



**Department of Veterans Affairs
Office of Inspector General**

**Review of Alleged
Claim Processing Delays to
Receive Monetary Performance Awards
at VA Regional Office Pittsburgh, PA**

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Executive Summary

The Office of Inspector General (OIG) reviewed an October 21, 2008, anonymous allegation that Veterans Service Center (VSC) managers at VA Regional Office (VARO) Pittsburgh delayed processing of Global War on Terror (GWOT) veterans' claims to receive monetary performance awards. Specifically, the complainant alleged VSC managers instructed Veterans Service Representatives (VSR) to delay the processing of GWOT claims that were ready for a rating decision to meet incentive goals and receive performance award money.

We did not substantiate the allegation, but found that VSC managers and VSRs differed in their understanding about how to meet an April/May 2008 incremental incentive offered by the Veterans Benefits Administration (VBA) Office of Field Operations (OFO). The purpose of the incremental incentive was to encourage VSCs to make timely rating decisions on GWOT claims and to expedite claim processing. Specifically, by May 31, 2008, the goal was to have zero GWOT claims pending that were awaiting a rating decision for more than 7 days.

The misunderstanding between VSC managers and VSRs caused confusion among staff, resulting in VSRs delaying the processing of some GWOT claims. We identified 10 GWOT claims that were not rated when they were ready to rate. For five of these claims, the delay resulted in veterans receiving compensation benefit payments a month late, ranging from \$226 to \$1,375. VSRs believed that VSC managers wanted them to delay claim processing to meet the incentive criteria. However, VSC managers denied instructing VSRs to delay claim processing and we did not find compelling evidence to substantiate the allegation that managers told VSRs to delay claim processing.

The confusion among VARO Pittsburgh staff occurred because VARO policies and procedures lacked continuous feedback mechanisms to ensure VSR's aggressive pursuit of performance goals do not violate VBA policies or delay claim processing. The misunderstanding and confusion caused the VARO to delay rating decisions and benefit payments unnecessarily. Delayed payments can cause veterans and their families' financial hardship by depriving them of timely compensation and a source of income. In addition, these delays, which were unintended consequences of the incremental incentive criteria, were contrary to VBA's strategic objective of providing timely decisions on disability compensation claims and goals to reduce the backlog of unprocessed claims.

We conducted similar reviews at VAROs Boston, Indianapolis, and San Diego, 3 of 14 VAROs that reported achieving the April/May 2008 incentive, to determine if other VAROs achieved the incentive by delaying the processing of GWOT claims. For these three VAROs, we concluded that managers communicated and VSRs understood how to meet the April/May incentive without delaying the processing of GWOT claims. As a

result, we did not find that VSRs, at the three additional VAROs where we expanded our testing, delayed the processing of GWOT claims.

On November 17, 2008, we provided VBA officials preliminary results indicating that VARO Pittsburgh VSRs had inappropriately delayed the processing of GWOT claims to meet the April/May 2008 incentive. On November 19, 2008, VBA suspended the use of incremental performance incentives at all VAROs nationwide until further notice.

Recommendations

1. We recommended the Under Secretary for Benefits require OFO to incorporate independent monitoring of VARO reported achievement of future incentive-based performance award goals to ensure unintended outcomes do not occur.
2. We recommended the Under Secretary for Benefits ensure the VARO Pittsburgh Director establish policies and procedures that include feedback mechanisms to ensure VSRs pursue performance goals without violating VBA policies or delaying claim processing.

Management Comments and OIG Response

The Under Secretary agreed with our findings and reported that VBA has not implemented any short-term incentive-based performance award programs since ceasing such programs in November 2008. He also agreed with our recommendations and reported completion of improvement actions (See Appendix A). We consider these actions acceptable and the recommendations closed.

(original signed by:)
BELINDA J. FINN
Assistant Inspector General
for Auditing

Introduction

Purpose

The OIG reviewed an October 21, 2008, anonymous allegation that VSC managers at VARO Pittsburgh delayed processing of GWOT veterans' claims to receive monetary performance awards. Specifically, the complainant alleged VSC managers instructed VSRs to delay processing of GWOT claims that were ready for a rating decision to meet performance goals and to receive award money.

Background

VBA Incremental Incentive Performance Awards. In an effort to improve VSC performance and recognize achievements throughout the year, in April 2007, VBA's OFO, began providing incremental incentive monetary awards to VSCs that met certain performance goals. During 2008, OFO established four incremental incentive periods: January/February, April/May, July/August, and October/November. For each of the incremental incentive periods, OFO established four to five varying criteria VSCs needed to meet to receive monetary awards. In 2008, if a VSC met all of the criteria for an incremental incentive period, each VSC employee would receive \$300.

April/May 2008 Incremental Incentives. For the April/May 2008 incremental incentive period, OFO established five criteria VAROs had to meet to receive monetary awards. One of the five criteria was not to have any GWOT claims awaiting a rating decision for more than 7 days as of May 31, 2008. The purpose of the criteria was to encourage VSCs to make rating decisions on GWOT claims within 7 days of becoming ready for a rating decision. This meant that if one or more GWOT claims had been ready for a rating decision more than 7 days as of May 31, 2008, VSCs would not meet the criteria or receive the \$300 for each employee. During 2008, the April/May incentive was the only incentive for which VARO Pittsburgh met criteria, and the VARO received \$36,120 (\$300 for the 120.4 VSC employees).

VBA Policy on Referring Ready-to-Rate Claims to Rating Teams. To help ensure efficient claims processing, VBA requires VSCs to establish the following four main teams — Triage Team, Pre-Determination Team, Rating Team, and Post-Determination Team. Each team is responsible for performing specialized claim processing tasks. For example, the Pre-Determination team is responsible for developing claims, determining if they are ready for a rating decision and referring ready to rate claims to the VARO's Rating Team. The key responsibilities of each team are described below.

- The Triage Team reviews and processes all incoming mail, identifies benefit claims, and refers claims needing development to the Pre-Determination Team.

- The Pre-Determination Team develops claims, determines if they are ready-to-rate, and refers ready-to-rate claims to the Rating Team.
- The Rating Team rates and refers claims to the Post-Determination Team.
- The Post-Determination Team authorizes benefit awards, prepares beneficiary notification letters, and completes entitlement determinations for claims not requiring a rating.

Scope and Methodology

To determine the validity of the VARO Pittsburgh allegation, we performed work at VARO Pittsburgh between October–November 2008. During the review, we obtained testimony from the VARO Director, VSC managers, Pre-Determination Team Coaches, and seven VSRs and reviewed claims folders for 120 GWOT claims the VARO completed during June–July 2008. We also analyzed OFO incremental incentive award data and interviewed OFO managers.

To determine if other VAROs delayed the processing of GWOT claims to meet the April/May 2008 incremental incentive criteria, we performed similar onsite reviews at VAROs Boston, Indianapolis, and San Diego during November–December 2008. At these three VAROs, we interviewed VSC managers, Pre-Determination Team Coaches, and VSRs. At each VARO, we also reviewed 100 GWOT claims completed in June 2008.

VBA's April/May 2008 incremental incentives required VAROs to meet five incentive criteria. Our review focused on the incentive criteria that required VAROs to have zero GWOT claims awaiting a rating decision for more than 7 days as of May 31, 2008.

Results and Conclusions

Allegation: VARO Pittsburgh Managers Instructed Staff to Delay the Processing of Ready-to-Rate GWOT Compensation Claims to Meet Special Targets and Receive Award Money

We did not substantiate the allegation that VARO Pittsburgh's VSC managers instructed VSRs to delay the processing of GWOT claims that were ready for a rating decision. However, we did determine that VSC managers and VSRs differed in their understanding about how to meet an April/May 2008 incremental incentive offered by VBA's OFO to have zero GWOT claims awaiting a rating decision for more than 7 days as of May 31, 2008. VSR managers testified that the VARO should have achieved the incentive criteria by making rating decisions within 7 days of when claims became ready for a rating. VSRs testified that they believed managers wanted to achieve the incentive by delaying the referral of ready-to-rate claims to the Rating Team until after the April/May incentive award period.

This misunderstanding caused confusion among VSRs, resulting in VSRs delaying the processing of at least 10 GWOT claims. For five of these claims, the delayed processing caused veterans to receive compensation benefit payments ranging from \$226 to \$1,375 a month late. Delayed payments can cause veterans and their families' financial hardship by depriving them of entitled compensation and a source of income. In addition, these delays, which were unintended consequences of the incremental incentive, were contrary to VBA's strategic objective of providing timely decisions on disability compensation claims and goals to reduce the backlog of unprocessed claims. The confusion among VARO Pittsburgh staff occurred because VARO policies and procedures lacked continuous feedback mechanisms to ensure VSR's aggressive pursuit of performance goals do not violate VBA policies or delay claim processing.

Testimony from four VSC managers and seven Pre-Determination Team VSRs disclosed that miscommunication caused the VSRs to be confused on how to achieve the April/May incentive criteria related to ready-to-rate GWOT claims. The four managers all denied instructing Pre-Determination Team VSRs to delay referring GWOT claims to the Rating Team that were ready for a rating decision. They also stated that it would be inappropriate to delay the referral of claims for rating decisions.

However, five of the seven Pre-Determination Team VSRs testified that either they or other VSRs delayed the referral of claims that were ready for a rating decision to the Rating Team because of the belief that VSC managers wanted the referrals delayed to help the VSC meet the April/May incentive award criteria. VSC managers testified that because of the VARO's large backlog of claims, their main effort centered on processing older claims rather than newer ready-to-rate GWOT claims.

The misunderstanding and confusion was apparent when we asked VSC managers and VSRs about unusual notes that we found in a small number of claims folders. For example, a VSR included the following May 6 note in a claims folder: *“Reviewed claim and determined that it is not ready to rate because of the April/May incentive.”* When we asked the VSR about the note, the VSR stated that the claim was ready for a rating decision on May 6, but the VSR thought VSC managers did not want the claim referred to the Rating Team until after May 31, 2008, which was the end of the April/May incentive period. However, when we showed the note to VSC managers, they stated that they never told VSRs to delay referring claims ready for a rating decision to the Rating Team and did not understand why the VSR included the note in the claim folder.

Other VAROs Did Not Delay the Processing of Ready-to-Rate GWOT Compensation Claims to Meet Special Targets and Receive Money

To determine if other VAROs delayed the processing of GWOT claims that were ready for a rating decision to meet the April/May 2008 incentive criteria, we conducted similar reviews at VAROs Boston, Indianapolis, and San Diego — 3 of the 14 VAROs where staff received monetary awards for meeting the OFO April/May incentive. To determine if other VAROs delayed the processing of GWOT claims to meet the criteria for the April/May 2008 incentive, we conducted similar reviews at VAROs Boston, Indianapolis, and San Diego. For these three VAROs, we concluded managers communicated and VSRs understood how to meet the April/May incentive without delaying the processing of GWOT claims. As a result, these VAROs did not delay the processing of the GWOT claims we reviewed.

Conclusion

We did not substantiate the allegation that VARO Pittsburgh’s VSC managers instructed VSRs to delay the processing of GWOT claims that were ready for a rating decision. However, we did determine that VSC managers and VSRs differed in their understanding about how to meet an April/May 2008 incremental incentive offered by OFO to have zero GWOT claims awaiting a rating decision for more than 7 days, as of May 31, 2008.

This misunderstanding caused confusion among VSRs, resulting in VSRs delaying the processing of at least 10 GWOT claims. For five of these claims, the delay resulted in veterans receiving compensation benefit payments a month late. These payments ranged from \$226 to \$1,375. Delayed payments can cause veterans and their families’ financial hardship by depriving them of timely compensation and a source of income. In addition, the delays, which were unintended consequences of the incremental incentive, were contrary to VBA’s strategic objective of providing timely decisions on disability compensation claims and goals to reduce the backlog of unprocessed claims.

On November 17, 2008, we provided VBA officials preliminary results indicating that VARO Pittsburgh VSRs had inappropriately delayed the processing of GWOT claims to

meet the April/May 2008 incentive. On November 19, 2008, VBA suspended the use of incremental incentives at all VAROs nationwide until further notice. Although VARO Pittsburgh VSRs inappropriately delayed claim processing, VSC managers at VARO Pittsburgh and three other VAROs stated that they did not instruct VSRs to delay claim processing. Of the four VAROs, miscommunication and confusion about the April/May 2008 incremental incentive criteria was limited to VARO Pittsburgh.

Recommendations

1. We recommended the Under Secretary for Benefits require OFO to incorporate independent monitoring of VARO reported achievement of future incentive-based performance award goals to ensure unintended outcomes do not occur.
2. We recommended the Under Secretary for Benefits ensure the VARO Pittsburgh Director establish policies and procedures that include feedback mechanisms to ensure VSRs pursue performance goals without violating VBA policies or delaying claim processing.

Management Comments and OIG Response

The Under Secretary agreed with our findings and recommendations and reported that VBA has not implemented any short-term incentive-based performance award programs since ceasing such programs in November 2008. VBA's four area offices have incorporated a number of integrity checks into their annual regional office site visits. These reviews include ensuring the correct date of claim is established for pending actions, accountability of mail, and verifying proper updates in computer systems. These reviews will remain in place when a performance award program is resumed.

On April 20, 2009, the VARO Pittsburgh Director implemented a policy requiring managers to provide written guidance to employees clearly identifying the VARO's performance targets and the course of action for reaching these goals utilizing the VARO's workload management plan. The policy requires the Veterans Service Center Manager to approve the final draft of any written directive and submit a copy to the Director for concurrence and issuance to employees for implementation. Managers will meet with employees to answer any questions and ensure full understanding of the new processes and oversee implementation of the new processes. VBA requested closure of both recommendations.

The reported completed actions for both recommendations are acceptable and we consider both recommendations closed.

Under Secretary for Benefits Comments

**Department of
Veterans Affairs**

MEMORANDUM

Date: APR 29 2009

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report—Review of Alleged Claim Processing Delays to Receive
Monetary Performance Awards at VA Regional Office Pittsburgh, PA
WebCIMS 427256

To: Assistant Inspector General for Audit (52)

1. Attached are VBA's comments on the OIG Draft Report: Review of Alleged Claims Processing Delays to Receive Monetary Performance Awards at VA Regional Office Pittsburgh, PA.
2. Questions may be referred to Dee Fielding, Program Analyst, at 461-9057.


P. W. Dunne

Attachment

Attachment

VBA COMMENTS TO OIG DRAFT REPORT

**Review of Alleged Claim Processing Delays to Receive Monetary
Performance Awards at VA Regional Office Pittsburgh, PA**

Recommendation 1: We recommend the Under Secretary for Benefits require OFO to incorporate independent monitoring of VARO reported achievement of future incentive-based performance award goals to ensure untended outcomes do not occur.

VBA Response: Concur. VBA has not implemented any short-term incentive-based performance award programs since ceasing such programs in November 2008. VBA's four Area Offices have incorporated a number of integrity checks into their annual regional office site visits. These reviews include ensuring the correct date of claim is established for pending actions, accountability of mail, and verifying proper updates in computer systems. These reviews will remain in place when a performance award program is resumed. VBA requests closure of this recommendation.

Recommendation 2: We recommend the Under Secretary for Benefits ensure the VARO Pittsburgh Director establish policies and procedures that include feedback mechanisms to ensure VSRs pursue performance goals without violating VBA policies or delaying claim processing.

VBA Response: Concur. On April 20, 2009, the VARO Pittsburgh Director implemented a policy requiring managers to provide written guidance to employees clearly identifying the Regional Office's (RO) performance targets and the course of action for reaching these goals utilizing the RO's workload management plan. The policy requires the Veterans Service Center Manager to approve the final draft of any written directive and submit a copy to the Director for concurrence. If approved by the Director, the document is released to employees for implementation. Managers will then meet with the affected employees to answer any questions and ensure they fully understand the new processes. Supervisors will oversee implementation of the new processes. VBA requests closure of this recommendation.

OIG Contact and Staff Acknowledgments

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Acknowledgments	George Boyer Guy Durand Linda Fournier Henry Hoffman Nathaniel Holman Earl Key George Patton Cheri Preston Leon Roberts Felicia Stovall Al Tate
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