INTRODUCTION
Chairman Miller and Members of the Committee, thank you for the opportunity to
discuss the results of the Office of Inspector General's (OIG) work related to the
Veterans Benefits Administration (VBA). We will focus on previously issued reports as
well as recent situations that have come to our attention through the VA OIG Hotline
and through VBA. I am accompanied tonight by Mr. Brent Arronte, Director, OIG's San
Diego Benefits Inspection Division.

BACKGROUND
Delivering timely and accurate benefits and services to the millions of veterans who
served in our Nation's Armed Forces is central to VA's mission. VBA is responsible for
administering a range of veterans benefits programs, including compensation, pension,
education, home loan guaranty, vocational rehabilitation and employment, and life
insurance. These programs are estimated to pay out over $73 billion in claims to
veterans and their beneficiaries in fiscal year (FY) 2014 and comprise approximately
half of VA's total budget.

VBA continues to face challenges to ensure veterans receive timely and accurately
benefits and services. For years, VBA has faced a growing backlog and an aging
inventory of benefits claims. This backlog is attributed in part due to returning Iraqi and
Afghanistan veterans, reopened claims from veterans with chronic progressive
conditions related to Agent Orange, relaxed evidentiary requirements to process post-
traumatic stress disorder claims, and additional claims from an aging veteran population
with issues of declining health. As of June 30, 2014, VBA reported it completed just
under 975,000 disability claims, while the inventory of pending disability claims is just
over 550,000.

FINANCIAL STEWARDSHIP
To address the claims backlog issue, VBA instituted a series of initiatives and activities
aimed at achieving 98 percent accuracy and timeliness of 125 days by 2015.
Improvement initiatives include claims brokering to even out workloads across VA
regional offices (VAROs), expedited rollout of Disability Benefits Questionnaires
(DBQs), mandatory overtime for claims raters, and moving from paper-based claims
processing to an electronic-based processing system. As of July 5, 2014, VBA self-
reported progress in reducing its compensation claims backlog by more than 50 percent to 274,039 since March 2013.

However, this focused attention on claims processing comes at the expense of other non-claims processing functions. Furthermore, VBA continues to have notable weaknesses in financial stewardship. As we reported in our FY 2013 Review of VA’s Compliance With the Improper Payments Elimination and Recovery Act (April 15, 2014) and other OIG audit reports and benefits inspections reports, VBA underreports improper payments in its compensation program.

**Claims Processing Accuracy**

VBA has been working toward its announced goal of 98 percent accuracy for claims processing by 2015. However, in our inspections of VAROs, we continue to report on errors in accuracy in the processing of temporary 100 percent disability evaluations and traumatic brain injury claims (TBI). We look at these two types of claims because they are considered to be at higher risk of processing errors, thus our results do not necessarily represent a VARO’s overall accuracy in processing disability claims.

FY 2014 is the beginning of our second cycle of VARO inspections since we established our benefits inspections program in FY 2010. While we aim to complete 20 inspections each year, this year due to special projects such as the 2-year old claims initiative, we have issued 3 reports (Reno, Nevada; New York, New York; and New Orleans, Louisiana). However we have conducted three additional inspections and expect to issue reports shortly on Atlanta, Georgia; Columbia, South Carolina; and St. Louis, Missouri.

We found that VARO staff continues to face challenges making accurate decisions on certain veterans’ disability claims such as temporary 100 percent disability evaluations, TBI, and on awards where the veteran is entitled to Special Monthly Compensation (SMC) and ancillary benefits. Claims processing that lacks compliance with VBA procedures increases the risk of improper payments to veterans and their families.

**Temporary 100 Percent Disability Evaluations**

As we reported in January 2011, VBA had not correctly processed temporary 100 percent evaluations for about 27,500 (15 percent) of 181,000 veterans. We reported that since January 1993, VBA had paid veterans a net $943 million without adequate medical evidence to support the payments. We concluded that if VBA did not take timely corrective action, it could overpay veterans a projected $1.1 billion over the next 5 years (FY 2011 – 2015). The then-Acting Under Secretary for Benefits (USB) agreed with our seven report recommendations for implementing training and internal control mechanisms to improve timeliness in processing these types of claims. VBA took action to implement six of the seven recommendations.

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1 Inspection of VA Regional Office New Orleans, Louisiana, (July 10, 2014); Inspection of VA Regional Office New York, New York (June 24, 2014); Inspection of VA Regional Office, Reno, Nevada (June 10, 2014).
2 Audit of 100 Percent Disability Evaluations (January 24, 2011).
However, VBA’s delay in implementing the final recommendation—to review all temporary 100 percent disability evaluations and ensure each had a future examination date entered in the electronic record—is unacceptable and raises major concerns over VBA’s willingness to reduce its risk of improper payments. The then-Acting USB stated the target completion date for VBA’s national review would be September 30, 2011. However, VBA did not provide each VARO with a list of 100 percent disability evaluations for review until September 2011 and subsequently extended the national review deadline on four occasions.

VBA’s methodology did not call into question a veteran’s 100 percent disability evaluation if there was an associated control referred to as an “end product” to alert VBA claims processing staff of the need to review the claim at a later date. Having a control in place is not providing adequate assurance that the reviews will occur or that reviews will be timely. VBA designated the use of End Product 684 as the control to ensure staff review 100 percent disability evaluations to determine if the monthly payments are accurate. As of July 8, 2014, VBA had 2,446 End Product 684s pending on average for 208 days showing delayed corrective actions to identify and discontinue potential improper payments.

Follow-Up Audit of 100 Percent Disability Evaluations
In June 2014 we issued our follow-up audit on this matter and reported that VBA still did not take sufficient action to ensure each evaluation had a future exam date. As of January 2014, VBA identified over 8,300 temporary 100 percent disability evaluations for regional offices to review, of which 7,400 (88 percent) had not been reviewed. This included over 4,100 claims that VBA’s Office of Field Operations notified regional offices to review more than a year earlier. We estimate 3,100 (42 percent) of these veterans received almost $85 million in improper benefit payments since January 2012 because these claims lacked adequate medical evidence.

We remain concerned about VBA’s financial stewardship of these claims and project that without action, VBA could continue making unsupported payments to veterans totaling about $371 million over the next 5 years. In fact, we identified a $456 million ($85 million plus $371 million) total impact to the Government. (We reduced this projection to $222.6 million because our 2011 projection and report included all benefits before December 31, 2015.) We also determined that almost 1,500 claims folders with temporary 100 percent disability evaluations were located at the VA Records Management Center. Previously VBA told us they implemented our recommendation from our 2011 report to transfer claims folders with temporary 100 percent disability evaluations back to the regional offices. The USB concurred with our recommendation to ensure regional office staff take appropriate action on temporary 100 percent evaluations within 180 days and transfer all claims folders with temporary 100 percent evaluations from the Records Management Center to the regional office of jurisdiction.

We are following up on these audit results as part of our FY 2014 VARO inspections and continue to find significant processing errors. Inspection results from six benefits

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3 Follow-up Audit of VBA's 100 Percent Disability Evaluations (June 6, 2014)
inspections completed to date show that VARO staff incorrectly processed 61 percent of the temporary 100 percent disability evaluations we reviewed, resulting in over $401,000 in overpayments to veterans. The majority of these errors occurred because VARO staff delayed scheduling medical reexaminations to reevaluate temporary 100 percent disabilities as required by VBA policy.

**Traumatic Brain Injury Claims**

In response to a recommendation in our May 2011 report, *Systemic Issues Reported During Inspections at VA Regional Offices*, VBA agreed to develop and implement a strategy for ensuring the accuracy of TBI claims decisions. The then-Acting USB responded by providing guidance to VARO Directors to implement a policy requiring a second signature on each TBI case that a Rating Veterans Service Representative (RVSR) evaluates until the RVSR demonstrates 90 percent accuracy in TBI claims processing. The policy indicates second-signature reviewers come from the same pool of staff as those used to conduct local station quality reviews. Yet, we continue to identify significant processing errors related to TBI disability claims in our most recent inspections, and in many cases, the errors occur in spite of VBA completing secondary reviews.

Six inspections completed to date for FY 2014 showed that staff made errors in 27 percent of the TBI claims we reviewed. These errors were due to VARO staff using inadequate medical examination reports to evaluate residual disabilities associated with traumatic brain injuries. We learned through interviews that RVSRs were not consistently returning the inadequate reports to VA medical facilities as required due to pressure to meet production requirements. A common scenario in TBI claims processing involved veterans who had TBI-residual disabilities as well as co-existing mental conditions. When medical professionals did not ascribe the veterans’ overlapping symptoms to one condition or another condition as required, VARO staff could not make accurate disability determinations. RVSRs’ difficulty in following complex TBI claims evaluation policies contributes to TBI claims processing errors.

**Special Monthly Compensation and Ancillary Benefits**

Over time, VBA has realized that for certain types of disabilities, the basic rate of compensation was not sufficient for the level of disability present. Therefore, VBA established SMC to recognize the severity of certain disabilities or combinations of disabilities by adding additional compensation to the basic rate of payment. SMC represents payments for “quality of life” issues, such as the loss of an eye or limb or the need to rely on others for daily life activities, like bathing or eating.

Ancillary benefits are secondary benefits that are considered when evaluating claims for SMC. Examples of ancillary benefits are Dependents’ Educational Assistance, Specially Adapted Housing Grants, Special Home Adaptation Grants, and Automobile and Other Conveyance and Adaptive Equipment Allowances.

VBA policy requires their staff address the issues of SMC and ancillary benefits whenever they can grant entitlement. We examined whether VARO staff accurately
processed entitlement to SMC and ancillary benefits associated with anatomical loss, loss of use of two or more extremities, or bilateral blindness with visual acuity of 5/200 or worse.

Based on the six inspections completed to date for FY 2014, we determined VARO staff incorrectly processed 54 of 178 claims involving SMC and ancillary benefits. These errors resulted in overpayments valued at approximately $384,000 and underpayments valued at approximately $279,000. These errors represented 814 improper monthly payments from February 2005 through January 2014.

**Claims Workloads Impacted by Other Claims Processing Priorities**
We identified several processing areas that have been adversely impacted as VBA placed priority on national strategies for eliminating the compensation claims processing backlog. Although VBA's reported backlog has decreased by over 50 percent since March 2013, other workloads such as appeals management and benefit reductions have had significant corresponding increases.

**Appeals Management**
A key concern is the increased appeals inventory at VAROs. This workload has continued to grow at an alarming rate, from 227,609 on September 30, 2011, to 267,944 on June 30, 2014, which is an 18 percent increase. The OIG is committed to performing more work in this area until a clear and decisive accounting of the claims workload is available and the processes are transparent to VA decision-makers.

**Benefits Reductions**
VBA policy provides compensation to veterans for conditions they incurred or aggravated during military service. The amount of monthly compensation to which a veteran is entitled may change because his or her service-connected disability may improve. Improper payments associated with benefits reductions generally occur when beneficiaries receive payments to which they are not entitled. Such instances are attributable to VAROs not taking the actions required to ensure correct payments for the veterans' current levels of disability.

When the VARO obtains evidence that a lower disability evaluation would result in a reduction or discontinuance of current compensation payments, Veteran Service Center (VSC) staff must inform the beneficiary of the proposed reduction in benefits. In order to provide the beneficiary due process, VBA allows 60 days for the veteran to submit additional evidence to show that compensation payments should continue at their present level. If the VARO does not receive additional evidence within that period, an RVSR must make a final determination to reduce or discontinue the benefit. On the 65th day following due process notification, action is required to reduce the evaluation and thereby minimize overpayments.

On April 3, 2014, VBA modified its policy regarding the processing of claims requiring benefits reductions. The new policy no longer includes the requirement for VARO staff to take “immediate action” to process these reductions. In lieu of merely removing the
vague standard, VBA should have provided clearer guidance on prioritizing this work to ensure sound financial stewardship of these monetary benefits.

During our six inspections completed to date for FY 2014, we determined VARO staff incorrectly processed 82 of 180 cases (46 percent) involving proposed benefits reductions. These errors occurred due to a lack of priority on timely processing benefits reductions. Processing inaccuracies resulted in overpayments totaling approximately $585,000. This amount represented 509 improper monthly payments to 81 veterans from April 2009 to January 2014.

Although we cited VBA criteria requiring action on the 65th day following due process notification, VARO management typically did not concur with the benefits reductions we identified involving processing delays. In such cases, VARO managers noted, "Workload priorities and the timeliness of processing is an issue that should be discussed between leadership at the headquarters level for both OIG and VBA." Without appropriate priority set for this type of work, delays in processing reductions result in unsound financial stewardship of veterans’ monetary benefits and failure to minimize overpayments.

Management of Concurrent VA and Military Drill Pay

Military reserve pay, referred to as “drill pay,” is money military reservists and National Guard members earn while training on weekends and during full-time training events. Section 12316, Title 10, United States Code (10 U.S.C. §12316) and 38 U.S.C. §5304(c) prohibit the concurrent payment of VA compensation or pension benefits and drill pay. In FY 2012, approximately 81,000 beneficiaries received more than $117 million in VA benefits who also received drill pay. In June 2014, we issued a report on whether VBA timely processed VA benefit offsets when drill pay was earned concurrently. This audit focused on VA benefits offsets for beneficiaries who concurrently received drill pay during FYs 2011 and 2012. This information represented the most current data available at the time we began our audit in August 2013.

We determined VBA did not timely process VA benefits offsets. VBA did not timely offset 601 (86 percent) of 700 cases we reviewed for FYs 2011 and 2012. Of the 601 offsets not timely processed, 553 (79 percent) were not processed and the remaining 48 were not processed within VBA’s timeliness standard. According to VBA, higher priorities, such as processing compensation claims, took precedence over processing offsets. VBA also lacked an adequate tracking mechanism, a current cost-benefit analysis, and Systematic Analysis of Operations reviews of the drill pay offset process.

VBA’s unprocessed rate for FYs 2011 and 2012 is not significantly different from the 90 percent unprocessed rate reported in our 1997 audit. Therefore, we concluded that it is likely VBA has not processed hundreds of millions of dollars in offsets since our previous report. We project VBA has not offset payments of approximately $48.9 million.

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4 Audit of VBA’s Management of Concurrent VA and Military Drill Pay Compensation (June 3, 2014).
5 Review of Veterans Benefits Administration’s Procedures To Prevent Dual Compensation (May 15, 1997).
for FY 2011 and $95.7 million for FY 2012. If VBA improves controls over drill pay offset processing, we project VBA could recover approximately $478.5 million from FY 2013 through FY 2017 of additional payments. In total, VBA could recover approximately $623.1 million in improper payments.

The USB concurred with our recommendations to implement measures to ensure drill pay offsets are timely processed, process all offsets for FYs 2011 and 2012, more effectively track and monitor offsets, update the cost-benefit analysis, and include drill pay offset processing in Systematic Analyses of Operations.

Eastern Area Fiduciary Hub

We performed a review of the Eastern Area Fiduciary Hub (EAFH) in Indianapolis, Indiana, to determine if allegations received in the VA OIG Hotline had merit. Specifically, it was alleged that the EAFH was not timely processing allegations of misuse of beneficiary funds, conducting field examinations, and processing some incoming mail.\(^6\) We substantiated all three allegations.

- Merit reviews for 190 of 214 allegations of misuse of funds and 17 of 23 investigations of fiduciary misuse of funds were not completed by EAFH within VBA performance standards. We also found EAFH made 12 determinations concluding fiduciaries misused approximately $944,000 of beneficiary funds. Required actions in response to identifying misuse of funds, such as replacing the fiduciary or requesting repayment from former fiduciaries, were not completed or completed timely by EAFH.

- Reviews to determine if VBA was negligent in its oversight of the fiduciaries in instances where misuse of funds occurred were not conducted as required. Thus, VA may be responsible for repayment of approximately $944,000 to the affected beneficiaries.

- EAFH had a large backlog of pending field examinations with more than 11,000 (69 percent) of 16,000 pending field examinations exceeded VBA timeliness standards. Without proper management and oversight, the general health and well-being of beneficiaries are placed at increased and unnecessary risk.

Further, we identified more than 3,200 pieces of mail that had yet to be processed and exceeded EAFH's timeliness standards, some of which were time-critical. Delays in processing the 3,200 pieces of mail ranged from 11 to 486 workdays, with an average delay of 30 workdays. Without effective management of incoming mail, those receiving VA benefits may be affected.

The USB concurred and required that EAFH implement controls to ensure timely processing of allegations of misuse of beneficiary funds. In addition, we recommended the USB ensure EAFH implements a plan to expedite completion of the backlog of field examinations, and ensure implemented actions continue to reduce the backlog of mail during FY 2014.

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G.I. Bill Education Payments
In July 2014 we reported on our review of VBA’s management of Post-9/11 G.I. Bill monthly housing allowance and book stipend payments. We performed this audit due to the size of the program and the financial risks associated with benefits delivery. During calendar year 2013, VBA paid about $5.4 billion in housing allowances and book stipends to approximately 789,000 students. Our review of 200 students showed that 92 (46 percent) experienced processing delays in the approval of their original claims, and 35 (18 percent) students experienced payment processing delays in their housing allowance and book stipends. Fifteen of the 35 students received about $32,000 in payments an average of about 73 days after the start of their school terms.

In addition, 39 (20 percent) students received 125 improper payments valued at approximately $128,000 and 8 students received about $2,400 in book stipends that were not recovered after the students withdrew from courses. Thus, we estimated students annually experience about $60.8 million in payment processing delays and about $41 million in improper or inaccurate payments. We estimated that over the next 5 years students will experience about $205 million in inaccurate payments if Post-9/11 G.I. Bill claims processing controls are not strengthened.

We recommended the USB provide veterans additional information on educational benefits and the requirement to relinquish other education benefits before the submission of applications, and establish a timeliness standard for the submission of enrollment certifications. We also recommended the USB reinforce the need for training and monitoring of school certifying officials, improve monitoring of VBA claims processing staff, address automated claims processing programming issues, reconcile book stipend collection procedures, and collect outstanding improper payments. The USB concurred with our recommendations and provided plans to complete all corrective actions by December 31, 2014. We consider the actions acceptable.

SPECIAL INITIATIVES TO REDUCE THE CLAIMS INVENTORY
VBA instituted several efforts to reduce the claims backlog including targeting claims over 2 years old and expediting the processing of new claims through the Quick Start program.

Claims Over 2 Years Old
On April 2013, VBA began a Special Initiative to process all claims pending over 2 years. VBA planned the Special Initiative to help veterans who had been waiting the longest for benefits decisions. VARO staff were provided guidance to issue provisional ratings for cases awaiting required evidence and complete these older claims within 60 days.

In our forthcoming report on the 2 year initiative, we focus on whether provisional ratings resulted in veterans receiving benefits more quickly and helped eliminate the backlog, and whether older claims were accurately processed under the Special

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Initiative. We found the Special Initiative rating process was less effective than VBA’s existing rating process in providing benefits to veterans quickly. Further, although additional work was needed to finalize claims processed through the Special Initiative, VBA removed all provisionally-rated claims from its pending inventory. VBA’s process misrepresented the actual workload of pending claims and its progress toward eliminating the overall claims backlog. At the end of June 2013 following completion of the Special Initiative, VBA reported almost 517,000 rating claims pending in its backlog, but only 1,258 rating claims pending over 2 years. We estimated just over 7,800 provisionally-rated claims had been removed from the inventory though they still awaited final decisions. These claims represented less than 2 percent of VBA’s reported backlog, but about 12 percent of claims completed under the Special Initiative.

VAROs did not prioritize finalization of the provisionally-rated claims once they were issued. We estimated 6,860 provisional ratings needed final decisions as of January 2014, 6 months after the Special Initiative had ended. Because VBA did not ensure existing controls were functioning as needed to effectively identify and manage provisionally rated claims, some veterans may never have received final rating decisions if not for our review. Additionally, VBA did not accurately process 77 (32 percent) of 240 rating decisions we reviewed under the Special Initiative. Generally, these errors occurred because VAROs felt pressured to complete these claims within VBA’s 60-day deadline. We estimated VARO staff inaccurately processed 17,600 of 56,500 claims (31 percent), resulting in $40.4 million in improper payments during the Special Initiative period.

During a briefing with the USB, she agreed with our recommendations to establish controls for all provisionally-rated claims, reflect these claims in VBA’s pending workload statistics, expedite finalization of provisional ratings, and review for accuracy all claims that received provisional ratings under the Special Initiative. We expect this report to be issued in July 2014.

Quick Start
VBA’s Quick Start Program is one of several VBA transformational initiatives to improve claims processing and eliminate the claims’ backlog. During FY 2013, the Quick Start Program processed about 30,900 veteran disability claims, a small subset of the approximately 1.2 million claims completed by VBA during that year. According to program officials, service members submitting disability compensation claims under the Quick Start Program makes it possible to receive VA disability benefits as soon as possible after separation, retirement, or demobilization.

We reported in May 2014, that VBA reduced the average days to complete a claim from 291 days in 2011 to 249 days in June 2013. The average days to complete a claim remained high because VBA lacked adequate program controls.

We projected veterans using the Quick Start Program in 2011 experienced an average delay of 196 days in receiving benefits valued at about $88 million. This improved by

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8 Audit of the Quick Start Program (May 20, 2014).
June 2013, when the delays averaged only 99 days. However, we estimated VBA accurately processed 62 percent of Quick Start claims during 2011, improving to about 69 percent in June 2013. Accuracy rates are still considered low because of insufficient oversight and training, and conflicting guidance on granting service connection for medical disabilities.

We recommended the USB increase Veterans Service Network Operation Report capabilities, include pre-discharge processing time in performance results, conduct recurring program evaluations, perform systematic reviews of Quick Start claims processing, and provide training on issues identified. The USB concurred with six of our nine recommendations and provided plans for corrective actions. However, the USB non-concurred with three recommendations on timeliness, backlog issues, and rating accuracy, stating the OIG’s findings were not attributable to VBA’s program oversight or management. We will continue our oversight and reporting in the areas where VBA non-concurred.

RECENT ALLEGATIONS OF VARO MISMANAGEMENT
In recent months we have received a growing number of allegations of mismanagement at several VAROs that also require VBA senior-level attention.

Allegation of Philadelphia VARO Date of Claims Manipulation Under Review
On June 20, 2014, we issued a Management Advisory to the USB on situations requiring immediate corrective action to ensure the proper establishment of correct dates of claims (DOCs) for unadjudicated claims discovered at the Philadelphia VARO in advance of final completion of our review. On June 18, 2014, we received information alleging that VARO staff were “cooking the books” because they misapplied the rules associated with VBA’s Fast Letter 13-10, “Guidance on Date of Claims Issues.” An OIG team sent to the Philadelphia VARO on June 19, 2014, to review this allegation determined that guidance in Fast Letter 13-10 provided significant opportunities for VAROs to manipulate and input incorrect dates of claims in the electronic record. Incorrect application of DOCs compromises data integrity related to timeliness of claims processing and in some cases can have a financial impact on veterans.

We obtained 30 unique examples where VBA’s Pension Management Center staff, also located in the Philadelphia VARO used Fast Letter 13-10. We found instances where staff did not use correct DOCs due to inappropriately applying the guidance in VBA’s Fast Letter 13-10. Specifically, when staff identify a claim located in a veteran’s claim folder that was not previously adjudicated, they should establish the date of claim as the date the claim was discovered. However, in the 30 claims reviewed, we found staff were instructed to apply the “date discovered” rule on claims not found in the veterans’ claims folders. Following are examples of how staff did not apply the “date discovered” rule correctly:

- Recent DOCs were entered in the electronic record when staff incorrectly cancelled a previously pending end product. In these instances, Pension Management Center staff were already aware that the claims existed, so they
should have used the original date of claim and not applied the “date discovered” rule. This type of action makes the average days claims have been pending appear better than it would be if staff used the original date of claim.

- Pension Management Center staff did not provide a reason why they used the “date discovered” rule as required. However, in each of these cases, the Assistant Director signed the memorandum approving the use of more recent DOCs.
- After approval, the reporting requirement to VBA Compensation Service was not performed.

In our initial walk-through of the facility, we found mail bins full of claims and associated evidence that had not been scanned into Virtual VA since 2011. Our concern is the evidence located in these mail bins is needed for processing future claims, and until scanned, decision-makers may be making decisions without all of the required evidence.

VARO staff provided us with examples of several instances where veterans or their dependents received duplicate payments resulting from duplicate records in VBA’s electronic system. We were informed that this is an ongoing problem, both in the Pension Management Center and the VSC. Although management was aware of this issue, it was not a priority to correct and could result in potential improper payments.

Another issue of concern centered around the electronic date stamps used by Pension Management Center staff located in the Intake Processing Center. Claims assistants utilize electronic date stamps to record DOCs on documents received. Management informed us that each claims assistant maintained a key that allowed access to the mechanism inside where they could adjust the electronic date. Although we did not find any instance in this limited review where staff changed the electronic date, the opportunity exists to misrepresent the DOCs. However, we did find an instance where the electronic date stamp incorrectly stamped documents with a future date. Management indicated they were aware of this and had instructed staff to cross out the incorrect date stamps and re-stamp the documents with the correct DOCs.

To address these situations, the USB agreed to:

- Discontinue the use of Fast Letter 13-10 and have staff use as the DOC the earliest date a claim is received by VA to ensure all claims receive proper attention and timely processing.
- Prioritize scanning into Virtual VA the claims and associated evidence we identified in mail bins.
- Prioritize the merging of duplicate claims to reduce the risk of potential improper payments.
- Establish a key control point, limiting employees’ access to keys for electronic date stamps.
Our work is ongoing and we continue to receive numerous allegations regarding business practices at the Pension Management Center and other VARO operations, including:

- Staff not timely scanning documents into Virtual VA, the electronic claims repository.
- Staff inappropriately shredding or destroying military and returned mail that could not be delivered.
- Staff hiding mail within the VARO.
- Staff "cherry picking" and processing easy appealed claims out of order to misrepresent performance.
- Staff did not address over 32,000 electronic inquiries from veterans regarding the status of their pending claims.
- Managers aware that veterans are receiving duplicate payments and directing staff to administratively write-off overpayments associated with the duplicate payments.

Additionally, we are concerned that electronic date stamping equipment is not adequately controlled and incoming mail is not date stamped on the date it is received at the VARO, as required by VBA policy.

VBA Reported Allegations of Mail Management Issues at the Baltimore VARO
In June 2014 VBA reported to the OIG that a VARO employee had inappropriately stored approximately 8,000 documents and 80 claims folders in his office for an extensive period of time. The types of documents inappropriately stored included processed and unprocessed claims-related mail, print-outs of computer matches of Social Security data on deceased and incarcerated veterans, suspended benefit award actions, and various documents containing personally-identifiable information. Claims folders we reviewed contained completed rating decisions as well as decisions pending award actions. Further, a VARO Director, recently assigned as an Acting Director, requested a desk-audit that resulted in identification of approximately 1,500 more documents, such as processed and unprocessed mail and completed rating decisions inappropriately stored by seven VARO staff. These documents also contained personally identifiable information. OIG teams received full cooperation from the new VARO leadership as efforts proceeded to triage this unprocessed mail and to take appropriate actions to ensure mail needed to ensure claims processing gets processed.

Allegations Related to Performance Management Issues at Los Angeles VARO
Our July 2014 review did not substantiate an allegation we received that Veterans Service Center employees were instructed on May 2, 2014, to manipulate initial actions to obtain evidence as a means of improving claims processing statistics at the Los Angeles VA Regional Office. We reviewed 183 electronic records requiring staff to gather evidence to support veterans’ claims as of that date. We determined that 169 claims were either still awaiting needed evidence or staff had properly completed actions to obtain the evidence. We identified no related systemic issues at the VARO associated with these claims actions. Further, of the seven individuals interviewed on the team related to the allegation, no one indicated a supervisor had disseminated
incorrect information on manipulating initial actions to obtain evidence as a means of improving claims processing statistics. However, we identified one employee who had intentionally recorded taking actions, such as ordering VA medical examinations necessary to gather evidence in 14 cases, despite the fact that such actions had not been performed.

**CONCLUSION**

These are challenging times for VA. Although VBA reports the pending compensation backlog has decreased, we continue to identify a high rate of errors in VARO processing of these claims decisions. More attention is critical to minimize the financial risk of making inaccurate benefit payments by ensuring workload in other claims processing activities is performed adequately and timely. Further, special initiatives designed to remove older claims and expedite processing of new claims in the backlog have had an adverse impact on other workload areas such as appeals management and benefits reductions. Special initiatives designed to remove older claims and expedite processing of new claims have not consistently realized the expected efficiencies within claims processing activities. While other workloads are increasing at alarming rates, VBA also appears to be experiencing a number of processing weaknesses. Improved financial stewardship is needed in these VBA areas, as well as actions to address a growing number of allegations of mismanagement in several VCS operations.

Mr. Chairman, this concludes my statement. We would be pleased to answer any questions that you or other Members of the Subcommittee may have.