DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Accuracy of Effective Dates for Reduced Evaluations Needs Improvement

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Executive Summary

Why the OIG Did This Review

The OIG conducted this review to determine whether Veterans Benefits Administration (VBA) staff accurately notified veterans of proposed reductions in their disability evaluations and assigned correct effective dates for those reduced evaluations completed from February 1 through July 31, 2017. As effective dates determine when benefits are payable, it is important VBA staff assign them properly to ensure payments begin or end on the correct date. Assigning an incorrect effective date can lead to underpayments that VBA staff should correct to ensure veterans receive all authorized benefits. In addition, incorrect effective dates can lead to overpayments, which illustrate waste and mismanagement of taxpayer funds as VA does not recover these overpayments when they are due to administrative error. The OIG FY 2017 benefits inspections at VA Regional Offices (VAROs), as well as initial data testing for this review, identified cases with reduced evaluations as a high-risk area for improper payments.

What the OIG Found

The OIG estimated that 2,200 of 5,900 cases (38 percent) were processed incorrectly by VBA staff. There were three types of processing errors. One type of error was the use of incorrect effective dates of payments for reduced disability evaluations.[1] A second type of error was that staff did not send amended notifications when the reasons for proposed reductions changed. The third error type was that staff provided inaccurate, or did not send, initial notifications to veterans that their benefits may be reduced. Generally, VBA staff may reduce or stop a veteran's monthly compensation because the service-connected disability evaluation has improved, staff incorrectly awarded benefits, or the veteran did not attend a required medical examination to assess potential improvement in a service-connected condition (reexamination).[2, 3]

Incorrect effective dates occurred because cases with reduced evaluations were not always processed by VARO staff as soon as a decision was completed, resulting in delayed notifications and delayed adjustments. Rating veterans service representatives may decide to reduce benefits 60 days after the initial notification of proposed reduction is sent to the veteran. This decision must include the effective date of the reduced evaluation, based on when they expect the veterans

[1] OIG reviewed 150 cases with reduced evaluations resulting in reductions in ongoing benefits payments completed from February 1 through July 31, 2017.

[2] M21-1, *Adjudication Procedures Manual*, Part I, Chapter 2, Section B, Topic 1, General Information on the Notice of Proposed Adverse Action.

[3] 38 Code of Federal Regulations §3.655, Failure to report for Department of Veterans Affairs examination.

service representative (VSR) to provide final notification to the veteran. There is no requirement that VBA staff immediately process reduced evaluations after the rating decision assigns the expected effective date for a reduction. However, as effective dates for reduced evaluations are contingent upon the date of final notification of the decision, a delayed action might require a different effective date.[4] As one explanation for delays, the Deputy Director of the Office of Field Operations reported the Under Secretary for Benefits prioritized other workloads that could potentially lead to more benefits for veterans. An example of this would be veterans' initial compensation claims. The OIG estimated that if VBA staff had sent final notifications immediately after the completion of rating decisions, 330 of the 2,200 errors (15 percent) would not have resulted in improper payments.

VBA's electronic claims processing system also led to some errors as the system incorrectly defaulted to incorrect effective dates. The defaulted effective dates could lead to reduced payments occurring one month too late. The OIG estimated if the electronic system had not defaulted to a later date, 200 of the 2,200 errors (9 percent) would not have occurred. In addition, there was no electronic system functionality to alert staff if assigned effective dates for reductions were improper. Staff and management interviewed stated that a system modification would be helpful in preventing incorrect effective dates for reduced evaluations.

Inaccurate notifications for proposed reductions and incorrect effective dates also occurred because Compensation Service staff did not mandate refresher training to field personnel on how to process reduced evaluations. Staff interviewed noted they would benefit from refresher training, as they did not always know the proper procedure for processing reduced evaluations and did not always work them on a frequent enough basis to maintain proficiency. Individual VARO quality review teams provided training based on trends from local VARO quality reviews; however, they did not identify error trends in this area.

According to VARO management and staff, errors may also have occurred because VSRs who approved these cases were more focused on meeting workload production standards, and not taking enough time to ensure cases had correct effective dates. A Deputy Under Secretary for VBA stated he was aware that some staff felt that way, but it had not been brought up as a concern by staff since serving in his current role. He further noted that expectations are staff should be able to get this work done based on allotted production standards, and that errors would best be mitigated through training. Finally, errors were the result of VBA procedures not specifying that VARO claims processing staff needed to send amended notifications when the reason for a reduction changed. Compensation Service staff did inform the OIG, and the OIG confirmed, that the procedures provided separate guidance on required action for each type of reduction, but agreed the manual did not specify that staff should send amended notifications in these cases.

[4] 38 Code of Federal Regulations §3.105. *Revision of decisions.*

The OIG estimated that over a period of five years VBA staff would make errors resulting in improper payments to over 22,300 veterans totaling more than $27.5 million (including both underpayments and overpayments), based on payment rates in effect at the time of this review. The OIG estimated these improper payments averaged $2,000 per veteran who received improper payments from November 1, 2014, through August 31, 2017, which included underpayments and overpayments. In addition to the $27.5 million, OIG found that there were a number of occasions where errors had occurred but as of the conclusion of the review period, the errors had not hit the payment system. In other words, cases with potential improper payments were in error, but had payment changes beginning on or after September 1, 2017, the date the review team stopped its calculation of improper payments. Therefore, the team considered changes on or after that date as potential improper payments because other decisions or events could occur after the team's review that would affect payments. Based on projections and estimates from our review, these types of errors could result in veterans potentially receiving improper payments totaling approximately $10.4 million. Of this $10.4 million, approximately $7.8 million would be ongoing monthly improper payments. The remaining $2.6 million were for improper payments covering a finite period of time.

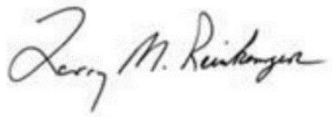
What the OIG Recommended

The OIG recommended the Under Secretary for Veterans Benefits Administration:

- Implement a plan to ensure staff timely process cases with reduced evaluations, after the decision, to prevent rework and improper payments.
- Establish a plan to modify the Veterans Benefits Management System (VBMS) to apply correct effective dates for cases with reduced evaluations for conditions that were no longer service-connected and alert staff when the assigned effective dates are improper.
- Remind VARO staff of the system defect that causes effective dates to be one month later than required for conditions that are no longer being classified as service-connected, until VBA could implement a system change.
- Implement a plan to provide refresher training on the proper processing of reduced evaluations to staff who process rating reductions and monitor the effectiveness of that training.
- Provide updated guidance to include provisions for when amended proposal letters are necessary.
- Implement a plan to conduct periodic reviews for veterans who had evaluations reduced after the first of the month following the final notification letter and before the first of the month following 60 days after the final notification letter, take corrective actions as needed, and provide certification of completion to the Office of Inspector General.

Management Comments

The Under Secretary for Benefits concurred with all six recommendations and provided action plans for the recommendations. The Under Secretary requested closure of Recommendations 1 and 3 and based on the information provided, we consider those recommendations closed. The OIG will monitor VBA's progress and follow up on implementation of the remaining recommendations until all proposed actions are completed.



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Abbreviations

NWQ	National Work Queue
OBPI	Office of Business Process Integration
OIG	Office of Inspector General
RVSR	Rating Veterans Service Representative
VA	Department of Veterans Affairs
VARO	VA Regional Office
VBA	Veterans Benefits Administration
VBMS	Veterans Benefits Management System
VSR	Veterans Service Representative

Introduction

Objective

This review sought to determine whether Veterans Benefits Administration (VBA) staff accurately notified veterans of proposed disability evaluation reductions and assigned correct effective dates for reduced evaluations completed from February 1 through July 31, 2017.

Why We Did This Review

The OIG FY 2017 benefits inspections at VA Regional Offices (VAROs) as well as initial data testing for this review identified cases with reduced evaluations as a high-risk area for improper payments.[5] VBA staff should correct underpayments to ensure veterans receive all authorized benefits, and minimize overpayments to the extent possible. Overpayments represent waste and mismanagement of taxpayer funds because VA does not recoup these overpayments from veterans because they are due to administrative error.

VBA Policy Related to Reduced Evaluations

Generally, VBA staff may reduce or stop a veteran's monthly compensation because the service-connected disability evaluation has improved, staff incorrectly awarded benefits, or the veteran did not attend a required medical examination to assess potential improvement in a service-connected condition (reexamination).[6,7]

VBA staff must inform veterans when proposing to reduce or stop disability evaluations and provide them with a 60-day period to send evidence showing why staff should not take the proposed action.[8,9] If the veteran does not provide additional evidence within this 60-day period, rating veterans service representatives (RVSRs) then may make a decision to reduce or stop benefits.[10] This decision must include the evaluation and the effective date of the reduction based on when they expect veterans service representatives (VSRs) to provide the final notifications to the veteran. If reduced payments are due to improvement in disabilities or incorrectly awarded

[5] Public Law 107-300, *Improper Payments Information Act of 2002*, enacted November 26, 2002.

[6] M21-1, *Adjudication Procedures Manual*, Part I, Chapter 2, Section B, Topic 1, General Information on the Notice of Proposed Adverse Action.

[7] 38 Code of Federal Regulations §3.655, Failure to report for Department of Veterans Affairs examination.

[8] See Appendix A for specific discussion of the elements required.

[9] 38 Code of Federal Regulations §3.103, Procedural due process and appellate rights.

[10] 38 Code of Federal Regulations §3.105, Revision of decisions.

benefits, staff must reduce or stop the benefits effective the first of the month following 60 days after providing the final notification.[11]

Improper payments can result when staff do not properly calculate 60 days from the date of the final notification letter and reduce benefits from an incorrect date. Table 1 demonstrates correct reduced evaluation dates for sample cases. Any date used other than the date in the corresponding reduced evaluation date column would lead to improper payments.

Table 1. Sixty Calculated Days and Correct Reduction Dates

Notification Letter Date	60 Days from Letter Date	Reduction Date
January 30, 2017	March 31, 2017	April 1, 2017
January 31, 2017	April 1, 2017	May 1, 2017
March 1, 2017	April 30, 2017	May 1, 2017
March 2, 2017	May 1, 2017	June 1, 2017

Source: VA OIG data analysis

If a veteran does not attend a required reexamination, staff should generally reduce benefits from the date the veteran was last paid.[12] Improper payments may result when staff do not use the correct date of last payment as indicated in VBA's electronic system.[13] Table 2 demonstrates correct dates of last payment for sample cases. Any date used other than the date in the corresponding date of last payment column would lead to improper payments.

Table 2. Correct Dates of Last Payment

Reduction Processing Date	Date of Last Payment (Based on VBA's Electronic System)
January 30, 2017	February 1, 2017
February 14, 2017	February 1, 2017
March 21, 2017	April 1, 2017

Source: VA OIG data analysis

[11] 38 Code of Federal Regulations §3.105, *Revision of decisions;* 38 Code of Federal Regulations §3.500, *General.*

[12] 38 Code of Federal Regulations §3.655, Failure to report for Department of Veterans Affairs examination.

[13] VBA staff noted the date the last payment is initiated in the system is considered the date last paid. VBA's electronic system updates monthly with the following month as the date of last payment. Any cases updated after that date would have to use the first of the following month as the date of last payment.

Results and Recommendations

Finding VBA Needed to Improve Accuracy in Processing Reduced Evaluations

The OIG estimated that VBA staff incorrectly processed 2,200 of 5,900 cases (38 percent). Errors generally included incorrect effective dates of payments for reduced disability evaluations. In addition, staff did not send required amended notifications to veterans when the reasons for the proposed reductions changed. Furthermore, at times, VARO claims processing staff provided inaccurate, or did not send, initial notifications to veterans that their benefits may be reduced.

Incorrect effective dates occurred because cases with reduced evaluations were not always processed by VARO staff as soon as a decision was completed, resulting in delayed notifications and delayed adjustments. As one reason for the delay, the Deputy Director of the Office of Field Operations reported the Under Secretary for Benefits prioritized other workloads that could potentially lead to more benefits for veterans. An example of this would be veterans' initial compensation claims. VBA's electronic claims processing system also led to some errors (approximately 200 out of 2,200 cases) as the system incorrectly defaulted to incorrect effective dates. In addition, there was no system functionality to alert staff if assigned effective dates for reductions were improper.

Inaccurate notifications for proposed reductions and incorrect effective dates also occurred because Compensation Service staff did not mandate refresher training to field personnel on how to process reduced evaluations. Individual VARO quality review teams provided training based on trends from local VARO quality reviews; however, they did not identify error trends in this area. According to VARO management and staff, errors also possibly occurred because VSRs who approved these cases focused on meeting workload production goals rather than ensuring cases were properly processed. Finally, some proposal notifications that were inaccurate were the result of VBA procedures not specifying that VARO claims processing staff needed to send amended letters when the reason for a reduction changed.

The OIG estimated that over a period of five years VBA staff would make errors resulting in improper payments to over 22,300 veterans totaling more than $27.5 million, based on payment rates in effect at the time of this review. The OIG estimated staff improperly paid veterans an average of $2,000 during the period of review. In addition to this $27.5 million, the OIG found errors, but the financial impact had not hit the payments process as of the conclusion of the audit period. Based on projections and estimates from our review, veterans potentially could have received improper payments totaling approximately an additional $10.4 million, of which

approximately $7.8 million would be ongoing monthly improper payments.[14] The remaining $2.6 million were for improper payments covering a finite period of time.

Methodology and Scope of Review

The initial universe of cases reviewed by the OIG was approximately 6,600. The OIG divided the universe into five strata based on when VBA staff notified veterans of reduced evaluations and the effective dates of those reductions.[15] These five strata ensured samples would include all time periods a reduction might occur. The universe was modified to approximately 5,900 cases after adjustments, such as excluding cases determined to be outside the scope of review.

Summary of Errors Identified

The OIG reviewed a statistical sample of 30 cases from each of the five strata, and found 99 out of the total 150 cases contained processing errors for reduced evaluations. Based on this sample, the OIG estimated 2,200 cases (38 percent) contained errors.

The third and fifth strata each had a 100 percent error rate because there was no regulatory basis for effective dates to fall within those ranges. In other words, no VBA regulations allowed for reductions to occur in these time periods. The third stratum included an estimated 480 cases where the reduced evaluation was effective after the first of the month following the final notification letter and before the first of the month following 60 days after the final notification letter. The fifth stratum included an estimated 310 cases where the reduced evaluation was effective later than the first of the month following 60 days after the final notification letter.

[14] Cases with potential improper payments were in error, but had payment changes beginning on or after September 1, 2017, the date the review team stopped its calculation of improper payments. Therefore, the team considered changes after that date as potential because other decisions or events could occur after the team's review that would affect payments.

[15] See Appendix C for more information on the statistical sampling methodology, including how the review team classified cases within each stratum.

Table 3 describes the cases reviewed, cases with errors, estimated total cases, estimated cases with errors, and estimated error rate by strata.

Table 3. Projected Processing Errors by Strata

Strata	Cases Reviewed	Cases with Errors	Estimated Total Cases	Estimated Cases with Errors	Estimated Error Rate
1	30	13	220	94	43%
2	30	18	140	81	60%
3	30	30	480	480	100%
4	30	8	4,800	1,300	27%
5	30	30	310	310	100%
All	**150**	**99**	**5,900**	**2,200**	**38%**

Source: VA OIG data analysis and statistician's projections
Note: Estimates do not total precisely due to rounding.

VBA management concurred with 98 of the 99 errors (99 percent), and disagreed with the review team's assessment of one case. In this case within Strata 1, VBA staff sent a veteran three letters incorrectly noting proposed evaluation reductions were due to improvement in his service-connected conditions. However, the proposed reductions were due to the veteran's failure to attend a required medical reexamination. VBA management believed the notification was sufficient because staff provided a copy of the decision to the veteran, who did not seek clarification of the reason for the proposed reduction. The OIG contended the notifications were insufficient because the letters conflicted with the decision. Therefore, since the veteran did not receive proper notice of the reason for the proposed decision, staff should not have completed the final rating decision until providing a corrected notification.

Types of Processing Errors

Figure 1 illustrates the types and frequency of errors that occurred within the process of reducing or eliminating disability evaluations, which resulted in actual or potential improper payments to veterans. These systemic errors were not unique to a single stratum.

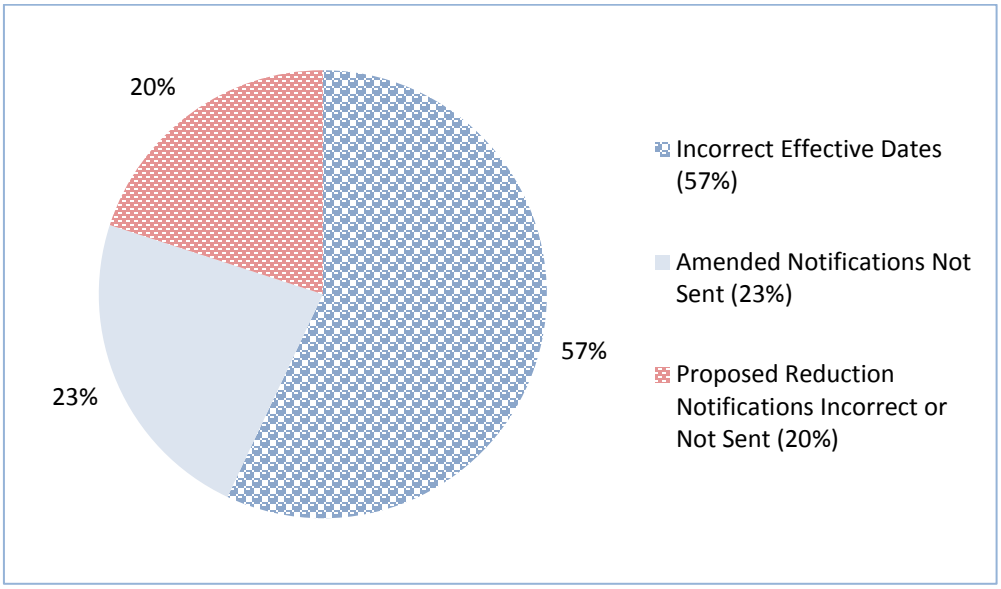

Figure 1. Types of Processing Errors
Source: VA OIG data analysis

Incorrect Effective Dates for Reductions

The OIG estimated in 1,300 of the 2,200 cases with errors, VBA staff provided correct proposal notifications, but assigned incorrect effective dates for reduced evaluations. Of the 1,300 errors, the OIG estimated 680 involved staff incorrectly reducing evaluations *after* the date required by regulation. Following is an example of this scenario involving a reduction based on improvement:

Example 1

An RVSR issued a decision on February 8, 2017, reducing an evaluation effective May 1, 2017. A VSR sent the final notification letter on February 9, 2017, and made the reduction effective June 1, 2017. Based on when the VSR sent the final notification, the reduction should have been May 1, 2017. Therefore, the VSR reduced the veteran's evaluation one month too late, resulting in an overpayment of approximately $900.

Following is an example of this scenario involving a reduction based on a veteran not attending a reexamination:

Example 2

An RVSR issued a decision on June 29, 2017, reducing an evaluation effective September 1, 2017. A VSR took final action on July 13, 2017, and reduced the evaluation effective September 1, 2017. The reduction should have been July 1, 2017, the date of last payment at the time it was processed. Therefore, the VSR reduced the veteran two months too late, resulting in an overpayment of approximately $530.

The OIG estimated 580 of the 1,300 errors involved staff incorrectly reducing evaluations *before* the date required by regulation. Following is an example of this scenario involving a reduction based on improvement:

Example 3

An RVSR issued a decision on April 17, 2017, reducing an evaluation effective July 1, 2017. A VSR sent the final notification letter on May 22, 2017. As the VSR sent the final notification a month after the rating decision, the date of reduction should have been August 1, 2017. Therefore, the VSR reduced the veteran's evaluation one month too early, resulting in an underpayment of approximately $2,100.

Required Amended Notifications Not Sent

The OIG estimated in 510 of the 2,200 cases with errors that VBA staff did not send required amended proposed reduction notification letters when the reasons for reduced evaluations changed. VBA staff originally sent correct proposed reduced evaluation letters. However, the reasons for the reductions subsequently changed, and staff should have provided amended notifications so that veterans receive the proper potential effective date for reduced evaluations. It is necessary for the notification to include the correct reason for the proposed reduction, so that veterans have the opportunity to submit evidence focused on the true reason for the proposed reduction if they desire to contest the decision. Following is an example of this scenario:

Example 4

A VSR sent a notification proposing to reduce an evaluation because the veteran did not attend a reexamination. The veteran subsequently reported for the examination, and staff prematurely reduced the evaluation based on improvement. Because the veteran did not receive an amended notification proposing a reduction based on this improvement, the reduction was not yet

warranted. As a result, staff underpaid the veteran approximately $1,000 for two months with a potential ongoing monthly underpayment of approximately $520.

Incorrect Proposed Reduction Notifications

The OIG estimated in 450 of the 2,200 cases with errors that VBA staff provided inaccurate information to, or failed to notify, veterans of proposed reduced evaluations. As a result, these veterans generally did not receive the correct potential effective dates or reasons for the proposed reductions. A notification that does not include the correct reason for a proposed reduction impairs veterans' opportunities to submit relevant evidence to contest the decisions. Therefore, staff should not have reduced the evaluations until sending proper notification. Following is an example of this scenario:

Example 5

A VSR sent a notification informing a veteran a proposed reduction was due to improvement shown in a service-connected condition. However, the actual reason for the reduction was the veteran not attending a reexamination. Since the veteran did not receive proper notification for the proposed reduction, staff should not have taken final action. As a result, staff underpaid the veteran approximately $1,200 for five months with a potential ongoing monthly underpayment of approximately $250.

Cases with Reduced Evaluations Not Always Immediately Processed

One reason for the assignment of incorrect effective dates is that VBA staff did not always immediately process final actions for reduced evaluations. Immediate processing therefore could have prevented improper payments. There is no requirement that VBA staff immediately process these reduction evaluations after an RVSR assigns the effective date for the reduction. However, as effective dates for reduced evaluations are based on the date of notification and not the date of the decision, a delayed action might require a different effective date.[16] For example, in one case an RVSR completed a decision on May 12, 2017, reducing an evaluation effective August 1, 2017. However, a VSR did not send a final notification until 25 days later on June 6, 2017. Because the notification was sent June 6, 2017, the effective date of the reduction should have been September 1, 2017, the first of the month 60 days after the notification. This delay led to the veteran being underpaid approximately $300 for one month. Had the VSR sent the final notification immediately after the decision was completed, the effective date of the reduction would have been correct.

[16] 38 Code of Federal Regulations §3.105, Revision of decisions.

The cases the OIG reviewed remained idle between a decision and final notification an average of 22 days, ranging from 0 to 359 days. In November 2017, a Deputy Director with VBA reported to the OIG this type of work remained idle an average of 17 days. The longer a case remains idle after a decision, the likelihood increases for assigning an improper effective date and making an improper payment. This is because these effective dates are determined by the date of the notification, not the date of the decision. Based off its review, the OIG estimated that if VBA staff had sent final notifications immediately after a decision, 330 of the 2,200 errors (15 percent) would not have resulted.

In April 2017, VBA began using the National Work Queue (NWQ) to route cases that involved reduced evaluations to VAROs nationwide. The NWQ distributes claims daily to each VARO based on factors such as VARO staff assigned to process specific workloads, national claims processing priorities, and special missions.[17] The NWQ did not always assign these cases immediately when ready for final action due to VARO capacity to handle workloads. A supervisory program analyst informed the OIG as of September 2017 approximately 8,400 VSRs and RVSRs nationwide could potentially process rating reductions. However, VBA management reported that as of November 2017, it had assigned approximately 620 VSRs and RVSRs (7 percent) to process workloads that included reductions in benefits. VBA's Deputy Director for the NWQ team stated idle times for assigning cases occurred because the NWQ distributes cases to VAROs based on their staffing capacity. A Deputy Director for Office of Field Operations noted the Deputy Under Secretary for Office of Field Operations determined this resource allocation because other workloads could potentially lead to more benefits for veterans. An example of this would be veterans' initial compensation claims.

An NWQ manager further noted that as of November 2017, once cases were assigned to the VAROs for processing, it would take them an average of approximately 11 days to take final action. According to staff and management at the four VAROs visited, cases with reduced evaluations have not been a top VBA workload priority and this led to incorrect effective dates.[18] The Veterans Service Center Manager at the Columbia VARO confirmed resources had been insufficient to timely process work such as reduced evaluations.

VBMS Defaulted to Incorrect Effective Dates for Certain Cases

Another reason for errors is that VBA's electronic claims processing system, Veterans Benefits Management System (VBMS), defaulted to incorrect effective dates when discontinuing service-

[17] Department of Veterans Affairs, Veterans Benefits Administration, National Work Queue, Phase 1 & 2 Playbook; and Department of Veterans Affairs, Veterans Benefits Administration, NWQ Non-Rating Rollout Schedule and Information.

[18] The four VAROs visited were Boston, MA; Columbia, SC; Lincoln, NE; and New Orleans, LA. See Appendix B for further discussion of the scope and methodology of the review. Staff and management interviewed included supervisory VSRs, senior VSRs, VSRs, RVSRs, and quality review staff.

connected disabilities. The OIG interviewed a senior business application analyst with VBA's Compensation Service, who was aware of this system defect. The analyst provided documentation showing in November 2010 VAROs received notification of a system override for the incorrect effective date issue, prior to the implementation of VBMS. The documentation also showed VBA's Quality Assurance staff was aware of the issue and the analyst informed the OIG that the Office of Business Process Integration[19] (OBPI) was aware of the issue. The OBPI Deputy Director reported when support staff received requests to address this issue in the previous claims processing system, they did not consider it a defect because there was a work-around for the issue and instructed employees to use a system override function. However, the Deputy Director noted in July 2017 the issue was logged as a defect for VBMS, and was pending resolution.

The defaulted effective dates could lead to reduced payments occurring one month too late. Some VSRs, including senior VSRs, interviewed at the four VAROs stated they were aware of this system defect. These employees, as well as some supervisors, were also aware of the override function in place to correct the system default. However, the OIG found that not all employees were aware of the defect, and a VSR further explained that other employees may not be thoroughly reviewing VBMS to ensure these cases have correct effective dates. The OIG estimated if VBMS had not defaulted to a later date, 200 of the 2,200 errors (9 percent) would not have resulted.

No System Functionality to Alert Staff of Incorrect Effective Dates

OIG interviewed VBA's Director and Deputy Director of OBPI to determine whether VBMS had an alert to detect potential incorrect effective date assignments for reduced evaluations. Both stated this functionality did not currently exist within VBMS. The Director acknowledged that it would be feasible as there are other places within the system with alerts and messages. The Deputy Director further stated that because resources are an issue, a system alert message would need to have a large effect in order for VBA to implement it.

During the OIG's interviews, some VSRs stated there should be an alert in VBMS reminding staff to review the case for the correct effective date. In addition, staff and management agreed a system modification would be helpful in preventing incorrect effective dates for reduced evaluations.

Refresher Training Not Mandated

VBA's Compensation Service did not mandate refresher training to field personnel, as VBA's Quality Assurance had not identified systemic trends regarding reductions. Compensation

[19] OBPI facilitates the design, development, and implementation of business systems and information technology to enhance claims processing within VBA.

Service's Assistant Director for Training stated that training for cases with reduced evaluations is part of the foundational curriculum for new claims processors. Following this training, VAROs determined local error trends and training topics.

Supervisory VSRs and both authorization and rating quality review specialists at the VAROs stated they did not identify any local systemic trends in this area when they conducted their quality reviews. However, VSRs and RVSRs at the VAROs noted they would benefit from training that focused on reduced evaluations, and provided more specific scenarios. In addition, staff the OIG interviewed at all four VAROs could not always provide what the proper effective dates should be for reduced evaluations. Staff also indicated they would benefit from training as they did not always work these cases on a frequent basis to maintain proficiency. Furthermore, staff were uncertain when proposal letters were insufficient and needed to be modified.

Compensation Service's Quality Assurance staff cited errors nationwide due to incorrect effective dates for reduced evaluations and provided nationwide guidance in July 2017. However, in November 2017, Quality Assurance staff held a national conference call providing employees with unclear and incorrect guidance involving reductions. The Quality Assurance staff did not realize the guidance was in error until December 2017 when the OIG informed them of the discrepancy between VBA policy and the guidance issued. Quality Assurance staff then amended the nationwide guidance to comply with policy.

Ineffective Reviews

Staff and management interviewed at the four VAROs reported errors were not prevented because VSRs and senior VSRs focused more on meeting individual production goals rather than reviewing cases to ensure they had correct effective dates. VSRs are responsible for processing cases with reduced evaluations and notifying claimants of decisions. Senior VSRs are responsible for approving these cases, and are the last staff to review them before veterans receive reduced payments and their final notification letters. Therefore, it is essential that senior VSRs and VSRs conduct thorough reviews of cases before taking their final actions. Both senior VSRs and VSRs have national performance plans that require completion of a minimum number of transactions per pay period. However, the Veterans Service Center Manager of the New Orleans VARO believed VSRs were not catching these mistakes because they just wanted to move the cases along, due to production pressures of work standards. Senior VSRs and VSRs interviewed confirmed they did not take the time to provide thorough reviews because they felt more pressure to meet production goals rather than quality goals.

A Deputy Under Secretary for VBA stated he was aware that some staff felt production pressure. However, this concern had not been brought to his attention by staff since serving in his current role. He further noted expectations are that staff should be able to get this work done based on allotted production standards and that errors would best be mitigated through training.

Unclear Guidance Regarding Amended Proposal Notifications

Compensation Service staff informed the OIG that VBA policy did not specifically address the required procedure if the reason for a veteran's reduced evaluation changes. However, they noted procedures did provide separate citations on required action for each type of reduction, which we confirmed. The Assistant Director of Quality Assurance for Compensation Service agreed that when the reason for reduction changes, staff would need to send an amended notification. He hoped that staff would ask for the correct procedure when presented with this situation, and further stated the manual cannot capture every kind of scenario.

Staff and management at the four VAROs confirmed that guidance was unclear. Employees did not always provide consistent answers as to what action they should take in the scenario where the reason for the reduced evaluation changed. Staff interviewed across the four VAROs, to include VSRs, senior VSRs, RVSRs, a rating quality review specialist, and a supervisory VSR, incorrectly thought it was acceptable to finalize the reduced evaluation without sending an amended letter. A supervisory VSR noted there was no provision specifically stating RVSRs must issue a new proposed rating decision when the reason for the reduced evaluation changed. An acting Veterans Service Center Manager, assistant Veterans Service Center Manager, two supervisory VSRs, and an authorization quality review specialist all stated the guidance in the manual was unclear in this scenario.

Improper Payments Resulted

As a result of incorrect processing, the OIG estimated that over a period of five years VBA staff would make improper payments to over 22,300 veterans totaling more than $27.5 million, based on payment rates in effect at the time of this review. The OIG estimated that these improper payments averaged $2,000 per veteran who received improper payments from November 1, 2014, through August 31, 2017, which included underpayments and overpayments.

In addition to the $27.5 million estimated in improper payments, veterans potentially could have received improper payments totaling approximately $10.4 million. These cases with potential improper payments were in error, but had payment changes beginning on or after September 1, 2017, the date the review team stopped its calculation of improper payments. Therefore, the team considered changes on or after that date as potential improper payments because other decisions or events could occur after the team's review that would affect payments.

Of this additional $10.4 million, approximately $7.8 million would be ongoing monthly improper payments. The remaining $2.6 million were for improper payments covering a finite period of time.

Conclusion

VBA staff need to improve accuracy in processing reduced evaluations to minimize improper payments to veterans. If staff timely process cases with reduced evaluations, VBA could reduce errors. In addition, by resolving a system defect and incorporating system updates to alert staff of incorrect effective dates, VBA could improve accuracy. Finally, VBA could decrease errors by clarifying its procedures, mandating refresher training on processing reduced evaluations, and monitoring the effectiveness of the training.

Recommendations 1–6

1. The Under Secretary for Veterans Benefits Administration implement a plan to ensure staff timely process cases with reduced evaluations, after the decision, to prevent rework and improper payments.
2. The Under Secretary for Veterans Benefits Administration establish a plan to modify the Veterans Benefits Management System to apply correct effective dates for cases with reduced evaluations for conditions that were no longer service-connected and alert staff when the assigned effective dates are improper.
3. The Under Secretary for Veterans Benefits Administration remind VA Regional Office staff of the system defect that causes effective dates to be one month later than required for conditions that are no longer being classified as service-connected, until the Veterans Benefits Administration could implement a system change.
4. The Under Secretary for Veterans Benefits Administration implement a plan to provide refresher training on the proper processing of reduced evaluations to staff who process rating reductions and monitor the effectiveness of that training.
5. The Under Secretary for Veterans Benefits Administration provide updated guidance to include provisions for when amended proposal letters are necessary.
6. The Under Secretary for Veterans Benefits Administration implement a plan to conduct periodic reviews for veterans who had evaluations reduced after the first of the month following the final notification letter and before the first of the month following 60 days after the final notification letter, take corrective actions as needed, and provide certification of completion to the Office of Inspector General.

Management Comments and OIG Response

The Under Secretary for Benefits concurred with all six recommendations and provided action plans for the recommendations. The Under Secretary requested closure of Recommendations 1 and 3 and based on the information provided, we consider those recommendations closed. The OIG will monitor VBA's progress and follow up on implementation of the remaining recommendations until all proposed actions are completed.

The Under Secretary for Benefits concurred with Recommendation 1 and stated VBA has prioritized claims that have pending reductions in all claim cycles. Claims in "Rating Decision Complete" status for reductions are distributed for processing unless they have specific routing restrictions. The claims were noted as being closely monitored daily to ensure timely processing. Furthermore, the Under Secretary stated as of May 31, 2018, the average days awaiting award for reductions with a rating decision completed was 7.1 days, an improvement of 12.4 days since the beginning of FY 2018.

The Under Secretary for Benefits concurred in principle with Recommendation 2 and reported VBA will establish a plan to modify VBMS to apply correct effective dates for cases with reduced evaluations for conditions that were no longer service-connected, eliminating the need for a system alert. However, VBA does not anticipate this modification being prioritized prior to FY 2020 due to limited available development resources. Finally, VBA will coordinate with Office of Information Technology and provide a more specific timeline for implementation of the requirement. VBA will remind regional office employees by July 31, 2018, to use the effective date builder tool to assist with ensuring the proper effective dates are assigned. The target date to provide a more specific timeline for implementation of the system modification is June 30, 2019.

The Under Secretary for Benefits concurred with Recommendation 3 and stated that VBA had notified all regional office staff on June 15, 2018, of the system defect that causes effective dates to be one month later for conditions that are no longer being service-connected.

The Under Secretary for Benefits concurred with Recommendation 4 and stated refresher training on the proper processing of reduced evaluations for RVSR and rating quality review specialists will be included in the FY 2019 National Training Curriculum. The courses will be uploaded into their electronic training program on October 1, 2018, with mandated training to be completed by December 31, 2018. Furthermore, VBA will monitor the effectiveness of the training during FY 2019 by tracking error calls on the RVSR task-based checklist in the Quality Management System, with a target completion date of February 28, 2019.

The Under Secretary for Benefits concurred with Recommendation 5 and reported VBA will update M21-1, *Adjudication Procedures Manual*, to include guidance that when the notification is in error or fails to provide one of the required elements, an amended notification must be provided, and the due process period will be started anew. The target completion date is August 31, 2018.

The Under Secretary for Benefits concurred with Recommendation 6 and stated VBA will develop and implement a plan to conduct quarterly reviews for a one-year period. Furthermore, additional training and guidance will be implemented as needed during that time. Certification of completion and the results of the review will be provided to OIG. The target completion date is July 31, 2019.

The Under Secretary for Benefits provided additional comments to the report. Although the Under Secretary agreed with our recommendations to establish a plan to modify VBMS to apply correct effective dates for cases with reduced evaluations for conditions that were no longer being classified as service-connected and remind regional office staff of this system defect, the Under Secretary did not agree with the OIG assessment regarding VBMS defaulting to incorrect effective dates for certain cases, as it did not effectively explain what was being addressed. The Under Secretary stated VBA routinely provides information to field offices pertaining to effective dates including procedures to ensure accurate claims processing when electronic system functionality may not yet be in place. However, during the OIG review, VBA staff and management repeatedly acknowledged that VBMS defaults to an incorrect effective date for service-connected conditions that are no longer retaining their service-connection status. The Under Secretary also acknowledges in his response to this report that VBA's electronic claims processing systems are programmed to default effective dates for payment to the first of the month following the effective date assigned in a rating decision. The Under Secretary adds that when severance of service connection or discontinuation of individual unemployability benefits is addressed (or a "to" date is used in a rating for any other reason, which should be uncommon), the proper effective date is the actual date of severance as reflected in the rating, not the first of the month following that date.

The Under Secretary clarified that the M21-1, *Adjudication Procedures Manual*, provides the procedures for proper adjudication of claims and noted that it would be impossible to include procedures in the M21-1 for every eventuality that may occur and/or specific procedures for correcting all types of claims processing errors. Rather, a claims processor must consider the proper procedure and address the deficiency.

Lastly, the Under Secretary reiterated that with VBA's focus on reducing the backlog of rating-related claims, a large proportion of resources are dedicated to processing these claims as they lead to initial entitlement to compensation, pension, and healthcare eligibility. VBA continues its emphasis on a balanced approach to process all types of claims. Since the inclusion of non-rating workload into the NWQ in April 2017, the inventory controlled by NWQ has decreased by 19 percent and the average days pending for this workload has improved by 46 percent.

Appendix: A Background

Proposed Reduction Notification Requirements

When VA obtains evidence from a third party demonstrating a reduction or discontinuance of current compensation payments may be warranted, VSRs must inform the beneficiary of the proposed reduction in benefits.[20] Every notice shall clearly explain the proposed decision, any applicable effective date, reason for the decision, and rights of the beneficiary.[21] Descriptions of elements are in the table below.

Table 4. Elements in Notice of Proposed Reduction

Element	Description
Statement of proposed decision	Fully and clearly states the proposed decision to reduce or terminate benefits and provides new rate information for each payment change.
Statement of proposed effective date	States the proposed effective date; informs beneficiary they have 60 days to respond to the proposed decision and that the payment of benefits will continue through the 60-day period.
Basis for proposed decision	States facts and reasons for proposed action, the evidence considered, proposed rates, and any calculations used to arrive at the proposed rates.
Rights of beneficiary	Informs the beneficiary of the right to present evidence, request a personal hearing, and have representation.

Source: VA OIG's presentation of the elements in a notice of proposed action as described in M21-1 Adjudication Manual, Part I, Chapter 2, Section B, Topic 2, Elements of the Notice of Proposed Adverse Action

[20] 38 Code of Federal Regulations §3.103. *Procedural due process and appellate rights*.

[21] 38 Code of Federal Regulations §3.103.

Appendix B: Scope and Methodology

Scope

The OIG conducted its work from August 2017 through June 2018. The review covered a population of approximately 6,600 veterans' cases with reduced evaluations resulting in reductions in ongoing benefits payments, completed from February 1 through July 31, 2017. The universe was modified to approximately 5,900 cases after adjustments such as excluding cases determined to be outside the scope of review.

Methodology

To accomplish the review objective, the OIG identified and reviewed applicable laws, regulations, VA policies, operating procedures, and guidelines related to reduced evaluations. The OIG interviewed and obtained testimonial information related to work processes associated with reduced evaluations from management and staff with VBA's Central Office and at all four VAROs visited. The OIG performed site visits at the Boston, MA; Columbia, SC; Lincoln, NE; and New Orleans, LA, VAROs in October and November 2017.

In coordination with VA OIG statisticians, the review team reviewed a stratified random sample of 150 veterans' cases with reduced evaluations and reductions in ongoing benefits payments completed from February 1 through July 31, 2017. The OIG then determined whether VBA staff accurately notified these veterans of proposed reduced evaluations and assigned correct effective dates for the reduced evaluations. Appendix C provides more details on the statistical sampling methodology.

The OIG used VBA's electronic systems, including VBMS, to review the sample veteran claims folders and relevant documentation required to assess whether staff accurately proposed reductions and assigned effective dates for reduced evaluations. The review team discussed the findings with VBA officials and included their comments where appropriate.

Fraud Assessment

The OIG exercised due diligence in staying alert to any fraud indicators by taking actions such as these:

- Identified laws and regulations related to the review subject matter
- Assessed previous reviews, audits, and inspections as reported by VA Office of Inspector General and other auditing organizations regarding VA's Veterans' Benefits Administration
- Completed Fraud Indicators and Assessment Checklist

- Reviewed VA OIG's Hotline for reports of fraud in our review area

The OIG did not identify any instances of fraud during this review.

Data Reliability

The OIG used computer-processed data from VBA's Corporate Data Warehouse. To test for reliability, the review team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The review team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the OIG compared veterans' names, file numbers, Social Security numbers, VARO numbers, dates of claim, and decision dates as provided in the data received in the 150 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' claims folders reviewed did not disclose any problems with data reliability.

Government Standards

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

Appendix C: Statistical Sampling Methodology

Approach

To accomplish the objective, the OIG reviewed a statistical sample of veterans' cases with reduced evaluations and reductions in ongoing benefits payments. The review team used statistical sampling to quantify the extent of cases where VBA staff did not accurately notify veterans of proposed reduced evaluations or assign correct effective dates for the reduced evaluations.

Population

The review population included 6,588 veterans' cases with reduced evaluations resulting in reductions in ongoing benefit payments, completed from February 1 through July 31, 2017. For the purposes of the review, the OIG adjusted the population to 5,896 veterans, after excluding cases determined to be outside the scope of review, and including cases that shifted from five identified strata.

Sampling Design

The OIG divided the universe of cases into five strata, to ensure samples would include all time periods a reduction might occur. Table 5 describes the five strata.

Table 5. Definitions of Each Stratum

Stratum	Definition
1	The reduction was prior to the first of the month following the final notification letter.
2	The reduction was the first of the month following the final notification letter.
3	The reduction was after the first of the month following the final notification letter and before the first of the month following 60 days after the final notification letter.
4	The reduction was the first of the month following 60 days after the final notification letter.
5	The reduction was later than the first of the month following 60 days after the final notification letter.

Source: VA OIG analysis

In all five strata, if VBA staff did not send final notification letters, the review team used the date staff completed the case to determine the strata for that case.

Table 6 shows an example of how the strata would be determined based on the effective date of the reduction, for a final notification letter sent on February 10, 2017.

Table 6. Example of Strata Determination

Stratum	Reduction Effective Date
1	February 28, 2017, or earlier
2	March 1, 2017
3	March 2 through April 30, 2017
4	May 1, 2017
5	May 2, 2017, or later

Source: VA OIG analysis

The OIG reviewed a total of 197 sample cases found to be in scope. During the course of the review, 47 cases shifted to their appropriate strata. Ultimately, the OIG selected a statistical sample of 30 cases from each of the five strata for a total of 150 cases reviewed for accuracy.

Weights

The OIG calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.

Projections and Margins of Error

The OIG used WesVar software to calculate the weighted universe estimates and associated sampling errors. WesVar employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. The margins of error and confidence intervals are indicators of the precision of the estimates. If the OIG 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. For example, 90 percent of all samples would give an estimate of the true universe of veterans' cases with reduced evaluations resulting in reductions in ongoing benefits payments, completed from February 1 through July 31, 2017, between 5,825 and 5,967. The following tables detail our analysis and projected results.

Table 7 shows the projections for the estimated adjusted universe of cases for Strata 1 through 5.

Table 7. Summary of Projections and Confidence Intervals for Estimated Adjusted Universe for Strata 1 through 5

Stratum	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
1	218	50	169	268	42
2	135	26	109	161	31
3	480	250	231	730	35
4	4,752	257	4,496	4,643	59
5	310	66	245	376	30
All	5,896	71	5,825	5,967	197

Source: VA OIG statisticians' projection of estimated populations. Data were obtained from VBA's Corporate Database.
Note: Projections do not total precisely due to rounding. The upper limit of the estimated adjusted universe of cases in Stratum 4 was adjusted based on the original universe of cases belonging in the stratum.

Table 8 shows projections for estimated cases with errors for each stratum.

Table 8. Summary of Projections and Confidence Intervals for Estimated Cases with Errors for Strata 1 through 5

Stratum	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
1	94	33	61	128	13
2	81	20	61	101	18
3	480	0	480	480	30
4	1,267	646	621	1,913	8
5	310	0	310	310	30
All	2,233	647	1,586	2,880	99

Source: VA OIG statisticians' projection of estimated cases with errors. Data were obtained from VBA's Corporate Database.
Note: Projections do not total precisely due to rounding. In addition, the OIG projected that if VBA continues to make an estimated 2,233 errors on a six-month basis, this could lead to an estimated 22,300 errors (2,233 doubled then multiplied by 5 years) over a period of five years.

Table 9 shows the projections for estimated error rates for each stratum.

Table 9. Summary of Projections and Confidence Intervals for Estimated Error Rates for Strata 1 through 5

Stratum	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
1	43.3%	15.2%	28.1%	58.6%	13
2	60%	15.1%	44.9%	75.1%	18
3	100%	0	100%	100%	30
4	26.7%	13.6%	13.1%	40.3%	8
5	100%	0	100%	100%	30
All	37.9%	11%	26.9%	48.9%	99

Source: VA OIG statisticians' projection of estimated error rates. Data were obtained from VBA's Corporate Database.

Table 10 shows the projections for the three types of estimated errors identified and percentages.

Table 10. Summary of Projections and Confidence Intervals for the Three Types of Errors Identified and Percentages

Results	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Cases with incorrect effective dates	1,267	445	822	1,711	77
Percent of errors with incorrect effective dates	56.7%	18%	38.3%	75.2%	77
Cases with amended notifications not sent	512	440	72	952	6
Percent of errors with amended notifications not sent	22.9%	18%	5%	40.8%	6
Cases with proposed notification incorrect or not sent	454	370	84	824	16
Percent of errors with proposed notification incorrect or not sent	20.3%	16%	4.6%	40.8%	16

Source: VA OIG statisticians' projection of estimated error rates. Data were obtained from VBA's Corporate Database.

Table 11 shows the projections for errors associated with incorrect effective dates that were reduced before and after the date required.

Table 11. Summary of Projections and Confidence Intervals for Estimated Errors Associated with Incorrect Effective Dates That Were Reduced before and after the Date Required

Results	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Effective date reduced after date required	682	368	315	1,050	38
Effective date reduced before date required	584	274	311	858	39

Source: VA OIG statisticians' projection of estimated error rates. Data were obtained from VBA's Corporate Database.

Table 12 shows the projections for the estimated number of errors and percentages of the errors that would have been prevented if final action had been taken immediately after decisions.

Table 12. Summary of Projections and Confidence Intervals for Estimated Errors and Percentages of the Errors That Would Have Been Prevented If Final Action Had Been Taken Immediately after Decisions

Results	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Errors where Final notification not immediately sent after decision	331	80	251	411	29
Percentage of errors where final notification not immediately sent after decision	14.8%	6%	9.1%	20.5%	29

Source: VA OIG statisticians' projection of estimated error rates. Data were obtained from VBA's Corporate Database.

Table 13 shows the projections for the estimated number of errors and percentages of the errors that would have been prevented if final action had been taken immediately after decisions.

Table 13. Summary of Projections and Confidence Intervals for Estimated Errors and Percentages of the Errors That Would Have Been Prevented If VBMS Did Not Default to an Incorrect Effective Date

Results	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Errors due to VBMS defaulting to incorrect effective date	196	46	150	242	19
Percentage of errors due to VBMS defaulting to incorrect effective date	8.8%	3%	5.4%	12.1%	19

Source: VA OIG statisticians' projection of estimated error rates. Data were obtained from VBA's Corporate Database.

Table 14 shows the projections for estimated improper payments and potential improper payments.

Table 14. Summary of Projections and Confidence Intervals for Estimated Improper Payments and Potential Improper Payments

Results	Projection	Margin of Error	Lower Limit 90% Confidence Interval	Upper Limit 90% Confidence Interval	Sample Size
Estimated improper payments	$2,751,542	$1,283,754	$1,467,797	$4,035,296	75
Estimated potential improper payments	$1,039,477	$505,710	$533,767	$1,545,186	38
Estimated potential improper ongoing monthly payments	$776,084	$456,315	$319,769	$1,232,399	24
Estimated potential improper finite payments	$263,393	$255,015	$14,503	$518,408	19
Estimated average improper payment	$1,991	$756	$1,235	$2,747	75

Source: VA OIG statisticians' projection of estimated actual and potential improper payments. Data were obtained from VBA's Corporate Database.
Note: In addition, the OIG projected that if VBA continues to make errors as estimated in Table 14 on a six-month basis, underpayment rates in effect at the time of this review this could lead to an estimated $27.5 million in improper payments, $10.4 million in potential improper payments, $7.8 million in potential ongoing payments, and $2.6 million for potential finite improper payments ($260,000 doubled then multiplied by five years) over a period of five years. The five-year estimate is an extrapolation of the six-month estimates.

Appendix D: Potential Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs (in millions)
1–5	The OIG estimated errors could result in $27.5 million in improper payments over a period of five years, based on payment rates in effect at the time of this review.	$0	$27.5
1–5	The OIG estimated errors could potentially result in $10.4 million in improper payments over a period of five years, based on payment rates in effect at the time of this review.	$0	$10.4
	Total	**$0**	**$37.9**

Appendix E: Management Comments

Department of Veterans Affairs

Date: July 6, 2018

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Accuracy of Effective Dates for Reduced Evaluations [Project No. 2017-05244-SD-0179]

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

1. Attached is VBA's response to the OIG Draft Report: Accuracy of Effective Dates for Reduced Evaluations.
2. Questions may be referred to Renetta Johnson, Chief, Office of Program Integrity & Internal Controls, at (202) 632-8699.

(Original signed by)

Paul R. Lawrence Ph.D.

Attachments

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

Veterans Benefits Administration (VBA)

Comments on OIG Draft Report

Accuracy of Effective Dates for Reduced Evaluations

VBA provides the following comments:

Page ii, paragraph 2:

> "VBA's electronic claims processing system also led to some errors as the system incorrectly defaulted to incorrect effective dates. The defaulted effective dates could lead to reduced payments occurring one month too late. OIG estimated if the electronic system had not defaulted to a later date, 200 of the 2,200 errors (9 percent) would not have occurred. Additionally, there was no electronic system functionality to alert staff if assigned effective dates for reductions were improper. Staff and management interviewed stated that a system modification would be helpful in preventing incorrect effective dates for reduced evaluations."

VBA Comment: VBA does not agree with the above assessment as it does not effectively explain what is being addressed. VBA routinely provides information pertaining to effective dates, to include the procedures to ensure accurate claims processing when electronic system functionality may not yet be in place. VBA's most recent reminder to the field offices concerning this effective date issue was on June 15, 2018. VBA would also like to clarify that VBA's electronic claims processing systems are programmed to default effective dates for payment to the first of the month following the effective date assigned in a rating decision, which is generally proper. However, when severance of service connection or discontinuation of individual unemployability benefits is addressed (or a "to" date is utilized in a rating for any other reason, which should be uncommon), the proper effective date is the actual date of severance as reflected in the rating, not the first of the month following that date.

Page ii, paragraph 3, lines 15-18:

> "Compensation Service staff did inform OIG, and we confirmed, that the procedures provided separate guidance on required action for each type of reduction, but agreed the manual did not specify that staff should send amended notifications in these cases."

VBA Comment: VBA partially disagrees with the above statement and clarifies that the M21-1 Adjudication Procedures Manual (M21-1) provides the procedures for proper adjudication of claims. Please note that it would be impossible to include procedures in the M21-1 for every eventuality that may occur and/or specific procedures for correcting all types of claims processing errors. Rather, a claims processor must consider the proper procedure and address the deficiency.

Page 3, paragraph 2, (lines 3-5) and Page 9, paragraph 2 (lines 9-14):

> "The Deputy Director of the Office of Field Operations (OFO) reported the Under Secretary for Benefits prioritized other workloads that could potentially lead to more benefits for veterans. An example of this would be veterans' initial compensation claims."
>
> "VBA's Deputy Director for the NWQ team stated idle times for assigning cases occurred because the NWQ distributes cases to VAROs based on their staffing capacity. A Deputy Director for OFO noted the Deputy Under Secretary for OFO determined this resource allocation because other workloads could potentially lead to more benefits for veterans. An example of this would be veterans' initial compensation claims."

VBA Comment: With VBA's focus on reducing the backlog of rating-related claims, a large proportion of resources are dedicated to processing these claims as they lead to initial entitlement to compensation, pension, and healthcare eligibility.

VBA continues its emphasis on a balanced approach to process all types of claims. Since the inclusion of non-rating workload into the National Work Queue (NWQ) in April 2017, the inventory controlled by NWQ has decreased by 19 percent and the average days pending for this workload has improved by 46 percent.

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

Recommendation 1: The OIG recommended the Under Secretary for Veterans Benefits Administration implement a plan to ensure staff timely process cases with reduced evaluations, after the decision, to prevent rework and improper payments.

VBA Response: Concur. Since the April 2017, inclusion of non-rating workload into NWQ, VBA has prioritized claims that have pending reductions in all claim cycles. NWQ analyzes the workload daily and ensures all claims in rating decision complete status, with an end product (EP) 600 (reduction), are distributed for processing unless they have specific routing restrictions. The claims with specific routing restrictions are closely monitored each day to ensure timely processing. As of May 31, 2018, the average days awaiting award for EP 600s with a rating decision completed was 7.1 days, an improvement of 12.4 days since the beginning of fiscal year (FY) 2018. VBA requests closure of this recommendation.

Recommendation 2: The OIG recommended the Under Secretary for Veterans Benefits Administration establish a plan to modify the Veterans Benefits Management System to apply correct effective dates for cases with reduced evaluations for conditions that were no longer service-connected and alert staff when the assigned effective dates are improper.

VBA Response: Concur in principle. VBA will establish a plan to modify the Veterans Benefits Management System (VBMS) to apply correct effective dates for cases with reduced evaluations for conditions that were no longer service-connected. Once VBMS has been modified, there will no longer be a need for a system alert as the system will automatically apply the correct effective date for the claim. Due to limited available development resources, VBA does not anticipate this VBMS modification being prioritized prior to FY20. VBA will coordinate with OIT and provide a more specific timeline for implementation of this requirement by June 30, 2019.

In the interim, by July 31, 2018, VBA will remind regional office (RO) employees to utilize the effective date builder tool to assist with ensuring the proper effective dates are assigned. This tool allows users to calculate the effective date for compensation benefits for several claim types and decision bases using navigational steps and Veteran-specific data.

Recommendation 3: The OIG recommended the Under Secretary for Veterans Benefits Administration remind VA Regional Office staff of the system defect that causes effective dates to be one month later than required for conditions that are no longer being service-connected, until the Veterans Benefits Administration could implement a system change.

VBA Response: Concur. On June 15, 2018, VBA notified all RO staff of the system defect that causes effective dates to be one month later than required for conditions that are no longer being service-connected. This information was disseminated by email to all ROs (Attachment A). VBA requests closure of this recommendation.

Recommendation 4: The OIG recommended the Under Secretary for Veterans Benefits Administration implement a plan to provide refresher training on the proper processing of reduced evaluations to staff that process rating reductions and monitor the effectiveness of that training.

VBA Response: Concur. VBA will include refresher training on the proper processing of reduced evaluations for Rating Veterans Service Representatives (RVSRs) and Rating Quality Review Specialists (RQRSs) in the FY 2019 National Training Curriculum. This refresher training will include the following two courses: "Rating Reductions" (Talent Management System (TMS) 4404881) and "Effective Date for Compensation" (TMS 4176790). VBA will upload the courses into TMS on October 1, 2018, and mandate the training be completed by December 31, 2018.

In addition, VBA will monitor the effectiveness of this training during FY 2019 by tracking the applicable error calls on the RVSR task-based checklist in the Quality Management System (QMS) and evaluate the effectiveness of the training by February 28, 2019.

Target Completion Date: February 28, 2019

Recommendation 5: The OIG recommended the Under Secretary for Veterans Benefits Administration provide updated guidance to include provisions for when amended proposal letters are necessary.

VBA Response: Concur. VBA will update the M21-1, Adjudication Procedures Manual to include guidance that when the notification is in error or fails to provide one of the required elements, an amended notification must be provided and the due process period is started anew.

Target Completion Date: August 31, 2018

Recommendation 6: The OIG recommended the Under Secretary for Veterans Benefits Administration implement a plan to conduct periodic reviews for veterans who had evaluations reduced after the first of the month following the final notification letter and before the first of the month following 60 days after the final notification letter, take corrective actions as needed, and provide certification of completion to the Office of Inspector General.

VBA Response: Concur. VBA will develop and implement a plan to conduct quarterly reviews for a one-year period, during which time, additional training and guidance will be implemented as needed. VBA will provide certification of completion and the results of this review to OIG.

Target Completion Date: July 31, 2019

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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