to special controlled correspondence.

What We Found

Claims Processing—Louisville VSC staff did not consistently process one of the two types of disability claims we reviewed. We reviewed 30 of 792 veterans' traumatic brain injury claims (4 percent) and found that a Rating Quality Review Specialist (RQRS) and Rating Veterans Service Representatives (RVSR) accurately processed all 30 claims—a reflection of our previous 2015 inspection, when all 30 claims sampled also were correct. However, RVSRs did not always process entitlement to special monthly compensation (SMC) and ancillary benefits consistent with Veterans Benefits Administration (VBA) policy.

We reviewed 30 of 43 veterans' claims involving entitlement to SMC (70 percent) and related ancillary benefits and found that an RQRS and RVSRs incorrectly processed 11 claims. This resulted in 160 improper monthly payments made to nine veterans, totaling approximately \$146,000. We determined this was caused by ineffective

training and weaknesses in the VSC's second signature review process.

Proposed Rating Reductions—VSC staff generally processed proposed rating reductions accurately. However, we reviewed 30 of 133 benefits reductions cases (23 percent) and found that staff delayed 13 cases. Delays occurred because staff placed higher priority on other workloads. This resulted in approximately \$140,000 in overpayments, representing 128 improper monthly payments from December 2014 to November 2016.

Systems Compliance—VSC staff needed to improve the accuracy of information input into the electronic systems at the time of claims establishment. We reviewed 30 of 711 newly established claims (4 percent) and found that staff did not correctly input claim and claimant information into the electronic systems in 14 of the claims, generally because staff were unaware of VBA policies.

Special Controlled Correspondence—The VARO did not process any special controlled correspondence within the scope of our inspection. Therefore, we were unable to assess VARO staff's effectiveness in this area.

What We Recommended

We recommended the VARO Director develop a plan to monitor the effectiveness of training, strengthen oversight, and assess the accuracy of secondary reviews involving higher-level SMC; ensure oversight of proposed rating reduction cases; and provide

training for claims establishment procedures.

Agency Comments

The VARO Director concurred with our recommendations. Management's planned actions are responsive and we will follow up as required.

A handwritten signature in black ink that reads "Larry M. Reinkemeyer". The signature is written in a cursive style with a large initial "L" and "R".

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objectives

The Benefits Inspection Program is part of the VA Office of Inspector General's efforts to ensure our nation's veterans receive timely and accurate benefits and services. We conduct onsite inspections at randomly selected VA Regional Offices (VARO) to assess their effectiveness. In FY 2017, we looked at four mission operations—Disability Claims Processing, Management Controls, Data Integrity, and Public Contact. Our independent oversight inspection focuses on identifying key objectives and risk within each operation or VARO program responsibility. In FY 2017, our objectives were to assess the VARO's effectiveness in:

- Disability claims processing by determining whether Veterans Service Center (VSC) staff accurately processed traumatic brain injury (TBI) claims and claims related to special monthly compensation (SMC) and ancillary benefits
- Management controls by determining whether VSC staff timely and accurately processed proposed rating reductions
- Data integrity by determining whether VSC staff accurately input claim and claimant information into the electronic systems
- Public contact by determining whether VARO staff timely and accurately processed special controlled correspondences.

When we identify potential procedural inaccuracies, we provide this information to help the VARO understand the procedural improvements it can make for enhanced stewardship of financial benefits and funds. Errors that affect benefits have a measurable monetary impact on veterans' benefits. Errors that have the potential to affect benefits are those that either had no immediate effect on benefits or had insufficient evidence to determine the effect to benefits.

Louisville VA Regional Office

As of February 2017, the Louisville VARO reported a staffing level of 420 full-time employees, which is three below the amount it was authorized. Of this total, the VSC had 217 employees assigned, which is one below the amount it was authorized. In FY 2016, VBA reported that the Louisville VARO completed 23,338 compensation claims—averaging 4.1 issues¹ per claim.

¹ Issues under M21-1 Adjudication Procedures Manual, Part III, Subpart iv, Chapter 6, Section B, *Determining the Issues*, are disabilities and benefits.

RESULTS AND RECOMMENDATIONS

I. Disability Claims Processing

Finding 1 **Louisville VSC Staff Processed TBI Claims Correctly But Needed To Improve Accuracy in Processing Claims Related to SMC and Ancillary Benefits**

Louisville VSC staff processed TBI claims correctly. However, they did not always process entitlement to SMC and ancillary benefits consistent with VBA policy. Generally, the errors we identified for failing to grant higher levels of SMC for veterans were due to ineffective training and weaknesses in the second signature review process. For example, Rating Veterans Service Representatives (RVSR) stated that even after receiving training in August and September 2016, they were unaware of the requirements for granting SMC for additional independent disabilities and they found the process confusing. Overall, a Rating Quality Review Specialist (RQRS) and RVSRs incorrectly processed 11 of the 60 veterans' disability claims we reviewed, resulting in 160 improper monthly payments to nine veterans totaling approximately \$146,000 at the time of our November 2016 review.²

Table 1 reflects the errors affecting, and those with the potential to affect, veterans' benefits processed at the Louisville VARO. 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.

Table 1. Louisville VARO Disability Claims Processing Accuracy

Type of Claim	Reviewed	Veterans' Claims Inaccurately Processed		
		Affecting Veterans' Benefits	Potential To Affect Veterans' Benefits	Total
TBI	30	0	0	0
SMC and Ancillary Benefits	30	9	2	11
Total	60	9	2	11

Source: VA OIG analysis of the veterans' TBI disability claims completed from April 1 through September 30, 2016, and veterans' SMC and ancillary benefits claims completed from October 1, 2015 through September 30, 2016.

² All calculations in this report have been rounded when applicable.

**VBA Policy
Related to
TBI Claims**

VBA defines a TBI event as a traumatically induced structural injury or a physiological disruption of brain function resulting from an external force. The major residual disabilities of TBI fall into three main categories—physical, cognitive, and behavioral/emotional.³ VBA policy requires staff to evaluate these residual disabilities. RVSRs or Decision Review Officers (DROs) who have completed the required TBI training must process all decisions that address TBI as an issue. Rating decisions for TBI require two signatures until the decision-maker has demonstrated an accuracy rate of 90 percent or greater, based on the VARO’s review of at least 10 TBI decisions.⁴

VBA policy requires that one of the following specialists must make the initial diagnosis of TBI: physiatrists, psychiatrists, neurosurgeons, or neurologists.⁵ A generalist clinician who has successfully completed the required TBI training may conduct a TBI exam if the diagnosis is of record and was established by one of the aforementioned specialty providers.⁶

**Review of
TBI Claims**

We randomly selected and reviewed 30 of 792 veterans’ TBI claims completed from April 1 through September 30, 2016 to determine whether VSC staff processed them according to VBA policy. For example, we checked to see if VSC staff obtained an initial VA medical examination as required.

An RQRS and RVSRs correctly processed all 30 veterans’ claims. Of those claims, 25 required VA examinations. The required medical personnel completed 20 of these examinations—specialists completed 13 and generalist clinicians completed seven. Five examinations were not completed because veterans did not attend their scheduled examinations. The remaining five cases did not require VA examinations because the evidence of record did not contain an event or injury in service or associated symptoms of disability.⁷

We interviewed the Veterans Service Center Manager (VSCM) who attributed the high TBI accuracy rate to open communication between RVSRs and quality review staff, as well as a good working relationship with staff at the VA medical centers. Since VSC staff processed all the TBI claims we reviewed correctly, we made no recommendations for improvement in this area.

³ M21-1 Adjudication Procedures Manual, Part III, subpart iv, Chapter 4, Section G, Topic 2.d., *TBI Residuals*.

⁴ Topic 2.m., *Training and Signature Requirements for TBI Decisions*.

⁵ Chapter 3, Section D, Topic 2.j., *Qualification Requirements of Examiners – TBI Examinations*.

⁶ *Ibid.*

⁷ Title 38 Code of Federal Regulations Section (38 CFR) 3.159.

*Previous
VA OIG
Inspection
Results*

In our previous report, *Inspection of the VA Regional Office, Louisville, Kentucky* (Report No. 15-01193-433, July 28, 2015), we found that VARO staff correctly processed all of the 30 TBI claims we reviewed. Similar to the current inspection, the high accuracy rate was determined to be closely related to the communication between the staff processing the cases and internal quality reviewers.

**VBA Policy
Related to
SMC and
Ancillary
Benefits**

VBA assigns SMC to recognize the severity of certain disabilities or combinations of disabilities by adding an additional compensation to the basic rate of payment whenever the basic rate is not sufficient for the level of disability present. 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.

Ancillary benefits are secondary benefits considered when evaluating claims for compensation, which include eligibility for educational,⁸ automobile,⁹ and housing¹⁰ benefits. Specially Adapted Housing (SAH) and Special Home Adaptation (SHA) are two grants administered by VA to assist seriously disabled veterans in adapting housing to their special needs. An eligible veteran may receive an SAH grant of not more than 50 percent of the purchase price of a specially adapted house, up to the maximum allowable by law. An eligible veteran may receive an SHA grant toward the actual cost to adapt a house or toward the appraised market value of necessary adapted features already in a house when the veteran purchased it, up to the total maximum allowable by law.

VBA policy requires staff to address the issues of SMC and ancillary benefits whenever they can grant entitlement.¹¹ VBA policy also states that all rating decisions involving SMC above a specified level require a second signature.¹²

In our report, *Review of VBA’s Special Monthly Compensation Housebound Benefits* (Report No. 15-02707-277, September 29, 2016), we reviewed SMC housebound benefits. Our Benefits Inspectors reviewed and reported a

⁸ Dependents’ Educational Assistance under 38 CFR §3.807, provides education benefits for the spouse and children of eligible veterans.

⁹ Automobiles or Other Conveyances and Adaptive Equipment under 38 CFR §3.808, provides eligible veterans funds toward the purchase of an automobile, or other special equipment or assistive devices such as power seats.

¹⁰ Specially Adapted Housing (SAH) Grants under 38 CFR §809 and Special Home Adaptation (SHA) Grants under Title 38 CFR §3.809a, provide eligible veterans funds for the purchase or construction of barrier-free homes or the costs associated with the remodeling of an existing home to accommodate disabilities in accordance with Title 38 United States Code 2101.

¹¹ M21-1 Adjudication Procedures Manual, Part III, Subpart iv, Chapter 6, Section B, Topic 2, *Considering Subordinate Issues and Ancillary Benefits*.

¹² Section D, Topic 7, *Signature*.

higher level of SMC that included those payment rates related to disabilities such as loss of limbs, loss of eye sight, and paralysis. These reviews did not overlap because this review involved different types of SMC that cannot be granted simultaneously with SMC housebound benefits.

**Review of
SMC and
Ancillary
Benefit
Claims**

We randomly selected and reviewed 30 of 43 veterans' SMC and related ancillary benefits claims completed by VSC staff from October 1, 2015 through September 30, 2016. We examined whether VSC 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. We found that an RQRS and RVSRs incorrectly processed 11 of 30 veterans' claims involving SMC and ancillary benefits—nine errors affected veterans' benefits and resulted in improper payments to veterans totaling approximately \$146,000. These errors represented 160 improper monthly payments from December 2010 to November 2016. In four claims the improper payments were still paid monthly as of November 2016, totaling about \$4,300 per month. An Assistant Veterans Service Center Manager (AVSCM) concurred with all the errors we identified.

The nine errors that affected veterans' benefits involved an RQRS and RVSRs assigning incorrect effective dates for SMC, incorrect levels of loss of use,¹³ and incorrect levels of SMC¹⁴ for veterans with additional independent disabilities.¹⁵ In one of the nine cases, which involved the most significant improper payment we identified, an RVSR assigned an incorrect effective date for SMC based on loss of use of both knees and elbows effective October 20, 2015, the date the veteran's claim was received. VA treatment records showed the veteran's disabilities had worsened, warranting SMC based on loss of use of three extremities effective November 1, 2010 and increased SMC for loss of use of all four extremities effective June 11, 2014. As a result, the veteran was underpaid approximately \$88,700 over a period of 59 months.

The two remaining errors had the potential to affect veterans' benefits. In one of the two cases, which involved the most significant potential impact, an RVSR incorrectly granted eligibility to the SHA grant when the veteran was also granted eligibility to the SAH grant. According to Federal regulation, eligibility only exists for an SHA grant if the claimant is not

¹³ Generally, loss of use is defined as the remaining effective function of an extremity. M21-1 Adjudication Procedures Manual, Part IV, Subpart ii, Chapter 2, Section H, Topic 1, *General Information on SMC*.

¹⁴ SMC is additional payment above the basic levels of compensation for various types of anatomical losses or levels of impairment due solely to service-connection disabilities. M21-1 Adjudication Procedures Manual, Part III, Subpart ii, Chapter 2, Section H, Topic 1, *General Information on SMC*.

¹⁵ 38 CFR §3.350.

entitled to, and has not previously received, an SAH grant.¹⁶ As a result, the veteran might receive improper entitlement to a benefit worth up to \$15,462.

Generally, the errors were due to ineffective training and weaknesses in the VSC's second signature review process. Although DROs, RQRSs, and RVSRs had training on higher levels of SMC in February 2015 and at various times from June through September 2015, all the errors we identified occurred after this training. DROs, RQRSs, and RVSRs received additional training on higher levels of SMC in August and September 2016; however, VSC staff we interviewed were still unaware of the requirements for granting SMC for additional independent disabilities and stated that they found the process confusing. Moreover, VSC staff stated that the training did not emphasize the requirements to address more severe levels of loss of use. We concluded that the training provided in 2015 and 2016 was ineffective because:

- Eight impact errors regarded failing to grant increased SMC
- An RQRS and an RVSR were still unaware of the proper requirements for granting SMC for additional independent disabilities despite receiving additional training
- An RQRS and an RVSR found the process confusing

On January 25, 2017, the VARO provided refresher training on higher-level SMC to DRO, RQRS, and RVSR staff based on our inaccuracy findings.

In addition, Quality Review Team (QRT) staff completed a second level of review, also known as a second signature review. A second signature review is a control implemented by VBA to ensure the accuracy of this complicated process. We found six of the decisions contained errors that were not identified during the second signature review process. QRT staff reported that they do not review effective date accuracy during the second signature review process of higher-level SMC claims. They trusted the effective dates assigned by VSC staff because they did not have the time to go back and verify. Furthermore, QRT staff did not always input completed second signature reviews into the Automated Standardized Performance Elements Nationwide (ASPEN), which is VBA's measurement system that records employees' workload production data, as required. The QRT supervisor uses ASPEN to select monthly quality reviews; however, when QRT staff fail to input second signature reviews in ASPEN, the supervisor cannot check the second signature review process for accuracy. As a result of ineffective training and lack of adequate oversight, some veterans who warranted SMC benefits either did not receive correct benefits payments or could potentially

¹⁶ 38 CFR §3.809a.

receive incorrect benefits payments in the future when regular monthly benefits are paid.

*Previous
VA OIG
Inspection
Results*

In our previous report, *Inspection of VA Regional Office, Louisville, Kentucky* (Report No. 15-01193-433, July 28, 2015), we identified four errors involving SMC evaluations out of the 25 claims reviewed. In the three errors that affected benefits, VARO staff did not grant higher levels of SMC for veterans with additional permanent disabilities. Moreover, none of the four errors had undergone a secondary review. We determined that those errors were due to ineffective training and second signature review policy. We recommended the VARO Director develop and implement a plan to assess the effectiveness of higher-level SMC training and assess the accuracy of secondary reviews involving higher-level SMC and ancillary benefits.

The VARO Director concurred with our recommendations. The Director indicated that local QRT staff provided training in June 2015 that emphasized second signature requirements for higher-level SMC cases. Furthermore, the QRT supervisor was required to conduct monthly reviews on 5 percent of the secondary reviews involving higher-level SMC and ancillary benefits, and provide training on any errors identified. During our December 2016 inspection, we found that the QRT supervisor did not conduct these reviews. The supervisor stated that instead of the required reviews, he asked a member of the QRT staff to expand their number of secondary reviews on higher-level SMC claims. The review started in January 2016, but ended in March 2016 after the secondary review did not identify inaccuracies.

Despite refresher training and adherence to the second signature review process, we continued to see a high error rate associated with SMC and ancillary benefit claims processing. Because the results of our December 2016 benefits inspection disclosed similar problems, we concluded that the corrective actions in response to our 2015 report were inadequate.

Recommendations

1. We recommended the Louisville VA Regional Office Director assess the effectiveness of the most recent refresher training for higher level special monthly compensation.
2. We recommended the Louisville VA Regional Office Director implement a plan to strengthen oversight and assess the accuracy of secondary reviews involving higher-level special monthly compensation and ancillary benefits.

Management Comments

The VARO Director concurred with our findings and recommendations. The Director stated that the VSC provided higher-level SMC training to all RVSRs, DROs, and RQRSs on January 25, 2017, and indicated the training was supplemented with an SMC Practical Exercise. The Regional Office has also implemented a process that will allow the QRT Coach to identify and review cases, determine the effectiveness of the training, and provide additional recommendations.

The Director stated that the Regional Office implemented a requirement that all QRT employees record all higher-level SMC second signature review cases into ASPEN to ensure the cases are eligible for Quality Review by the QRT Coach. The data will be used to identify issues or training needs and the findings will be presented to leadership during the monthly Quality and Training Committee meetings.

OIG Response

The VARO Director's comments and actions are responsive to the recommendations. We will follow up as required.

II. Management Controls

Finding 2

The Louisville VSC Staff Needed Better Oversight of Proposed Rating Reductions To Ensure Timely Action

Louisville VSC staff generally processed proposed rating reductions accurately but needed better oversight to ensure timely action. We randomly selected and reviewed 30 proposed benefits reduction cases to determine whether they were timely and accurately processed by VSC staff. VSC staff accurately processed 28 of 30 cases involving benefits reductions. However, processing delays occurred in 13 of the 30 claims that required rating decisions to reduce benefits. All 13 cases involved delays and two cases also had accuracy errors, one of which affected a veteran's benefits. Generally, processing delays occurred because the VSCM and Supervisory Veterans Service Representatives did not view this work as a high priority at the expiration of the due process period. These delays and the one accuracy error resulted in overpayments of approximately \$140,000, representing 128 improper monthly payments to 13 veterans from December 2014 to November 2016. In accordance with VA policy, VBA does not recover these overpayments because the delays were due to administrative errors.¹⁷

VBA Policy Related to Proposed Rating Reductions

VBA provides compensation payments to veterans for conditions they incurred or aggravated during military service.¹⁸ The amount of monthly compensation to which a veteran is entitled may change because his or her service-connected disability can improve or worsen. Improper payments associated with benefits reductions generally occur when beneficiaries receive payments to which they are not entitled.¹⁹ Such instances are attributable to VARO staff not taking the actions that ensure veterans receive correct payments for their current levels of disability.

When the VARO obtains evidence that demonstrates a disability has improved and that the new evaluation would result in a reduction or discontinuance of current compensation payments, VSRs must inform the beneficiary of the proposed reduction in benefits.²⁰ 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.²¹ If the veteran does not provide additional evidence within that period, an RVSR may make a final determination to reduce or discontinue the benefit²² beginning on the 65th day following notice of the

¹⁷ 38 CFR §3.500 , and M21-1 Adjudication Procedures Manual, Part III, Subpart v, Chapter 1, Section I, Topic 3, *Consideration of the Cause of Erroneous Benefits*.

¹⁸ 38 CFR §3.303.

¹⁹ Public Law 107-300.

²⁰ 38 CFR §3.103.

²¹ 38 CFR §3.105.

²² *Ibid*.

proposed action.²³ However, due to policy modifications on April 3, 2014²⁴ and again on July 5, 2015,²⁵ VBA policy no longer requires VARO staff to take “immediate action” to process these reductions. In lieu of merely removing the vague standard, VBA should have provided clearer guidance on prioritizing this work to ensure sound financial stewardship of these monetary benefits.

**Review of
Claims
To Assess
Accuracy**

VSC staff accurately processed 28 of 30 cases involving benefits reductions. However, the two accuracy errors also included processing delays. The VSCM concurred with the accuracy errors we identified.

- In the first case, an RVSR assigned an incorrect effective date of September 1, 2016 for the disability reduction and incorrectly identified this as the date of last payment. The RVSR finalized the veteran’s reduction on August 30, 2016 because the veteran did not attend a mandatory exam to verify ongoing entitlement to benefits. According to Federal regulation, the effective date in this case should have been August 1, 2016, which was the actual date of last payment.²⁶ As a result of this processing inaccuracy, VA overpaid the veteran approximately \$1,000 over a period of one month.
- In the second case, an RVSR assigned the correct effective date of November 1, 2016 to discontinue compensation and entitlement to SMC. Although VSRs discontinued SMC benefits on November 1, 2016, they did not stop the disability compensation until December 1, 2016. According to Federal regulation, the benefit payments should have been discontinued on November 1, 2016, the first of the month following 60 days after notice to the veteran.^{27, 28} As a result of this processing inaccuracy, the veteran might receive future improper benefit payments.

Since we did not identify a systemic trend, we made no recommendations for improvement in this area.

**Review of
Claims
To Assess
Processing
Timeliness**

We randomly selected and reviewed 30 of 133 completed claims from July 1 through September 30, 2016 that proposed reductions in benefits. Processing delays that required rating decisions to reduce benefits occurred in 13 of the 30 claims. We considered cases to have delays when VSC staff did not process them on the 65th day following notice of the proposed action and the resulting effective date of reduction was affected by at least one month. For

²³ M21-4, Appendix B, Section II, *End Products - Compensation, Pension, and Fiduciary Operations*.

²⁴ M21-1 Adjudication Procedures Manual, Part I, Chapter 2, Section B, Topic 7, *Establishing and Monitoring Controls*.

²⁵ Section C, Topic 2, *Responding to the Beneficiary*.

²⁶ 38 CFR §3.655.

²⁷ 38 CFR §3.105.

²⁸ 38 CFR §3.501.

the 13 cases with processing delays, the delays had resulted in an average of nearly 10 monthly overpayments at the time we began our review.

In the most significant overpayment and delay, a VSR sent a letter to the veteran on July 11, 2014 proposing to reduce the disability evaluation for the veteran's lymph node cancer and discontinue entitlement to SMC housebound benefits. The due process period expired on September 15, 2014 without the veteran providing additional evidence to support the claim. However, an RVSR and VSR did not take final action to reduce and discontinue the benefits until August 29, 2016. As a result, VA lacked appropriate evidence to support the ongoing monthly benefits and overpaid the veteran approximately \$49,600 covering a period of 23 months.

The VSCM disagreed with the 13 delay errors we identified, noting that timely action is expected but the time frame for that action is flexible based upon the specifics of each case, to include workload. They also noted that workload management issues were neither errors nor procedural deficiencies. However, the VSCM and Supervisory Veterans Service Representatives acknowledged that, had staff taken action at the expiration of due process, the \$140,000 would not have been paid for medical conditions for which entitlement was no longer shown. It is the responsibility of VBA management to address this issue and necessary to ensure adequate effective financial stewardship of public funds.

Generally, processing delays occurred because the VSCM and Supervisory Veterans Service Representatives did not view this work as a priority at the expiration of the due process period. Interviews with the VSCM and VSC staff confirmed that proposed rating reduction cases were considered a lower priority compared to other work being directed by VBA's Central Office. The VSC's Workload Management Plan directed Supervisory Veterans Service Representatives to identify and prioritize the oldest claims ready for action and to have them completed. Since the plan included other claims, they were prioritized higher than proposed rating reductions if they were older. Moreover, the office created an action plan to reduce the proposed rating reductions inventory; however, this plan was not effective because the VSC did not follow it and designated only one RVSR to finalize the proposed rating reductions. Delays in processing proposed rating reduction cases result in unsound financial stewardship of veterans' monetary benefits and failure to minimize improper payments.

*Previous
VA OIG
Inspection
Results*

In our previous report, *Inspection of VA Regional Office, Louisville, Kentucky* (Report No. 15-01193-433, July 28, 2015), we found that VSC staff delayed or incorrectly processed 11 of 30 cases involving proposed rating reductions, and all 11 affected veterans' benefits. We determined that the processing delays were due to VARO management not prioritizing this work. Thus, we had recommended the VARO Director develop and

implement a plan to ensure staff timely processed claims related to benefits reductions to minimize improper payments to veterans.

The VARO Director concurred with our recommendations and planned to provide additional resources to the team that processes benefits reduction cases in FY 2015. This would enable VSC staff to timely process benefits reductions cases and to minimize improper payments. However, the Director had also stipulated that the planned actions would be subject to competing mandates from VBA's Central Office.

Despite adding resources to the team that processes benefits reduction cases, the Louisville VSC still does not process proposed benefits reduction cases at the expiration of the due process period. Because our December 2016 benefits inspection disclosed similar problems, we concluded that the corrective actions in response to our 2015 report were inadequate.

Recommendation

3. We recommended the Louisville VA Regional Office Director implement a plan to ensure prioritization of proposed rating reduction cases for completion at the expiration of the due process time period.

Management Comments

The Director concurred with our finding and recommendation. The Director reported that VBA provides oversight and prioritization of proposed rating reduction cases at the national level, and that VBA will continue to monitor improvements in due process (EP 600) timeliness, making prioritization adjustments as necessary.

OIG Response

The VARO Director's comments and actions are responsive to the recommendation. Based on the information provided, we consider Recommendation 3 closed at this time. We will follow up as required.

III. Data Integrity

Finding 3

Louisville VSC Staff Needed To Improve the Accuracy of Information Input Into the Electronic Systems at the Time of Claims Establishment

We reviewed 30 pending rating claims selected from VBA's Corporate Database to determine whether VSC staff accurately input claim and claimant information into the electronic systems at the time of claims establishment. In 14 of the 30 claims reviewed, VSRs and Claims Assistants did not enter accurate and complete information in the electronic systems. Generally, inaccuracies involving incorrect dates of claim (DOC) occurred because the AVSCM, Supervisory Veterans Service Representatives, and Claims Assistants were unaware of VBA's policies. Moreover, contention classification errors occurred because of inexperienced Claims Assistants and ineffective training. For example, new Claims Assistants informed us they received training in July 2016 for contention classifications when they were hired, but they still had difficulty determining the correct contention classification. Therefore, we concluded training was ineffective. Other errors included special issues, veterans' addresses, and a claim label, but these were not systemic issues. These errors affect data integrity and could impair the VARO's ability to manage its workload, delay claims decisions, or result in veterans receiving incorrect benefits payments.

VBA Policy Related to Data Integrity

VBA relies on data input into electronic systems to accurately manage and report its workload to stakeholders and to properly route claims within its electronic workload management tool, the National Work Queue (NWQ). The NWQ centrally manages the national claims workload by prioritizing and distributing claims across VBA's network of VAROs. The NWQ uses rules that assign workload based on certain claimant and claim information within the electronic system.²⁹ Veterans Benefits Management System (VBMS) is an electronic processing system the NWQ uses to distribute work.³⁰ Because the NWQ relies on the accuracy of data, misidentified or mislabeled claims at the time of claims establishment can result in improper routing and, therefore, lead to untimely processing of claims and delays in veterans benefits.

Initial claims routing begins at the time of claims establishment. VARO staff must input claim and claimant information into the electronic system to ensure system compliance. Table 2 reflects nine claims establishment terms.

Table 2. Claims Establishment Terms

²⁹ Department of Veterans Affairs, Veterans Benefits Administration, National Work Queue, Phase 1 Playbook.

³⁰ *Ibid.*

Term	Definition
Date of Claim	Earliest date the claim or information is received in any VA facility
End Product	The end product system is the primary workload monitoring and management tool for the VSC
Claim Label	A more specific description of the claim type that a corresponding end product represents
Claimant Address	Mailing address provided by the claimant
Claimant Direct Deposit	Payment routing information provided by the claimant
Power of Attorney	An accredited representative of a service organization, agent, non-licensed individual, or attorney representative chosen by the claimant to represent him or her
Corporate Flash Indicator	Claimant-specific indicators which can represent an attribute, fact, or status that is unlikely to change
Special Issue Indicator	Claim-specific indicators and can represent a certain claim type, disability or disease, or other special notation that is only relevant to a particular claim
Claimed Issue with Classification	Specifies the claimed issue and its medical classification

Source: VA OIG presentation of definitions from VBA's M21-1 and M21-4

Systems Compliance

We randomly selected and reviewed 30 of 711 pending rating claims as of October 26, 2016 from VBA's Corporate Database, which were established in September 2016. In 14 of the 30 claims we reviewed, VSRs and Claims Assistants did not enter accurate and complete information in the electronic systems.

For example, a VSR trainee incorrectly established a DOC as August 31, 2016 in the electronic system. The correct DOC was September 3, 2016—the earliest date stamp shown on the application. VBA policy requires staff to use the earliest date of receipt on the application for benefits as the DOC.³¹ Using an incorrect date of claim could affect data integrity, misrepresent VBA performance for pending workload, and could potentially impact the veteran's effective date for payment.

In another claim, a Claims Assistant did not input the correct contention classification in the electronic systems. VBA policy requires staff to enter

³¹ M21-1 Adjudications Procedures Manual, Part 3, subpart ii, Chapter 3, Section D, Topic 2, *Establishing Claims in VBMS and SHARE*.

the correct contention classification when entering a claim.³² As a result, an incorrect contention classification could affect data integrity and, in some cases, a veteran's personal information.

Generally, the DOC errors occurred because the AVSCM, Supervisory Veterans Service Representatives, and Claims Assistants were unaware of VBA policy. Interviews with Supervisory Veterans Service Representatives and VSC staff confirmed there was confusion in some circumstances on what date to use when a claim is established. For example, not all Claims Assistants were aware of the correct date to use when a complete application is received after the VSC receives an incomplete application because incomplete applications also contain a date stamp (or date). Furthermore, the AVSCM, Supervisory Veterans Service Representatives, and Claims Assistants were unaware of the DOC requirements for an application without a VARO date stamp.³³ A VARO date stamp is typically applied to claims when received at a VA facility—that date is generally used as the effective date to pay benefits. The Supervisory Veterans Service Representatives stated that they were unaware of any policy requiring documentation when there is no VARO date stamp.³⁴ We provided the policy to the AVSCM and Supervisory Veterans Service Representatives, who told us they would review it and provide training. Incorrect DOCs could affect data integrity and could impair the VARO's ability to manage its workload, delay claims decisions, or result in veterans receiving incorrect benefits payments.

The contention classification errors generally occurred because of inexperienced VSC staff, as well as ineffective training. The errors we identified were made by recently hired VSRs and Claims Assistants. Although Claims Assistants received some training, they said they would benefit from additional training to assist them in managing the more challenging areas of claims establishment. Even though Claims Assistants had received reference documents, they said they still had difficulty determining the correct contention classification. Contention classification errors could potentially affect data integrity.

Recommendations

4. We recommended the Louisville VA Regional Office Director implement a plan to conduct training that emphasizes date of claim policies and accurate contention classifications, and to monitor the effectiveness of the training.

³² M21-1 Adjudication Procedures Manual, Part III, Subpart iii, Chapter 1, Section D, Topic 2, *Utilizing Contentions and Special Issue Indicators Associated with Claimed Issues*.

³³ Subpart ii, Chapter 1, Section C, Topic 1, *Recording the Date of Receipt of Incoming Documents*.

³⁴ *Ibid.*

5. We recommended the Louisville VA Regional Office Director implement a plan to strengthen oversight for newly hired staff who establish claims.

**Management
Comments**

The Director concurred with our findings and recommendations. The Director stated training on DOC accuracy was provided to all VSRs and Claims Assistants, and further training on accurate contention classification will be provided on July 10, 2017. Twenty cases per month will be reviewed between August 10, 2017 and October 31, 2017 to assess the effectiveness of the training. In addition, the QRT Team will review 10 cases per month for newly hired staff who establish claims, and will continue the review for three months following initial training. The QRT Coach will include the data in the monthly Quality and Training Committee meeting.

**OIG
Response**

The VARO Director's comments and actions are responsive to the recommendations. The Director has requested closure of these report recommendations. We consider Recommendations 4 and 5 closed at this time based on the information provided. We will follow up as required.

IV. Public Contact

Finding 4 Special Controlled Correspondence

We found the Louisville VARO did not process any special controlled correspondences within the scope of our inspection because congressional offices were sending their inquiries to VA's Central Office. This correspondence was later forwarded to the VARO for processing.

Appendix A Scope and Methodology

Scope and Methodology

In December 2016, we evaluated the Louisville VARO to see how well it provides services to veterans and processes disability claims.

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. Before 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 randomly selected and reviewed 30 of 792 veterans' disability claims related to TBI that the VARO completed from April 1 through September 30, 2016. We randomly selected and reviewed 30 of 43 veterans' claims involving entitlement to SMC and related ancillary benefits completed by VARO staff from October 1, 2015 through September 30, 2016. We randomly selected and reviewed 30 of 133 completed claims that proposed reductions in benefits from July 1 through September 30, 2016. We randomly sampled 30 of 711 pending rating claims as of October 26, 2016 selected from VBA's Corporate Database, established in September 2016.³⁵ The VARO did not process any special controlled correspondences within the scope of our review.

Data Reliability

We used computer-processed data from VBA's Corporate Database obtained by the Austin Data Analysis Division. In addition, data obtained from the Corporate Data Warehouse for special controlled correspondence confirmed that staff from the Louisville VARO did not complete EP 500s from July through September 2016. As a result, we obtained electronic logs of special controlled correspondence from the VARO. To test for reliability, we reviewed the data to determine whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. We also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, we compared veterans' names, file numbers, Social Security numbers, VARO numbers, dates of claim, and decision dates as provided in the data received with information contained in the 120 claims folders we reviewed.

Our testing of the data disclosed that they were sufficiently reliable for our inspection objectives. Our comparison of the data with information

³⁵ During the inspection, while determining our sample size of 30 claims, we determined some claims were outside of the scope of our review; therefore we modified the universe of claims to reflect this number.

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 VARO Management Comments

Department of Veterans Affairs Memorandum

Date: June 29, 2017

From: Director, VA Regional Office Louisville, Kentucky (327/00)

Subj: OIG Draft Report- Inspection of the VA Regional Office, Louisville, Kentucky

To: Assistant Inspector General for Audits and Evaluations (52)

1. The Louisville VARO's submits this response to the OIG findings and recommendations from the December 2016 site visit.

2. Please refer questions to Mike Fairchild, Assistant Director, (502) 566-4500.

(Original signed by:)

David J. Davis
Director

Attachment

Comments on Draft Report
OIG Office of Audits and Evaluations
Benefits Inspection of the Louisville VA Regional Office

Recommendation 1. We recommended the Louisville VA Regional Office Director assess the effectiveness of the most recent refresher training for higher level special monthly compensation.

The RO concurs with the recommendation. After the OIG Exit Conference on December 16, 2016, the RO took immediate action to address the ineffective training for evaluating disabilities warranting higher level SMC. The Veterans Service Center (VSC) conducted a higher level SMC class on January 25, 2017. A qualified Rating Quality Review Specialist (RQRS) conducted this training. As a supplement to this training class, the VSC used a Post Training Class SMC Practical Exercise.

All of the VSC Rating Veterans Service Representatives (RVSRs), Decision Review Officers (DROs), and RQRSS have completed this instructor-led training and the subsequent practical exercise. This is verified by the RO's attached class rosters and the attached TMS Report for 4200879 (Higher Level Special Monthly Compensation (SMC)).

Effective June 22, 2017 the RO has implementing a process that will allow for the QRT Coach to identify, review these cases, determine the effectiveness of this training, and make any additional recommendations.

Recommendation 2. We recommended the Louisville VA Regional Office Director implement a plan to strengthen oversight and assess the accuracy of secondary reviews involving higher-level special monthly compensation and ancillary benefits.

The RO Concur with this recommendation. On June 22, 2016, the RO implemented a requirement that all QRT employees' record all higher level SMC second signature review cases be entered into ASPEN. This will ensure these QRT reviews are eligible for Quality Review by the QRT Coach. Each RQRS has received written and oral guidance regarding the requirement to input cases for higher level SMC review into ASPEN effective July 1, 2017. The QRT Coach will have the ability to present findings to leadership during the monthly Quality and Training Committee meetings. Data will also be used to identify any issues or training needs so they are addressed.

In addition to the December 2016 OIG Inspection, Compensation Service completed an update to the SMC Calculator. For all SMC determinations, the SMC calculator must be utilized and uploaded into the claimant's VBMS record. This update gave the SMC calculator the ability to flash the following message when higher level SMC is warranted: "Second signature is required when SMC rate is higher than SMC-L (M21-1MR III.iv.6.D.7.d)." This update to the SMC calculator enhances oversight by reminding raters to forward the case to QRT for second signature review.

Recommendation 3. We recommended the Louisville VA Regional Office Director implement a plan to ensure prioritization of proposed rating reduction cases for completion at the expiration of the due process time period.

The RO concurs with this finding and recommendation. VBA provides oversight and prioritization of proposed rating reduction cases at the national level. As of April 9, 2017, all Regional Offices receive a daily distribution of actionable due process work that is either priority - homeless, terminally ill, etc. - or our oldest pending claims. Nationally, Regional Offices are held to a standard that all work must be completed on a claim that is distributed to them within five days. Regional and District Office leadership, as well as the Office of Field Operations, routinely monitor stations performance related to the five day Time in Queue (TIQ) standard. Since NWQ began managing distribution of EP600s (due process EPs), timeliness of these claims improved by 30 days. VBA will continue to monitor the improvements in EP600

timeliness and make prioritization adjustments as necessary. VBA requests closure of this recommendation.

Recommendation 4. We recommended the Louisville VA Regional Office Director implement a plan to conduct training that emphasizes date of claim policies and accurate contention classifications, and to monitor the effectiveness of the training.

The Louisville RO concurs with this recommendation. On June 6, 2017, the VSC provided training on date of claim accuracy to all VSRs and CAs. The On July 10, 2017 the VSC will conduct additional training that emphasizes date of claim policies and accurate contention classifications. The audience for the training will include personnel who establish claims. As a method for monitoring the effectiveness of the training, the Intake Analysts will review 20 cases per month from August 10, 2017 through October 31, 2017. Data will be collected and provided to the QRT Coach for inclusion in the monthly Quality and Training Committee meeting. VBA requests closure of this recommendation.

Recommendation 5. We recommended the Louisville VA Regional Office Director implement a plan to strengthen oversight for newly hired staff who establish claims.

The Louisville RO concurs with the recommendation. The RO will ensure all newly hired staff who establish claims will receive a 10-case review every month for the first three months after their initial training on claims establishment. The QRT team will complete the reviews and will focus on date of claim policies and accurate contention classifications. Data will be collected and provided to the QRT Coach for inclusion in the monthly Quality and Training Committee meeting. VBA requests closure of this recommendation.

For accessibility, the format of the original memo has been modified to fit in this document.

Appendix C **OIG Contact and Staff Acknowledgments**

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Dana Sullivan, Director Jason Boyd Brett Byrd Orlan Braman Daphne Brantley David Pina Michael Stack Elyce Girouard Claudia Wellborn
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Appendix D Report Distribution

VA Distribution

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Veterans Benefits Administration Southeast District Director
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