



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

VBA Overpaid Veterans
Due to Delays in Reducing
Compensation Benefits

REVIEW

REPORT #20-03229-155

JULY 8, 2021



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Executive Summary

The Veterans Benefits Administration (VBA) oversees the delivery of benefits and services to veterans, their families, and their survivors. One of the benefits is provided by the disability compensation program, which provides a tax-free monthly payment to a veteran because of the effects of disabilities caused by diseases, events, or injuries incurred or aggravated during active military service.¹ VBA's Office of Field Operations is responsible for ensuring disability compensation benefits are provided in an effective and efficient manner.

At times, evidence is received that requires a negative adjustment to a veteran's disability compensation benefits. These are known as proposals to reduce disability compensation benefits (proposals to reduce) and can result in lowering or discontinuing disability compensation benefits.² However, before an adjustment can be made, the veteran must be notified of the proposed action and given time to show why the adjustment should not be made. During this period, the veteran's benefits continue unchanged. If delays occur in processing these proposals to reduce benefits, excessive payments will be made, wasting taxpayer dollars that cannot be recouped.³

The VA Office of Inspector General (OIG) conducted this review to determine whether VBA's Office of Field Operations managed proposals to reduce benefits in a manner that minimizes processing delays and excessive payments. For the purposes of this report, a delay was identified when the claim was ready for action, but the Office of Field Operations failed to take the next step in the claims process in a timely manner.⁴

¹ "Annual Benefits Report, Fiscal Year 2019," VBA, accessed August 25, 2020, <https://www.benefits.va.gov/REPORTS/abr/>.

² The OIG uses the phrase "proposal to reduce benefits" throughout this report. Proposals to reduce include the following actions: reduction in the percentage of a service-connected disability, severance of service connection, termination of individual unemployability benefits, and adjustment of benefits that were erroneously awarded due to administrative or judgmental errors.

³ VA Manual 21-1, part 3, subpart 4, chap. 8, sec. B, topic 1.e, "Preparing a Rating and Providing Notice Under the Proper Regulations," January 22, 2020. The effective date for changes to a veteran's payment is the first day of the month following expiration of a 60-day period from the date the veteran is notified of the final rating decision. Every month that passes until final action is taken results in excessive payments that cannot be recouped.

⁴ A claim was considered delayed if it remained idle beyond the time required for the Office of Field Operations to act at each step in the claims process. The review team gave each claim 65 days for due process and 10 days for processing a rating decision. In addition, if development was needed before a final rating decision could be made, four days were given per development action. When calculating the total delay of each claim, the team did not include delays beyond the control of the Office of Field Operations. For example, the team did not consider the time VBA waited for a medical exam to be completed as a delay. The Office of Field Operations' managers concurred with the calculation the review team used to determine the number of days that constituted a delay.

What the Review Found

The OIG found that the Office of Field Operations did not manage proposed reductions to benefits in a manner that minimized processing delays and excessive payments. The review team examined the number of delayed claims in the review period and the excessive payments to beneficiaries that resulted from delays. Based on the results of a statistical sample review, the team estimated about 45,300 of 51,700 claims (88 percent) completed during the review period had processing delays.⁵

The Office of Field Operations Workload Distribution Strategy Was Inadequate to Minimize Delays and Excessive Payments, Prioritizing Claims that Grant or Increase Benefits

The processing delays occurred because the Office of Field Operations workload distribution strategy prioritized completion of rating claims—those associated with original and reopened claims or claims for increased evaluation—above proposals to reduce benefits. The OIG understands and acknowledges this strategy helps ensure that claims involving the granting of benefits are given priority over those that reduce or remove benefits. However, the strategy should include a plan to process proposals to reduce benefits in a way that minimizes delays and excessive payments.

If the Office of Field Operations does not develop an effective strategy to manage the workload, delays and excessive payments will continue. Further, delays may cause unnecessary stress for veterans who wait extended periods for a final decision following notice of a proposal to reduce or discontinue their benefits, even as they continue to receive their potentially higher level of benefits. VBA managers are responsible for ensuring strong fiscal stewardship of taxpayer funds. Delays associated with processing proposals to reduce benefits hinder those efforts.

In examining the financial impact on VA, the review team estimated that about 16,000 of the 47,400 claims with a potential reduction in payment had related excessive payments, resulting in about \$116 million in excessive payments to veterans. If VBA fails to effectively implement the OIG's recommendations to reduce delays, VBA may make an estimated \$232 million in excessive payments over the next two years.⁶

⁵ All projected numbers have been rounded in this report. Appendixes A and B contain more information on the review scope and methodology.

⁶ Although the OIG generally expects all recommendations to be addressed within one year, it used a two-year projection to allow VBA one year to act on the recommendations and a second year to ensure full implementation of the recommendations. Appendix C details estimated monetary benefits.

COVID-19 Exam Cancellations Affected VBA's Claims Inventory

The problems identified by the OIG did not persist to the same extent once the COVID-19 pandemic's effects began to be felt by VBA. Specifically, VBA canceled all in-person exams on April 3, 2020, and veterans were given the option to wait for in-person exams to resume before a decision would be made on their claims.⁷ This significantly reduced the number of actionable rating claims, which freed up capacity for regional offices to process proposals to reduce benefits.

Interviews with National Work Queue Division staff confirmed that, due to the lower number of actionable rating claims, the availability to assign proposals to reduce benefits to regional offices increased. However, there is no assurance these changes will be sustained once the actionable rating workload increases to its prior level. When in-person exams fully resume, the number of actionable rating claims will likely increase. Because resources will need to be directed to reducing the rating claims backlog so that eligible veterans and other potential beneficiaries can receive payments, the number of pending proposals to reduce benefits inventory may increase to prepandemic levels. If this occurs, VBA is at risk of spending millions in taxpayer dollars while veterans await their decisions.

What the OIG Recommended

The under secretary for benefits should require the Office of Field Operations to establish, document, and implement a workload management strategy to distribute and process proposals to reduce benefits that minimizes delays and excessive payments. In addition, the Office of Field Operations should develop, document, and implement a formal procedure to routinely monitor the workload management strategy to ensure it minimizes delays and excessive payments.

Management Comments

The acting under secretary for benefits provided general comments in response to this report. The comments stated, "Prior to the pandemic impacts, VBA implemented changes in February and April 2020 to increase parity of distribution between the traditional rating claims and benefit reductions, targeting the oldest cases within the inventory. Given the success of these initiatives, VBA plans to keep these improvements to continue focus on benefit reduction inventory." The OIG acknowledges these changes; however, suspending in-person exams during the pandemic significantly reduced the number of actionable rating claims and freed up capacity for regional offices to process proposals to reduce benefits. These prepandemic changes, therefore, have not

⁷ The purpose of a medical exam is to obtain medical evidence relevant to establishing entitlement to benefits, such as information about diagnosis, onset, or cause. Exams also provide information to assist decision makers in determining the severity of veterans' illnesses or injuries. The determinations are reflected in the amount of monthly disability benefits that eligible veterans receive.

been fully tested by the expected swell of in-person exams and the number of actionable rating claims increases, particularly as other VBA priorities are also “balanced.” VBA must continue to monitor the workload distribution changes to ensure the parity between the traditional rating claims and benefit reductions remains sustainable.

The acting under secretary concurred or concurred in principle with the recommendations and requested that both recommendations be closed. The OIG will close the recommendations when VBA provides evidence that any actions undertaken are effective in controlling the inventory of proposals to reduce benefits once rating workload increases in the months ahead. The OIG will monitor VBA’s progress until all proposed actions are more fully assessed.



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Introduction

The mission of the Veterans Benefits Administration (VBA) is to provide benefits and services to veterans, their families, and their survivors in a responsive, timely, and compassionate manner in recognition of their service to the nation. VBA's disability compensation program provides tax-free monthly payments to veterans for the effects of disabilities caused by diseases or injuries incurred or aggravated during active military service.⁸ VBA assigns each condition a rating percentage that indicates the severity of the disability and how much it diminishes the veteran's health and ability to function.

Certain disabilities may improve or resolve over time, and some veterans may be required to attend follow-up exams to determine the severity of their conditions.⁹ VBA may also receive other evidence that supports a reduced rating percentage or discontinuance of benefits. When this occurs, VBA must issue a proposal to reduce disability compensation benefits (proposal to reduce) before taking action. As discussed in more detail in the section on processing proposals to reduce benefits, this includes notifying the veteran of the proposed action and providing 60 days for due process.¹⁰ During this time, the veteran's benefits continue unchanged. It is VBA's responsibility to take timely action to process these claims, including making a final rating decision.¹¹ Delays to this process can result in excessive payments that waste taxpayer dollars.

The VA Office of Inspector General (OIG) conducted this review to determine whether VBA's Office of Field Operations manages proposals to reduce benefits in a manner that minimizes processing delays and excessive payments.

Oversight and Management of Proposals to Reduce Benefits

VBA's Office of Field Operations is responsible for ensuring disability compensation benefits are provided in an effective and efficient manner. Figure 1 shows the organizational structure of the entities responsible for processing claims for proposals to reduce benefits.

⁸ "Annual Benefits Report, Fiscal Year 2019," VBA, accessed August 25, 2020, <https://www.benefits.va.gov/REPORTS/abr/>.

⁹ 38 C.F.R. § 3.327.

¹⁰ VA Manual 21-1, part 1, chap. 2, sec. A, topic 1, subpart b, "Due Process and VA," January 29, 2018. "Due process in the administration of VA benefits informs the veteran of a proposed adverse action that could reduce or terminate benefits and provides the veteran with the opportunity to provide additional evidence to contest the action or hold a hearing before VA decision makers, or both."

¹¹ VA Manual 21-1, part 3, subpart 3, chap. 1, sec. F, topic 5.a, "Managing Suspense and Diary Dates Through the Claims Process," September 17, 2018.

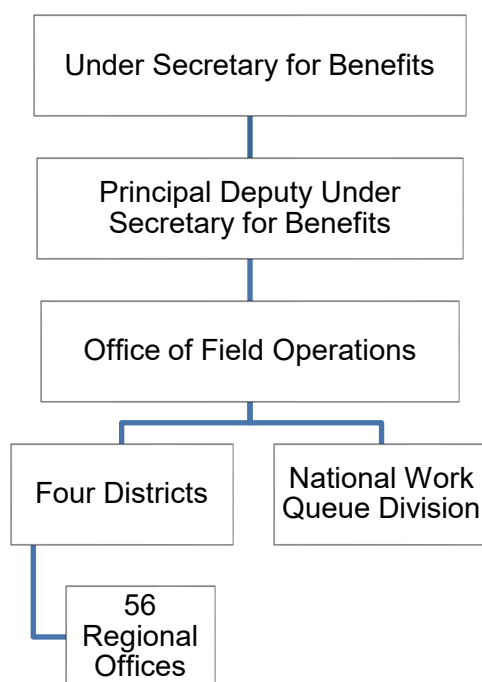


Figure 1. Organizational chart.
Source: VA OIG analysis.

The National Work Queue Division is responsible for overseeing the management and distribution of disability compensation claims, including proposals to reduce benefits. This is accomplished through the National Work Queue (NWQ), a workload distribution tool in the Veterans Benefits Management System, a web-based, electronic claims-processing system. The purpose of the NWQ is to centrally manage the national claims workload by prioritizing and distributing claims across VBA’s network of regional offices. The 56 regional offices are aligned under four districts.

VBA began implementation of centralized claims processing through the NWQ in 2016. The NWQ uses routing rules developed and operated by its staff to distribute claims to each regional office based on several factors, including regional office capacity and national claims-processing priorities. Interviews completed with NWQ staff revealed that for a claim to be eligible for distribution, it must be considered actionable, or ready for the next step in the claims process. The NWQ uses claim attributes to decide which claims will be sent to regional offices for processing.¹² The review team determined through interviews with NWQ staff that they are

¹² VA Manual 21-4, app. C, “Index of Claim Attributes,” November 1, 2018. Claim attributes include corporate flashes, claim labels, and special issues. Corporate flashes are indicators that represent an attribute, fact, or status of the veteran, such as experiencing homelessness. Claim labels provide a more specific description of the claim type, such as a claim for increase. Special issues are claim-specific indicators and can represent a certain claim type, disability or disease, or other special notation that is relevant to a particular claim, such as Agent Orange.

responsible for prioritizing and distributing disability compensation claims to regional offices for processing.

Processing of Proposals to Reduce Benefits

When evidence indicates that a reduction or discontinuance of a veteran's disability compensation may be needed, VBA must send the veteran a proposal letter before taking final action. Reductions or discontinuances may occur when VBA receives medical evidence showing an improvement in a disability, identifies "a clear and unmistakable error," or a veteran fails to report for a required medical reexamination.¹³ Once VBA sends the letter, a claim is established in the Veterans Benefits Management System, and the 60-day due process period begins. If the proposed action involves a reduction of the veteran's monthly benefits, payments continue with the rate unchanged while VBA takes final action and closes the claim.

Tracked items are reminders placed in the Veterans Benefits Management System to monitor development of a claim and indicate when future action or follow-up is required. A suspense date and the suspense reason are assigned to each claim and tracked item. The claim suspense date indicates the date the next action should occur and is used to sort and route the claims. In most cases, when the last tracked item is closed, the claim status updates automatically, and the claim is ready to be assigned for the next action. Figure 2 shows how a proposal to reduce benefits moves between the NWQ and regional offices for processing.

¹³ 38 C.F.R. § 3.105(a)(1)(i). "A clear and unmistakable error is a very specific and rare kind of error. It is the kind of error, of fact or of law, that when called to the attention of later reviewers compels the conclusion, to which reasonable minds could not differ, that the result would have been manifestly different but for the error. If it is not absolutely clear that a different result would have ensued, the error complained of cannot be clear and unmistakable. Generally, either the correct facts, as they were known at the time, were not before VA, or the statutory and regulatory provisions extant at the time were incorrectly applied."

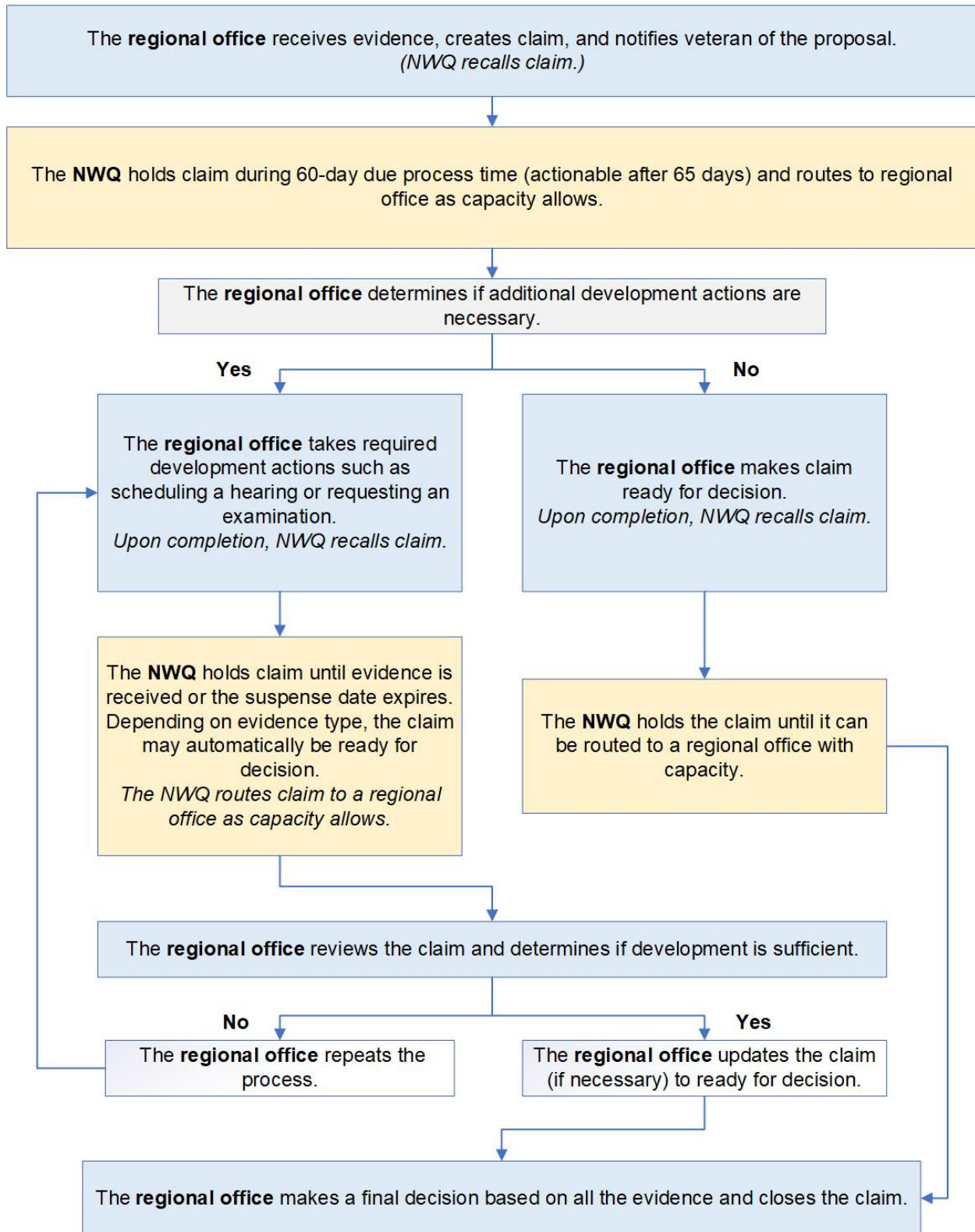


Figure 2. How a proposal to reduce benefits moves between the NWQ and regional offices for processing.
Source: VA OIG analysis.

After a final decision is made and the claim is closed, a decision notice is sent to the veteran. The decision notice informs the veteran of the final action taken. If a final reduction is necessary, the notice also includes the new payment amount, effective date information, and the appeal process.

Results and Recommendations

Finding: VBA Can Improve Processes for Proposals to Reduce Benefits That Minimize Delays and Excessive Payments

For the purposes of this report, a delay was identified when the claim was ready for action, but the Office of Field Operations failed to take the next step in the claims process in a timely manner.¹⁴ The review team estimated, based on its statistical sample, that about 88 percent of all proposals to reduce benefits with final action taken during the review period from February 1, 2019, through January 31, 2020, had delays.

The team determined that delays occurred because the NWQ division of the Office of Field Operations did not have a workload management strategy for assigning proposals to reduce benefits that minimized delays. If the Office of Field Operations does not develop an effective strategy, delays and excessive payments will continue. Further, delays may cause unnecessary stress for veterans who wait extended periods for a final decision following notice of a proposal to reduce or discontinue their benefits, even as they continue to receive their potentially higher level of benefits. VBA managers are responsible for ensuring strong fiscal stewardship of taxpayer funds. Delays associated with processing proposals to reduce benefits hinder those efforts.

This finding discusses the following:

- Most proposals to reduce benefits had delays.
- Delays in processing proposals to reduce benefits led to excessive payments.
- The Office of Field Operations workload distribution strategy was inadequate to minimize delays and excessive payments.
- COVID-19 exam cancellations affected VBA's claims inventory.

What the OIG Did

This report first examines the number of delayed claims in the review period, then the excessive payments to beneficiaries. There were about 51,700 claims completed from February 1, 2019, through January 31, 2020 (the review period), that had final action taken on a proposal to reduce

¹⁴ A claim was considered delayed if it remained idle beyond the time required for the Office of Field Operations to act at each step in the claims process. The review team gave each claim 65 days for due process and 10 days for processing a rating decision. In addition, if development was needed before a final rating decision could be made, four days were given per development action. When calculating the total delay of each claim, the team did not include delays beyond the control of the Office of Field Operations. For example, the team did not consider the time VBA waited for a medical exam to be completed as a delay. Office of Field Operations managers concurred with the calculation the review team used to determine the number of days that constituted a delay.

benefits. A claim may require a medical exam to determine the outcome. During the COVID-19 pandemic, the number of claims ready to be processed decreased significantly due to VBA suspending in-person exams. Therefore, the team did not review claims processed after January 2020. The team reviewed a statistical sample of 270 claims to assess if delays occurred and whether excessive payments were made. The team used VBA's electronic systems to review the sampled claims and relevant documentation and provided details of the claim reviews to Office of Field Operations officials.

The review team also interviewed management and staff in the NWQ division of VBA's Office of Field Operations and Compensation Service to obtain information about workload management and claim distribution at the national level; and conducted virtual site visits with the Columbia, South Carolina, and St. Paul, Minnesota, regional offices to obtain information about how these claims are worked and managed at the local level.¹⁵

Most Proposals to Reduce Benefits Had Delays

Based on the results of the statistical sample, the review team estimated about 45,300 of 51,700 claims (88 percent) completed during the review period had processing delays.¹⁶ Figure 3 summarizes the team's estimates of delays for proposals to reduce benefits.

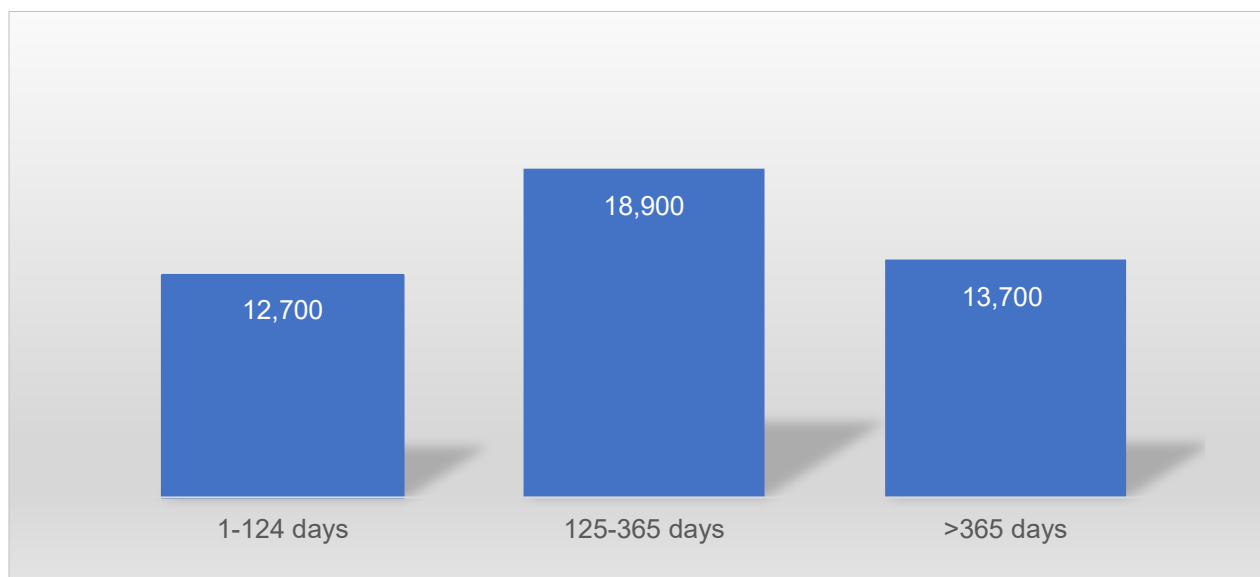


Figure 3. Number of claims with processing delays.

Source: VA OIG analysis of processing delays.

Note: Numbers may not total precisely due to rounding.

¹⁵ For more information on the scope and methodology, see appendixes A and B.

¹⁶ All estimates in the report have been rounded.

Delays in Processing Proposals to Reduce Benefits Led to Excessive Payments

Of the 51,700 proposals to reduce benefits in the review period, about 47,400 involved potential reductions in payments. The remaining claims involved changes in benefits that did not affect payments, such as a correction to a payment date. Based on the results of the statistical sample review, the review team estimated VBA made excessive payments on about 16,000 of 47,400 claims (34 percent). During the one-year review period, this resulted in about \$116 million in excessive payments to veterans. Figure 4 summarizes the team's estimates of delays and excessive payments for proposals to reduce benefits.

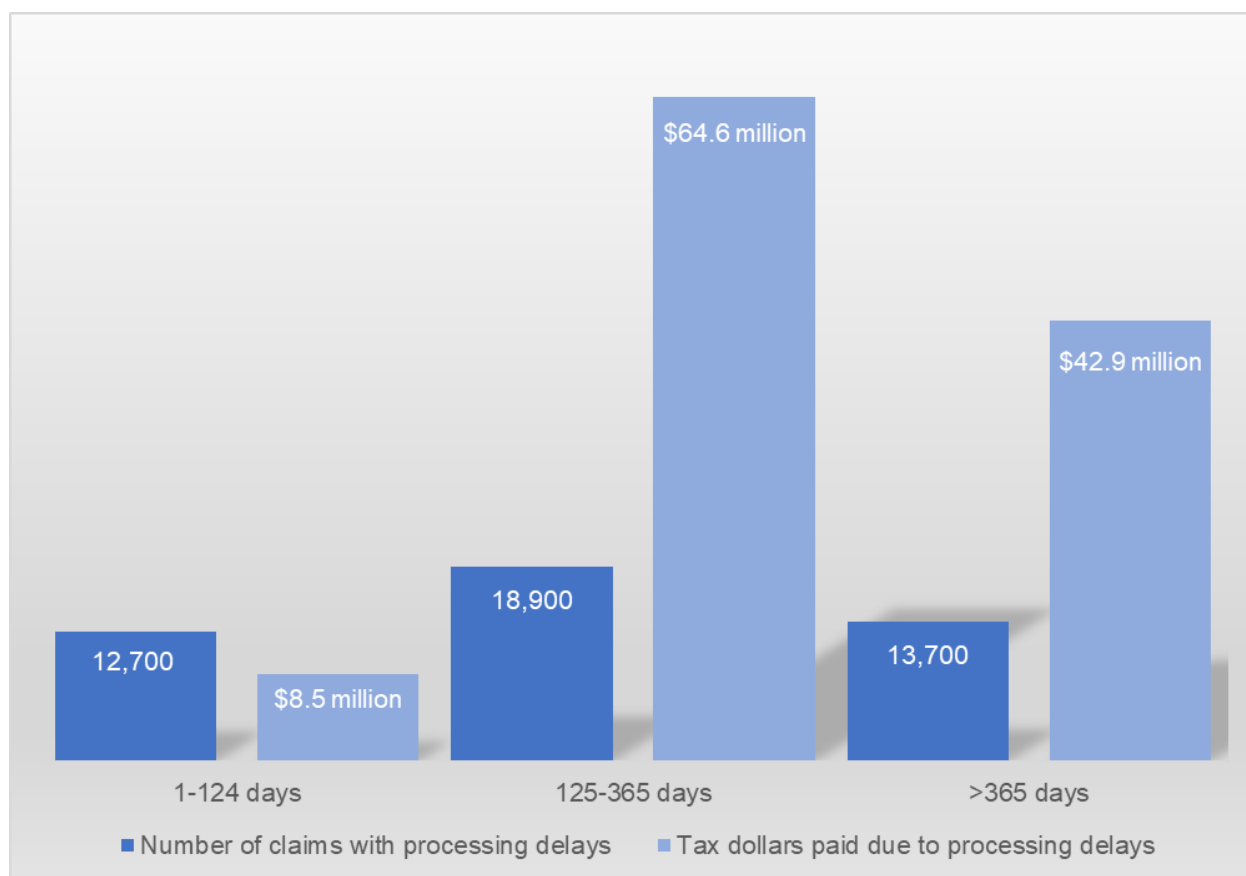


Figure 4. Number of claims with processing delays and amount of excessive payments.

Source: VA OIG analysis of excessive payments.

Note: Numbers may not total precisely due to rounding.

If processing delays continue, VBA may make an estimated \$232 million in excessive payments to veterans over the next two years.¹⁷

¹⁷ Although the OIG generally expects all recommendations to be addressed within one year, it used a two-year projection to allow VBA one year to act on the recommendations and a second year to ensure full implementation of the recommendations. Appendix C details the monetary benefits.

Example 1 details a proposal to reduce benefits that had processing delays resulting in excessive payments.

Example 1

In August 2018, VBA determined a veteran's disability should be reduced from 50 percent to 10 percent because of an error made in a prior rating decision. The proposed action would reduce the veteran's monthly payment from \$855.41 to \$136.24. VBA sent a due process letter in October 2018, to which the veteran did not respond. In September 2019—nearly one year after VBA's initial proposal—final action was taken to reduce the veteran's disability payment effective January 1, 2020. VBA should have acted in December 2018 after the expiration of due process. This would have resulted in a reduction of the veteran's payments effective March 1, 2019. Instead, processing delays resulted in a total of 10 excessive payments totaling \$7,404.93, which cannot be recouped.

As illustrated by example 1, it is vital for VBA to process proposals to reduce benefits in a manner that minimizes delays and excessive payments that cannot be recouped from veterans.¹⁸

The Office of Field Operations Workload Distribution Strategy Was Inadequate to Minimize Delays and Excessive Payments

The OIG determined the Office of Field Operations workload distribution strategy prioritized completion of rating claims—those associated with original and reopened claims or claims for increased evaluation—above proposals to reduce or remove benefits. Interviews conducted with NWQ division staff revealed workload is distributed based on VBA's defined priorities, feedback from stakeholders, and regional office capacity. The OIG understands and acknowledges this strategy helps ensure that claims granting benefits are given priority over reduction or removal of benefits. However, the strategy should include a plan to process proposals to reduce benefits in a way that minimizes delays and excessive payments.

Because rating claims were given higher priority than proposals, the Office of Field Operations distributed them to regional offices first. When regional office inventory reached maximum capacity, proposals to reduce benefits remained on hold in the NWQ. This resulted in an average of 239 days of delay for proposals to reduce benefits during the review period. Of the 270 claims

¹⁸ VA Manual 21-1, part 3, subpart 4, chap. 8, sec. B, topic 1.e, "Preparing a Rating and Providing Notice Under the Proper Regulations," January 22, 2020. The effective date for changes to a veteran's payment is the first day of the month following expiration of a 60-day period from the date the veteran is notified of the final rating decision. Every month that passes until final action is taken results in excessive payments that cannot be recouped.

reviewed, the team found 94 percent of delays occurred while claims were actionable in the NWQ but not assigned to a regional office.¹⁹

Although the Office of Field Operations is responsible for workflow, interviews with NWQ division staff revealed the office has not provided guidance to specify when a proposal to reduce benefits should be assigned for final action after due process has expired. The team found that prior guidance provided by the Compensation Service stated that proposals to reduce benefits should be routed for immediate action after due process expired to minimize overpayments. However, this guidance was discontinued in 2014. In an interview with the director of policy and procedures for Compensation Service, he indicated that the Compensation Service provides guidance on procedures, not workflow.

Recommendation 1 addresses the need for the Office of Field Operations to establish, document, and implement a workload management strategy to distribute and process proposals to reduce benefits that minimizes delays and excessive payments.

COVID-19 Exam Cancellations Affected VBA's Claims Inventory

The problems identified by the OIG did not persist to the same extent once the COVID-19 pandemic's effects began to be felt by VBA. Specifically, VBA canceled all in-person exams on April 3, 2020, and veterans were given the option to wait for in-person exams to resume before a decision would be made on their claim.²⁰ This significantly reduced the number of actionable rating claims, which freed up capacity for regional offices to process proposals to reduce benefits.

Figure 5 details the changes in claims inventory following the COVID-19 pandemic.²¹

¹⁹ Interviews with NWQ division staff revealed a claim is considered actionable when it is ready for the next step in the claims process.

²⁰ The purpose of a medical exam is to obtain medical evidence relevant to establishing entitlement to benefits, such as information about diagnosis, onset, or cause. Exams also provide information to assist decision makers in determining the severity of veterans' illnesses or injuries. The determinations are reflected in the amount of monthly disability benefits that eligible veterans receive.

²¹ The rating, backlog, and proposal inventories were overlaid on the same graph to show chronological changes to the inventories over the same timeline. However, the proposal inventory is on a different scale.

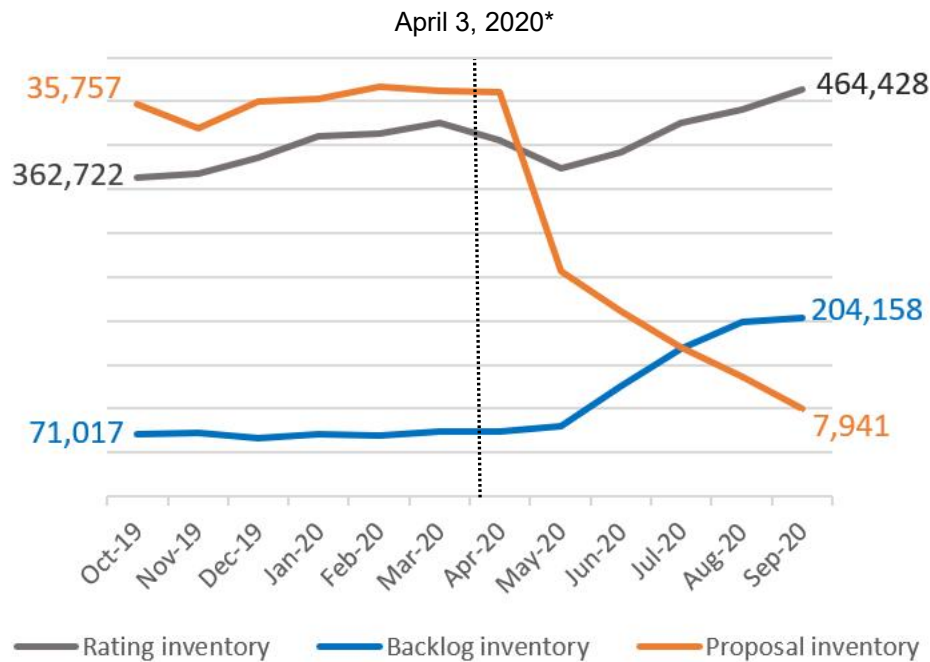


Figure 5. Fiscal year 2020 rating, backlog, and proposal inventories.

Source: VA OIG analysis of VBA claims data.

Note: The proposal inventory is on a different scale and is overlaid to show the correlation.

*The dotted line represents the date VBA canceled all in-person exams.

As shown in figure 5, the inventory of rating and backlog claims began to increase soon after in-person exams were canceled. At the same time, the inventory for proposals to reduce benefits began to decrease. Interviews conducted with NWQ division staff confirmed that, due to the lower number of actionable rating claims, the availability to assign proposals to reduce benefits to regional offices increased. However, there is no assurance these changes will be sustained once the actionable rating workload increases to its prior level. When in-person exams fully resume, the number of actionable rating claims will likely increase. The OIG determined that because resources will need to be directed to reducing the rating claims backlog so that eligible veterans and other potential beneficiaries can receive payments, the proposals to reduce benefits inventory may increase to pre-pandemic levels. If this occurs, VBA is at risk of spending millions in taxpayer dollars while veterans await their decisions.

The Office of Field Operations workload management strategy and resource allocation decisions will need to consider that moving forward, processing delays for proposals to reduce benefits may surge as the backlog and demand builds for addressing claims that provide or increase benefit payments. These claims may use even greater resources that limit the capacity to assign and process proposals to reduce benefits.

Recommendation 2 addresses the need for the Office of Field Operations to develop, document, and implement a formal procedure to monitor the effectiveness of the workload management strategy and to hold Office of Field Operations managers accountable for minimizing delays and excessive payments.

Conclusion

The Office of Field Operations did not manage proposed reductions to benefits in a manner that minimized delays and excessive payments. The Office of Field Operations workload distribution strategy prioritized completion of rating claims above proposals to reduce benefits. During the pandemic, the Office of Field Operations was able to manage the inventory of proposals to reduce benefits because additional capacity became available due to in-person exam cancellations. These changes may be unsustainable once the number of actionable rating claims increases to its prepandemic level. The Office of Field Operations should consider what mechanisms, controls, monitoring, and resources it will need to minimize delays and excessive payments while giving timely and accurate consideration to claims for new beneficiaries or individuals seeking increases.

Recommendations 1–2

The OIG recommended the under secretary for benefits require the Office of Field Operations to take the following actions:

1. Establish, document, and implement a workload management strategy to distribute and process proposals to reduce benefits that minimizes delays and excessive payments.
2. Develop, document, and implement a formal procedure to routinely monitor the workload management strategy to ensure it minimizes delays and excessive payments.

Management Comments

The acting under secretary for benefits provided general comments in response to this report. The comments stated, “Prior to the pandemic impacts, VBA implemented changes in February and April 2020 to increase parity of distribution between the traditional rating claims and benefit reductions, targeting the oldest cases within the inventory. Given the success of these initiatives, VBA plans to keep these improvements to continue focus on benefit reduction inventory.”

To address recommendation 1, the acting under secretary for benefits indicated that in February 2020 VBA began an effort to reduce the inventory of oldest claims. As part of this effort, VBA adjusted the distribution ranking of nonrating claims that required a decision, to include proposals to reduce benefits, to align it with VBA’s traditional rating claims. VBA plans to continue the distribution ranking of these claims to ensure timely processing.

To address recommendation 2, the acting under secretary for benefits indicated that as part of normal daily operations, VBA routinely monitors workload and conducts analysis to ensure timely distribution to available capacity, identifies barriers or delays, and makes recommendations for adjustments to ongoing workload management strategies as the needs arise. VBA continues to monitor the effectiveness of this strategy and will adjust the workload distribution as needed.

The acting under secretary requested recommendations 1 and 2 be closed as implemented. The acting under secretary’s comments are provided in full in appendix D.

OIG Response

The OIG acknowledges the changes outlined in the acting under secretary’s general comments and recognizes that some actions were taken after the OIG’s review period. However, whether the prepandemic distribution strategies will work in a timely and effective manner on the still-increasing workload is not fully tested. The OIG saw that suspending in-person exams during the pandemic significantly reduced the number of actionable rating claims and freed up capacity for regional offices to process proposals to reduce benefits. As VBA continues to resume in-person exams and the number of actionable rating claims increases, VBA must continue to monitor the workload distribution changes to ensure the parity between the traditional rating claims and benefit reductions remains sustainable, even as it does so “in balance with all VBA priorities.”

The acting under secretary concurred or concurred in principle with the recommendations and requested that both recommendations be closed. The OIG will close the recommendations when VBA provides evidence that any actions undertaken are effective in controlling the inventory of proposals to reduce benefits once rating workload increases in the months ahead. The OIG will monitor VBA’s progress and follow up until all proposed actions are more fully assessed.

Appendix A: Scope and Methodology

Scope

The review team conducted its work from July 2020 through April 2021. The review population included all end product 600 predetermination rating issue claims (proposals to reduce disability compensation benefits) completed from February 2019 through January 2020.²² Due to the effects of the COVID-19 pandemic on VBA's claims inventory, the team did not review claims processed after January 2020. The data were pulled from VBA's Corporate Database Warehouse, which is a true source of claim data.

Methodology

To accomplish its objectives, the review team identified and assessed applicable laws, regulations, policies, procedures, and guidelines related to VBA's processing of proposals to reduce benefits. The team interviewed and obtained information related to proposals to reduce benefits from management and staff at regional offices in Columbia, South Carolina, and St. Paul, Minnesota. The team also interviewed and obtained information from managers and staff with the Office of Field Operations and the Compensation Service.

To determine the rating and backlog inventory at the beginning of each month from October 2019 through September 2020, the review team obtained data from VBA's Monday Morning Workload Reports, downloaded on December 23, 2020. These reports are produced by VBA's Office of Performance Analysis and Integrity. The team also obtained data from VBA's Corporate Database Warehouse to determine the inventory data for proposals to reduce benefits during each month of the review period.

In coordination with OIG statisticians, the team reviewed a random sample of 270 proposals to reduce benefits. The team discussed the sample results with Office of Field Operations staff, who agreed with the findings. Appendix B provides more details on the statistical sampling methodology.

Internal Controls

The review team assessed VBA's internal controls significant to the objective. This included an assessment of the five standard internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.²³ In addition, the

²² The end product system is the primary workload management tool for the disability compensation program and allows for control of pending workloads and appropriate work measurement credit.

²³ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

team assessed the principles of those internal control components. The review team identified internal control deficiencies with two components and two principles:

- Component 3: Control Activities
 - Principle 10: Management should design control activities to achieve objectives and respond to risks
- Component 5: Monitoring
 - Principle 16: Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant in the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by

- soliciting the OIG's Office of Investigations for indicators, and
- reviewing proposals to reduce benefits to ensure they met selection requirements.

The team did not identify any instances of fraud or potential fraud during this review.

Data Reliability

The review team used computer-processed data that were pulled from VBA's Corporate Database Warehouse. To test for reliability, the team determined whether any data were missing from key fields or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, had alphabetic or numeric characters in incorrect fields, or contained illogical relationships among data elements. Furthermore, the team compared veterans' benefits claim identification numbers, end product codes, claim dates, and regional office numbers to information contained in the 270 Veterans Benefits Management System electronic claims folders reviewed.

Testing of the data disclosed that they were sufficiently reliable for the review objectives. Comparison of the data with information contained in the veterans' electronic claims folders reviewed did not disclose any problems with data reliability.

Government Standards

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

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the review team assessed a statistical sample of proposals to reduce disability compensation benefits that had final action taken during the review period from February 2019 through January 2020. The team used statistical sampling to quantify the extent of claims with delays and excessive payments.

Population

The review population included 53,159 claims from 52,141 veterans that had final action taken on a proposal to reduce benefits during the review period. After excluding claims determined to be outside the scope of review, the review team estimated an eligible review population of 51,722 claims that had final action taken on a proposal to reduce benefits.²⁴

Sampling Design

The review team selected a statistical sample of 270 proposals to reduce benefits for 265 veterans during the review period to determine if delays occurred and whether excessive payments were made. Some veterans had more than one proposal to reduce benefits.

Weights

The estimates in this report were calculated using weighted sample data. Samples were weighted to represent the population from which they were drawn. The team used the weights to compute estimates. For example, the review team calculated the error rate point estimates by summing the sampling weights for all sample records that contained an error, then dividing that value by the sum of the weights for all sample records.

Projections and Margins of Error

The point estimate (e.g., estimated error) is an estimate of the population parameter obtained by sampling. The margin of error and confidence interval associated with each point estimate is a measure of the precision of the point estimate that accounts for the sampling methodology used. If the review team repeated this review with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

²⁴ The review team identified cases labeled as proposals to reduce benefits that were out of scope and therefore excluded from statistical projections. For example, a claim was out of scope if it was mislabeled and did not include a proposal to reduce benefits.

The OIG statistician employed statistical analysis software to calculate the weighted population estimates and associated sampling errors. This software uses Taylor series approximation methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While precision improves with larger samples, the rate of improvement does not significantly change as more records are added to the sample review.

Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

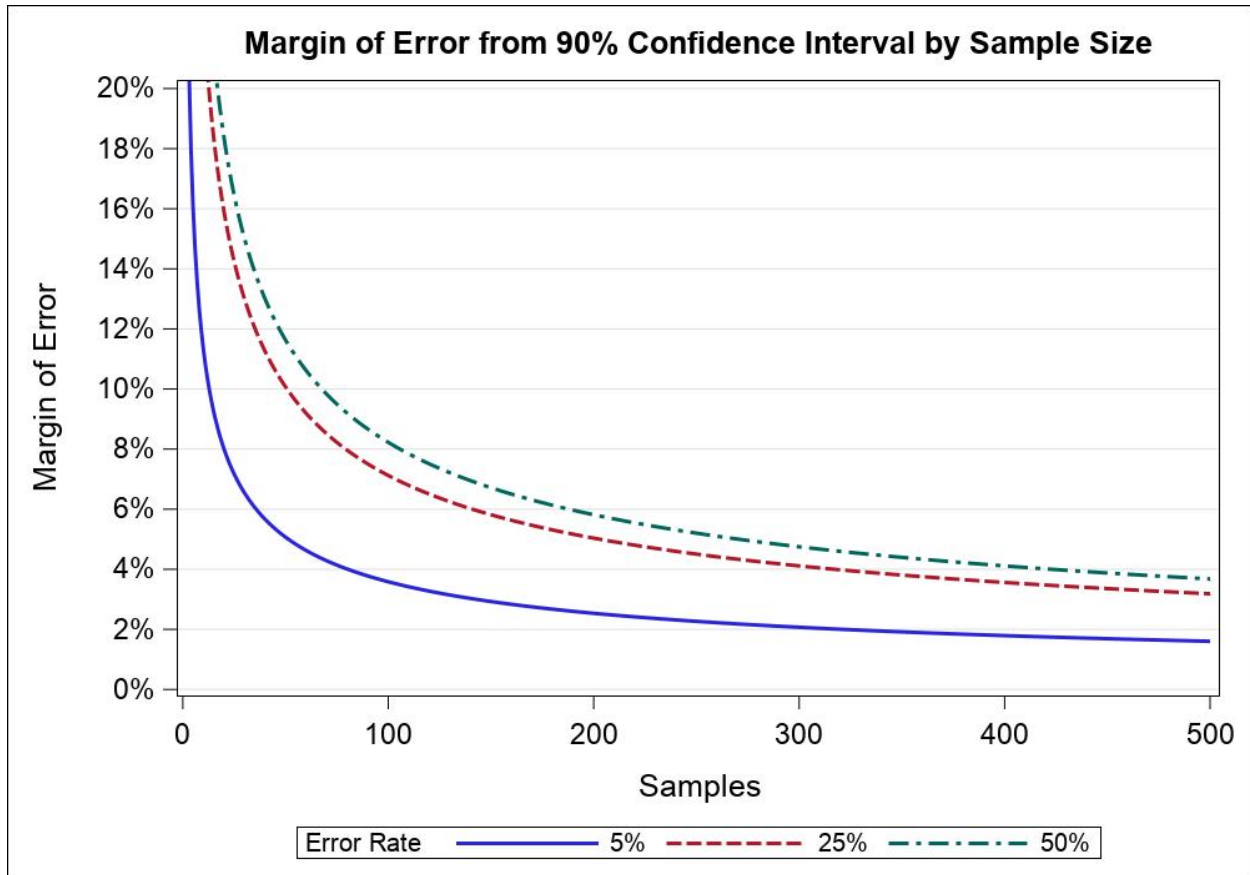


Figure B.1. Effect of sample size on margin of error.

Source: VA OIG statistician's analysis.

Projections

Tables B.1 through B.6 detail the review team's analysis and projected results.

Table B.1. Summary of Projections and Confidence Intervals for Population of Claims for Proposals to Reduce Benefits and Claims with Potential for Excessive Payments

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Total estimated population	51,722	909	50,813	52,631	270
Total estimated population with potential for excessive payments	47,364	1,669	45,694	49,033	247

Source: VA OIG analysis of proposals to reduce benefits from February 2019 through January 2020.

Note: Projections and confidence intervals may not total precisely due to rounding.

Table B.2. Summary of Projections and Confidence Intervals for Estimated Claims with Processing Delays, Estimated Average Days of Delay, and Estimated Claims with Excessive Payments

Claim type	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Claims with processing delays	45,266	1,897	43,369	47,163	236
Average number of days of delay	238.58	19.56	219.02	258.14	270
Claims with excessive payments	15,969	2,422	13,548	18,391	83

Source: VA OIG analysis of proposals to reduce benefits from February 2019 through January 2020.

Note: Projections and confidence intervals may not total precisely due to rounding.

Table B.3. Summary of Projections and Confidence Intervals for Estimated Claims with Processing Delays or Excessive Payments

Claim type	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Claims with processing delays	88%	3%	84%	91%	236
Claims with excessive payments	34%	5%	29%	39%	83

Source: VA OIG analysis of proposals to reduce benefits from February 2019 through January 2020.

Note: Projections and confidence intervals may not total precisely due to rounding.

Table B.4. Summary of Projections and Confidence Intervals for Estimated Excessive Payments

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
Total excessive payments	\$115,982,576	\$30,656,226	\$85,326,350	\$146,638,802	83

Source: VA OIG analysis of proposals to reduce benefits from February 2019 through January 2020.

Note: Projections and confidence intervals may not total precisely due to rounding.

Table B.5. Summary of Projections and Confidence Intervals for Estimated Number of Claims by Timeliness Delay Category

Timeliness delay category	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
1–124 days	12,748	2,243	10,506	14,991	67
125–365 days	18,865	2,529	16,335	21,394	98
> 365 days	13,653	2,306	11,347	15,960	71

Source: VA OIG analysis of proposals to reduce benefits from February 2019 through January 2020.

Note: Projections and confidence intervals may not total precisely due to rounding.

Table B.6. Summary of Projections and Confidence Intervals for Estimated Amount of Excessive Payments by Timeliness Delay Category

Timeliness delay category	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample size
1–124 days	\$8,495,139	\$4,615,938	\$3,879,202	\$13,111,077	19
125–365 days	\$64,617,465	\$21,603,841	\$43,013,624	\$86,221,306	49
> 365 days	\$42,869,972	\$22,887,278	\$19,982,694	\$65,757,249	15

Source: VA OIG analysis of proposals to reduce benefits from February 2019 through January 2020.

Note: Projections and confidence intervals may not total precisely due to rounding.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1–2	The OIG estimated that delays in processing proposals to reduce disability compensation benefits resulted in approximately \$116 million in excessive payments. In addition, the OIG estimated approximately \$232 million in excessive payments could occur over the next two years if VBA does not effectively implement the OIG's recommendations.		\$348 million
	Total		\$348 million

Note: The OIG estimated VBA's processing delays led to an estimated \$116 million in excessive payments during the review period covering February 1, 2019, through January 31, 2020.

Although VBA has taken steps to reduce the inventory of claims for proposals to reduce disability compensation benefits, failure to effectively implement the OIG's recommendations may result in future delays and excessive payments. The two-year projection is an extrapolation of the one-year estimate of \$116 million as noted in table B.4. Although the OIG generally expects all recommendations to be addressed within one year, it used a two-year projection to allow VBA one year to act on the recommendations and a second year to ensure full implementation of the recommendations.

Appendix D: Management Comments

Department of Veterans Affairs Memorandum

Date: May 28, 2021

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – VBA Overpaid Veterans Due to Delays When Reducing Compensation Benefits [Project No. 2020-03229-DN-0395] – VIEWS 05037157

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

Attached is VBA's response to the OIG Draft Report: VBA Overpaid Veterans Due to Delays When Reducing Compensation Benefits

<i>The OIG removed point of contact information prior to publication.</i>

(Original signed by)

Thomas J. Murphy

Acting

Attachment

Veterans Benefits Administration (VBA)

Comments on OIG Draft Report

VBA Overpaid Veterans Due to Delays When Reducing Compensation Benefits

VBA provides the following comments:

Prior to the pandemic impacts, VBA implemented changes in February and April 2020 to increase parity of distribution between the traditional rating claims and benefit reductions, targeting the oldest cases within the inventory. Given the success of these initiatives, VBA plans to keep these improvements to continue focus on benefit reduction inventory. VBA will continue to monitor and adjust to ensure timely completion of this workload, in balance with all VBA priorities.

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

Recommendation 1: Establish, document, and implement a workload management strategy to distribute and process proposals to reduce benefits that minimizes delays and excessive payments.

VBA Response: Concur in principle. In February 2020, VBA began an effort to reduce the inventory of oldest claims. As part of this effort, VBA adjusted the distribution ranking of non-rating claims that required a decision, to include proposals to reduce benefits, to align it with VBA's traditional rating claims. This change allowed claims involving proposals to reduce benefits to be distributed and processed more timely. Beginning on February 18, 2020, VBA took incremental steps to align the ranking rules for these claims. The incremental adjustments to the ranking rules were completed on April 30, 2020. Attached are three emails documenting the incremental steps taken on February 18, 2020, April 3, 2020, and April 30, 2020. These adjustments were implemented after OIG's review period that ended on January 31, 2020.

Timeliness for proposals to reduce disability benefits vary as Veterans are provided time for due process and may also request a predetermination hearing that may prolong a claim's completion. In fiscal year (FY) 2020, prior to the adjustments noted above, from October 1, 2019 to January 31, 2020, the average days to complete (ADC) proposals to reduce disability benefits was 225.7 days. During the same timeframe in FY 2021, from October 1, 2020 to January 31, 2021, with the noted adjustments in place, the ADC was reduced to 170.8 days (24.3% reduction).

VBA generally distributes all actionable compensation rating claims daily, to include the proposals to reduce benefits, and has been able to achieve near pre-pandemic completions of traditional rating claims. For example, for the week of May 3-7, 2021, the average daily completions were 6,508, compared to 6,485 the week of February 3-7, 2020. Based on the results, VBA plans to continue the distribution ranking of these claims to ensure timely processing.

VBA requests closure of this recommendation.

Recommendation 2: Develop, document, and implement a formal procedure to routinely monitor the workload management strategy to ensure it minimizes delays and excessive payments.

VBA Response: Concur. As part of normal daily operations, VBA routinely monitors workload and conducts analysis to ensure timely distribution to available capacity, identifies barriers or delays, and makes recommendations for adjustments to ongoing workload management strategies as the needs arise. As a result of these ongoing analyses, VBA implemented changes to the ranking of non-rating workload, to include claims that involve proposals to reduce disability evaluations, as discussed in Recommendation 1. VBA continues to monitor the effectiveness of this strategy and will adjust the workload distribution as needed.

VBA requests closure of this recommendation.

OIG Contact and Staff Acknowledgments

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