



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

**Combined Assessment Program
Review of
VA Regional Office
Cleveland, Ohio**

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.

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

Contents

	Page
Executive Summary	i
Introduction	1
Regional Office Profile	1
Objectives and Scope of CAP Review	1
Results of Review	3
Organizational Strengths	3
Opportunities for Improvement	4
C&P Claims Processing	4
C&P Retroactive Payment Reviews	5
C&P System Error Messages	5
Decision Review Officers	6
Benefits Delivery Network Security	6
Automated Information Systems Security	7
VR&E Supply Authorizations	7
Loan Administration	8
Appendixes	
A. VARO Cleveland Director Comments	9
B. Report Distribution	12

Executive Summary

Introduction

The Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Cleveland, Ohio from February 11–15, 2002. The purpose of the review was to evaluate benefits claims processing, financial, and administrative operations.

Results of Review

VARO financial and administrative activities reviewed were generally operating effectively. To improve operations, the VARO needed to:

- Improve the timeliness and accuracy of compensation and pension (C&P) claims processing.
- Document the reasons for the absence of required three-signature approvals for retroactive C&P payments of \$25,000 or more.
- Improve the timeliness and accuracy of actions taken based on C&P system error messages.
- Include the quality of feedback provided to staff as one of the criteria for evaluating the performance of Decision Review Officers (DROs).
- Limit access to the C&P claims authorization command in the Benefits Delivery Network (BDN) to employees at the GS-11 level and above.
- Revise the VARO Automated Information Systems (AIS) Security Contingency Plan to include key elements.
- Monitor educational supplies ordered by Vocational Rehabilitation and Employment (VR&E) case managers.
- Update lender files in the Loan Administration unit.

VARO Director Comments

The VARO Director agreed with the findings and recommendations and provided acceptable implementation plans. (See Appendix A for the full text of the Director's comments.) We will follow up on the planned actions until they are completed.

(original signed by:)
RICHARD J. GRIFFIN
Inspector General

Introduction

Regional Office Profile

Organization. VARO Cleveland provides C&P and VR&E services to eligible veterans, dependents, and beneficiaries residing in Ohio. The VARO also has itinerant Veterans Benefits Counselors who provide claims assistance services to veterans at the Cleveland and Cincinnati VA Medical Centers (VAMCs) and at the Youngstown Outpatient Clinic.

The VARO has a Regional Loan Center (RLC) that provides home loan guaranty services for the States of Ohio, Michigan, Indiana, Pennsylvania, New Jersey, and Delaware. The RLC is one of the largest of the Veterans Benefits Administration's (VBA's) nine RLCs, and was the first to complete the consolidation of its loan servicing and processing activities. Education benefits for Ohio veterans are provided by the Regional Education Processing Center located at VARO Buffalo, New York.

VARO Cleveland hosts VBA's Tiger Team, which is a special unit that is responsible for expeditiously processing certain C&P claims submitted by beneficiaries who are aged 70 or older. The Tiger Team, which reports to VBA Headquarters, is staffed with rating veterans service representatives (RVSRs), veterans service representatives (VSRs), and clerical support. As of February 2002, the team had 40 full-time equivalent employees (FTEE). The team's production goal is 1,328 completed claims per month.

Resources. The VARO's general operating expenses for Fiscal Year (FY) 2001 totaled about \$23.4 million, and the staffing level was 401 FTEE.

Workload. Ohio has a veteran population of about 1.2 million. During FY 2001, about \$831.2 million in C&P benefits were paid to about 112,000 beneficiaries. VR&E services were provided to about 1,400 beneficiaries, with estimated benefits totaling over \$15 million. During FY 2001, the RLC successfully intervened with mortgage lenders on behalf of 729 veterans who defaulted on their home loans. At the end of the fiscal year, the RLC was servicing 12,869 defaulted loans and had issued guaranties for 26,172 new loans.

Objectives and Scope of CAP Review

Objectives. The objectives of the CAP review were to evaluate a range of claims processing and administrative operations.

Scope. We reviewed selected VARO operations, focusing on the efficiency, effectiveness, quality, and timeliness of the benefits delivery system and the associated management controls. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met. Benefits delivery is the process of ensuring that veterans' claims and requests for benefits or services are processed promptly and accurately.

In performing the review, we interviewed managers and employees, inspected work areas, and reviewed benefits, and financial and administrative records. The review covered the following activities:

Loan Guaranty Operations	VARO Management Controls
Fiduciary and Field Examinations	BDN Security
C&P Claims Processing	AIS Security
C&P Retroactive Payment Reviews	VR&E Services
C&P System Error Messages	

We did not provide fraud and integrity awareness training to VARO employees during this CAP review because we had provided this training in November 2001 when we visited the VARO to perform work on the OIG's Special Review of One-Time Compensation and Pension Payments and Related Security Controls. About 225 employees attended the November training.

The review covered VARO operations for FY 2001 and the first quarter of FY 2002 and was done in accordance with OIG standard operating procedures for CAP reviews.

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

Results of Review

Organizational Strengths

VARO management created an environment that supported performance improvement. The administrative, fiduciary, financial, loan guaranty, and VR&E activities reviewed were generally operating satisfactorily, and management controls were generally effective.

The Regional Loan Center Provided Quality Service. The Loan Production unit's customer service was effective. Certificates of Eligibility for home loans were provided to veterans in 1 day. Loan Guaranty Certificates for approved loans were processed within 7 days, well below the national standard of 45 days. The unit also performed sample reviews of all guaranteed loans to evaluate lender underwriting and post-closing audits to identify lenders with high default rates. In addition, the unit maintained a 100 percent compliance rate on Statistical Quality Control (SQC) reviews.

The Construction and Valuation (C&V) unit had established effective controls to ensure that fee appraisers were qualified and that appraisal assignments were made equitably. Notices of Value were issued within 5 business days. On their SQC review, the C&V unit had an error rate of only 1.8 percent, compared to the standard of 5 percent.

The Loan Administration unit provided quality servicing to borrowers in need of counseling. Loan servicing efforts were documented to demonstrate that staff utilized all servicing tools to avoid foreclosures. Foreclosed loans were expeditiously liquidated and claims were processed accurately to avoid unnecessary expense.

The Property Management unit was performing well. As of February 2001, the unit's staff of 4.5 FTEE managed an inventory of 200 properties. The Property Management unit's staff were effectively monitoring the timeliness of property acquisitions, management broker activities, authorizations for maintenance and repairs, fee schedules and costs, and marketing and sales of properties.

Fiduciary Accountings Were Complete and Accurate. Fiduciary accountings, which are reviews of beneficiary account transactions, were being completed on time and in accordance with applicable directives. Questionable conditions noted in accountings were immediately followed up on and resolved.

Opportunities for Improvement

C&P Claims Processing – Monitoring Claims Will Improve Timeliness

Condition Needing Improvement. The VARO needed to significantly improve the timeliness of C&P claims processing. In January 2002, VARO Cleveland ranked 22nd among the 57 VAROs for timeliness of completed C&P claims with rating related actions and 30th for C&P claims without rating related actions. In February 2002, pending C&P issues (claims by veterans that are electronically tracked in the BDN system) totaled 18,282.

To evaluate claims processing procedures, we reviewed processing timeliness for 90 randomly selected original and reopened C&P claims. Of the 90 claims, 50 (56 percent) had avoidable delays in processing. A major cause of these delays was that C&P managers and staff did not effectively use BDN Work-In-Process (WIPP) system reports to monitor and manage individual claims. As a result of the failure to monitor these cases, they were set aside with no action taken for long periods of time. The following examples illustrate this problem:

- On November 29, 2000, the VARO received a veteran's reopened compensation claim. Staff did not begin developing the claim until March 1, 2001. On April 4, 2001, the VARO received the results of the veteran's C&P medical examination, which provided sufficient information to complete processing. However, the rating specialist did not write a decision until about 6 months later on October 3, 2001, and notification of denial was not sent to the veteran until October 9, 2001, 313 days after the VARO had received the claim. Avoidable delays totaled 201 days [313 days total processing time – 112 allowable days for processing per VBA criteria and for delays not attributable to the VARO = 201 avoidable days (52 days for claim development and 149 days for claim rating)].
- On April 17, 2000, the VARO received a veteran's reopened compensation claim. On June 23, 2000, staff began developing the claim, but did not request a VA physical examination until July 12, 2000. Electronic pending issue control was not established until October 4, 2000. The VARO requested outpatient treatment records from a VAMC on October 16, 2000. VARO staff waited for the records for 330 days (about 11 months) without following up on the initial request and did not receive these records until September 27, 2001, 346 days after the request. On October 29, 2001, 560 days after receiving the claim, the VARO authorized a compensation award. For this claim, avoidable processing delays totaled 406 days [560 days total processing time – 154 allowable days for processing per VBA criteria and for delays not attributable to the VARO = 406 avoidable days (30 days for claim establishment and 376 days for claim development)].

Improved monitoring of pending workload would have detected errors and prevented lengthy delays in processing.

Recommended Improvement Action 1. We recommended that the VARO Director ensure that the VSC improves monitoring of claims processing timeliness and aggressively follows up on processing delays. The Director concurred and reported that the VARO will use BDN WIPP

system reports in conjunction with inventory management tools to monitor claims processing timeliness and follow up on processing delays.

C&P Retroactive Payment Reviews – Documentation Deficiencies Should Be Corrected

Condition Needing Improvement. The VARO needed to better comply with VBA policy that requires the Director or Associate Director to review every retroactive C&P payment of \$25,000 or more. The purpose of this review is to ensure that these payments are correct and that the internal control requirements relating to these payments have been met. The most important control is that each payment must have a three-signature approval—that is, approval by three claims processing staff, one of whom must be a supervisor or team leader. If the Director-level review finds that a payment was released without the three-signature approval, the VSC Manager is required to personally review the payment and document the reason why the three-signature approval was not done.

We reviewed all 53 retroactive payments of \$25,000 or more issued by the VARO from October through December 2001. The Associate Director had correctly reviewed all 53 payments. However, in cases that he identified as lacking the three-signature approval, the VSC Manager’s required explanations for these deficiencies were not documented. Our review showed that these payments were appropriate.

Suggested Improvement Action. We suggested that the VARO Director ensure that the VSC Manager reviews retroactive payments that do not have required three-signature approvals and documents the reasons for these deficiencies. The Director agreed and reported that the VSC Manager will annotate review sheets and document reasons for the absence of required third signatures.

C&P System Error Messages – Timeliness and Accuracy of Actions Should Be Improved

Condition Needing Improvement. The VARO needed to improve the timeliness and accuracy of processing C&P system error messages. VAROs receive computer-generated hard copy error messages or “writeouts” from the BDN system for various reasons. Two common reasons are benefits payment checks being returned because beneficiaries have died and notifications that particular BDN processing actions must be taken by certain dates. VBA policy requires VAROs to take initial action on system error messages within 7 calendar days of receipt.

We reviewed 15 error messages for timeliness and accuracy of processing. For 4 of the 15 messages, claims processing actions were not timely, with delays of 43, 48, 98, and 180 days. Seven of the 15 messages were not processed accurately. For 4 of the 7 messages, letters proposing termination of benefits payments or notifying the beneficiaries of benefits termination were not sent. For the other three messages, staff did not follow up on an interim benefits reduction, delete a diary from the BDN master record when the proper action was taken, and properly take end product credit. To help minimize beneficiary overpayments, VARO staff should place increased emphasis on processing error messages promptly and accurately.

Suggested Improvement Action. We suggested that the VARO Director ensure that the VSC Manager emphasizes to employees the importance of prompt and accurate actions on C&P system error messages. The Director agreed and reported that staff will be briefed and the importance of prompt and accurate actions will be emphasized.

Decision Review Officers – Management Should Evaluate DROs on the Quality of Feedback Provided to Veterans Services Staff

Condition Needing Improvement. VARO management was evaluating DROs on the timeliness, quantity, and quality of their reviews of benefits decisions made by RVSRs and VSRs, but were not evaluating them on the quality of the feedback that they provided to RVSRs and VSRs. DROs are responsible for informing RVSRs and VSRs of the reasons for overturning their benefits claim decisions. Providing this feedback is especially important given VARO Cleveland's current lack of experienced RVSRs. DROs are also responsible for identifying trends and weaknesses that can be addressed by training.

Suggested Improvement Action. We suggested that the VARO Director ensure that DRO annual performance evaluations include a review of the quality and effectiveness of DRO feedback provided to RVSRs and VSRs. The Director agreed and reported that the VARO will comply with VBA policy concerning DRO evaluations.

Benefits Delivery Network Security – Access to the Claims Authorization for C&P Command Should Be Limited

Condition Needing Improvement. The VARO needed to restrict the use of the BDN claims authorization (CAUT) command to the appropriate staff. This command is used to authorize benefit awards and is the last action needed to enter awards in the BDN system for payment. In response to an OIG recommendation, in September 2001 VBA Headquarters issued a new policy requiring that authorization to use the CAUT command be restricted to employees at the GS-11 level and higher.

We reviewed access to the CAUT command for 40 VSRs (6 were on the Tiger Team) and identified 2 employees at the GS-10 level and below with access.

Suggested Improvement Action. We suggested that the VARO Director ensure that only VSRs at the GS-11 level and higher have access to the CAUT command or apply for a waiver from VBA Headquarters based on perceived need for these lower graded employees to retain this access. The Director agreed and reported that the VARO will request a waiver for these two employees.

Automated Information Systems Security – The AIS Contingency Plan Should Be Revised to Include Key Elements

Condition Needing Improvement. The VARO should develop a formal agreement for backup AIS services and revise its Contingency Plan to include key elements. Contingency planning focuses on restoring information technology services for automation centers, and wide area network or local area network services. Proper planning is crucial to ensure continuity of operations when unforeseen events threaten the availability of computerized information. We identified four issues of concern:

- The VARO had designated an alternative processing facility to provide backup to AIS services in an emergency, but the two facilities did not have a written agreement formalizing this relationship.
- The Contingency Plan did not include the name and title of the facility's Emergency Preparedness Officer.
- The Contingency Plan designated the same 2 individuals for 10 of its 15 key coordinator positions. These responsibilities should be more widely distributed.
- The VARO had performed a test of its Contingency Plan that involved discussions among only four VARO officials regarding the notification roster and telephone numbers of key personnel in case of an emergency situation. All key personnel should have been involved, test results should have been documented, and corrective actions taken where appropriate.

Suggested Improvement Actions. We suggested that the VARO Director: (a) develop a formal agreement with the alternative processing facility to provide backup AIS services in an emergency, (b) revise the Contingency Plan to include the name and title of the Emergency Preparedness Officer, (c) delegate other individuals to perform key coordinator duties, and (d) perform a more realistic test of the plan, document the test results, and take corrective actions where appropriate. The Director agreed and reported that the suggested improvements will be implemented.

VR&E Supply Authorizations – Required Monitoring Should Be Enforced

Condition Needing Improvement. The VR&E Officer was not reviewing a sample of case manager authorizations for issuing educational supplies to veterans. As part of the quality control program, VBA policy calls for the VR&E Officer's Systematic Analysis of Operations (SAO) to include a random review of case manager authorizations for educational supplies and materials. The purpose of the review is to detect possible fraud, waste, or abuse. This requirement was not complied with because the VR&E Officer believed that frequent staff interaction with the veterans made the review unnecessary.

Suggested Improvement Action. We suggested that the VARO Director ensure that case manager authorizations of supplies are monitored as part of VR&E's SAO. The Director agreed

and reported that VR&E SAO 28-2, Adherence to Contractual Procedures, has been amended to include a review of purchases of services and supplies.

Loan Administration – Lender Files Should Be Maintained and Updated

Condition Needing Improvement. The Loan Administration unit did not maintain or update lender files or keep any records of lender performance. Instead, they used an informal telephone contact if a problem was found with a particular lender servicing a VA home loan.

Without updated lender files, the VARO cannot effectively monitor lender performance by tracking deficiencies such as late reporting of loan defaults, lack of servicing, and cutoff of interest for failure to timely pursue liquidation. This hinders Loan Administration's ability to take administrative action against lenders that do not meet VBA requirements.

Suggested Improvement Action. We suggested that the VARO Director ensure that the Loan Administration unit maintains and updates lender files and documents any lender servicing deficiencies found. The Director agreed and reported that lender files will be maintained in accordance with VBA guidelines.

VARO Cleveland Director Comments

**DEPARTMENT OF VETERANS AFFAIRS
Regional Office
1240 East Ninth Street
Cleveland, OH 44199**

April 8, 2002

Department of Veterans Affairs
Attn: Ed Kostro, Audit Manager
OIG Audit Operations Division, Chicago (52CH)
Hines VA Medical Center
5th Ave. & Roosevelt Rd.
Building 16, Room 212
Hines, IL 60141

SUBJ: Response to CAP Review of the VA Regional Office Cleveland, OH

1. Enclosed is our reply to your Final Draft Report: Combined Assessment Program Review of VA Regional Office Cleveland, OH (Project No. 2002-01165-R4-0076).
2. Should you require additional information, please contact Charles Turner of my staff at (216) 522-3580.

Sincerely,

Original signed by
PHILLIP J. ROSS
Director

Enclosure

**CLEVELAND REGIONAL OFFICE
COMMENTS AND IMPLEMENTATION PLAN FOR VA OIG CAP REVIEW**

Recommendation #1. We recommend that the VARO Director ensure that the Veterans Service Center improves monitoring of claims processing timeliness and aggressively follows up on processing delays.

Concur. We will use WIPP in conjunction with Inventory Management tools completely by April 15, 2002.

Suggestion #1. We suggest that the VARO Director ensure that the Veterans Service Center Manager reviews retroactive payments that do not have required three-signature approvals and documents the reasons for these deficiencies.

Concur. Veterans Service Center Manager will annotate review sheets and document reason.

Suggestion #2. We suggest that the VARO Director ensure that the Veterans Service Center Manager emphasizes to employees the importance of prompt and accurate action on C&P system error messages.

Concur. Staff will be briefed and the importance of prompt and accurate action will be emphasized.

Suggestion #3. We suggest that the VARO Director ensure that DRO annual performance evaluations include a review of the quality and effectiveness of DRO feedback provided to RVSRs and VSRs.

Concur. Will comply with Fast Letter 01-89 dated September 27, 2001.

Suggestion #4. We suggest that the VARO Director ensure that only GS-11 and higher VSRs have access to the CAUT-C&P command or apply for a waiver from VBA Headquarters based on perceived need for these lower graded employees to retain this access.

Concur. We will request a waiver.

Suggestion #5. We suggest that the VARO Director: (a) develop a formal agreement with the alternative processing facility to provide backup AIS services in an emergency, (b) revise the plan to include the name and title of the Emergency Preparedness Officer, (c) delegate other individuals to perform key coordinator positions, and (d) perform a more realistic test of the plan, document the test results, and take corrective actions where appropriate.

Concur with suggested improvement actions.

a. The VARO Director will work with the Director of the alternative processing facility, VAMC-Brecksville, to develop a formal agreement for the AIS to provide backup services in an emergency. Target Date: June 1, 2002.

- b. The Automated Information System plan did contain the name and telephone number of the Regional Office Director as the Emergency Preparedness Coordinator per the AIS template. The AIS plan has been revised to reflect the Regional Office Director as the Emergency Preparedness Officer. Target Date: Completed.
- c. A review will be made of the key coordinator positions listed in the AIS plan and additional individuals will be delegated appropriate positions. Target Date: June 1, 2002.
- d. A more realistic test of the plan will be undertaken with additional key personnel assigned to key coordinator positions and with employees currently occupying key positions. This test will be documented and appropriate corrective action will be taken. Target Date: June 1, 2002.

Suggestion #6. We suggest that the VARO Director ensure that case manager authorizations of supplies are monitored as part of VR&E's SAO.

Concur with suggested improvement actions:

VR&E SAO 28-2, Adherence to Contractual Procedures, has been amended to include a review of purchases of Chapter 31 services and supplies. Veterans will be randomly selected and contacted to verify that they received the authorized Chapter 31 services and/or supplies. Target Date: Completed.

Suggestion #7. We suggest that the VARO Director ensure that the Loan Administration unit maintains and updates lender files and documents any lender servicing deficiencies found.

Concur. Files will be maintained in accordance with VACO guidelines.

Report Distribution

VA Distribution

Secretary (00)
Deputy Secretary (001)
Chief of Staff (00A)
Executive Secretariat (001B)
Under Secretary for Benefits (20A11)
General Counsel (02)
Assistant Secretary for Public and Intergovernmental Affairs (002)
Acting Assistant Secretary for Management (004)
Assistant Secretary for Information and Technology (005)
Assistant Secretary for Policy and Planning (008)
Deputy Assistant Secretary for Congressional Affairs (009C)
Deputy Assistant Secretary for Public Affairs (80)
Director, Management and Financial Reports Service (047GB2)
Associate Deputy Under Secretary for Field Operations (201)
VBA Chief Information Officer (20S)
Director, VARO Cleveland, OH (325/00)

Non-VA Distribution

Office of Management and Budget
General Accounting Office
Senator Michael DeWine
Senator George V. Voinovich
Congresswoman Stephanie Tubbs-Jones
Congressional Committees (Chairmen and Ranking Members):
 Committee on Governmental Affairs, U.S. Senate
 Committee on Veterans' Affairs, U.S. Senate
 Subcommittee on VA, HUD, and Independent Agencies, Committee on Appropriations,
 U.S. Senate
 Committee on Veterans' Affairs, U.S. House of Representatives
 Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs,
 U.S. House of Representatives
 Subcommittee on Benefits, Committee on Veterans' Affairs, U.S. House of Representatives
 Subcommittee on VA, HUD, and Independent Agencies, U.S. Committee on Appropriations,
 U.S. House of Representatives
 Staff Director, Committee on Veterans' Affairs, U.S. House of Representatives
 Staff Director, Subcommittee on Oversight and Investigations, Committee on Veterans'
 Affairs, U.S. House of Representatives

This report will be available in the near future on the VA Office of Audit Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>, *List of Available Reports*. This report will remain on the OIG Web site for 2 fiscal years after it is issued.