



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

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**Combined Assessment Program  
Review of the  
VA Regional Office  
Oakland, California**

## **Office of Inspector General Combined Assessment Program Reviews**

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

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Conduct fraud and integrity awareness training for facility staff.

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

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## Executive Summary

### Introduction

The Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the Department of Veterans Affairs Regional Office (VARO), Oakland, California, from August 13 through August 17, 2001. The purpose of the review was to evaluate selected VARO operations, focusing on benefits claims processing and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to 220 employees.

### Results of Review

VARO financial and administrative activities were generally operating effectively. However, several years of recruitment and retention problems and an increasingly complex compensation and pension (C&P) claims process had significantly increased the length of time the Veterans Service Center (VSC) required to complete C&P claims. At the time of our review, management's first priority was to increase the VARO's C&P disability rating capacity and reduce the C&P claims backlog. The Veterans Benefits Administration's (VBA's) August 2001 Balanced Scorecard (BSC) showed VARO Oakland ranked 46<sup>th</sup> in the nation for timeliness of completed C&P claims with rating related actions. In addition, VARO Oakland had a backlog of over 23,000 pending C&P claims, nearly 10,000 of which had been pending for at least 6-months. During this period, VSC's Fiduciary & Field Examination (F&FE) Unit's timeliness for field examinations also ranked below the national target for fiduciary activities. BSC results are shown in *Appendix B*, page 16.

We identified opportunities to improve operations and made recommendations in the following program activities:

- Timeliness of C&P claims processing.
- C&P benefit award adjustments for hospitalized veterans.
- Security of employee-veteran claims folders.
- Benefits Delivery Network (BDN) security.
- Automated Information Systems (AIS) security.

We also identified other areas that warrant management attention. We discussed each of these areas with the VARO Director and he agreed to address them as necessary.

## **VARO Director Comments**

The VARO Director concurred with the CAP review findings and recommendations and provided acceptable corrective action plans. (See *Appendix C*, pages 18-21, for the full text of the Director's comments.) We consider all review issues resolved, but may follow up on implementation of planned actions.

*(original signed by:)*

**RICHARD J. GRIFFIN**  
Inspector General

## Introduction

### Regional Office Profile

VARO Oakland provides C&P and vocational rehabilitation services to eligible veterans, dependents, and survivors in Northern California.<sup>1</sup> VARO Oakland has three satellite offices, two in Sacramento and one in Fresno and two itinerant Veteran Benefits Counselors located at the San Francisco and Fresno Veterans Health Administration (VHA) medical facilities. The VARO also provides limited loan guaranty services, such as property management and specially adapted housing. Loan guaranty processing for Northern California veterans is provided by the Phoenix Regional Loan Center. VARO Muskogee provides education services.

VARO Oakland serves a veteran population of about 1,296,000. During Fiscal Year (FY) 2001, VARO Oakland had 290 full-time equivalent employees (FTEE) and general operating expenses totaling about \$19.2 million. During FY 2001, about \$772 million in C&P benefits were paid to 117,000 beneficiaries. The VARO also had one of the highest pending C&P claims workload in the nation, with about 23,000 pending C&P claims. VARO Oakland also provided vocational rehabilitation services to about 2,100 beneficiaries.

In August 2001, VARO Oakland received Departmental approval to expand and relocate its Sacramento satellite office adjacent to a new VHA medical facility at the former Mather Air Force Base. The VARO received approval to hire 15 Rating Veteran Service Representatives (RVSRs) for the Sacramento facility. VARO Oakland had proposed this expansion to address C&P workload increases, employee recruitment and retention difficulties in the San Francisco Bay area, and rent increases for the VARO's office space in downtown Oakland. VARO management hopes to eventually staff the Sacramento satellite office with 80 FTEE, including 40 new RVSRs. The expansion of the Sacramento satellite office is a critical part of VARO Oakland's plan to manage increased workload and reduce its current C&P claims backlog. VARO management projects that within 18 to 24 months of hiring 40 new RVSRs, the Sacramento satellite office could generate 24,000 additional ratings, effectively doubling VARO Oakland's current 20,000 ratings per year capacity (at the time of our review the VARO employed 57 RVSRs).

### Objectives and Scope of CAP Review

**Objectives.** CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality benefits services. The objectives of the CAP reviews are to:

- Conduct recurring evaluations of claims processing and selected regional office financial and administrative controls.

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<sup>1</sup> Northern California residents of Modoc, Lassen, and Mono counties are provided C&P and vocational rehabilitation services by VARO Reno, while these services for Inyo County residents are provided by VARO Los Angeles.

- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the need to refer suspected fraud to the OIG.

**Scope.** We reviewed benefit claims processing and selected administrative activities to evaluate the timeliness and effectiveness of the benefits delivery system and associated management controls. These controls are the policies, procedures, and information systems used to administer VBA programs, safeguard assets, prevent and detect errors and fraud, and ensure that organizational goals and objectives are met. In performing the review, we interviewed managers and employees, inspected work areas, and reviewed pertinent benefits, and financial and administrative records. The review covered the following activities and controls:

VARO Management Controls	C&P Claims Processing
C&P Hospital Adjustments Processing	Claims Folder Security
BDN Security	AIS Security
Fiduciary and Field Examinations	Vocational Rehabilitation and Employment
Retroactive Benefit Payments	C&P System Messages Processing

During the review, we also presented three fraud and integrity awareness briefings for VARO employees. Two hundred-twenty employees attended these briefings, which covered procedures for reporting suspected criminal activity to the OIG and included examples of various types of frauds and crimes encountered within VBA.

The review covered VARO Oakland operations for FYs 2000 and 2001 through August 2001 and was done in accordance with OIG standard operating procedures for CAP reviews.

In this report we make recommendations and suggestions for management attention. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that need corrective actions and should be monitored by VARO management until corrective actions are completed.

## Results and Recommendations

### Issues Requiring Corrective Actions

***The VSC should improve C&P claims processing timeliness, benefit adjustments for hospitalized veterans, and security over sensitive records.***

#### Conditions Identified

Improvements can be made in the timeliness of C&P claims processing, the application of procedures to avoid overpayments to hospitalized veterans, and increasing the security over employee-veteran claims folders.

#### C&P Claims Processing

VARO Oakland needed to significantly improve the length of time it took the VSC to process C&P claims from receipt to resolution. As of August 2001, VBA had a backlog of over 533,000 C&P claims requiring processing. About 23,000 (4 percent) of these pending C&P claims were to be processed at VARO Oakland. VARO Oakland had an average processing time of 237.9 days and was ranked 46<sup>th</sup> out of VBA's 57 VAROs in the timely completion of C&P rating related actions.

C&P claims processing involves the following primary phases: (a) establishment, (b) development, (c) rating, and (d) authorization. When a C&P claim is received by the VARO, VSC staff establish the claim in VBA's BDN system and either create a new claims folder or retrieve the claimant's existing claims folder. During the development phase, Veteran Service Representatives (VSRs) obtain service and medical evidence, and any other relevant evidence needed to support the claim. In the rating phase, RVSRs review the evidence and prepare a rating decision stating all the issues involved, the evidence considered, and the reasons and basis for the decision made on each issue. After the claim has been rated, a VSR generally prepares an award or disallowance action. These actions are authorized by Senior VSRs.

To evaluate C&P claims processing timeliness, we interviewed VSC management and reviewed 100 randomly selected C&P claims completed between October 1, 2000 and February 28, 2001. Seventy of the 100 claims reviewed (70 percent) had 9,013 avoidable processing days with an average delay of 129 days, or over 4 months per claim.<sup>2</sup> VSC staff had not worked on the

<sup>2</sup> Avoidable days of delay presented are those delays of more than 7 days for establishing the claim and 30 days for developing, rating, and authorizing the claim.



reviewed claims for extended periods of time and there were significant delays in all phases of the C&P claims process.

Processing Phase	Number of C&P Claims*	Average Days of Delay	Range of Days of Delay
Establishment	30	47	1 – 328 days
Development	42	82	5 – 418 days
Rating	44	80	1 – 280 days
Authorization	21	31	1 – 209 days

*\*Some claims had delays in more than one phase of the process.*

VARO and VSC management were aware of the significant problems with the C&P claims backlog and processing timeliness. Management believed the problems developed because of a shortage of experienced staff to process the C&P claims. The VSC has had significant staffing and retention problems for the past several years because of attrition and the high cost of living in the San Francisco Bay area. In addition, C&P claims processing problems were exacerbated by the use of resources to implement various VBA and legislative initiatives during the period the VARO's C&P workload increased. These initiatives included VBA's rating board redesign, National Training Program, and the Veterans Claims Assistance Act of November 9, 2001. To address VSC's long-term staffing problems, VARO Oakland management obtained Departmental approval to relocate to an expanded claims processing satellite office in the Sacramento area. By adding VSR and RVSR staff in a lower cost area, VARO management hopes to double its C&P rating capacity within 2 years, reduce its C&P claims backlog, and improve the timeliness of its C&P claims processing. In addition, a Claims Processing Task Force established by the Secretary of Veterans Affairs in May 2001 has made recommendations such as work specialization, that could also positively impact the VARO's backlog and timeliness.

In addition to addressing resource problems, VARO management needed to improve their monitoring of C&P claims processing delays. Our review of 100 claims identified little evidence that VSC management effectively utilized the BDN work-in-process (WIPP) system to track and manage claims. The WIPP system is a workload management tool that allows management to both follow progress on claims and provide feedback to VSRs and RVSRs when management identifies problems that cause claims processing delays.

**Recommended Improvement Action 1.** We recommended that the VARO Director ensure that the VSC works to reduce avoidable delays in C&P claims processing by monitoring and following up on processing delays.

The Director concurred and reported that the VARO had increased the number of supervisors in the VSC and by June 1, 2002, would focus more attention on routine and effective pending issue review. The improvement actions are acceptable, and we consider the issues resolved.

## **Hospital Adjustments**

C&P benefits for veterans hospitalized at Government expense were not reduced as required. Overpayments of about \$503,000 were made to 37 of 64 veterans (58 percent) continuously hospitalized in community nursing homes (CNH) under VA contract or at VHA medical facilities in Northern or Central California<sup>3</sup> for at least 90 days as of July 10, 2001.

Twenty-nine overpayments totaling about \$380,000 occurred because the VARO did not take proper action when notifications were received from VHA facilities that veterans were hospitalized. Eight overpayments totaling about \$123,000 occurred because VHA facilities did not advise the VARO that veterans were hospitalized.

VSC management informed us that hospital adjustments had not been assigned a high priority due to the increasing backlog of C&P claims. In addition, VHA facilities frequently did not properly code CNH admissions and discharges. Therefore, the VARO was not informed of these admissions and discharges. Improved VSC monitoring of hospital adjustments and coordination with local VHA facilities could ensure adjustments are processed timely and prevent future overpayments.

**Recommended Improvement Action 2.** We recommended that the VARO Director ensure that VSC management: (a) monitors hospital adjustments for veterans hospitalized at Government expense, and (b) coordinates with Veterans Integrated Service Network 21 to obtain VHA medical facility information on veterans hospitalized at Government expense for 90 days or more.

The Director concurred and reported that the VARO was improving lines of communication with VHA facilities in Northern and Central California. The Palo Alto Healthcare System had begun providing a monthly report of veterans hospitalized more than 30 days and those admitted to CNHs. By June 1, 2002, the VARO will share this report with other VHA medical facilities in their jurisdictional area and will use the reports from the facilities to monitor the timely processing of hospital adjustments. The improvement actions are acceptable, and we consider the issues resolved. The monetary benefit associated with this issue is shown in *Appendix D*, page 22.

## **Locked Files**

VSC management needed to ensure that all employee-veteran claims folders from VARO Los Angeles (VARO LA) were physically secured in locked files. VARO Oakland is the Office of Jurisdiction or sister station for VARO LA employee-veterans. To protect personal information and prevent misuse, VBA requires VARO employee-veteran claims folders be removed from the general claims folder population and stored in locked file cabinets at a designated sister station.

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<sup>3</sup> VA Medical Center San Francisco and the Central California, Northern California, and Palo Alto Health Care Systems.

VBA also requires VAROs maintaining locked files to perform semi-annual reconciliations to ensure that all employee-veteran claims folders are properly secured.

To evaluate controls over locked files, we interviewed responsible VSC employees, inspected the VARO's locked file area, reviewed a VARO LA listing of employees who had claims folders, and located 10 randomly selected VARO LA employee claims folders to determine if they were properly secured. We identified three weaknesses in locked file security:

- The VSC did not have all VARO LA employee-veteran claims folders. According to VBA's automated claims folder tracking system, 1 of the 10 (10 percent) sampled VARO LA claims folders had not been transferred to VARO Oakland.
- The VSC had not secured all VARO LA employee-veteran claims folders. Four of the 10 (40 percent) sampled VARO LA claims folders were stored with VARO Oakland's general claims folder population.
- The VSC had not performed required semi-annual reconciliations of locked files.

VSC management agreed that improved locked file security was needed to ensure employee-veteran claims folders were secure.

**Recommended Improvement Action 3.** We recommended that the VARO Director ensure that: (a) VSC staff coordinate with VARO LA to obtain all VARO LA employee-veteran claims folders, (b) all VARO LA employee-veteran claims folders are secured in locked files, and (c) VSC staff complete required semi-annual reconciliations of locked files.

The Director concurred and reported that by March 1, 2002, the VARO would identify, obtain, and secure in locked files, all VARO LA employee-veteran claims folders. The VARO has also added a semi-annual review of locked files to their Systematic Analysis of Operation (SAO) schedule. The improvement actions are acceptable and we consider the issues resolved.

***Management controls over BDN and AIS security need to be strengthened.***

### **Conditions Identified**

VARO management has the opportunity to enhance BDN and AIS security. Controls over employee access needed to be strengthened and security violations addressed. In addition, a full-time Information Security Officer (ISO) needed to be appointed. We identified the following security vulnerabilities that required management attention.

## **BDN Security**

VARO management needed to better control access to BDN and comply with VBA security requirements. BDN is VBA's automated system used to process benefit payments and maintain entitlement information. BDN security controls are intended to protect the privacy of personal data and prevent fraudulent misuse of the system. VAROs are required to closely control access to BDN and place the benefits records of all veterans employed by VA and their family members in an electronically locked file. To evaluate BDN security, we interviewed responsible BDN officials and reviewed BDN security policies, procedures, and records. We identified four opportunities to improve BDN security:

- User commands were not properly authorized and controlled. Information Resources Management (IRM) uses Terminal Access Authorizations (VA Form 20-8824), approved by supervisors, to provide employees access to those BDN commands necessary for the performance of their official duties. A comparison of 20 employee authorization forms and the corresponding Terminal Access Commands showed that 5 employees (25 percent) had unauthorized commands or did not have all the commands authorized by their supervisors.
- BDN security and privacy controls needed improvement. BDN level 7 sensitivity access authority should be closely controlled because it allows access to information belonging to VA employees, including those employed at the VARO. VBA's current BDN security policy specifically identifies key staff at VAROs who should have BDN level 7 sensitivity access. Furthermore, VBA's June 2001 draft BDN security policy proposed restricting BDN level 7 sensitivity access to no more than 10 percent of the total number of employees in a division. Our review of VARO Oakland's employee sensitivity levels showed the VARO significantly exceeded current and proposed VBA BDN level 7 sensitivity access thresholds. Supervisors routinely authorized BDN level 7 sensitivity access for employees other than the key staff specified under current VBA policy. As a result, at the time of our review 208 of the VARO's 290 employees (72 percent) had BDN level 7 sensitivity access.
- Management needed to ensure that benefits certifications were properly completed and processed. VARO Oakland could not ensure that all employees' and their relatives' claims records were electronically and physically secured because new employees were not required to properly complete benefits certifications. Twenty-one of the 37 employees (57 percent) hired during the first 7 months of FY 2001 had not completed a Notice of Employment, Transfer, or Separation of Veterans (VA Form 70-4535), certifying if they or a family member received C&P benefits. Further, 2 of the 16 employees who had completed the certification indicated that they had family members who received C&P benefits. However, IRM staff responsible for processing the certifications did not ensure the two employees provided information needed to identify and electronically lock the family members' records. Reassigning responsibility for the completion of the certifications to Human Resource Management would help ensure certifications are properly completed at the time the employees are hired.

- BDN security violations were monitored but continued to be a problem. VBA policy requires security violations to be reviewed and analyzed for indications that VARO staff were purposefully trying to use BDN for unauthorized activities. Employee security violations are generated when employees: (a) enter unauthorized commands, (b) attempt to access sensitive records without the appropriate sensitivity level, and (c) input invalid passwords. The ISO reviewed and analyzed the security violation log on a monthly basis and forwarded reports to the appropriate supervisors and VARO managers. Corrective actions at the division level had not been effective and security violations had not significantly decreased during the 3-month period prior to our review. VARO management needed to ensure that employees who commit security violations receive training, counseling, and disciplinary action, if necessary, to reduce violations.

**Recommended Improvement Action 4.** We recommended that the VARO Director ensure that: (a) BDN users' accesses match their approved authorizations, (b) the number of BDN users with BDN level 7 sensitivity access is reduced in accordance with VBA policy, (c) all current and new employees properly complete the C&P benefits disclosure form and all appropriate C&P records are electronically locked and claims folders physically secured, and (d) VARO staff who commit BDN security violations receive training, counseling, and disciplinary action, if necessary, to reduce future security violations.

The Director concurred and reported that by March 1, 2002, the VARO would: (a) reconcile all employees' VA Form 20-8824 with the employees' corresponding Terminal Access Commands to ensure commands were authorized by supervisors, (b) reduce BDN level 7 sensitivity access to less than 10 percent of BDN users, (c) ensure all employees complete the most recent version of the benefit disclosure certification, (d) and electronically lock all required records. In addition, to ensure physical security, the VARO will forward copies of benefit certifications to VAROs where unsecured records may reside. The Director also reported that division managers are provided security violation information and are authorized to take appropriate disciplinary action. The improvement actions are acceptable and we consider the issues resolved.

### **AIS Security**

The VARO needed to strengthen AIS security by appointing a full-time ISO. VA policy requires facility Directors to appoint an individual without operational responsibility to the position of ISO. Currently, the Chief, IRM is also the VARO ISO. The Chief, IRM, is already responsible for the facility's automated information technology resources, including the accuracy, availability, and safety of these resources, and is involved in the day-to-day management and operations of the IRM division. The Chief, IRM, estimated that he was only able to spend about 20 percent of his time on information technology security because of his other duties. We believe that a full-time individual, knowledgeable and trained in VBA information technology and security, should be appointed as ISO to enhance security and protect sensitive data. The ISO position is especially critical in view of recent cases where VARO employees have misused VBA automated systems to commit fraud. VARO Oakland management was aware of the policy requirement to have a full-time ISO. However, VARO Oakland management had not filled the ISO position at the time of our review because they considered the hiring of VSC staff and the reduction of the VARO's claim backlog to be a higher priority.

**Recommended Improvement Action 5.** We recommended that the VARO Director ensure that a full-time ISO is appointed as soon as possible.

The Director concurred and reported that delegation of a full-time ISO was pending guidance from VA Central Office. The corrective action is acceptable and we consider the issue resolved.

## **Suggestions for Management Attention**

We also identified other issues that warrant management attention. We discussed each of these issues with the VARO Director and management staff, and the Director agreed to address each of these issues as necessary. (See Checklist of Observations of Regional Office Operations - *Appendix A*, page 11).

### **Conditions Identified**

- Continue to closely monitor retroactive payments of benefits and ensure all required third party authorization signatures are obtained.
- Ensure initial and subsequent Fiduciary-Beneficiary (F-B) field examinations are completed within 120 days of the scheduled date.
- Continue efforts to complete fiduciary accountings before fiduciary hearings.
- Ensure that F&FE and VHA medical facility staff meet to discuss and coordinate services provided incompetent veterans.
- Continue to reduce avoidable processing delays and work toward the goal of processing Vocational Rehabilitation and Employment (VR&E) applications within 60 days of receipt.

## Checklist of Observations of Regional Office Operations

Reviewed VARO activities that are checked “Yes” were generally operating in accordance with applicable policies and procedures. Activities checked “No” required management attention. Activities checked “N/A” did not apply to this VARO or were not reviewed.

### VARO Management

Management Control	Yes	No	N/A	Synopsis of Condition
1. VARO management monitored corrective actions for SAO and Systematic Technical Accuracy Review results.	✓			
2. VARO management used the facility's BSC to monitor the progress of the business lines in achieving their targets and strategic goals.	✓			
3. VARO management provided guidance and training for employees on ethical conduct and behavior.	✓			
4. VARO management monitored the Decision Review Officer (DRO) Program to ensure quality of service to the veteran.			✓	The DRO program was not reviewed due to its recent implementation (June 2001).

### Veterans Service Center

Timeliness of Benefits Processing	Yes	No	N/A	Synopsis of Condition
1. SAOs identified problem areas in the timeliness of claims processing and appropriate corrective actions were taken.	✓			VARO and VSC management are actively pursuing additional resources to improve the timeliness of claims processing.
2. Potential delays in the development of original C&P claims were identified and corrective actions taken.		✓		Seventy of 100 (70 percent) original or reopened C&P claims were not processed timely.
3. Corrective action was implemented to improve BSC scores that had worsened or were below the national average.	✓			VARO and VSC management are actively pursuing additional resources to improve the timeliness of claims processing.
4. The average processing time for C&P claims was the same or met the BSC national average.		✓		VARO Oakland's average processing time of 237.9 days ranked 46 <sup>th</sup> out of 57 VAROs.



<b>Hospital Adjustments</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
5. C&P benefits were appropriately adjusted for veterans treated as inpatients at Government expense.		✓		Overpayments of about \$503,000 resulted when benefits for 37 veterans were not reduced as required.

<b>Locked Files</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
6. The semi-annual reconciliation of both sensitive and locked files was conducted and discrepancies resolved.		✓		VSC managers were not aware that semi-annual reconciliations of locked files were required.
7. The annual SAO report on the quality of file activities including locked files was performed as required.		✓		The annual SAO due during the 3 <sup>rd</sup> quarter of FY 2001 was postponed until the end of 4 <sup>th</sup> quarter of FY 2001.
8. Access to the locked file area was restricted.	✓			
9. Employee claims folders were located at the appropriate VARO.		✓		One of the sampled employee claims folders was not transferred to VARO Oakland.
10. Sister station employee claims folders were located in locked files.		✓		Four of the 10 sister station claims folders tested had not been secured in locked files.
11. Employee awards were adjudicated by employees at the sister station.	✓			

<b>System Messages</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
12. C&P system error messages were handled appropriately and in accordance with criteria.	✓			

<b>Retroactive Payments</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
13. Retroactive payments exceeding \$25,000, and covering more than a 2-year period, had third party reviews and signatures.		✓		One of 10 retroactive payments reviewed did not have the required third party signature.
14. Multiple retroactive payments over \$25,000 to the same payee were supported by appropriate documentation that justified the awards.	✓			
15. Duplicate retroactive payments issued were returned and not cashed.	✓			

<b>Fiduciary and Field Examinations</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
16. The application receipt date in the fiduciary system agreed with the date stamp on the application (VA Form 21-592).	✓			
17. Initial Appointment field examinations were performed within 45 days as required.	✓			

<b>Fiduciary and Field Examinations</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
18. Fiduciary field examinations were scheduled within 1-year of the Initial Appointment field examination.	✓			
19. Fiduciary field examinations were completed within 120 days of the scheduled examination.		✓		Five of 28 F-B field examinations, scheduled for 10 incompetent veterans, were not completed within 120 days of the scheduled examination.
20. Fiduciary accountings were completed at least every 2 years.	✓			
21. Objections or exceptions to the accountings were taken at least 15 days before the scheduled court date as required by the State of California.		✓		Four of 10 beneficiary accountings were completed after the hearing date.
22. Fiduciary field staff met with VHA case managers at least annually and maintained current information about VAMCs' residential care facilities for veterans.		✓		F&FE staff did not meet with VHA case managers at least annually.
23. Fiduciary field examination reports provided detailed assessment information to document the adequacy of the veterans' physical health and well being.	✓			

### Information Resources Management

<b>Data Security</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Synopsis of Condition</b>
1. The ISO was dedicated full-time to security and reported directly to the facility Director.		✓		VARO management had not appointed a full-time ISO. The Chief, IRM, was the facility's ISO.
2. Employees were required to change their passwords every 90 days.	✓			
3. After a specific number of failed logon attempts to the Local Area Network (LAN) an account was locked out.	✓			
4. Former employees and temporary guests access to the computer system was promptly terminated.	✓			
5. A security awareness bulletin was displayed when logging on to the LAN system.	✓			
6. All terminals had activated password-protected screen savers.	✓			
7. There were proper procedures to identify and report any suspected breaches of information technology security.	✓			

8. All personnel with access to VA systems had received initial and annual security awareness training, which was properly documented in their personnel files.	✓			
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Physical Security	Yes	No	N/A	Synopsis of Condition
9. The computer room had the proper safeguards to ensure computer equipment was protected.	✓			
10. The contingency plan had been frequently tested and results and corrective actions tested.	✓			
11. The contingency plan contained a listing of telephone numbers of key staff.	✓			
12. The contingency plan contained a current listing of all computer equipment.	✓			
13. System backups of critical information were made and stored in secure areas onsite and offsite.	✓			
14. A full restoration of system backups had been tested.	✓			
15. The LAN was supported by an uninterrupted power source.	✓			

Internet Security	Yes	No	N/A	Synopsis of Condition
16. A local policy outlining the proper use of the Internet had been issued.	✓			

BDN Security	Yes	No	N/A	Synopsis of Condition
17. Compensation claim numbers for employees with active awards were included in the BDN security file.	✓			
18. Employee claims records were electronically locked.	✓			
19. Employees could not establish, adjudicate, and authorize payment for the same claim.	✓			
20. New employees completed VA Form 70-4535 indicating whether they or a family member were receiving C&P benefits.		✓		Twenty-one of 37 VARO employees hired since October 2000 had not completed VAF 70-4535 indicating whether they or a family member were receiving C&P benefits.
21. Electronic Terminal Access Commands agreed with the signed Terminal Access Authorizations (VA Form 20-8824).		✓		Five of 20 VARO BDN users had commands that were not authorized or lacked commands which they were authorized.

## Vocational Rehabilitation and Employment

Benefits Delivery	Yes	No	N/A	Synopsis of Condition
1. Veterans receiving rehabilitation services were eligible and entitled to the benefits.	✓			
2. VR&E applications were processed within 60 days of the date of claim.		✓		Fifteen of 279 applications were still in applicant status over 180 days and 123 of 279 cases were still in applicant status over 60 days.
3. Appropriate dates of claim were being established in BDN to properly calculate timeliness.	✓			
4. The veteran's status found on the WINRS system agreed with the status found in BDN and the veteran's counseling & education folder.	✓			
5. The VR&E documentation of veterans' eligibility status and initial appointment date was complete and accurate.	✓			
6. Controls ensured the accuracy of tuition and vendor payments.	✓			
7. Controls ensured proper procedures were followed on credit card purchases.	✓			
8. Controls ensured purchases had the proper justifications and authorizations.	✓			
9. Veterans were contacted to ensure they received the services and supplies that were purchased for them.	✓			
10. VR&E counselors provided women veterans, participating in the program, support services such as childcare and crisis intervention.	✓			
11. VR&E managers coordinated with and used available VHA facilities for VR&E participants' medical/dental needs.	✓			
12. VR&E managers ensured that participants' medical and dental needs were provided timely without disruption to training.	✓			

## Balanced Scorecard Results

### Comparison August 2000 to August 2001

#### Compensation and Pension

Measures	National		VARO	
	FY 2001 Target	August 2001	August 2000	August 2001
<b>SPEED</b>				
Rating Related Actions (Completed) – Days	195.0	178.8	231.0	237.9
Rating Related Actions (Pending) – Days	201.0	175.5	179.0	206.8
Non-Rating Related Actions (Completed) - Days	54.0	53.2	72.0	80.4
Non-Rating Related Actions (Pending) - Days	85.0	114.4	116.0	157.7
Appeals Resolution - Average Days/Case	650.0	596.6	696.0	726.5
Fiduciary Activities - Initial Appts. & Fid-Ben Exams	12.0%	12.7%	2.0%	17.1%
<b>ACCURACY</b>				
National Accuracy Rate (core rating work)	72.0%	75.1%	70.0%	77.5%
National Accuracy Rate (authorization work)	62.0%	61.1%	52.0%	57.9%
National Accuracy Rate (fiduciary work)	65.0%	67.2%	53.0%	62.9%
<b>UNIT COST</b>				
Cost per Compensation Claims Completed	TBD	\$452	\$459	\$658
Cost per Pension Claims Completed	TBD	\$236	\$95	\$229
Cost per Active Compensation Case on the Rolls	TBD	\$176	\$171	\$200
Cost per Active Pension Case on the Rolls	TBD	\$301	\$131	\$243
<b>CUSTOMER SATISFACTION</b>				
Overall Satisfaction	60.0%	55.7%	60.0%	54.0%
Customer Orientation	68.0%	65.7%	69.0%	62.6%
Appeals Ratio	8.0%	7.9%	N/A	3.5%
Telephone Activities - Abandoned Call Rate	7.0%	5.8%	7%	8.7%
Telephone Activities - Blocked Call Rate	5.0%	2.9%	0%	0.4%
<b>EMPLOYEE DEVELOPMENT &amp; SATISFACTION</b>				
Employee Developmental Skill Matrix	TBD	TBD	TBD	TBD
One VA Survey (mean score)	3.6	3.3	3.3	3.3

TBD = To Be Determined

N/A = Not Applicable

## Balanced Scorecard Results

### Comparison August 2000 to August 2001

#### Vocational Rehabilitation and Employment

Measures	National		VARO	
	FY 2001 Target	August 2001	August 2000	August 2001
<b>SPEED</b>				
Days to Notification - Entitlement Determination	66.0	61.6	98.2	80.2
Days to Employment	50.0	38.3	50.3	50.5
<b>ACCURACY</b>				
Entitlement Determination Accuracy	91.0%	93.0%	92.0%	96.0%
Evaluation, Planning, & Services Accuracy	89.0%	79.0%	88.0%	81.0%
Fiscal Accuracy	96.0%	86.0%	95.0%	84.0%
<b>UNIT COST</b>				
Cost to Provide a Veteran a Program of Services	TBD	\$2,025	\$3,153	\$2,999
<b>CUSTOMER SATISFACTION</b>				
Rehabilitation Rate	65.0%	64.2%	67.8%	69.2%
SEH Rehabilitation Rate	63.0%	63.4%	59.1%	60.4%
Customer Access Satisfaction	79.0%	76.0%	76.9%	75.1%
Customer Satisfaction Survey	80.0%	74.0%	73.2%	69.4%
<b>EMPLOYEE DEVELOPMENT &amp; SATISFACTION</b>				
Employee Development Skill Matrix	TBD	73.6%	TBD	65.4%
One VA Survey (mean score)	3.6	3.5	3.3	3.3

#### Loan Guaranty

<b>SPEED</b>				
Acquired Property Holding Time (months)	10.0	8.2	8.5	6.4
Processing Time for Eligibility Certificates	5.0	7.7	14.5	N/A
<b>ACCURACY</b>				
Foreclosure Avoidance Through Servicing (FATS) Ratio	33.0%	39.2%	N/A	N/A
Statistical Quality Control (SQC) Index	93.0%	95.3%	98.1%	98.6%
<b>UNIT COST</b>				
Return on Sales of Acquired Properties (ROS)	97.5%	TBD	107.9%	TBD
Administrative Cost Per Loan Guaranty Issued	TBD	\$177	N/A	N/A
Administrative Servicing Cost Per Default Processed	TBD	\$351	N/A	N/A
Administrative Cost Per Property Sold	TBD	\$2,244	\$1,601	\$3,550
<b>CUSTOMER SATISFACTION</b>				
Veteran Satisfaction Index	TBD	92.9%	TBD	92.9%
Lender Satisfaction Index	TBD	74.0%	TBD	74.0%
Telephone Activities - Abandoned Call Rate	5.0%	4.2%	N/A	N/A
Telephone Activities - Blocked Call Rate	5.0%	15.8%	N/A	N/A
<b>EMPLOYEE DEVELOPMENT &amp; SATISFACTION</b>				
Employee Development Skill Matrix	TBD	79.1%	TBD	TBD
One VA Survey (mean score)	3.0	3.3	3.3	3.3

## VARO Director Comments



**DEPARTMENT OF VETERANS AFFAIRS  
Regional Office  
1301 Clay Street  
Oakland CA 94612-5209**

January 17, 2002

In Reply Refer To: 343/00

Assistant Inspector General for Auditing  
Los Angeles Residency Office (52LA)  
Bldg. 258, Room 330  
11301 Wilshire Blvd.  
Los Angeles, CA 90073

**Subject:** Comments Regarding Draft Combined Assessment Program Review of the VA  
Regional Office Oakland, California (Project No. (2001-02124-R7-0131))

1. The purpose of this letter is to provide our response to the Draft Report of the Combined Assessment Program Review of the VA Regional Office Oakland, California (Project No. (2001-02124-R7-0131)) dated December 18, 2001. The format and order of our response is similar to that of the draft report with each of our comments following immediately after the recommendation as found in the report.
2. We appreciate the professional manner in which the survey was conducted. The draft report accurately reflects the findings and discussions held during the review. We concur with the findings and recommendations and have provided specific implementation plans to address the issues raised.
3. If you need further information, please contact Bryan Montague, Supervisory Management Analyst at (510) 637-6005.

/s/  
DONALD E. STOUT  
Director

Enclosure

**VARO OAKLAND  
REGIONAL OFFICE RESPONSE  
COMBINED ASSESSMENT REVIEW  
PROJECT No. 2001-02124-R7-0131**

**C&P Claims Processing**

**VAOIG Recommendation 1** – We recommend the VARO Director ensure that the VSC works to reduce avoidable delays in C&P claims processing by monitoring and following up on processing delays.

**Regional Office Director Comments**

The Director concurred with the finding and recommendation. The primary reasons for the increased backlogs and deterioration in processing timeliness at the VARO has been the shortage of experienced staff and the diversion of the remaining experienced staff to claims processing changes and training support. The Claims Processing Task Force noted the negative impact of this diversion of resources to implement unproven processes in its October 2001 report. Other factors which contributed to the processing delays have included the loss of experienced personnel due to succession planning, turnover in the VSR position due to promotions to the RVSR position and external losses, on-going significant training demands due to personnel turnover in the Service Center, the impact of the Veterans Claims Assistance Act (VCAA), and an internal space consolidation and reconfiguration during FY 2001.

The VARO has eliminated the significant backlog of action mail that developed as a result of the space reconfiguration and redirection of Service Center trainees to centralized training. Further, we have increased the number of supervisors in the Service Center. We are currently in the process of re-organizing the Service Center to emphasize specialization of claims processing in accordance with recommendation S-8 of the Task Force. Our greatest need at the present time is to reduce the claims development backlog that has developed over the past year. In the immediate future we will focus more attention on routine and effective pending issue review in accordance with the OIG recommendation.

TARGET DATE: June 1, 2002

**Hospital Adjustments**

**VAOIG Recommendation 2** – We recommend the VARO Director ensure that:

- a. VSC management monitors hospital adjustments.
- b. VSC management coordinates with Veterans Integrated Service Network 21 to obtain VHA medical facility information on veterans hospitalized at Government expense for 90 days or more.



### **Regional Office Director Comments**

The Director concurred with the finding and recommendation. The VARO is committed to processing hospital adjustments in a timely manner. While we consider such processing a priority, in the past we have been unable to devote sufficient trained resources to apply the cumbersome and laborious AMIE hospital adjustment system due to the lack of trained staffing. While staffing resources have been added in FY 2002, significant training needs continue to exist. The VARO is improving the lines of communication with VAMCs in the Northern and Central California. VAMC Palo Alto has begun to provide a monthly listing of veterans hospitalized for more than 30 days and a report of admissions to contract nursing homes. The VARO is sharing this report with the other VAMCs to monitor the timely processing of hospital adjustments. Target completion date for implementation of the reporting process throughout the VARO's jurisdiction is June 1, 2002

### **Employee-Veteran Files Security**

**VAOIG Recommendation 3** – We recommend the VARO Director ensure that:

- a. VSC staff coordinate with VARO LA to obtain all VARO LA employee-veteran claims folders.
- b. All VARO LA employee-veteran claims folders are secured in locked files.
- c. VSC staff complete required semi-annual reconciliations of locked files.

### **Regional Office Director Comments**

The Director concurred with the findings and recommendations. The VARO has identified all VARO LA employee claim folders. Corrective action has been taken to recall those claims folders from the San Bruno Federal Archives and VARO LA. As these folders are received, the folders are physically secured in locked files in the Office of the Service Center Manager. In addition, we have identified with a special indicator in the COVERS folder location tracking system employee-veteran claim folders for both the VARO LA and also VARO Honolulu. To ensure ongoing compliance with employee-veteran file security, a semi-annual review of our locked files has been added to the VARO's systematic analysis of operations schedule. Target completion date for securing VARO LA veteran-employee files is March 1, 2002.

### **BDN Security**

**VAOIG Recommendation 4** – We recommend the VARO Director ensure that:

- a. BDN users accesses match their approved authorizations.
- b. The number of BDN users with level 7 sensitivity access is reduced in accordance with VBA policy.

- c. All current and new employees properly complete the C&P benefits disclosure form and all appropriate C&P records are electronically locked and claims folders physically secured.
- d. VARO staff who commit BDN security violations receive training, counseling, and if necessary, disciplinary action, to reduce future security violations

### **Regional Office Director Comments**

The Director concurred with the findings and recommendations. All VA Form 20-8824 are being reviewed and reconciled with their corresponding Terminal Access Commands to ensure users have the commands authorized by their supervisors. The VARO has reduced level 7 access below 10 percent of the BDN users. All employees have completed the most recent version of the benefits disclosure form VA Form 20-0344 (Annual Certification of Veteran Status and Veterans-Relatives). Annually, a review and certification will be performed to ensure all employees complete the benefits disclosure form. The VARO completed a 100 percent review of BDN and CSUM and completed electronic locking of all required records. In addition, copies of the disclosures are being sent to those VAROs where the unsecured files may still reside in order to assure 100 percent physical security. The VARO regularly conducts reviews of violation logs, provides verification of the employees' approved commands, and provides recommended training steps. Division managers are provided information regarding the violation log review and are empowered to take appropriate disciplinary actions, including counseling and, if necessary, disciplinary action. Target completion date for completing these BDN security related issues is March 1, 2002.

### **Automated Information Technology Security**

**VAOIG Recommendation 5** – We recommend the VARO Director ensure that a full-time ISO is appointed as soon as possible.

### **Regional Office Director Comments**

The Director concurred with the finding and recommendation. Delegation of a full-time ISO who will report to the VARO Director is pending guidance, including classification and position description from Central Office, and allocation of one FTE (including funding) is also required.

## Monetary Benefits in Accordance With IG Act Amendments

**Report Title:** Combined Assessment Program Review of the VA Regional Office Oakland, California

**Report Number:** 01-02124-71

<b><u>Recommendation Number</u></b>	<b><u>Category/Explanation of Benefits</u></b>	<b><u>Better Use of Funds</u></b>
2	Benefit reductions for veterans hospitalized more than 90 days	<u>\$503,000</u>
<b>Total</b>		<b>\$503,000</b>

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