

STRATEGIC GOAL 2

Ensure a smooth transition for veterans from active military service to civilian life.

Objective 2.1

Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of benefits and services during transition.

Objective 2.2

Assist veterans in readjusting to civilian life by enhancing their ability to achieve educational and career goals.

Objective 2.3

Improve the ability of veterans to purchase and retain a home through a loan guaranty program.



Veterans will be fully reintegrated into their communities with minimum disruption to their lives through transitional health care, readjustment counseling services, employment services, vocational rehabilitation, education assistance, and home loan guaranties.

Four key performance measures enable us to gauge progress toward achieving this strategic goal:

- Montgomery GI Bill (MGIB) usage rate
- Average days to complete original education claims
- Average days to complete supplemental education claims
- Foreclosure avoidance through servicing (FATS) ratio

**Improve the Montgomery GI Bill (MGIB) Active Duty Usage
Rate to 57 Percent**

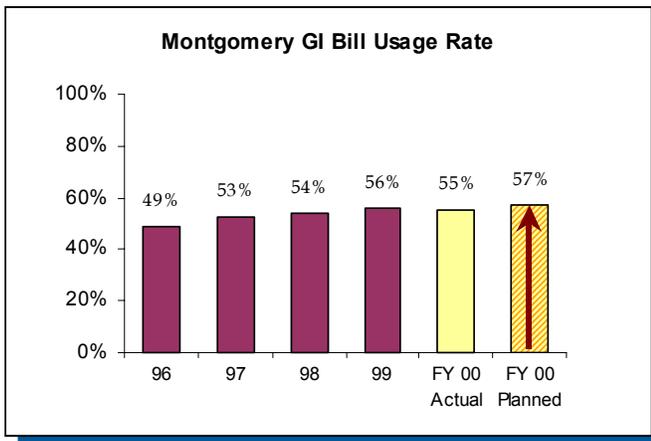
(This measure supports our objective to assist veterans in readjusting to civilian life by enhancing their ability to achieve educational and career goals.)

Although VA is awaiting final military separations data from the Department of Defense (DoD), the estimated usage rate is 55 percent, near last year's rate and slightly below our performance target. The number of new users (i.e., those who began receiving education benefits for the first time) declined in FY 2000, while the number of military separations appears to be steady.

In addition to providing educational benefits to veterans, the MGIB enhances the Nation's competitiveness through the development of a more highly educated and productive work force. In part, this is achieved through greater numbers of capable workers who can perform the jobs created by new international markets and constant technological change. Users of the MGIB have more success in the labor market than non-users, an indication that this education program contributes to enhancing the Nation's competitiveness.

A comprehensive evaluation of VA's educational assistance programs, completed in 2000 by

Klemm Analysis Group, addressed usage and other issues surrounding the administration of VA education benefits. In general, the programs show success in meeting the intended purposes of the legislation, while returning over \$2 to the economy for every \$1 in taxpayer funding. The MGIB—the centerpiece of VA education programs—has echoed the success of the more comprehensive World War II-era GI Bill of Rights. Compared to those who have not taken advantage of the MGIB, veterans who furthered their education under the program have lower unemployment, increased career and education goals, and higher earnings. However, the evaluation showed that VA education benefits do not cover all education costs at all schools, do not reflect the increased diversity in available education and training programs, and are not communicated effectively. The consultant's findings generated specific recommendations under three broad categories:



- Raise the level of VA education benefits. (A significant benefit increase of about 20 percent was enacted after the evaluation.)
- Become more customer-focused by embracing broader definitions of education and flexible payment options, and by employing technology tools that are right for the times. (Significant flexibilities were enacted after the evaluation.)
- Lead the communication effort in providing information to beneficiaries, ensuring that messages are correct, consistent, and coordinated across agencies of the Federal Government.

Means and Strategies

Although the usage rate did not improve, we have taken steps to improve access and outreach to service members and veterans.

Education beneficiaries throughout the Nation now receive toll-free telephone service by dialing 1-888-GIBILL1 (1-888-442-4551). They are first connected to an automated response system that provides general information; answers to frequently asked questions; recent payment information; and limited, beneficiary-specific, master record information. Callers can choose to speak to an Education Case Manager at any time during the call. Two issues have hampered customer service improvements thus far. First, automated responses have not reduced the number of callers seeking to speak with an Education Case Manager. Second, call volumes were larger in FY 2000 than originally anticipated. As a result, resource requirements were understated and an inordinate number of callers could not complete their calls. VBA staff is reviewing resource requirements and call patterns to determine possible solutions.

VA's Education Service began mailing a brochure, "Focus on Your Future with the Montgomery GI Bill," to men and women in the Armed Forces. Similar mailings are planned at specific points throughout each individual's military career. The brochure provides a general description of VA education benefits, including information to help service members in making a decision to enter training and use their MGIB benefits.

VBA has tested two interactive Internet applications designed to improve service to veterans and to facilitate information exchanges between education institutions and VA. The first, Web Automated Verification of Enrollment (WAVE), was installed in FY 2000 with limited success. Although veterans praised its ease of use,

they complained about system instability and security issues (passwords had to be changed too frequently). WAVE was removed from production for improvements. When fully operational, WAVE will allow MGIB beneficiaries to verify their continued enrollment each month over the Internet instead of mailing the verification form.

The second application, VA Internet Certification (VANETCERT), was not installed in FY 2000 as planned. It has undergone more rigorous testing because of the difficulties encountered with WAVE. When installed in FY 2001, it will provide an Internet vehicle for school certifying officials to submit student enrollment information to VA.

Both applications, when fully operational, will reduce the amount of paper coming to the regional processing offices and speed the benefit payment process, thus encouraging veterans to use their benefits.

External Factors

The cost of education has risen faster than the Consumer Price Index for the past several years. Some veterans who lack sufficient savings to cover the difference between the monthly benefit and the cost of attending the school of their choice appear to be postponing their educational or training objectives. Others might be postponing additional education to take jobs in the strong economy.

Legislation enacted in late calendar year 2000, at the end of the 106th Congress, dramatically affects VA education benefits. Some of the following provisions begin to address issues raised in the program evaluation. For instance, higher monthly payment rates help to restore lost purchasing power. Payments for licensing and certification tests expand the definition of a program of

education or training. Collectively, these provisions will positively impact program usage:

- The monthly rate of benefits increased by more than 20 percent for the MGIB and the Dependents' Educational Assistance programs. The new full-time monthly rates, effective November 1, 2000, are \$650 and \$588, respectively.
- An active duty service member, who agrees to have his or her military pay reduced, may contribute an additional amount, up to \$600, to receive a higher basic monthly benefit. For example, an individual who contributes the maximum amount of \$600 will receive a full-time rate of \$800 monthly, or \$150 per month more than the basic benefit.
- VA may now pay a veteran for the cost of taking licensing and certification tests, which are needed to enter, maintain, or advance into employment in a civilian vocation or profession.
- An active duty service member who receives tuition assistance from the military may now receive payment from VA for the difference between the tuition and fees charged for the courses taken and the amount of tuition assistance actually paid by the military.

Crosscutting Activities

Increasing the MGIB usage rate requires coordination among VA and other organizations currently disseminating MGIB information, or planning to do so. State approving agencies have expressed interest in conducting outreach to separating service members during transition assistance briefings. VA has initiated a few pilots like a joint training program with the Navy to provide recruiters with accurate MGIB information so prospective sailors receive correct and consistent messages on future VA benefits. The Army has also expressed interest. Finally, VA began supporting military base counseling activities by furnishing a guide for education specialists working with service members who may need MGIB assistance to pursue educational or vocational objectives.

Data Source and Validation

The MGIB usage rate is calculated by dividing the cumulative number of individuals who began a program of education under the MGIB (taken from VBA's Education Master Record File) by the overall number of potentially eligible veteran beneficiaries (taken from DoD's Defense Manpower Data Center separation records). We do not independently validate the DoD information.

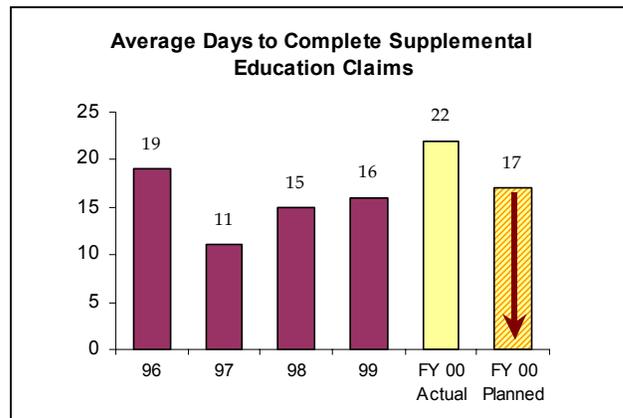
Process Original and Supplemental Education Claims in an Average of 26 Days and 17 Days, Respectively

(These measures support our objective to assist veterans in readjusting to civilian life by enhancing their ability to achieve educational and career goals.)

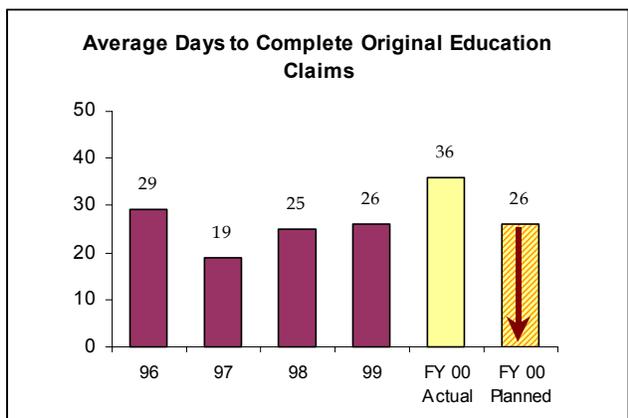
Performance for the year did not meet expectations. It took an average of 36 days to process an original education claim and 22 days to process a supplemental education claim. The two most important reasons for our shortfall were:

- the heavy volume of callers using the education toll-free telephone network;
- problems with the conversion of imaging hardware and software (i.e., enhanced paperless office environment) in the education regional processing offices.

The inordinate volume of education toll-free telephone calls requiring the attention of case managers necessitated a shifting of some staff to the phones from claims processing in an attempt to mitigate the high number of blocked and abandoned calls. The volume of calls grew from an average of 250,000 a month in the first six months of operation to almost 350,000 a month a year later.



Education toll-free telephone service was implemented nationwide for two reasons. First, VBA management wanted to divert calls unrelated to compensation and pension claims processing away from the service centers, and reduce the VBA-wide blocked call rate of 60 percent. Second, education callers deserve to speak with VA employees who have expertise in education-related issues. The decision was successful to the extent that the 1-800-827-1000 blocked call rate has fallen to less than 5 percent. Unfortunately, we underestimated the call volume for education, as evidenced by the rapid growth after implementation of the toll-free telephone service.



The imaging management system (TIMS) encountered various technical problems shortly after conversion to the latest platform. Each office suffered through critical systems downtime (sometimes hours or days at a time), compromising operational performance and resulting in significant backlogs. Technical problems with TIMS installation impaired our ability to process claims in a timely manner. Contract issues with the vendor limited our

flexibility in adjusting schedules. For example, one office lost 10 consecutive workdays while the vendor corrected an image conversion miscue. That office lost almost 4 full weeks of effective production between May and July. Other offices experienced lost production time, although not as debilitating. With each period of downtime, pending workload grew. When the first conversion began in July 1999, there were fewer than 50,000 education claims pending nationwide. By the time the final station was successfully converted in August 2000, the nationwide pending workload had grown to more than 80,000, just as the traditional peak processing period of the year (i.e., when incoming work is the highest) was about to begin. The fiscal year ended with the highest education backlog in 5 years: over 100,000 pending claims.

Means and Strategies

The installation of an imaged environment, in concert with the merging of claims processing and veterans' services functions, was intended to improve customer service without degrading processing timeliness. With the difficulties outlined above, improvements could not occur. However, projects were initiated during the year that are designed to improve customer service over the long term:

- We are developing and installing electronic data interchange/electronic funds transfer (EDI/EFT) by implementing The Education Expert System (TEES). The early phases of EDI/EFT have been implemented. Beneficiaries under the MGIB-Active Duty program can have their monthly benefits deposited electronically into the account of their choice. About 70 percent of them now do so. In FY 2000, this feature was made available to beneficiaries under the MGIB-Selected Reserve. Participation among this group is expected to be high as well. EFT

makes funds available 3 to 5 days earlier than if a check is mailed. In addition, some enrollment information received electronically from educational institutions is processed by a prototype, rules-based expert system without human intervention. VA received an assessment in FY 2000 of how to process up to 90 percent of all education claims automatically. A capital investment application was approved, and we are proceeding with the initiative.

- The Veterans' On-line Application (VONAPP) project, a part of the TEES initiative, began in FY 2000. VONAPP allows veterans to access a benefits application on-line and send it to VA electronically.
- We began to merge veterans' services functions with adjudication functions in the education divisions by using a case manager approach to complete claims for veterans' education benefits. Initially, this merging of functions adversely affected our ability to complete claims in a timely manner, but the long-term effect will be to provide more timely and accurate service to our veteran customers.

Crosscutting Activities

Overall processing timeliness is affected to some extent by the quality of the enrollment information and certification received from school officials. Several years ago, VA tested an initiative, VA Certification, with selected school certifying officials in the electronic transmission of enrollment data. The initiative proved to be successful and was made available to all education institutions. Many began using the application. To encourage more electronic submissions, VA developed and tested an Internet application, VA Internet Certification, which will be deployed in FY 2001. In addition, we will continue improving

relationships with institutions through better liaison and assistance.

Data Source and Validation

Education claims processing timeliness is measured by using data captured automatically

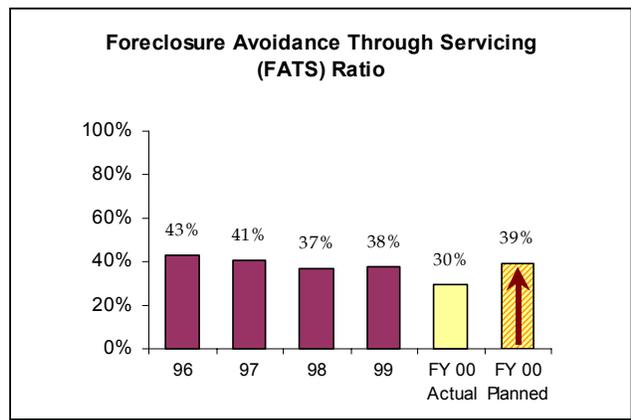
through the Benefits Delivery Network. The Education Service staff in VA Central Office confirms reported data through ongoing quality assurance reviews conducted on a statistically valid sample of cases. Specifically, dates of claims are examined to ensure that they are reported accurately.

***Improve the Foreclosure Avoidance Through Servicing (FATS)
Ratio to 39 Percent***
(This measure supports our objective to improve the ability of veterans to purchase and retain a home through a loan guaranty program.)

Although VA did not meet its goal to assist veterans who are in default on a VA-guaranteed home mortgage as measured by the FATS ratio, the variance from plan is not as great as it appears. Before this year, the different means to avoid foreclosure were weighted to favor some means over others. For FY 2000, we determined that the best way to measure our efforts was for each of the means to be weighted equally. However, our FY 2000 performance target was based on the old methodology.

home or avoid damage to their credit rating, while reducing costs to the Government.

VA's home loan guaranty program has a significant impact on the housing economy of the United States. Over 16 million veterans and their families have used a guaranty since 1944; there are currently 3.1 million active loans. Veterans are able to purchase homes with little or no down payment, providing them with terms not generally available to non-veterans. This benefit stimulates home buying, which spurs economic activity for builders, construction workers, realtors, appraisers, and the real estate finance industry. It impacts on the sale of appliances, furniture, the market for home improvement materials and products, and the small businesses that provide these services.



The FATS ratio measures the extent to which foreclosures would have increased had VA not pursued alternatives to foreclosure. Alternatives to foreclosure can help veterans either save their

Means and Strategies

There are four alternatives to foreclosure:

1. **Successful Intervention**—VA may intervene with the holder of the loan on behalf of the borrower to set up a repayment plan or take other action that results in the loan being reinstated.

2. **Refunding**—VA may purchase the loan when the holder is no longer willing or able to extend forbearance, but VA believes the borrower has the ability to make mortgage payments, or will have the ability in the near future.
3. **Voluntary Conveyance**—VA may accept a deed in lieu of foreclosure from the borrower, if it is in the best interest of the Government.
4. **Compromise Claim**—If a borrower in default is trying to sell the home, but it cannot be sold for an amount that is greater than or equal to what is owed on the loan, VA may pay a compromise claim for the difference in order to complete the sale.

To improve VA's ability to assist veterans who are delinquent with their mortgages, the Loan Service and Claims (LS&C) system was developed and implemented in late FY 1999. The goal of the LS&C system is to avoid a foreclosure and help veterans retain their homes. With the automated features of the LS&C system, VA can better assist veterans and oftentimes avoid a foreclosure. This system tracks the variety of actions taken by VA, lenders, and borrowers during the default period. It automates routine and redundant activities and gives the loan-servicing representatives a "real-time" snapshot of the current loan situation. As a result, employees can concentrate on supplemental loan servicing. The LS&C system also allows for an earlier analysis of the different alternatives to foreclosure. During FY 2000, VA made nearly 264,000 servicing contacts with veterans in an effort to help them avoid foreclosure.

In FY 2000, VA completed consolidation of the loan servicing function to nine regional loan centers. This consolidation allows for the most efficient use of resources to help veterans in default on their mortgage loans. Because of this

restructuring, we are better positioned to meet future performance targets.

To be consistent with the new methodology used in computing the FATS ratio, we have changed the FY 2001 performance target to 33 percent, down from the original target of 40 percent.

Major Management Challenges

Over the past 13 months, the LS&C application has been enhanced to support the full range of current lending industry practices, including a financial counseling module to assist VA staff in determining the best way to help veterans keep their homes. Along with these current and planned changes, extensive reporting capability is being developed. Planned enhancements will give the LS&C managers a better picture of productivity and timeliness. The overall results will increase the utility of the system, provide more accurate data for workload management, and improve service to veterans and the lending industry.

The challenges previously identified for VA's housing program have been greatly reduced. GAO made seven specific recommendations for VA's housing program. Two have been fully implemented, another has been substantially completed, and the other four have seen VA initiate procedural changes, which will be ongoing to ensure adequate control and accounting over the direct loan and loan sales activities.

Data Source and Validation

Data to calculate the FATS ratio come from the LS&C system. In FY 2000, the OIG conducted an audit to determine whether VBA officials accurately reported the FATS ratio. The OIG attempted to verify each of the five components of the computation. The auditors randomly selected a sample of records in each category and

reviewed corresponding loan folders to determine whether records in the LS&C system were properly categorized. The OIG found that records in four of the five categories were correctly categorized. However, records categorized as successful interventions could not be verified because supporting documentation was not available. Evidence of defaults, intervention efforts, and cures was generally not retained in loan folders. Employees did record intervention efforts as electronic notes in the LS&C; however, the system did not retain the notes.

Consequently, the OIG could not attest to the accuracy of the FATS ratio.

During the audit, VA activated a new computer system for loan servicing activities that retains electronic notes, which are used to document successful interventions. Because this should have corrected the only material deficiency identified, the OIG did not make any recommendations and considers the matter resolved.