



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

**Summary Report of
Combined Assessment Program Reviews
at
Veterans Benefits Administration
Regional Offices**

October 2004 through September 2005

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high-quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Provide fraud and integrity awareness training to increase employee understanding of program fraud and the requirement to refer suspected criminal activity to the OIG.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

To Report Suspected Wrongdoing in VA Programs and Operations
Call the OIG Hotline – (800) 488-8244

Contents

	Page
Memorandum to Secretary (00) and Under Secretary for Benefits (20)	i
Introduction	1
Background.....	1
Scope of CAP Reviews.....	1
CAP Reports Issued	2
CAP Review Results by Area Office and by Regional Office	3
Summary of CAP Results	4
Benefits Delivery Network Information Management Controls.....	4
Compensation and Pension Benefit Payments to Incarcerated Veterans.....	4
Compensation and Pension Future Examinations.....	4
Compensation and Pension Hospital Adjustments.....	5
Fiduciary and Field Examinations.....	5
Government Purchase Cards.....	6
Information Security.....	6
Large Retroactive Payment Controls.....	7
Management Performance.....	7
Security of Sensitive Records.....	7

Vocational Rehabilitation and Employment..... 8

Appendixes

A. OIG Contact..... 9

B. Report Distribution..... 10



Department of Veterans Affairs
Office Inspector General
Washington, DC 20420

Memorandum to:

Secretary (00)

Under Secretary for Benefits (20)

Summary Report of Combined Assessment Program Reviews at Veterans Benefits Administration Regional Offices October 2004 through September 2005

1. This report summarizes the results of the Office of Inspector General (OIG) Combined Assessment Program (CAP) reviews conducted at Department of Veterans Affairs (VA) Veterans Benefits Administration (VBA) regional offices during the period October 2004 through September 2005. CAP reviews evaluate selected VA regional office (VARO) operations, focusing on benefits administration and financial and management controls.
2. This summary report covers the 17 CAP reviews conducted at VAROs. The issues highlighted in this report were identified at two or more VAROs. We also provided fraud and integrity awareness training for 1,216 VBA employees and, in specific instances, examined issues or allegations referred to the OIG by employees, veterans, Members of Congress, or others.
3. The Under Secretary for Benefits should ensure that all VBA area and VARO directors are advised of the issues identified in this summary report. We may follow up on the issues reported here in future audits and other reviews. This report was prepared under the direction of Ms. Linda Halliday, Director, OIG Audit Planning Division.

*(original signed by Joseph M. Vallowe,
Acting Assistant Inspector General for
Auditing for:)*

MICHAEL L. STALEY
Assistant Inspector General for Auditing

Introduction

Background

During the period October 2004 through September 2005, the OIG issued 17 reports on CAP reviews completed at VAROs. Generally, the CAP reviews were conducted during 1-week site visits.

Scope of CAP Reviews

The scope of the CAP reviews performed at each of the VAROs visited focused on benefits administration and financial and management controls. CAP team leaders selected the areas reviewed at each VARO. This report summarizes issues for which similar recommended improvement actions were made in two or more CAP reports.

During this period, 1,216 VBA employees attended fraud and integrity awareness briefings conducted during CAP reviews. The briefings included a video on the types of fraud that can occur in VA programs, discussions of the OIG's role in investigating criminal activity, and question and answer sessions.

CAP Reports Issued

The following 17 VBA CAP reports were issued during the period October 2004 through September 2005.

Report Title	Area	Report Number	Issue Date
Combined Assessment Program Review of the VA Regional Office Fargo, North Dakota	Central	04-03271-077	02/04/05
Combined Assessment Program Review of the VA Regional Office Little Rock, Arkansas	Central	04-03331-091	02/25/05
Combined Assessment Program Review of the VA Regional Office Sioux Falls, South Dakota	Central	04-03200-096	03/03/05
Combined Assessment Program Review of the VA Regional Office Milwaukee, Wisconsin	Central	05-01227-185	08/15/05
Combined Assessment Program Review of the VA Regional Office Togus, Maine	Eastern	03-02837-037	11/26/04
Combined Assessment Program Review of the VA Regional Office Hartford, Connecticut	Eastern	04-02842-064	01/07/05
Combined Assessment Program Review of the VA Regional Office Indianapolis, Indiana	Eastern	04-00603-065	01/10/05
Combined Assessment Program Review of the VA Regional Office Providence, Rhode Island	Eastern	04-00731-110	03/24/05
Combined Assessment Program Review of the VA Regional Office Pittsburgh, Pennsylvania	Eastern	05-00094-106	03/25/05
Combined Assessment Program Review of the VA Regional Office Baltimore, Maryland	Eastern	05-00820-161	06/27/05
Combined Assessment Program Review of the VA Regional Office Louisville, Kentucky	Southern	04-01463-039	12/01/04
Combined Assessment Program Review of the VA Regional Office Huntington, West Virginia	Southern	05-01468-190	08/15/05
Combined Assessment Program Review of the VA Regional Office Washington, District of Columbia	Southern	05-01009-197	09/08/05
Combined Assessment Program Review of the VA Regional Office Fort Harrison, Montana	Western	04-02528-010	10/29/04
Combined Assessment Program Review of the VA Regional Office Reno, Nevada	Western	04-02315-057	12/28/04
Combined Assessment Program Review of the VA Regional Office Los Angeles, California	Western	05-00547-134	05/06/05
Combined Assessment Program Review of the VA Regional Office Boise, Idaho	Western	05-01816-184	08/15/05

CAP Review Results by Area Office and by Regional Office

Area Office	VA Regional Office																
	Central				Eastern					Southern			Western				
	VARO Fargo, ND	VARO Little Rock, AR	VARO Sioux Falls, SD	VARO Milwaukee, WI	VARO Togus, ME	VARO Hartford, CT	VARO Indianapolis, IN	VARO Providence, RI	VARO Pittsburgh, PA	VARO Baltimore, MD	VARO Louisville, KY	VARO Huntington, WV	VARO Washington, DC	VARO Fort Harrison, MT	VARO Reno, NV	VARO Los Angeles, CA	VARO Boise, ID
Issue Areas with Reported Weaknesses																	
Benefits Delivery Network Information Management Controls				●		●	●				●			●	●		
Compensation and Pension Benefit Payments to Incarcerated Veterans			●	●				●							●	●	
Compensation and Pension Future Examinations		●						●									
Compensation and Pension Hospital Adjustments	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fiduciary and Field Examinations		●	●		●			●	●		●		●		●		
Government Purchase Cards		●			●		●		●	●		●	●	●	●	●	
Information Security		●	●			●	●			●		●					●
Large Retroactive Payment Controls			●											●			●
Management Performance			●				●				●						
Security of Sensitive Records	●					●	●	●	●	●	●				●		
Vocational Rehabilitation and Employment			●		●		●	●		●	●			●	●	●	

SHADED = AREA REVIEWED AT THIS SITE
● = IMPROVEMENT NEEDED AT THIS SITE

Summary of CAP Results

Findings and recommendations for improvement actions for each of the operational activities reviewed are summarized below.

Benefits Delivery Network Information Management Controls

Benefits Delivery Network (BDN) information management controls needed improvements at 6 of 17 VAROs. Results showed that BDN system-generated messages were not processed timely or properly, which resulted in overpayments and underpayments of veterans' benefits. To improve controls, the following recommendations were made:

- Process BDN system messages in a timely manner.
- Take corrective actions as needed for inappropriate benefit payments, including overpayments and underpayments.

Compensation and Pension Benefit Payments to Incarcerated Veterans

Controls over benefit payments to incarcerated veterans needed improvement at 5 of 15 VAROs. The CAP reviews identified benefit processing deficiencies and overpayments that occurred because reviews of information were not completed in a timely manner. To improve operations, the following recommendations were made:

- Ensure timely processing of benefit adjustments, and follow up when necessary to determine incarcerated veterans' status and reduce payments.
- Ensure prompt reviews of information that affects benefit payments to incarcerated veterans.

Compensation and Pension Future Examinations

Improved controls for future compensation and pension (C&P) examinations were needed at two of two VAROs. The staff did not ensure that required examinations were scheduled and conducted, and award adjustments were not processed when appropriate. To improve controls, the following recommendations were made:

- Ensure award adjustments are made and that future examination dates are input into BDN.

- Provide refresher training to rating specialists to emphasize the importance of reviewing veterans' disabilities subject to reduction.

Compensation and Pension Hospital Adjustments

C&P benefits for veterans hospitalized for extended time periods at Government expense were not reduced as required at any of the 17 VAROs. Results showed that: (1) Veterans Service Center (VSC) staff did not always identify hospitalized veterans whose benefits needed adjusting, (2) C&P benefits to hospitalized veterans were not reduced as required and some overpayments were not collected, (3) VSC needed to review Automated Medical Information Exchange (AMIE) admission reports and consult with medical center staff to ensure compliance with notification requirements for hospitalized veterans, and (4) VAROs needed to provide refresher training for VSC staff. To improve operations, the following recommendations were made:

- Provide VSC staff training that emphasizes the importance of reviewing medical records in claims folders to identify cases requiring benefit adjustments.
- Ensure prompt, appropriate actions to adjust benefit payments to veterans hospitalized at Government expense for a period of 90 days or more, and initiate collection actions when necessary.
- Require review of AMIE reports and identification of hospitalized veterans whose C&P awards require adjustment, and forward AMIE reports to the appropriate VA Pension Maintenance Centers or VAROs of jurisdiction.
- Take actions to revise the Systemic Analyses of Operations program to require that VARO staff conduct a 100-percent review of VA health care facility listings of hospitalized veterans, rather than samples of veterans on the listings.

Fiduciary and Field Examinations

Improvements were needed in fiduciary and field examination (F&FE) activities at 8 of 13 VAROs. Accountings were not always accurate or completed in a timely manner. Management needed to improve the oversight of incompetent veterans by ensuring accountings and field examinations were conducted when needed, and that appropriate corrective actions were taken to address program deficiencies. To improve operations, the following recommendations were made:

- Ensure that F&FE staff perform initial appointments and complete field examinations and accountings accurately and within required timeframes.

- Institute appropriate controls to ensure timely actions are taken when inappropriate investments are identified.
- Require F&FE staff to follow up on delinquent fiduciary accountings and, when required, refer delinquent accountings to field examiners, the OIG, or the VA Regional Counsel.
- Ensure F&FE staff establish proper controls to obtain bonds when required, provide refresher training on bonding requirements, and direct F&FE staff to obtain bonds or document reasons for not obtaining bonds.

Government Purchase Cards

The OIG's report *Major Management Challenges Fiscal Year 2005* (Report Number 06-00480-26, November 15, 2005), identified the Government purchase card program as a serious VA management problem. CAP reviews found various purchase card deficiencies at 10 of 15 VAROs, including: insufficient supporting documentation, problems with reconciliations and certifications, single purchase limits that were not enforced, use of cards by unauthorized individuals, split purchases, not using established national contracts, a lack of training, and inadequate separation of duties between billing officers and purchase card coordinators. To improve operations, the following recommendations were made:

- Monitor and control activities at individual VAROs to ensure that requirements are followed and documentation is appropriate for purchase card use, approvals, purchases, billing statements, reconciliations, and other activities.
- Ensure that initial and refresher training for cardholders and approving officials is provided and documented.
- Ensure that purchase limit thresholds are enforced, and that warrants are established for cardholders with single purchase limits in excess of \$2,500.

Information Security

The *Major Management Challenges Fiscal Year 2005* report identified information security as a serious VA management problem. CAP reviews found that information security needed improvement at 7 of 15 VAROs. The vulnerabilities could lead to misuse or loss of sensitive information and data. Areas for improvement included access control, contingency planning, and physical security of information technology equipment. To improve operations, the following recommendations were made:

- Develop contingency plans and obtain certification and accreditation of automated information systems.¹
- Enhance physical security and environmental controls for computer rooms and equipment.
- Ensure that Information Security Officers routinely test security controls.

Large Retroactive Payment Controls

Controls for retroactive C&P benefit payments of \$25,000 or more needed improvement at 3 of 17 VAROs. Verification of retroactive payments were not timely, not performed, not documented, or were not signed by employees with third-party signature authority, resulting in overpayments and underpayments of veterans' benefits. To improve operations, the following recommendations were made:

- Improve controls to ensure that retroactive payments of \$25,000 or more receive a supervisory third-party review and timely verification review, ensure the accuracy of award payments, and pursue recovery of overpayments.
- Ensure that staff receive refresher training on retroactive payment requirements.

Management Performance

Management at three of four VAROs needed to improve performance in selected activities to meet national VBA performance goals, including reduction of the inventory of pending rating claims and the timeliness and accuracy of workload accomplishment. To improve operations, the following recommendation was made:

- Continue to monitor timeliness of rating actions and fiduciary activities to meet VBA's nationwide performance goals.

Security of Sensitive Records

Security of sensitive records needed improvement at 8 of 17 VAROs. Required reviews of the security of hardcopy and electronic files were not performed, access to file cabinets containing employee-veteran claims folders and other sensitive records was not properly controlled, sensitive files were not secured in locked filing cabinets, files were not maintained at designated VAROs of jurisdiction, and sensitive electronic records were

¹ The VA Secretary issued a memorandum dated November 19, 2004, requiring every VA system to be successfully certified and accredited no later than August 31, 2005.

not secured through the Common Security User Manager application. To improve security of sensitive records, the following recommendations were made:

- Ensure that hard copy sensitive records are kept in locked file cabinets, and electronic records are secured through the Common Security User Manager application.
- Limit access to keys for locked claims folders to authorized staff, and use a centralized log system to control and monitor access to the files.
- Conduct audits of sensitive files to ensure that they are securely maintained at the proper locations, and that the locked files include appropriate files.

Vocational Rehabilitation and Employment

Improvements in Vocational Rehabilitation and Employment (VR&E) activities were needed at 9 of 13 VAROs. Areas for improvement included claims processing; timeliness of services; needs assessments; documentation; data entry; and monitoring, control, and management of VR&E cases. To improve program activities, the following recommendations were made:

- Ensure that VR&E staff complete and document needs assessments and rehabilitation plans.
- Strengthen case management, including timeliness and accuracy of work.
- Require that VR&E staff monitor data entry to automated systems for accuracy, manually correct the data as appropriate, and update the veterans' case status in a timely manner.

OIG Contact

OIG Contact

Dennis Sullivan, OIG Audit Planning Division
(202) 565-4685

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Assistant Secretaries
General Counsel

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Quality of Life and Veterans Affairs
House Committee on Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction and Veterans Affairs
Senate Committee on Homeland Security & Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.