



# Department of Veterans Affairs Office of Inspector General

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## Audit of VA Regional Office Rating Claims Processing Exceeding 365 Days

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## Executive Summary

### Results in Brief

The Office of Inspector General (OIG) conducted an audit to identify opportunities for VA regional offices (VARO) to improve rating claims processing timeliness and minimize the number of rating claims with processing times exceeding 365 days. As of August 2008, VBA had 11,099 claims that were pending rating decisions more than 365 days. On average, these claims were pending 448 days. We projected that inefficient VARO workload management and/or claims processing activities performed by entities outside VARO control delayed 11,063, almost all of the 11,099 claims. Workload management is a coordinated system used to control how claims and other work move through the adjudicative process. Inefficient VARO workload management caused avoidable processing delays averaging 187 days for a projected 10,046 (90.5 percent) of the 11,099 rating claims. VAROs could minimize the number of rating claims processed that exceed 365 days and reduce processing times for most other rating claims by addressing workload management deficiencies.

We also projected that as of March 31, 2009, VAROs had completed 10,462 of the 11,099 claims and awarded retroactive payments totaling about \$43 million for 3,501 of these claims. Of this \$43 million, we estimated that \$14.4 million (33.5 percent) represented monthly benefit payments unnecessarily delayed by an average of 8 months because of claims processing deficiencies. The worst cases were delayed benefit payments totaling \$64,990 for one claimant and a benefit payment delay of 27 months for another claimant. These delayed benefit payments have the potential to adversely affect the economic status and quality of life for veterans who are eligible for benefits. To reduce rating claims processing times, VAROs need to:

- Link workload management plans to VBA timeliness targets.
- Execute improved plans to avoid 10 deficiencies that cause processing delays.
- Link Veterans Service Center (VSC) staff production credits to timeliness targets.

### Background

VBA provides benefits and services to claimants, including compensation for service connected diseases and disabilities. During FY 2008, approximately 3.2 million claimants received compensation benefits totaling about \$36 billion. Compensation claims require VBA to consider evidence, such as medical or military personnel records, in order to determine the level of disability and resulting compensation.

For many years, one of VBA's core challenges to serving the veteran community has been the timely processing of compensation claims. Of particular concern is claims' processing that takes an inordinate amount of time, such as more than 365 days. VBA has made progress in reducing the percent of VARO claims processed exceeding

365 days from a high of 12.6 percent in FY 2002 to 2.8 percent in FY 2008. Regardless, any claim taking more than 365 days to process does not provide any satisfaction to individual claimants.

In January 2005, VBA established a strategic target of averaging 125 days to process rating claims. During FY 2008, 10 (18 percent) of 57 VAROs reported averages at or below this target, ranging from 95 to 123 days. The other 47 VAROs exceeded the target with averages ranging from 131 to 415 days. Overall, all 57 VAROs combined, averaged 179 days, 54 days more than VBA's strategic target.

## **Improving VARO Workload Management Could Reduce Avoidable Claims Processing Delays**

To reduce rating claims processing times, VAROs need to improve workload management plans and execute these improved plans to avoid 10 deficiencies that cause claims processing delays.

**VSCs Need To Improve Workload Management Plans.** Linking workload management plans to VBA timeliness targets and goals will help ensure VSC coaches, senior veteran service representatives (SVSRs), and veteran service center managers (VSCMs) identify and expedite the processing of pending claims approaching these target and goals. VBA policy does not require VAROs to link workload management plans to VBA timeliness targets and goals.

None of the VSCs at the sites we visited linked workload management plans to VBA timeliness targets and goals. We also projected that at least 31 (54.4 percent) of 57 VSCs did not link workload management plans to VBA timeliness targets and goals. Of the eight VSC workload management plans for the VAROs we visited, only one required coaches or SVSRs to review rating claims before pending days reached VBA's strategic target of 125 days. For the other seven plans, two required no VSC coach or SVSR reviews, and five required reviews at pending days ranging from 150 to 275 days. In addition, only one plan required a VSCM to review pending rating claims—when pending days reached 650 days.

In addition, VSCs need to strengthen workload management plans by requiring management reviews of claims approaching timeliness goals for each claims processing phase. VBA policies included timeliness goals for two of six claims processing phases—seven days for claims establishment and five days for authorization. However, VBA had not established goals for the other four claims processing phases—development initiation, development evidence gathering, rating, and award.

Generally, VSCs designed plans to monitor timeliness for phases where VBA policy had established timeliness goals. Seven of eight plans we reviewed included requirements to identify and monitor claims approaching the establishment goal of 7 days. However, for the other four phases that VBA policy does not establish timeliness goals, plan requirements for reviewing and monitoring pending claims varied widely. Of the eight

VSC plans we reviewed, one required no management review of established claims pending development initiation. The other seven plans' requirements to identify claims pending development initiation varied within a range of 14 to 120 days.

**VSCs Need To Improve the Execution of Workload Management Plans.** VSCs could also reduce rating claims processing times by executing workload management plans that minimize the following 10 claims processing deficiencies:

1. Inadequate identification of stalled claims
2. Partial or untimely evidence requests
3. Untimely follow-up on evidence requests
4. Delaying actions on newer claims to process older claims
5. Untimely processing of brokered claims
6. Delayed processing by original VAROs of jurisdiction
7. Untimely supervision of inexperienced VSRs
8. Discontinuing claims processing to process higher priority claims
9. Delaying processing until suspense dates
10. Misplacing claims folders

VSCs could minimize these deficiencies by executing plans designed to identify pending claims approaching claims processing phase timeliness goals and taking action to expedite the processing of these claims. For example, if workload management plans emphasized the need to complete claims development within a VBA-established goal of 97 days and included steps to detect stalled claims approaching this goal, VSC managers could take action that might expedite the processing of these claims before pending days became excessive.

Managers at all 10 VAROs we visited cited shortages in fully trained claim processing staff as a contributing cause of claims pending more than 365 days. While additional trained staff may be able to process more claims, addressing these workload management deficiencies is critical to improve claims processing timeliness.

### **Linking VSC Staff Production Credits to Timeliness Goals Will Help Improve Claims Processing Timeliness**

VBA can also improve VARO claims processing timeliness by linking production credits VSC staff can earn to timeliness goals for claims processing phases and the overall strategic target of completing rating claims within 125 days. VBA has established National Performance Plans for various types of VSC staff positions, such as VSRs, to monitor and evaluate staff performance in elements such as service delivery (accuracy), processing claims, customer service, and workload management.

For VSRs, the processing claims performance element measures productivity by assigning numerical weights (production credits) to specific claims processing actions. For example, VSRs receive a 1.25 production credit for issuing a Veterans Claims Assistance Act (VCAA) letter to a veteran claiming 1 to 7 disabilities (1.50 production credit if veteran claims 8 or more disabilities). To receive a successful performance evaluation in the processing claims element, VSRs must average a certain number of production credits per day. For example, an entry-level VSR must average four production credits per day and a higher-level VSR must average eight credits.

While VSR production credits encourage completion of specific actions and ratings, VBA could strengthen performance plans and improve VARO claims processing timeliness by linking production credits to achieving timeliness targets and goals. For example, VBA could encourage prompt completion of the development initiation phase by giving VSRs production credits for completing this phase within a VBA goal such as 20 days. Similarly, VBA could encourage prompt completion of claims processing by giving staff responsible for processing the claim production credits for completing the claim accurately within VBA's strategic target of 125 days (excluding delays outside the control of VAROs).

## **Conclusion**

To reduce rating claims processing times, VAROs need to improve workload management by linking workload management plans to VBA timeliness targets and goals. In addition, VAROs need to execute these improved plans to avoid 10 deficiencies that cause claims processing delays. While additional trained staff may be able to process more claims, addressing these workload management deficiencies is critical to improving claims processing timeliness.

VBA can also improve VARO rating claims processing timeliness by linking VSC production credits used to evaluate staff claims processing performance to VBA timeliness goals and targets. Besides minimizing the number of VARO rating claims processed that exceed 365 days, these improvements should reduce VARO processing times for most other rating claims.

## **Recommendations**

1. We recommended the Under Secretary for Benefits establish average timeliness goals for the claims processing phases of development initiation, development evidence gathering, rating, and award that are consistent with the strategic target of completing rating claims within 125 days.
2. We recommended the Under Secretary for Benefits revise policies to require VSCs to link workload management plans to claims processing timeliness targets and goals.

3. We recommended the Under Secretary for Benefits revise policies to require VSCs to develop and execute workload management plans that include procedures designed to minimize the claims processing deficiencies discussed in this report.
4. We recommended the Under Secretary for Benefits link VSC staff production credits to timeliness goals for claims processing phases and the overall strategic target of completing rating claims within 125 days.

## **Management Comments and OIG Response**

The Under Secretary for Benefits agreed with the findings and recommendations in the report and provided acceptable implementation plans. Appendix D contains the full text of the Under Secretary's comments. We consider the planned actions acceptable, and we will follow up on their implementation until all proposed actions are completed.

While the Under Secretary agreed with the findings and recommendations, he stated that VBA does not believe it is appropriate for OIG to refer to the deficiencies identified in workload management as claims processing "practices." The OIG reviewed only the oldest cases in VBA's pending inventory, which are the cases most likely to have experienced avoidable processing delays. The deficiencies identified by the OIG as "practices" include untimely evidence requests and follow-up, misplaced claims folders, and lack of supervision. These failures to take timely and appropriate action represent workload management deficiencies, but should not be categorized as "practices." Therefore, the Under Secretary requested that references to inefficient claims processing "practices" be changed to workload management of claims processing "deficiencies."

This change in wording does not alter the intent or the essence of the recommendations; therefore, we have revised the report to replace all references to "inefficient practices" with "deficiencies."

*(original signed by:)*

**BELINDA J. FINN**  
Assistant Inspector General  
for Audits and Evaluations



## Introduction

### Purpose

The Office of Inspector General (OIG) conducted an audit to identify opportunities for VA regional offices (VAROs) to improve rating claims processing timeliness and minimize the number of rating claims with processing times exceeding 365 days.

### Background

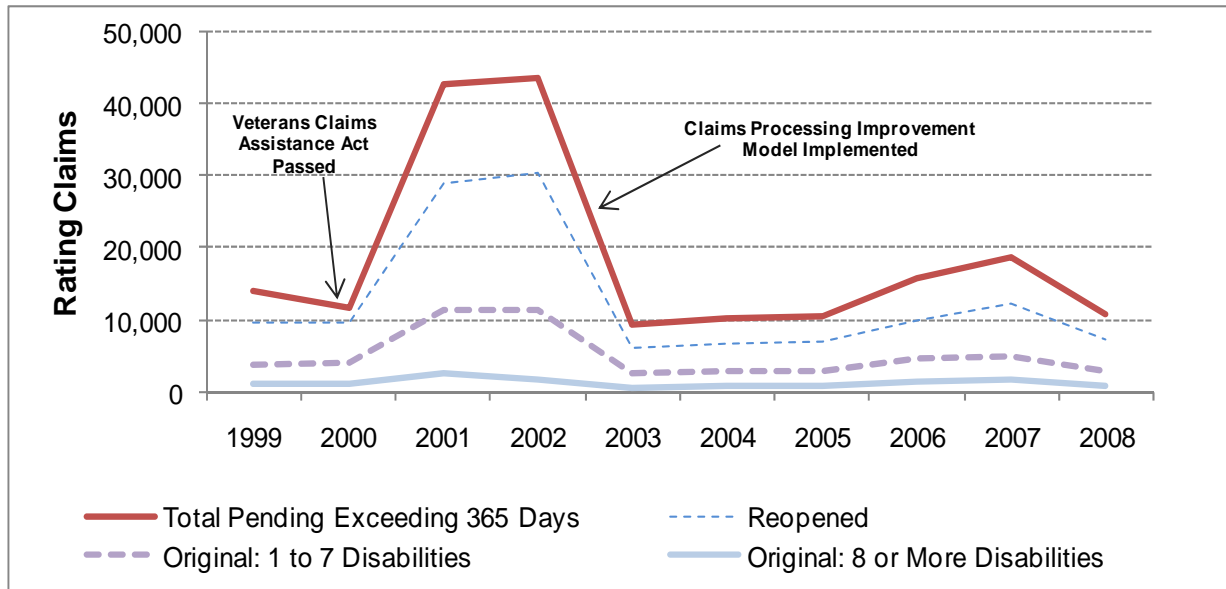
**Compensation Program.** The largest Veterans Benefits Administration (VBA) program is Compensation & Pension (C&P). The compensation element, the subject of this audit, provides monetary benefits for service-connected diseases and disabilities. During fiscal year (FY) 2008, approximately 3.2 million claimants received compensation benefits totaling about \$36 billion. Monthly compensation for claimants without dependents ranged from \$117 to \$2,527, depending on disability severity.

**Compensation Rating Claims.** VBA processes compensation claims for beneficiaries at 57 VAROs. Compensation claims include the two distinct categories of rating and non-rating claims. Rating claims are claims that require a rating decision based on consideration of evidence, such as medical or military personnel records, in order to be processed. Rating claims include original claims and reopened claims. Reopened claims are claims that VAROs previously denied for which claimants have provided new and material evidence. Non-rating claims include other types of claims, such as dependency changes, which VAROs can process without a rating decision.

**VBA's Historical Struggle To Process Claims Promptly.** One of VBA's core challenges to serving the veteran community has been the timely processing of compensation claims. In 1993, the Deputy Under Secretary for Benefits appointed a blue ribbon panel to find ways to make disability decisions more quickly. Since 1993, VBA has performed several internal reviews of VARO claims processing and contracted with private companies to evaluate VARO claims processing. In addition, during the 1990s and early 2000s, the General Accountability Office and the OIG issued several reports discussing problems with VBA claims processing. After these numerous studies, audits, evaluations, and reviews, VAROs continue to struggle with claims processing timeliness. Of particular concern is claims processing that takes an inordinate amount of time, such as more than 365 days. VBA has recently made progress in reducing the percent of VARO claims processed exceeding 365 days to around 3.0 percent. Regardless, any claim taking more than 365 days to process does not provide any satisfaction to individual claimants.

**Claims Pending More Than 365 Days.** As shown in Figure 1, the total number of original and reopened claims pending more than 365 days during the 10-year period FY 1999–2008 (as of September 30 each FY) has fluctuated from a high of 43,459 claims in FY 2002 to a low of 9,192 claims in FY 2003.

**Figure 1. The Number of Rating Claims Pending More Than 365 Days at End of Each FY from 1999 to 2008**

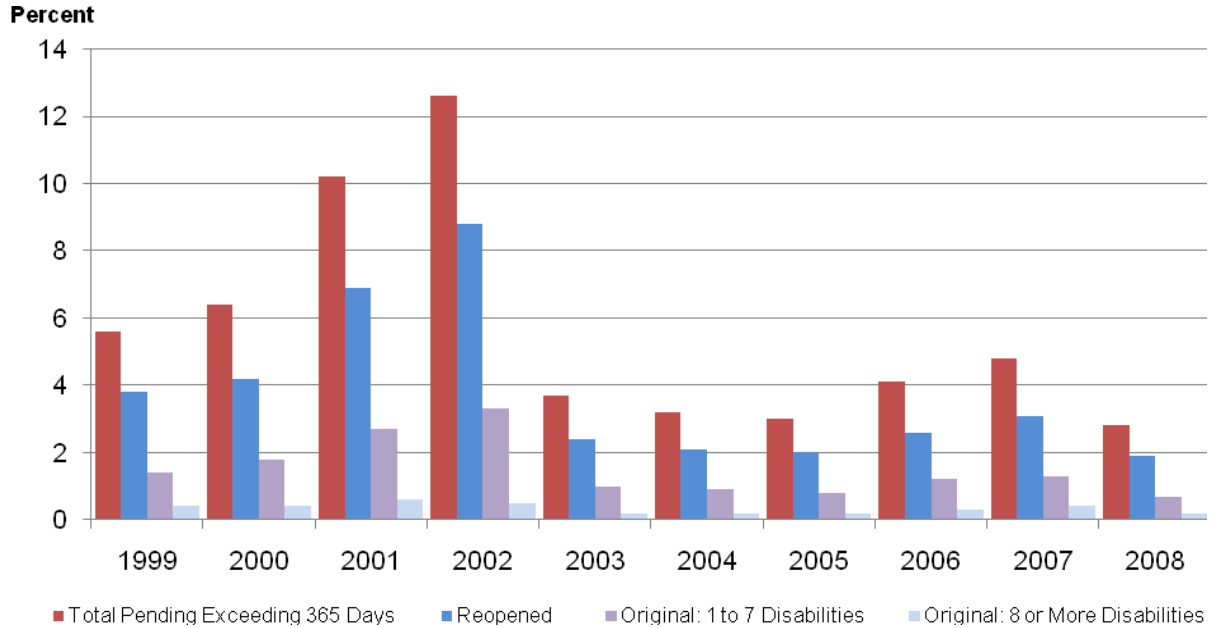


During the entire 10-year period, most of the claims pending more than 365 days were reopened claims, followed by original claims with 1 to 7 disabilities, and original claims with 8 or more disabilities. From FY 2000 to 2001, the total number of claims pending more than 365 days almost tripled from 14,624 to 42,790. VBA attributed this increase to the Veterans Claims Assistance Act (VCAA) of 2000. VCAA was a significant piece of legislation that shifted the burden of collecting claim evidence from the claimant to VBA by requiring VAROs to make a “reasonable effort” to gather all necessary evidence before denying claimants’ claims.

From FY 2002 to 2003, VBA reduced the number of claims pending more than 365 days to pre-VCAA levels by implementing the Claims Processing Improvement (CPI) Model. This model shifted claims processing from a case management approach to a system of specialized teams that processed claims by phases. At the end of FY 2008, VBA had 379,842 claims pending a rating decision. Of these claims, 10,806 (2.8 percent) were pending more than 365 days.

Figure 2 on the next page shows that during the same 10-year period, the percentage of rating claims pending more than 365 days at the end of each FY has fluctuated from a high of 12.6 percent in FY 2002 to a low of 2.8 percent in FY 2008.

**Figure 2. Percent of Rating Claims Pending More Than 365 Days at the End of Each FY from 1999 to 2008**



During the entire 10-year period, reopened claims constituted the largest single category of claims pending more than 365 days, followed by original claims with 1 to 7 disabilities, and original claims with 8 or more disabilities.

**VBA Strategic and VARO Director Performance Plan Targets.** In January 2005, VBA established a strategic target of averaging 125 days to process rating claims. During FY 2008, 10 (18 percent) of 57 VAROs reported averages at or below the strategic target, ranging from 95 to 123 days. The other 47 VAROs exceeded the target with averages ranging from 131 to 415 days. Overall, all 57 VAROs averaged 179 days, 54 days more than VBA’s strategic target. Beginning in FY 2007, VARO Directors’ performance plans included targets for the percent of rating claims pending more than 365 days. The target for FYs 2007 and 2008 was 3 percent, and the target for 2009 is 2.5 percent. At the end of FY 2008, 40 VAROs reported percentages at or below 3 percent. The other 17 VAROs exceeded the target with percentages ranging from 3 percent to 11 percent. As of March 31, 2009, the percent of rating claims pending more than 365 days for all 57 VAROs was 2.8 percent.

## Results and Conclusions

Of 11,099 rating claims pending more than 365 days as of August 29, 2008, we projected that 11,063 (99.7 percent) were delayed because of inefficient VARO workload management and/or claims processing activities performed by entities outside VARO control.

- **Inefficient VARO Workload Management.** We concluded that 10,046 (90.5 percent) had avoidable processing delays averaging 187 days, caused by inefficient VARO workload management. As a result, VAROs unnecessarily delayed benefit payments totaling about \$14.4 million for 3,501 claimants an average of eight months. These delayed benefit payments have the potential to adversely affect the economic status and quality of life for claimants.
- **Activities Outside VARO Control.** Eight activities performed by entities outside VARO control caused 7,843 (70.7 percent) claims to have delays averaging 101 days. VA may be able to reduce claims processing times further by evaluating and taking actions to address delays by these entities. However, because the scope of this audit did not include evaluating the causes and reasonableness of these delays, this report does not make any recommendations related to the eight activities (see Appendix C).

To reduce rating claims processing times, VAROs need to improve workload management by linking workload management plans to VBA timeliness targets and goals. In addition, VAROs need to execute these improved plans to avoid 10 deficiencies that cause claims processing delays. While additional trained staff may be able to process more claims, addressing these workload management deficiencies is critical to improving claims processing timeliness. VBA can also improve VARO rating claims processing timeliness by linking VSC production credits used to evaluate staff claims processing performance to timeliness targets and goals.

### Improving VARO Workload Management Could Reduce Avoidable Claims Processing Delays

**VSCs Need To Improve Workload Management Plans.** VSCs could more effectively control rating claims processing and reduce avoidable processing delays by improving workload management plans. None of the VSC workload management plans for the sites we visited linked workload management plans to VBA timeliness targets and goals. In addition, we projected that at least 31 (54.4 percent) of 57 VSCs' workload management plans had this deficiency. To help achieve VBA timeliness goals, such as the overall strategic target of processing rating claims within 125 days, VSCs need to require coaches, senior VSRs, and VSC managers (VSCMs) to identify and expedite the processing of pending claims approaching these goals.

Linking Plans to VBA's Strategic Target. VSCs can improve workload management plans by linking them to VBA's strategic target of completing rating claims within

125 days. VBA policy requires VSC managers to develop, maintain, and implement written workload management plans to ensure efficient claims processing. Workload management (also referred to as workflow management) is a coordinated system used to control how claims and other work move through the adjudicative process. A workload management plan is the written strategy that maps out how claims are received and progress through claims processing. While no one plan is suitable for all VAROs, VBA requires VSC workload plans to include routing directions for the receipt and distribution of evidence supporting claims throughout the VSC. VBA’s guiding principle for workload management plans is that VSC managers should frequently monitor individual claims as they move through processing phases to ensure timely completion.

To help improve the monitoring of claims processing, VBA designed Veterans Service Network (VETSNET) Operations Reports (VORs) that VSC managers must use to review the status of individual pending claims periodically. VBA policy recommends that workload plans require VSC managers to review more than 20 different types of VORs. In addition, managers can monitor and control claims processing by generating customized summary and detail reports showing information such as establishment time, days pending, suspense dates, and days awaiting development. Figure 3 shows specific requirements in the eight VSC workload management plans reviewed.

**Figure 3. VSC Workload Plan Requirements for Monitoring Total Pending Days (Original and Reopened Rating Claims—Eight Plans Reviewed)**

VSC	Days Pending When Management Reviews Required	
	Coaches or SVSRs	VSCMs
1	No Review	No Review
2	No Review	No Review
3	120 Days	No Review
4	150 Days	650 Days
5	180 Days	No Review
6	270 Days	No Review
7	271 Days	No Review
8	275 Days	No Review

- **Planned VSC Coach or SVSR Reviews.** Only one management plan required coaches or SVSRs to review rating claims before pending days reached 125 days. For the other seven plans, two required no coach or SVSR reviews, and five required reviews at pending days ranging from 150 to 275 days.
- **Planned VSCM Reviews.** Only one management plan required a VSCM to review pending rating claims—when the days claims remained in process reached 650 days.

Linking Plans to Claims Phase Timeliness Goals. VSCs also need to link workload plans to timeliness goals for each of the six claims processing phases. VBA policies include timeliness goals for two of the six claims processing phases identified in VBA’s CPI Model—7 days for claim establishment and 5 days for authorization. VBA policies do not include goals for the other four claims processing phases—development initiation, development evidence gathering, rating, and award. (For our audit, we sub-divided the development phase into development initiation and development evidence gathering.) However, VBA managers agreed on the number of days that would be reasonable goals for these phases. Figure 4 shows the number of days that VBA agreed are appropriate average timeliness for each phase.<sup>1</sup>

**Figure 4. Timeliness Goals for Rating Claims Processing Phases**

Phase	Description	Number of Days	
		Policy	VBA Agreed
<b>Establishment</b>	Date of claim to date of claim establishment	7	7
<b>Development</b>			
• Initiation	Date of establishment to date of first evidence	None	20
• Evidence Gathering	Date of first evidence request to date made ready-to-rate	None	77
<b>Rating</b>	Date made ready-to-rate to date of decision	None	10
<b>Award</b>	Date of decision to date decision letter is printed	None	6
<b>Authorization</b>	Date letter is printed to date notification is released	5	5
<b>Total</b>			<b>125</b>

Generally, VSCs designed plans to monitor timeliness for phases that VBA policy had established timeliness goals. For example, seven of eight plans included requirements to identify claims pending establishment 7 days or less. However, for the other four phases that VBA policy does not establish timeliness goals, plan requirements for reviewing VORs to identify untimely claims processing varied widely. For example, development initiation plan requirements varied from one plan requiring no management review, another plan requiring reviews to identify claims pending less than the 20-day guideline (14 days), to six plans requiring reviews to identify claims pending from 30 to 120 days.

**VSCs Need To Improve the Execution of Workload Management Plans.** Another contributing cause of excessive processing times was inadequate VSC execution of workload management plans to prevent the 10 claims processing deficiencies listed on the following page.

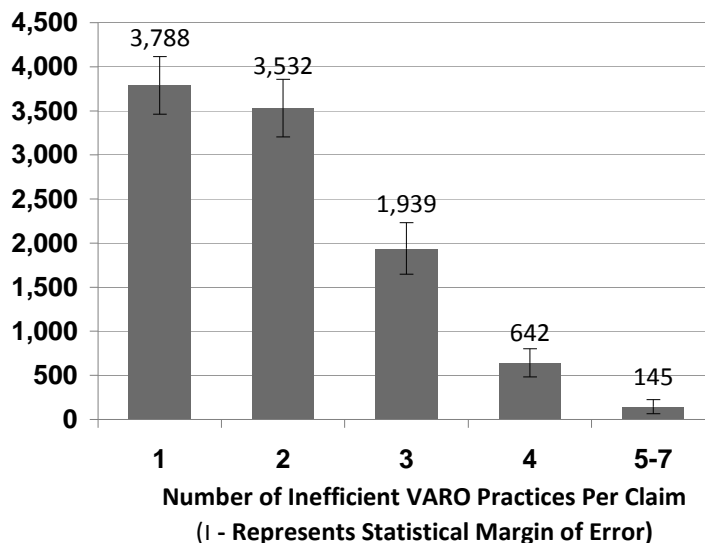
<sup>1</sup> VBA agreed with the average timeliness goals for the development initiation, development evidence gathering, rating, and award phases for the purposes of our audit. VBA had not mandated that VAROs attempt to achieve these goals.

1. Inadequate identification of stalled claims
2. Partial or untimely evidence requests
3. Untimely follow-up on evidence requests
4. Delaying actions on newer claims to process older claims
5. Untimely processing of brokered claims
6. Delayed processing by original VAROs of jurisdiction
7. Untimely supervision of inexperienced VSRs
8. Discontinuing claims processing to process higher priority claims
9. Delaying processing until suspense dates
10. Misplacing claims folders

VSCs could minimize these deficiencies by executing plans designed to identify pending claims approaching claim phase timeliness goals and taking action to expedite the processing of these claims. For example, if workload plans emphasized the need to achieve a VBA established goal of completing claim development within 97 days and included steps to detect stalled claims approaching this goal, VSC managers could take action to expedite these claims before pending days become excessive.

Of the 11,099 claims pending over 365 days, we projected 10,046 (90.5 percent) were delayed by one or more of these 10 claims processing deficiencies. Figure 5 depicts the number of claims delayed because of multiple deficiencies.

**Figure 5. Number of Claims Delayed by Multiple Processing Deficiencies—10,046 Claims**



Of the 10,046 claims, one inefficient VARO deficiency delayed 3,788 (37.7 percent) claims and multiple deficiencies, ranging from 2–7 deficiencies, delayed 6,258 (62.3 percent) claims.

**1. Inadequate Identification of Stalled Claims.** Delay days caused by this deficiency represent the time between the completion date of one development action and the start date of the next action. Of the 10,046 claims, we projected that 7,305 claims (72.7 percent) had this delay type, averaging 154 days. For the sampled claims, the longest delay we identified was 549 days. VBA’s Modern Award Processing System for Development (MAP-D) supports the development of claims by allowing VSRs to track request and receipt dates of each piece of claim-processing evidence. Significant periods of time between the date of evidence receipt and the date of subsequent processing actions can unnecessarily stall the processing of individual claims. The following example highlights how inadequate identification of stalled claims can cause a delay in claimants receiving entitled benefits.

**Example.** On March 19, 2007, a veteran filed a claim for post-traumatic stress disorder (PTSD) and a rating increase for an ulcer condition. Until July 10, 2007, or 113 days later, the VSC completed development initiation. As of August 29, 2008, 416 days after the VSC completed development initiation, VSC staff had not taken any actions to further process the claim. On January 16, 2009, 671 days or about 22 months after receiving the veteran’s claim, the VSC awarded a retroactive payment of \$19,437 to the veteran. The VSC coach agreed that inadequate management identification of the stalled claim and other deficiencies unnecessarily delayed about \$14,400 of benefit payments to the veteran over an 18-month period.

**2. Partial or Untimely Evidence Requests.** Delay days caused by this deficiency represent the time between the earliest possible evidence request date and the actual VSR request date. Of the 10,046 claims, we projected that 2,619 claims (26.1 percent) had this delay type, averaging 89 days. For the sampled claims, the longest delay we identified was 545 days. For these claims, VSRs caused processing delays by making partial or untimely evidence requests. VCAA requires VBA to make a “reasonable effort” to gather all necessary evidence before denying claims. VBA policy also requires VSRs to request needed evidence simultaneously and as early as possible. The following example highlights how partial or untimely evidence requests can unnecessarily delay benefit payments.

**Example.** On April 25, 2007, a veteran filed a claim for individual unemployability due to four service-connected disabilities—(1) PTSD, (2) type II diabetes mellitus, (3) peripheral neuropathy-left and right upper extremity, and (4) peripheral neuropathy-left and right lower extremity. During the next 9 months, other deficiencies delayed the processing of the claim. On February 13, 2008, the VARO received the veteran’s



authorization and consent for private physicians to release information to VA. On the same day, the VSR requested medical records from only three of four physicians listed on the form as having treated the veteran for PTSD. Because the VSR did not request the medical records from the fourth physician until July 16, 2008, and waited to process the claim until the VSC received these medical records, the claim was delayed 154 days or more than 5 months. On November 20, 2008, 19 months after receiving the veteran's claim, the VARO awarded a retroactive payment of \$31,121. The VSC coach agreed that untimely evidence requests and other deficiencies unnecessarily delayed about \$21,000 of benefit payments to the veteran over a 16-month period.

**3. Untimely Follow-Up on Evidence Requests.** Delay days caused by this deficiency represent the time between the earliest possible date a VSR could have followed up on an evidence request and the actual VSR follow-up date. Of the 10,046 claims, we projected that 2,582 claims (25.7 percent) had this delay type, averaging 116 days. For the sampled claims, the longest delay we identified was 666 days.

Frequently, before VSCs can make decisions on rating claims, VSRs must request evidence supporting the claims from claimants or third parties such as medical care providers. VBA policy requires VSRs to follow up on these requests until the VSC receives the evidence or determines that the requested information is not available. Prior to May 30, 2008, VBA policy required VSRs to follow-up information requests within 60 days. On May 30, 2008, VBA revised this policy to require VSRs to follow-up within 30 days. The following example highlights how untimely follow-up on evidence requests can unnecessarily delay claims processing.

**Example.** On August 28, 2007, a veteran filed a claim for service-connected disabilities of carpal tunnel and sciatica. On September 21, 2007, VSC staff requested the veteran's military service information from VA's Records Management Center (RMC) in St. Louis, MO. On October 2, 2007, the VSC received incomplete service medical records. However, the VSC did not follow up on the incomplete records until 115 days later on January 25, 2008, which was 55 days beyond VBA's 60-day policy.

**4. Delaying Actions on Newer Claims to Process Older Claims.** Delay days caused by this deficiency represent the time between the date VSRs stopped processing a newer claim to process older claims and the date processing resumed for the newer claim. Of the 10,046 claims, we projected that 1,750 claims (17.4 percent) had this delay type, averaging 49 days. For the sampled claims, the longest delay we identified was 301 days. These delays occurred while the sampled claims were relatively new and older claims were receiving higher priority. Although this type of delay occurred early in the claims process, it was a significant contributing factor to causing the sampled claims to be pending more than 365 days as of August 29, 2008. VBA policy requires VSCs to

perform claims processing actions for all claims as soon as possible. The following example demonstrates how delaying processing actions for newer claims can ultimately be a contributing cause for claims to later be pending more than 365 days.

**Example.** On July 25, 2007, a veteran filed a claim for 10 service-connected disabilities, including PTSD. The next day, the VSC established the claim. According to VSC managers, VSRs delayed two subsequent actions for a total of 133 days because they were processing older claims. The first delay of 98 days occurred when VSRs did not request medical records from a private physician and a VA Health Care Facilities (HCF), and PTSD stressor verification information from the U.S Army's Joint Services Research Record Center (JSRRC) on the earliest possible date of July 26, 2007, but waited until November 1, 2007. The second delay of 35 days occurred when VSRs did not request additional evidence from the veteran on the earliest possible date of December 18, 2007, (the date the VSC received JSRRC notification that their records could not verify the veteran's PTSD stressor) but waited until January 22, 2008. The VSC coach stated that focusing on processing older claims caused these two delays.

**5. Untimely Processing of Brokered Claims.** Delay days caused by this deficiency represent the estimated inefficient VARO claims processing portion of the time between the date a VARO brokered a claims folder to another VARO and the date the original VARO received the returned claims folder. Of the 10,046 claims, we projected that 1,325 claims (13.2 percent) had this delay type, averaging 126 days. For the sampled claims, the longest delay we identified was 433 days.

VAROs of jurisdiction process the vast majority of rating claims. However, in October 2001 VBA established a brokering process to help improve claims processing timeliness. VAROs of jurisdiction must broker certain types of claims for claimants age 70 or older pending more than 365 days to a Tiger Team at VARO Cleveland and certain types of ready-to-rate claims to nine VAROs designated as Resource Centers. In addition, as approved by VBA Area Directors, VAROs of jurisdiction may broker additional claims to other VAROs. During FY 2008, VAROs brokered 140,097 rating claims. Of these claims, 14,472 (10.3 percent) were brokered to 14 VAROs that were not Resource Centers and did not include the Cleveland Tiger Team.

Only one of the 10 VAROs we visited processed brokered rating claims during FY 2008. The 817 brokered claims were 7.5 percent of the total 10,858 claims processed by the VARO during FY 2008. Because VBA's workload management plan policy does not require plans to address how brokered claims will be processed without adversely impacting the timeliness of processing other claims, the VARO's workload management plan did not include procedures to ensure the efficient processing of the brokered claims. The example on the following page highlights how inadequate management of brokered claims results in delayed claimant benefits.

**Example.** On August 30, 2007, a VARO of jurisdiction received a reopened claim for a service-connected hearing condition. Twelve days later, on September 11, 2007, the VARO of jurisdiction brokered the claim to another VARO for development. About 10 months later, on July 9, 2008, the VARO of jurisdiction received the returned brokered claim that the other VARO had designated as ready-to-rate. After the VARO of jurisdiction received the claim back from the VARO that processed the brokered claim, the VARO of jurisdiction determined the claim was not ready-to-rate because the VARO that processed the brokered claim did not obtain needed VA HCF audio examination records. In addition to the 309 days the VARO took to process the brokered claim, the VARO's premature ready-to-rate decision further delayed the claim's processing. On September 12, 2008, the VARO awarded a retroactive payment of \$13,682 to the veteran. Inadequate VARO management of the brokered claim caused \$11,155 of this amount to be delayed over a 12-month period.

**6. Delayed Processing by Original VAROs of Jurisdiction.** Delay days caused by this deficiency represent the estimated inefficient VARO claims processing portion of the time between the date an original VARO of jurisdiction received a claim and the date a new VARO of jurisdiction received the transferred claims folder. Of the 10,046 claims, we projected that 1,188 claims (11.8 percent) had this delay type, averaging 165 days. For the sampled claims, the longest delay we identified was 590 days. VBA policy requires VAROs that have geographical jurisdiction, based on where the claimant resides, to process claimants' claims. When a claimant notifies a VARO of a permanent change of address, the original VARO of jurisdiction must transfer the veteran's claims folders to the new VARO of jurisdiction. The following example shows how delayed processing by original VAROs of jurisdiction causes untimely claims processing.

**Example.** On April 18, 2007, a veteran filed an initial disability compensation claim with a VARO for a head injury and psychiatric and skin conditions. On June 25, 2008, 433 days later, a new VARO of jurisdiction received the veteran's claims folder from the original VARO of jurisdiction. When the new VARO of jurisdiction received the claims folder, the claim was still in the development phase of claims processing.

**7. Untimely Supervision of Inexperienced VSRs.** Delay days caused by this deficiency represent the time between the date a coach or senior VSR should have reviewed a new VSR's work and the date of actual supervisory review. Of the 10,046 claims, we projected that 827 claims (8.2 percent) had this delay type, averaging 121 days. For the sampled claims, the longest delay we identified was 817 days. VBA policy requires coaches or senior VSRs to review 100 percent of new VSRs' work until they develop the skills and knowledge needed to work independently. VSC coaches or senior VSRs must closely monitor new VSRs' work to ensure prompt and accurate completion of claims processing procedures such as initiating development, preparing

evidence request letters, and making ready-to-rate determinations. The following example highlights how untimely supervision of inexperienced VSRs can delay claim processing.

**Example.** On August 17, 2007, a veteran filed a reopened claim for the service-connected conditions of bilateral hearing loss, tinnitus, and a scar above the left eye. On August 28, 2007, a new VSR established the claim but erroneously delayed development initiation because VA's Board of Veterans Appeals (BVA) in Washington, DC had the veteran's claim folder to review and make a decision on a previously appealed claim. VBA policy requires VSRs to initiate development for reopened claims while folders are at other locations such as BVA or VA HCF. Because a coach did not routinely monitor the VSR's work, the coach did not discover the delayed development initiation until more than a year later on August 29, 2008. The coach agreed that more frequent monitoring of the new VSR's work could have prevented the 367-day delay.

We also discussed this problem in our report *Audit of the impact of the Veterans Benefits Administration's Special Hiring Initiative* (Report No. 08-01559-193, September 5, 2008), where we reported that VBA officials stated that maintaining productivity while also ensuring reviews of the work completed by new employees has been a challenge. The audit found that prior to the hiring initiative, senior claims processors typically oversaw the work of less than three claims processors. However, senior claims processors told us that with the rapid influx of new employees, they now review the work of up to eight new claims processors.

**8. Discontinuing Claims Processing To Process Higher Priority Claims.** Delay days caused by this deficiency represent the time between the date a VSR stopped processing one claim to process another with higher priority to the date a VSR resumed processing the first claim. Of the 10,046 claims, we projected that 504 claims (5.0 percent) had this delay type, averaging 85 days. For the sampled claims, the longest delay we identified was 213 days. VBA has decided that claims received from veterans of Operations Enduring Freedom and Iraqi Freedom (OEF/OIF), also referred to as the Global War on Terror, will receive higher priority than other claims. In addition, claims received from seriously injured OEF/OIF veterans will receive an even higher priority. In January 2007, VA's prior Under Secretary for Benefits wrote the following to all VBA employees:

*There is no higher priority for any VBA employee, whether serving in the field or in headquarters, than ensuring that we are timely meeting the needs of those seriously injured in OEF/OIF. At every level of our organization, we must ensure we have identified and are case-managing all of the seriously injured. We must actively work to stay in touch with them and do all we can to ease their transition.*

VBA defines seriously disabled veterans as service members discharged from military service because of an injury or illness and all veterans with DOD classification codes of very seriously injured, seriously injured, or a special category involving an amputation.

VBA policy requires VAROs to designate an OEF/OIF Manager who has oversight responsibility for ensuring OEF/OIF claims receive higher priority. However, VBA policy on workload management plans does not require VAROs to include in their plans procedures to minimize the impact that processing higher priority claims has on the timeliness of processing other claims. Possible procedures include brokering claims to other VAROs, shifting non-claim processing staff to claim processing, and approving staff overtime. Of the eight VSC workload management plans we reviewed, only one included procedures to ensure efficient processing of OEF/OIF claims without delaying the processing of other claims. The following example highlights how inadequate management of claims with different priority levels results in delayed claimant benefit payments.

**Example.** On June 29, 2007, a veteran filed a claim for the service-connected disabilities of stomach and esophageal cancer and PTSD. On July 9, 2007, the VSC established the claim. During the next 11 months, other deficiencies delayed the processing of the claim. According to VSC managers, VSRs delayed two subsequent actions for a total of 79 days because, as directed by the VA Under Secretary for Benefits, they were processing higher priority OEF/OIF claims. The first delay of 26 days occurred when a VSR did not mail the veteran another VCAA letter to request additional evidence on the earliest possible date of May 9, 2008, but waited until June 4, 2008. The second delay of 53 days occurred when a VSR did not determine that the claim was ready-to-rate on the earliest possible date of July 3, 2008, but waited until August 27, 2008. On October 23, 2008, 16 months after receiving the veteran's claim, the VARO awarded a retroactive payment of about \$24,331. The VARO's inadequate workload management plan (which did not include procedures to minimize the impact processing higher priority claims has on the timeliness of other claims) and other deficiencies unnecessarily delayed about \$15,950 of benefit payments to the veteran over a 16-month period.

**9. Delaying Processing until Suspense Dates.** Delay days caused by this deficiency represent the time between the date a VSC received claim evidence and the suspense date for receipt of the evidence. Of the 10,046 claims, we projected that 321 claims (3.1 percent) had this delay type, averaging 47 days. For the sampled claims, the longest delay we identified was 106 days. VBA policy requires VSRs to enter dates of evidence requests in MAP-D. When VSRs enter these dates in MAP-D, the system automatically generates suspense dates that are 30, 60, or 90 days after the evidence request date, depending on the type of evidence requested. VSRs can also establish suspense dates at different intervals. Suspense dates signal VSC staff when follow-up actions are needed on evidence that has not been received. While suspense dates are critical to effective

workload management, a *VBA Cycle Time Study* (2006) found that VAROs with lower claims processing times used MAP-D more effectively to trigger claims reviews each time the VSC received evidence instead of waiting for suspense dates. The following example highlights how waiting for suspense dates can delay claims processing.

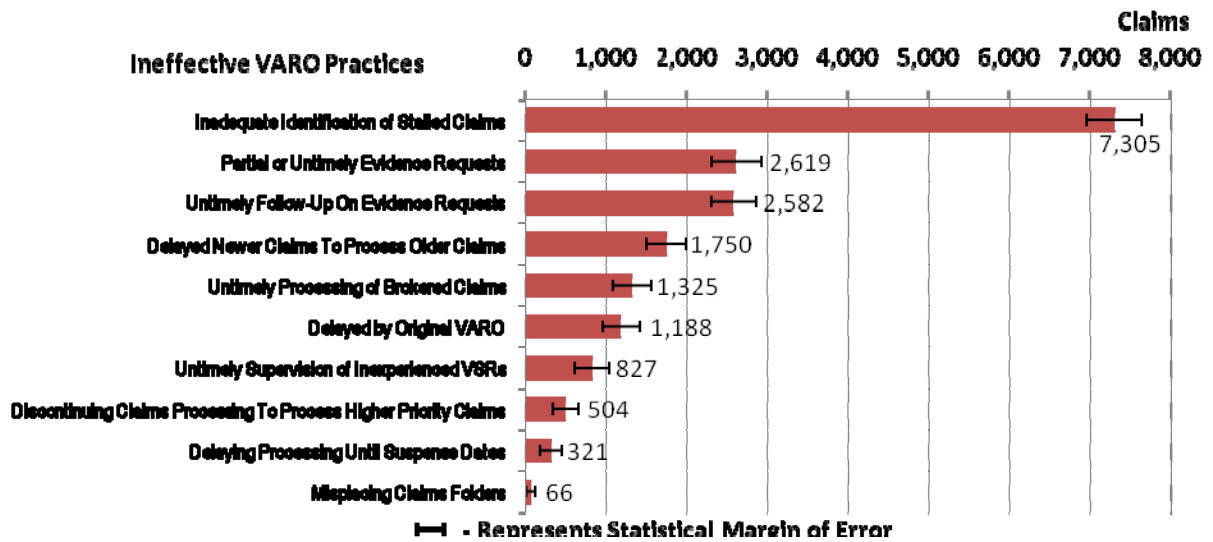
**Example.** On April 18, 2007, a veteran filed a claim for the service-connected disability of bilateral lower extremities cold injury residuals and individual unemployability. During the next 5 months, other deficiencies delayed processing of the claim. On September 27, 2007, a VSR requested a VA HCF examination and recorded the request date in MAP-D that automatically set a 60-day suspense date of November 26, 2007. On October 10, 2007, 13 days after the request, a VSR printed the electronic examination results, annotated his initials and the date on the printout, and filed the results in the claims folder. The claim was ready-to-rate on October 10, 2007, when the VSR reviewed and annotated the examination results. However, the VSR did not refer the claim to the Rating Team until 47 days later on the suspense date of November 26, 2007. A VSC coach agreed that the VSR unnecessarily delayed the veteran's claim by 47 days.

**10. Misplacing Claims Folders.** Delay days caused by this deficiency represent the time between the date of the last known folder location and the date the VARO found or rebuilt the folder. Of the 10,046 claims, we projected that 66 claims (0.7 percent) had this delay type, averaging 224 days. For the sampled claims, the longest delay we identified was 671 days. VBA uses the Control of Veterans Records System (COVERS) to track the location of claims folders within and between VAROs and VA HCFs. VBA policy requires VARO staff to record the date and location in COVERS every time a claims folder physically moves from one location to another. The following example highlights how inadequate VSR recording of claims folders' locations in COVERS can result in misplaced claims folders and significantly delay claims processing.

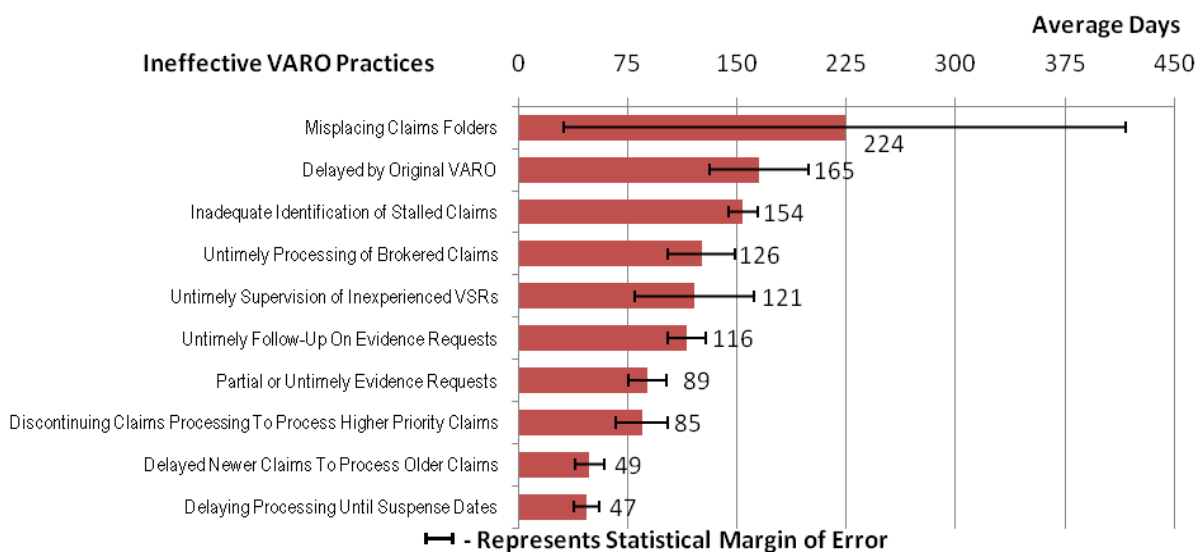
**Example.** On August 28, 2006, during a VARO outreach event, a service member filed a claim for a service-connected back injury disability. The first recording in COVERS showed a date of August 30, 2006, which was two days after the outreach event. The U.S. Army honorably discharged the veteran on September 12, 2006. In accordance with VBA policy, the claim date was September 13, 2006. The next entry in COVERS was about 22 months later when a VSR recorded that the VSC found the claims folder on August 4, 2008, during a sequencing of the file bank. VCS staff could not locate the misplaced claims folder because no one recorded its location in COVERS on September 13, 2006 (the claim date) when VSC staff most likely created the claims folder. VSC managers agreed that the claims folder was missing during the 22-month period. On September 8, 2008, 35 days after VSC staff found the claims folder, the VSC completed the claim's processing.

Some claims processing deficiencies were more prevalent than others. For example, inadequate identification of stalled claims caused delays for 7,305 (72.7 percent) of the 10,046 claims, and misplacing claims folders caused delays for only 66 (0.7 percent) claims. The effect of these deficiencies varied in terms of average delay days. The average delay caused by inadequate identification of stalled claims was 154 days while the average delay caused by misplacing claims folders was 224 days. Figures 6 and 7 below show the number of claims delayed and the average avoidable delay days for each of the processing deficiencies.

**Figure 6. Number of Claims Delayed**



**Figure 7. Average Avoidable Delay Days - Effect of Deficiencies**



In addition to inadequate identification of stalled claims (7,305 claims), the most prevalent deficiencies were partial or untimely evidence requests (2,619 claims),

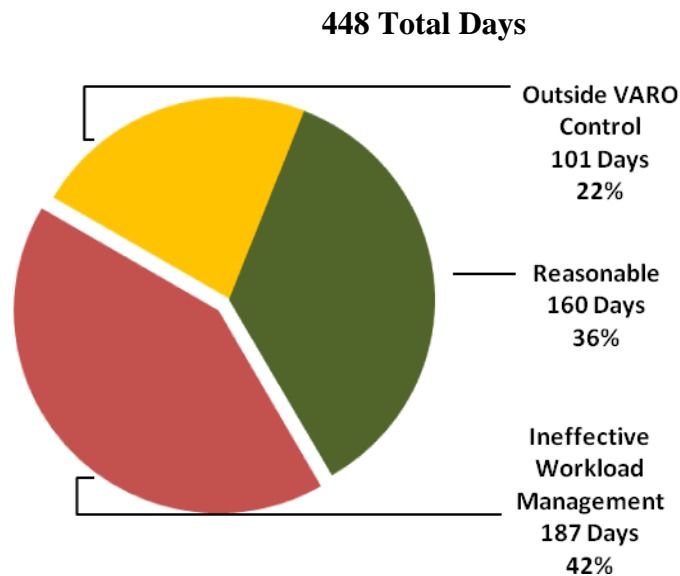
untimely follow-up on evidence requests (2,582 claims), and delaying actions on newer claims to process older claims (1,750 claims). Conversely, less prevalent deficiencies included discontinuing claims processing to process higher priority claims (504 claims), delaying processing until suspense dates (321 claims), and misplacing claims folders (66 claims).

In addition to misplacing claims folders (224 days), delayed processing by original VAROs of jurisdiction (165 days), inadequate identification of stalled claims (154 days), untimely supervision of inexperienced VSRs (121 days), and untimely follow-up on evidence requests (116 days) caused the longest delays. Conversely, delaying actions on newer claims to process older claims (49 days) and delaying processing until suspense dates (47 days) caused shorter delays.

**Excessive Processing Times and Delayed Payments to Claimants.** The inadequate VARO workload management plans and claims processing deficiencies discussed above resulted in excessive claims processing times and delayed payments to claimants.

Excessive Processing Times. As of August 29, 2008, for the 11,099 rating claims pending more than 365 days, VARO claims processing times averaged 448 days. Figure 8 below shows the portion of the 448 days that were reasonable, attributable to ineffective VARO workload management, and claims processing activities outside VARO control.

**Figure 8. Overall Average Rating Claim Processing Days  
(Pending Rating Claims as of August 29, 2008)**



Of the total 448 average processing days, 160 days (36 percent) were considered reasonable. VBA's strategic target of averaging 125 processing days is for all completed rating claims. This audit examined a subset of pending claims, all of which were over 365 days old. Therefore, it is likely that the average reasonable processing days for all



completed rating claims (which would include claims completed in shorter periods such as within 30 days and claims completed in longer periods such as more than 365 days) would be significantly less than the 160 days discussed above and VBA's strategic target of 125 days.

Of the total 448 average processing days, 187 days (42 percent) were attributable to ineffective VARO workload management. To minimize these avoidable processing days, VAROs need to link workload management plans to timeliness goals and effectively execute these plans to avoid the 10 claims processing deficiencies discussed in this report. The other 101 days (22 percent) were the result of eight claims processing activities outside VAROs' control. (See Appendix C for more details on these activities.)

Delayed Payments to Claimants. Usually, claimants receive monthly recurring benefit payments for awarded disability claims. However, excessive VARO claims processing times delay monthly benefit payments, resulting in more and larger retroactive benefit payments to claimants. Generally, VAROs calculate retroactive payments by totaling monthly benefit amounts claimants would have received from the claim date to the claim award date.

Of the 11,099 rating claims pending more than 365 days as of August 29, 2008, we projected that 10,046 (90.5 percent) had avoidable delay days due to deficiencies. These deficiencies delayed monthly recurring benefit payments and increased retroactive payment amounts. We projected that as of March 31, 2009, of the 11,099 claims, VAROs had completed 10,462 (94.3 percent) claims and awarded retroactive payments totaling about \$43 million for 3,501 of these claims. Of the total \$43 million retroactive payments, we projected that \$14.4 million (33.5 percent) represented monthly recurring benefit payments unnecessarily delayed an average of eight months because of deficiencies. The worst cases were delayed benefit payments totaling \$64,990 for one claimant and a benefit payment delay of 27 months for another claimant.

In addition, by delaying monthly claimant benefit payments totaling \$14.4 million, claimants may have missed opportunities to reduce any personal debts (cost of money) for an average of 8 months. VBA is not required to pay claimants interest on delayed disability benefit payments and we do not recommend that it does. However, the U.S. Department of the Treasury publishes rates for interest due on other types of claims in the Federal Register. We used these interest rates to estimate that the cost of money lost by claimants because of delayed benefit payments totaled about \$355,000. The delayed monthly benefit payments and the lost opportunity to reduce personal debts have the potential to adversely affect the economic status and quality of life for claimants.

**Recently Hired VARO Staff May Help Reduce Claims Processing Delays.** Managers at all 10 VAROs we visited cited shortages in fully trained claim processing staff as a contributing cause of claims pending more than 365 days. We could not evaluate the effect of staffing levels on claim processing timeliness. However, we agree that training recently hired staff may help reduce overall average claims processing times. For example, additional staff could help minimize the deficiencies of delaying actions on

newer claims to process older claims and discontinuing claims processing to process higher priority claims. While additional trained staff may be able to process more claims, addressing these workload management deficiencies is critical to improving claims processing timeliness. To prevent the deficiencies identified in this report, VBA needs to revise workload management policies, monitor VARO compliance with the revised policy, and train VSC staff to avoid these deficiencies.

## **Linking VSC Staff Production Credits to Timeliness Goals Will Help Improve Claim Processing Timeliness**

VBA can also improve VARO claims processing timeliness by linking production credits VSC staff can earn to timeliness goals for claims processing phases and the overall strategic target of completing rating claims within 125 days. VBA has established National Performance Plans for various types of VSC staff positions, such as VSRs, to monitor and evaluate staff performance in elements such as service delivery accuracy, processing claims, customer service, and workload management.

For VSRs, the processing claims performance element measures productivity by assigning numerical weights (production credits) to specific claims processing actions. For example, VSRs receive a 1.25 production credit for issuing a VCAA letter to a veteran claiming 1 to 7 disabilities (1.50 production credit if veteran claims 8 or more disabilities). To receive a successful performance evaluation in the processing claims element, VSRs must average a certain number of production credits per day. For example, an entry-level VSR must average four production credits per day and a higher-level VSR must average eight credits.

While VSR production credits encourage completion of specific actions and ratings, VBA could strengthen performance plans and improve VARO claims processing timeliness by linking production credits to achieving timeliness targets and goals. For example, VBA could encourage prompt completion of the development initiation phase by giving VSRs production credits for completing this phase within a VBA goal such as 20 days. Similarly, VBA could encourage prompt completion of claims processing by giving staff responsible for processing the claim, production credits for completing the claim accurately within VBA's strategic target of 125 days (excluding delay days outside the control of VAROs).

## **Conclusion**

To reduce rating claims processing times, VAROs need to improve workload management by linking workload management plans to VBA timeliness targets and goals. In addition, VAROs need to execute these improved plans to avoid 10 deficiencies that cause claims processing delays. While additional trained staff may be able to process more claims, addressing these workload management deficiencies is critical to improving claims processing timeliness.

VBA can also improve VARO rating claims processing timeliness by linking VSC production credits used to evaluate staff claims processing performance to VBA timeliness goals and targets. Besides minimizing the number of VARO rating claims processed that exceed 365 days, these improvements should reduce VARO processing times for most other rating claims.

## Recommendations

1. We recommended the Under Secretary for Benefits establish average timeliness goals for the claims processing phases of development initiation, development evidence gathering, rating, and award that are consistent with the strategic target of completing rating claims within 125 days.
2. We recommended the Under Secretary for Benefits revise policies to require VSCs to link workload management plans to claims processing timeliness targets and goals.
3. We recommended the Under Secretary for Benefits revise policies to require VSCs to develop and execute workload management plans that include procedures designed to minimize the claims processing deficiencies discussed in this report.
4. We recommended the Under Secretary for Benefits link VSC staff production credits to timeliness goals for claims processing phases and the overall strategic target of completing rating claims within 125 days.

## Management Comments and OIG Response

The Under Secretary for Benefits agreed with the findings and recommendations in the report and provided acceptable implementation plans. (See Appendix D for the full text of the Under Secretary's comments.) We consider the planned actions acceptable, and we will follow up on their implementation until all proposed actions are completed.

While the Under Secretary agreed with the findings and recommendations, he stated that VBA does not believe it appropriate for OIG to refer to the deficiencies identified in workload management as claims processing "practices." The OIG reviewed only the oldest cases in VBA's pending inventory, which are the cases most likely to have experienced avoidable processing delays. The deficiencies identified by the OIG as "practices" include untimely evidence requests and follow-up, misplaced claims folders, and lack of supervision. These failures to take timely and appropriate action represent workload management deficiencies, but should not be categorized as "practices." Therefore, the Under Secretary requested that references to inefficient claims processing "practices" be changed to workload management of claims processing "deficiencies."

This change in wording does not alter the intent or the essence of the recommendations; therefore, we have revised the report to replace all references to "inefficient practices" with "deficiencies."

## Scope and Methodology

We conducted the audit from August 2008 through June 2009. To accomplish the audit objectives, we reviewed applicable laws and VBA regulations, policies, procedures, and guidelines. We also audited a sample of 651 claims selected from a universe of 11,099 rating claims that were pending more than 365 days as of August 29, 2008, which was the date of the most recent end-of-month pending claims data when we began the audit. Appendix B provides details on the sampling methodology and estimates for this audit. Figure 9 shows the 10 VAROs we visited to audit the 651 sampled claims.

**Figure 9. VAROs Visited**

VARO	Area
1 Baltimore, MD	Eastern
2 Indianapolis, IN	Eastern
3 Pittsburgh, PA	Eastern
4 Atlanta, GA	Southern
5 Jackson, MS	Southern
6 St. Petersburg, FL	Southern
7 Chicago, IL	Central
8 Little Rock, AR	Central
9 Albuquerque, NM	Western
10 Portland, OR	Western

At 8 of the 10 VAROs we reviewed workload management plans and procedures related to processing rating claims. At VAROs Atlanta and Baltimore, our scope was limited to a small number of Global War On Terror (GWOT) claims. At all 10 VAROs, for each of the sampled claims, we determined reasonable processing days, avoidable delay days related to deficiencies, and delay days related to activities outside the control of VAROs. Generally, VSC managers concurred with our claims review methodology and results.

To obtain VBA’s perspective on overall and specific VARO claims processing, we interviewed VARO directors, assistant directors, service center managers, assistant service center managers, coaches, senior VSRs, VSRs, and program officials from the Office of Field Operations, C&P Service, and the Office of Program Integrity and Internal Control. In addition, we reviewed historical claims processing data, VARO Director Performance Plans, VSR and Rating VSR National Performance Plans, VBA Cycle Time Reports, and the following significant reports related to claims processing:

- *U.S. Department of Veterans Affairs, Veterans Benefits Administration, Claims Processing Improvement Study* (International Business Machines, February 2008)
- *A 21<sup>st</sup> Century System for Evaluating Veterans for Disability Benefits* (Institute of Medicine of the National Academies, June 2007)

- *Task Force Report to The President, Returning Global War on Terror Heroes* (April 2007)
- *VA Claims Processing Task Force Report to the Secretary of Veterans Affairs*, (October 2001)

The audit scope did not include evaluating the reasons for delays related to non-VARO entities' responsiveness to VARO evidence requests. However, the audit determined and analyzed the delay days resulting from these activities (See Appendix C). The audit also did not include a review of the quality of rating decisions.

To accomplish the audit objective, we used computer-generated data from VBA's Pending Issue File (PIF) and VETSNET. To test the reliability of this data, we compared relevant computer-generated data with hardcopy documents in claims folders. The data was sufficiently reliable for the audit objectives. Our assessment of internal controls focused only on those controls related to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Sample Methodology and Estimates

### Universe

The audit universe consisted of 11,099 rating claims pending more than 365 days as of August 29, 2008, the date of the most recent end-of-month pending claims data when we began the audit. VBA’s PIF was the source of the universe data. The universe excluded foreign and radiation claims because VBA has established separate VARO timeliness goals for these claims.

### Sample Design

We designed a two-stage statistical sampling plan to compute the error rate of claims with avoidable delays caused by deficiencies and claims with delays outside the control of VAROs. In the first stage of sampling, we randomly selected 8 VAROs for review using probability proportional to size sampling based on the ratio of claims pending more than 365 days at each VARO to total claims pending more than 365 days.

For the second stage of sampling, we selected 651 rating claims from the following four strata: (1) reopened claims, (2) original claims with 1 to 7 disabilities, (3) original claims with 8 or more disabilities, and (4) GWOT claims. Of the 651 claims, 619 were statistically selected from eight of the VAROs visited (excluding VAROs Atlanta and Baltimore). The 619 included 593 non-GWOT claims (75 at each VARO except for VARO Albuquerque, which only had 68 non-GWOT claims pending more than 365 days) that were randomly selected based on the ratio of claims within each strata to total claims for all three strata combined. The other 26 claims reviewed at these eight VAROs were all GWOT claims pending more than 365 days. The remaining 32 claims (651 – 619 = 32) were all VARO Atlanta and Baltimore GWOT claims pending more than 365 days. Figure 10 shows the number of claims in the audit universe and sample.

**Figure 10. Audit Universe and Sample by Strata**

Strata	Claims	
	Universe	Sample
1. Reopened	7,508	408
2. Original: 1 to 7 Disabilities	2,565	144
3. Original: 8 or More Disabilities	738	41
4. GWOT	288	58
<b>Totals</b>	<b>11,099</b>	<b>651</b>

Figure 11 shows average pending days as of August 29, 2008, for the claims in each stratum.

**Figure 11. Average Pending Days for Audit Universe by Strata  
(As of August 29, 2008)**

Strata	Claims	Average Days
1. Reopened	7,508	452
2. Original: 1 to 7 Disabilities	2,565	443
3. Original: 8 or More Disabilities	738	438
4. GWOT	288	425
<b>All Claims:</b>	<b>11,099</b>	<b>448</b>

### Sampling Results

Sample projections were related to the causes for delay on 11,099 rating claims pending more than 365 days as of August 29, 2008. We used a Jackknife replication method that accounts for differential weights, stratification, and self-representing strata in the sample design to compute the sampling errors for our estimates. The margins of error shown in figures 12–15 give the upper and lower bounds of a 90 percent confidence interval for each projection. This means that 90 percent of the possible samples we could have selected of the same size and design would have resulted in an estimate within these bounds.

Of the 651 sampled claims reviewed at 10 VAROs, 592 (90.9 percent) had avoidable processing delays caused by claims processing deficiencies and 460 (70.6 percent) had delays caused by activities outside the direct control of VAROs. Based on these sample results, we projected that 10,046 (90.5 percent) of the 11,099 claims pending more than 365 days VBA-wide, had avoidable processing delays caused by claims processing deficiencies and 7,843 (70.7 percent) had delays outside the direct control of VAROs. We also projected that for the 11,099 claims, reasonable processing time averaged 160 days, delays caused by claims processing deficiencies averaged 187 days, and delays caused by activities outside VARO controls averaged 101 days. Figures 12–15 on the next three pages show the various projection estimates discussed in the body of this report.

**Figure 12. Projected Claims & Average Days Delayed  
by 10 Claims Processing Deficiencies**

Descriptions	Estimates	Lower 90%	Upper 90%	Margins of Error
<b>All 10 Claim Processing Deficiencies Combined</b>				
Claims Delayed	10,046	9,848	10,244	198
Percent of Claims Delayed	90.5%	88.7%	92.3%	1.8%
Average Days Delayed	187	180	194	7
<b>1. Inadequate Identification of Stalled Claims</b>				
Claims Delayed	7,305	6,961	7,648	343
Percent of Claims Delayed	72.7%	69.4%	76.0%	3.3%
Average Days Delayed	154	144	164	10
<b>2. Partial or Untimely Evidence Requests</b>				
Claims Delayed	2,619	2,338	2,899	280
Percent of Claims Delayed	26.1%	23.2%	28.8%	2.8%
Average Days Delayed	89	77	103	13
<b>3. Untimely Follow-Up On Evidence Requests</b>				
Claims Delayed	2,582	2,267	2,897	315
Percent of Claims Delayed	25.7%	22.6%	28.8%	3.1%
Average Days Delayed	116	103	129	13
<b>4. Delayed Newer Claims To Process Older Claims</b>				
Claims Delayed	1,750	1,501	1,999	249
Percent of Claims Delayed	17.4%	15.0%	19.8%	2.4%
Average Days Delayed	49	40	60	10
<b>5. Untimely Processing of Brokered Claims</b>				
Claims Delayed	1,325	1,088	1,562	237
Percent of Claims Delayed	13.2%	10.8%	15.6%	2.4%
Average Days Delayed	126	103	149	23
<b>6. Delayed by Original VARO</b>				
Claims Delayed	1,188	954	1,421	234
Percent of Claims Delayed	11.8%	9.5%	14.1%	2.3%
Average Days Delayed	165	132	200	34
<b>7. Untimely Supervision of Inexperienced VSRs</b>				
Claims Delayed	827	604	1,049	222
Percent of Claims Delayed	8.2%	6.0%	10.4%	2.2%
Average Days Delayed	121	80	162	41
<b>8. Discontinuing To Process Priority Claims</b>				
Claims Delayed	504	347	661	157
Percent of Claims Delayed	5.0%	3.5%	6.7%	1.6%
Average Days Delayed	85	67	103	18
<b>9. Delaying Processing until Suspense Dates</b>				
Claims Delayed	321	187	454	134
Percent of Claims Delayed	3.1%	1.9%	4.5%	1.3%
Average Days Delayed	47	37	55	9
<b>10. Misplacing Claims Folders</b>				
Claims Delayed	66	12	120	54
Percent of Claims Delayed	0.7%	0.1%	1.2%	0.5%
Average Days Delayed	224	31	417	193



**Figure 13. Projected Number of Claims Delayed by Multiple Processing Deficiencies**

Number of Claims Processing Deficiencies	Estimates	Lower 90%	Upper 90%	Margins of Error
1	3,788	3,462	4,116	327
2	3,532	3,206	3,858	326
3	1,939	1,647	2,231	292
4	642	483	801	159
5 to 7	145	64	226	81

**Figure 14. Projected Delayed Benefit Payments Due to Claims Processing Deficiencies (\$ in Millions)**

Descriptions	Estimates	Lower 90%	Upper 90%	Margins of Error
Claims pending as of August 29, 2008, and completed as of March 31, 2009	10,462	10,304	10,622	159
Claims awarded retroactive payments	3,501	3187.24	3814.41	313.59
Total retroactive payments	\$43.0	\$36.0	\$50.1	\$7.0
Portion of retroactive payments representing monthly benefit payments delayed due to claims processing deficiencies	\$14.4	\$11.4	\$17.4	\$3.0

**Figure 15. Projected Claims and Average Days Delayed by Eight Activities Outside VARO Control**

Descriptions	Estimates	Lower 90%	Upper 90%	Margins of Error
<b>All Eight Activities Combined</b>				
Claims Delayed	7,843	7,495	8,191	348
Percent of Claims Delayed	70.7%	67.5%	73.7%	3.1%
Average Days Delayed	101	94	108	7
<b>1. Performing VA HCF C&amp;P Examinations</b>				
Claims Delayed	5,131	4,735	5,527	396
Percent of Claims Delayed	65.4%	61.2%	69.6%	4.2%
Average Days Delayed	59	54	64	5
Claim Delays Exceeding VBA 35-Day Goal	3,131	2,843	3,419	288
<b>2. Obtaining Records/Folders From VA RMC</b>				
Claims Delayed	2,235	1,924	2,547	312
Percent of Claims Delayed	28.5%	24.7%	32.3%	3.8%
Average Days Delayed	108	95	121	13
<b>3. Obtaining PTSD Stressor Verifications</b>				
Claims Delayed	1,374	1,107	1,640	267
Percent of Claims Delayed	17.5%	14.4%	20.8%	3.2%
Average Days Delayed	84	69	99	15
<b>4. Making BVA Decisions</b>				
Claims Delayed	1,341	1,122	1,560	219
Percent of Claims Delayed	17.1%	14.3%	19.9%	2.8%
Average Days Delayed	202	177	225	24
Claim delays Exceeding VBA 150-Day Goal	815	637	993	178
<b>5. Obtaining Records From VA HCFs</b>				
Claims Delayed	542	385	700	158
Percent of Claims Delayed	6.9%	4.9%	8.9%	2.0%
Average Days Delayed	56	41	69	14
<b>6. Verifying Veteran Employment Information</b>				
Claims Delayed	302	184	420	118
Percent of Claims Delayed	3.9%	2.3%	5.3%	1.5%
Average Days Delayed	74	48	100	26
<b>7. Obtaining Evidence of Alleged VA Negligence</b>				
Claims Delayed	131	41	221	90
Percent of Claims Delayed	1.7%	0.5%	2.9%	1.2%
Average Days Delayed	230	110	352	121
<b>8. Suspending Agent Orange Claims</b>				
Claims Delayed	104	35	173	69
Percent of Claims Delayed	1.3%	0.5%	2.3%	0.9%
Average Days Delayed	272	110	434	162

## Claims Processing Delays Outside the Control of VA Regional Offices

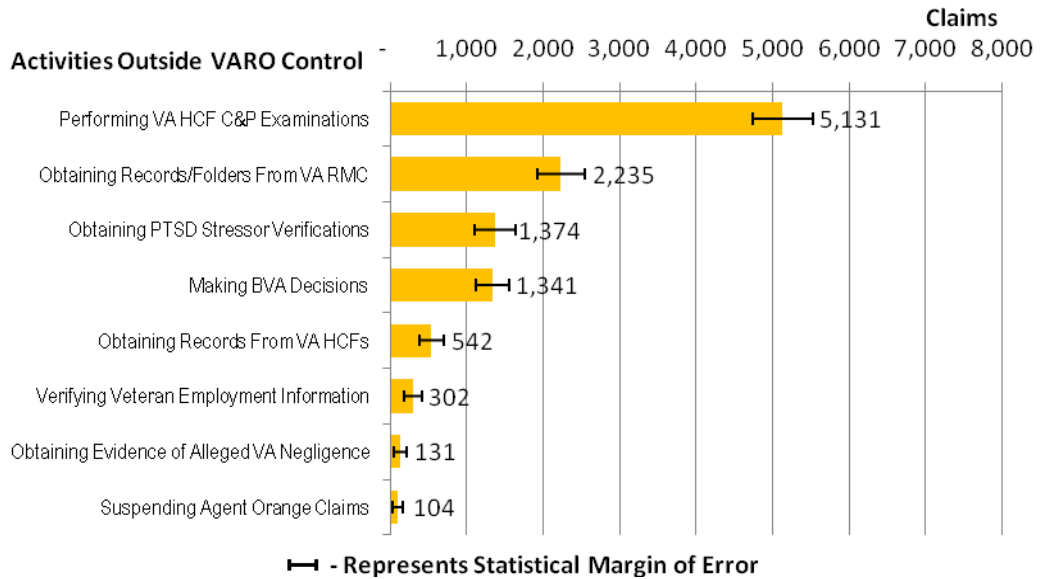
The audit concluded that ineffective VARO workload management and claims processing activities outside the control of VAROs significantly delayed completion of rating claims. Generally, these activities are performed by non-VARO entities such as VA HCFs, BVA, the JSRRC, private physicians, and veteran employers in response to VARO requests for evidence to support claims. This audit did not include evaluating the causes and reasonableness of these delays. Thus, this report does not make any recommendations related to the eight activities. However, the audit did identify and analyze these delay days and evaluated VARO efforts to follow up on evidence requests related to these activities.

When records are in the custody of a Federal department or agency, the U.S. Code of Federal Regulations requires VA to continue attempts to obtain these records until the VA receives the records or it is reasonably certain that the records do not exist, or further efforts by VA would be futile. VBA may be able to reduce claims processing times by evaluating and taking actions to address delays by these entities. The body of this report discusses the audit results related to ineffective VARO workload management. Delays attributable to the following eight claims processing activities were considered outside the direct control of VAROs.

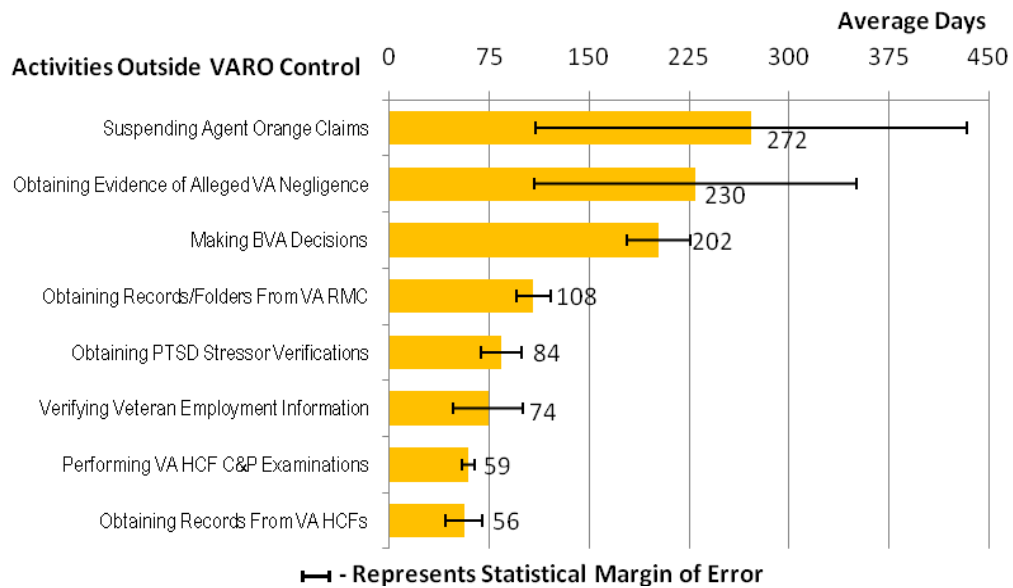
1. Performing VA HCF C&P examinations
2. Obtaining service medical records or retired claims folders from VA's RMC
3. Obtaining JSRRC PTSD stressor verifications
4. Making BVA decisions
5. Obtaining outpatient treatment records from VA HCFs
6. Verifying veteran employment information
7. Obtaining evidence for claims resulting from alleged VA negligence
8. Suspending agent orange claims

Of the 11,099 rating claims pending more than 365 days as of August 29, 2008, we projected that 7,843 (70.7 percent) were delayed by an average of 101 days because of these activities. Some activities were more prevalent than others. For example, performing VA HCF C&P examinations delayed 5,131 (65.4 percent) of the 7,843 claims, and obtaining evidence for claims resulting from alleged VA negligence delayed only 131 (1.7 percent) claims. The effect of these activities also varied in terms of average delay days. The average delay caused by suspending agent orange claims was 272 days while the average delay caused by obtaining outpatient treatment records from VA HCFs was 56 days. Figures 16 and 17 below show the number of claims delayed and the average delay days for each activity.

**Figure 16. Number of Claims Delayed**



**Figure 17. Average Delay Days**



In addition to delays related to performing VA HCF C&P examinations (5,131 claims), the most prevalent activities were obtaining service medical records or retired claims folders from VA’s RMC (2,235 claims), obtaining JSRRC PTSD stressor verifications (1,374 claims), and making BVA decisions (1,341 claims). Conversely, less prevalent activities included obtaining evidence for claims resulting from alleged VA negligence (131 claims) and suspending Agent Orange claims (104 claims).

In addition to suspending Agent Orange claims (272 days), the longest delays were caused by obtaining evidence for claims resulting from alleged VA negligence (230 days) and making BVA decisions (202 days). Conversely, shorter delays were caused by performing VA HCF C&P examinations (59 days) and obtaining outpatient treatment records from VA HCFs (56 days).

**1. Performing VA HCF C&P Examinations.** Delay days caused by this activity represent the time between the date a VARO requests a veteran C&P examination from a VA HCF to the date the VA HCF releases the examination results to the VARO. Of the 7,843 claims, we projected that this activity delayed 5,131 (65.4 percent) claims an average of 59 days. For the sampled claims, the longest delay we identified was 518 days.

Upon receipt of rating claims, VSRs usually request C&P examinations from VA HCFs to determine the current level of disabilities or to provide medical opinions as to whether disabilities relate to veterans' military service. If necessary, VSRs may request more than one C&P examination when veterans claim multiple disabilities.

VA HCF personnel schedule and conduct C&P examinations with veterans. The Veterans Health Information Systems and Technology Architecture (VistA) system generates C&P examination notification letters and mails them to veterans. VHA has established a timeliness goal of 35 calendar days to complete C&P examinations. VHA measures C&P examination times from the day VA HCFs receive examination requests from VAROs to the day VA HCFs make available all examination components, including laboratory and ancillary test results, to requesting VAROs. We projected that VA HCFs exceeded the 35-day standard for 3,131 (61.0 percent) of the 5,131 claims delayed by this activity.

**2. Obtaining Service Medical Records or Retired Claims Folders from VA's RMC.** Delay days caused by this activity represent the time between the date a VARO requests service medical records (SMRs) or retired claims folders from the VA's RMC and the date the VARO receives the SMRs or retired claims folders. Of the 7,843 claims, we projected that this activity delayed 2,235 (28.5 percent) claims an average of 108 days. For the sampled claims, the longest delay we identified was 412 days. The RMC reviews, stores, and distributes SMRs received from U.S. Armed Services separation points and processes requests from VAROs for service medical and personnel records needed to support claims processing.

**3. Obtaining JSRRC PTSD Stressor Verifications.** Delay days caused by this activity represent the time between the date a VARO requests PTSD stressor verification information from the JSRRC and the date the VARO receives the requested information or notification that JSRRC cannot verify the stressor. Of the 7,843 claims, we projected that this activity delayed 1,374 (17.5 percent) claims an average of 84 days. For the sampled claims, the longest delay we identified was 385 days.

Veterans are entitled to service connection for PTSD when: (1) medical evidence shows the veteran was diagnosed with PTSD, (2) current symptoms can be linked with medical evidence to an in-service stressor, and (3) credible evidence supports the claimed stressor occurred. A stressor is exposure to a traumatic event of an extreme nature (for example, participating in firefights or witnessing roadside bombings).

During the development phase of PTSD claims processing, VSRs must attempt to verify claimed stressors. Primary sources of credible supporting evidence for claimed stressors include information obtained from the veteran's service treatment records (STRs) and personnel records. If STRs and personnel records do not include adequate stressor evidence and the veteran has provided verifiable information about the stressor, VSRs must request JSRRC to provide evidence supporting the stressor or confirm that they cannot verify the stressor.

**4. Making BVA Decisions.** Delay days caused by this activity represent the time between the date a VARO transfers claims folders to BVA and the date the VARO receives the returned claims folders. Of the 7,843 claims, we projected that this activity delayed 1,341 (17.1 percent) claims an average of 202 days. For the sampled claims, the longest delay we identified was 498 days. When claimants notify VAROs that they disagree with claim decisions, VBA policy requires decision review officers to add the appealed claims to BVA's docket by updating the Veterans Appeal Control and Locator System. Appealed claims folders remain at the VARO until a decision review officer or an appropriate designee certifies the claims folders are ready to transfer to BVA. VBA has established a timeliness goal of 150 days for BVA to process an appeal. We projected that BVA exceeded the 150-day goal for 815 (60.8 percent) of the 1,341 claims delayed by this activity.

**5. Obtaining Outpatient Treatment Records From VA HCFs.** Delay days caused by this activity represent the time between the date a VARO requests outpatient treatment records from VA HCFs to the date the VARO receives the requested records. Of the 7,843 claims, we projected that this activity delayed 542 (6.9 percent) claims an average of 56 days. For the sampled claims, the longest delay we identified was 209 days. If veterans receive outpatient treatment from VA HCFs and the treatment records are not available electronically, VBA policy requires VSRs to request and review hardcopy records of the treatment.

**6. Verifying Veteran Employment Information.** Delay days caused by this activity represent the time between the date a VARO requests a veteran's employment information and the date the VARO receives the information. Of the 7,843 claims, we projected that this activity delayed 302 (3.9 percent) claims an average of 74 days. For the sampled claims, the longest delay we identified was 271 days. When veterans claim individual unemployability, VSRs must request and evaluate employment information from the veteran's former employers. Additionally, when veterans' combined disability levels reach 70 percent, VSRs must notify veterans of entitlement to individual unemployability.

**7. Obtaining Evidence for Claims Resulting From Alleged VA Negligence.** Delay days caused by this activity represent the time between the date a VARO requests evidence for a disability or death claim resulting from alleged VA negligence and the date a VARO receives the evidence. Of the 7,843 claims, we projected that this activity delayed 131 (1.7 percent) claims an average of 230 days. For the sampled claims, the longest delay we identified was 622 days. To establish entitlement for claimed disability or death benefits resulting from VA negligence, the evidence must show that the cause of disability or death was: (1) carelessness, negligence, or similar VA fault when providing medical care; (2) an event not reasonably foreseeable; and (3) not due to the veteran's own willful misconduct. VBA policy requires VAROs to develop all pertinent evidence needed to determine if benefits for the claimed disability or death are warranted. This may include a medical opinion from the VA HCF against which the claimant filed the allegation. These claims are often complex and can involve obtaining evidence from many sources.

**8. Suspending Agent Orange Claims.** Delay days caused by this activity represents the time between the date claim processing was suspended and August 29, 2008 (we reviewed VARO claims processing activities for pending claims through this date). Of the 7,843 claims, we projected that this activity delayed 104 (1.3 percent) claims an average of 272 days. For the sampled claims, the longest delay we identified was 687 days. On August 16, 2006, the U.S. Court of Appeals for Veterans Claims (CAVC) (*Haas v. Nicholson*, 20 Vet.App. 257, 2006) decided that veterans who served in the waters off the Republic of Vietnam were entitled to presumption of exposure to Agent Orange. Several weeks later, VA appealed the CAVC decision. Because of this appeal, on September 21, 2006, VBA instructed VAROs to suspend the processing of new or reopened Agent Orange claims.

On May 8, 2008, the U.S. Court of Appeals for the Federal Circuit decided (*Haas v. Peake*, 525 F.3d 1168) to reverse the CAVC decision and upheld the requirement that veterans needed to be physically present within the land borders of the Republic of Vietnam to be eligible for agent orange exposure compensation. On January 21, 2009, the U.S. Supreme Court denied a petition to review the U.S. Court of Appeals for the Federal Circuit decision that remained intact as controlling law. On February 6, 2009, VBA instructed VAROs to resume processing previously suspended Agent Orange claims.

## Under Secretary for Benefits Comments

**Department of  
Veterans Affairs**

**MEMORANDUM**

Date: September 11, 2009

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report—Audit of VA Regional Office Rating Claims Processing  
Exceeding 365 Days (Project No. 2008-03156-R3-0191) WebCIMS 436167

To: Assistant Inspector General for Audit (52)

1. This is in response to your request for VBA's review of OIG Draft Report: Review of VA Regional Office Compensation and Pension Benefit Claim Receipt Dates. Attached are VBA's comments.
2. Questions may be referred to Dee Fielding, Program Analyst, at 461-9057.

*(original signed by:)*

P. W. Dunne

Attachment



VBA COMMENTS TO OIG DRAFT REPORT  
**Audit of VA Regional Office Rating Claims  
Processing Exceeding 365 Days**

VBA provides the following comments:

Executive Summary, Recommendation 3, and Pages 6 – 16: VSCs Need to Improve the Execution of Workload Management Plans.

Throughout these sections of the report, OIG refers to VBA's inefficient claims processing "practices."

VBA Comment: VBA does not believe it appropriate to refer to the deficiencies identified in workload management as claims processing "practices." The OIG reviewed only the oldest cases in VBA's pending inventory, which are the cases most likely to have experienced avoidable processing delays. The deficiencies identified by the OIG as "practices" include untimely evidence requests and follow-up, misplaced claims folders, and lack of supervision. These failures to take timely and appropriate action represent workload management deficiencies, but should not be categorized as "practices." We therefore request that references to inefficient claims processing "practices" be changed to workload management or claims processing "deficiencies."

Recommendation 1: We recommend the Under Secretary for Benefits establish average timeliness goals for the claims processing phases of development initiation, development evidence gathering, rating, and award that are consistent with the strategic target of completing rating claims within 125 days.

VBA Response: Concur. We agree that cycle time goals for each phase should be established and incorporated in regional offices' workload management plans. VBA will revise M21-4, Manpower Control and Utilization in Adjudication, to ensure these plans incorporate timeliness standards for each claims processing cycle that are consistent with the 125-day strategic goal. Workload will be monitored and follow-up actions taken based on these cycle-time standards.

**Target Completion Date:** November 1, 2009

Recommendation 2: We recommend the Under Secretary for Benefits revise policies to require VSCs to link workload management plans to claims processing timeliness targets and goals.

VBA Response: Concur. VBA will revise guidance in M21-4, Manpower Control and Utilization in Adjudication, to more clearly identify the link between workload management plans and claims processing timeliness targets and goals.

**Target Completion Date:** November 1, 2009

Recommendation 3: We recommend the Under Secretary for Benefits revise policies to require VSCs to develop and execute workload management plans that include procedures designed to minimize the inefficient claims processing practices discussed in this report.

VBA Response: Concur. VBA will revise M21-4, Manpower Control and Utilization in Adjudication, to address the deficiencies identified by the OIG audit as producing excessive processing delays and promote corrective actions.

Please also see VBA's comment on the previous page with reference to use of the term "practices" in this recommendation.

**Target Completion Date:** November 1, 2009

Recommendation 4: We recommend the Under Secretary for Benefits link VSC staff production credits to timeliness goals for claims processing phases and the overall strategic target of completing rating claims within 125 days.

VBA Response: Concur. In March 2009, VBA established a workgroup to revise Veterans Service Representative (VSR) performance standards to better align individual standards with organizational goals. The workgroup developed proposed VSR standards that incorporate timeliness as a critical element. VBA is piloting the proposed standards through the end of FY 2009. At the conclusion of the pilot, the workgroup will analyze pilot data to determine the effectiveness of the standards and finalize recommendations for implementation of new VSR performance standards. Upon receipt of the workgroup's analysis and recommendations, VBA will evaluate whether linking production credits and timeliness goals within VSR performance standards will improve overall claims processing timeliness.

**Target Completion Date:** January 1, 2010

## OIG Contact and Staff Acknowledgments

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