

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Audit of Vocational
Rehabilitation and
Employment Program's
Self-Employment
Services at Eastern and
Central Area Offices*

December 11, 2012
11-00317-37

ACRONYMS AND ABBREVIATIONS

CER	Counseling/Evaluation/ Rehabilitation
CFR	Code of Federal Regulations
CWINRS	Corporate Waco, Indianapolis, Newark, Roanoke, and Seattle
OIG	Office of Inspector General
VA	Veterans Affairs
VBA	Veterans Benefits Administration
VR&E	Vocational Rehabilitation and Employment

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Report Highlights: Audit of VR&E Program's Self-Employment Services at Eastern and Central Area Offices

Why We Did This Audit

Veterans Benefits Administration's (VBA) Vocational Rehabilitation and Employment (VR&E) program assists veterans who have service-connected disabilities prepare for, find, and maintain suitable employment. Self-employment is one of the five major service tracks offered as part of the VR&E program. We conducted this audit to determine how effectively the VR&E program plans and provides self-employment services.

What We Found

VR&E misidentified veterans participating in self-employment services and did not record all their program expenses in Corporate WINRS (CWINRS). VBA needs to strengthen the management of the VR&E program to ensure its Eastern and Central area offices effectively plan and provide self-employment services to help veterans successfully operate their own businesses. Additionally, VR&E needs to measure self-employment outcomes and ensure approvals for self-employment services are appropriate.

This occurred because of insufficient oversight to maintain the reliability of data recorded in Corporate WINRS. Eastern and Central area VR&E staff were not aware of the correct criteria for rehabilitating veterans participating in self-employment services. In addition, VBA guidance was not clear when providing self-employment services to veterans with established businesses or when approving self-employment plan expenses.

VR&E management does not have reliable data to make effective program decisions because the type of employment service provided to a veteran or program expense data recorded in Corporate WINRS is incorrect. As a result, management cannot accurately identify the resources needed to accomplish program goals or determine the overall success of the program.

What We Recommended

We recommended the Under Secretary for Benefits improve the management and oversight for self-employment services by establishing procedures to ensure the accuracy of data contained in Corporate WINRS, implementing performance measures, and conducting staff training.

Agency Comments

The Under Secretary for Benefits concurred with our finding and recommendations and provided an appropriate action plan. We will follow up on the implementation of corrective actions.

A handwritten signature in black ink that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

- Objective** The VA Office of Inspector General (OIG) conducted this audit to determine how effectively the Vocational Rehabilitation and Employment (VR&E) program planned and provided self-employment services.
- Organizational Responsibilities** VR&E Service, located in the VA Central Office, is responsible for planning, organizing, and administering the VR&E program within the Veterans Benefits Administration (VBA). VR&E Service formulates policies and procedures and maintains oversight responsibility to assure regional office staff provides timely, quality services. The regional office staff includes a VR&E officer who manages program activities by implementing the policies and procedures and providing program oversight. Regional office staff also includes case managers, such as vocational rehabilitation counselors; employment coordinators; and counseling psychologists, who provides services to veterans that lead to suitable employment or independent living.
- VR&E Program** The VR&E program is authorized by Congress under Title 38, Code of Federal Regulations (CFR), Chapter 31. The program assists veterans who have service-connected disabilities prepare for, find, and maintain suitable employment. VR&E has five service tracks that include:
- Self-employment
 - Rapid access to employment
 - Reemployment
 - Employment through long-term services
 - Independent living services
- VR&E's self-employment services include analysis of the veteran's business concept, development of a business plan, training in the operation of a small business, marketing and financial assistance, and guidance on obtaining adequate resources to implement the plan. Self-employment services also provide veterans with equipment, inventory, and other incidental services to help them successfully begin operating their own businesses. According to program data, veterans provided with self-employment services represent approximately 1 percent of all VR&E participants.
- Program Budget** The VR&E program provided services to approximately 114,300 participants, according to the FY 2012 Performance and Accountability Report. VBA spent about \$798 million in FY 2011 and planned to spend about \$949 million in FY 2012 on the VR&E program. VBA does not budget a specific amount to fund self-employment services. Appendix A provides additional background information, and Appendix B describes the scope and methodology for the audit.

RESULTS AND RECOMMENDATIONS

Finding

VBA Needs To Improve the Management of VR&E's Self-Employment Services

VR&E misidentified veterans participating in self-employment services and did not record all their program expenses in Corporate WINRS (CWINRS). VBA needs to strengthen the management of the VR&E program to ensure its Eastern and Central area offices effectively plan and provide self-employment services to help veterans successfully operate their own businesses. Additionally, VR&E needs to measure self-employment outcomes and ensure approvals for self-employment services are appropriate.

This occurred because of insufficient oversight to maintain the reliability of data recorded in CWINRS. Eastern and Central area VR&E staff were not aware of the correct criteria for rehabilitating veterans participating in self-employment services. In addition, VBA guidance was not clear when providing self-employment services to veterans with established businesses, or when approving self-employment plan expenses.

As a result, VR&E can improve the program data so that management has accurate information upon which to base its decisions. Also, VR&E can enhance the efficiency of providing self-employment services to ensure participants receive the assistance required to develop and maintain successful veteran businesses.

Corporate WINRS

CWINRS is VR&E's electronic case management system used to manage caseloads and program costs. The WINRS acronym is derived from the five pilot stations that tested the original program: Waco, TX; Indianapolis, IN; Newark, NJ; Roanoke, VA; and Seattle, WA. CWINRS allows VBA and VR&E staff to review and maintain data on program participants as they move through the vocational rehabilitation process. The system automatically generates VA forms and letters, makes payments on behalf of the participants, schedules and tracks appointments, and provides staff a complete case history of chronological events. Case managers maintain VR&E participants' information in CWINRS and in the Counseling/Evaluation/Rehabilitation (CER) files.

Program Data Incorrectly Recorded or Missing

VR&E incorrectly recorded veterans receiving self-employment services and did not record veterans' program purchases for equipment, inventory, and other services valued at about \$47,400. We found participant information in 29 of 70 CER files reviewed did not match the recorded data in CWINRS. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* states that controls are an integral part of

an organization's planning, implementing, reviewing, and accounting for Government resources and achieving effective results. Examples of fundamental Federal Government controls include accurate and timely recording of events, and documenting and monitoring financial transactions.

*Participants
Misidentified*

We reviewed a sample of 70 CER files and found 45 files were appropriately recorded in CWINRS as self-employment participants. However, case managers incorrectly recorded 25 of 70 files in CWINRS as veterans participating in self-employment services. According to the CER files, these 25 veterans received other VR&E program services such as independent living and employment through long-term services.

For example, a veteran attended law school with the goal of obtaining and maintaining employment as an attorney. Although data in CWINRS identified him as a self-employment participant, his CER file documentation correctly identified him as a participant of employment through long-term services.

*Financial
Transactions
Not Recorded*

Case managers did not record all the purchases in CWINRS for 4 of 45 CER files with a total value at about \$47,400. Self-employment services obligate funds to veterans for equipment, inventory, and other services based on information provided in the veteran's self-employment and business plans.

For example, a case manager purchased a convection oven and a food processor for a veteran with a self-employment goal to own and operate a convenience store delicatessen. The CER file included documentation to support purchases totaling about \$10,000. However, the case manager did not record the corresponding expenses in CWINRS.

This occurred because VR&E lacks effective oversight to maintain the reliability of the data recorded in CWINRS. VR&E management does not have reliable data to make effective program decisions or evaluations because data in CWINRS for the type of employment services provided to a veteran and program expenses are incorrect and incomplete. Management cannot accurately identify the resources needed to accomplish program goals or determine the overall success of the program.

*Measures for
Service
Outcomes
Needed*

VR&E lacks specific performance measures and trending data needed to plan self-employment services and to evaluate performance outcomes. The Office of Management and Budget's Circular A-123, "Management's Responsibility for Internal Controls," dated December 21, 2004, states internal controls will include processes for planning, organizing, directing, controlling, and reporting on agency operations. However, VR&E management cannot accurately report outcomes and veteran participation in self-employment services.

VR&E's Employment Rehabilitation Rate evaluates the program success for all veterans who achieve their employment goals. VR&E does not have performance measures that independently monitor and report the success of self-employment services.

VR&E needs performance measures for self-employment services because rehabilitation requirements for these services differ from other VR&E employment services. To consider a veteran successfully rehabilitated in self-employment services, case managers are required to contact the veteran and monitor the business for at least 12 months to ensure the veteran's business is operating and generating an income. By comparison, other types of employment services require just 2 months of monitoring after the veteran obtains employment.

The number of veterans pursuing self-employment, and the success rate of the service, has received congressional interest. For example, in April 2009, the House Committee on Veterans' Affairs Subcommittee on Economic Opportunity hearing on *Oversight of Vocational Rehabilitation and Employment Program*, asked the Director of VR&E Service to provide the success rate for veteran's entrepreneurship. The Director responded that VR&E does not have data on the success rate of veterans in self-employment services.

VR&E needs performance measures and trending data specifically for self-employment services to effectively assess and measure service outcomes. Performance measures will help management identify opportunities for improvement, and provide stakeholders with data and information concerning the status and success rate of veteran entrepreneurship.

**Self-
Employment
Rehabilitation
Criteria Not
Understood**

Thirteen of the 45 CER files in self-employment were in rehabilitated status. However, 5 of 13 files were missing documentation to support the rehabilitation status, such as evidence that the veteran's business was operating and generating income. A rehabilitated status means the veteran achieved his or her employment goal and successfully completed the program. VR&E uses the rehabilitated status to determine their Employment Rehabilitation Rate.

VBA's Manual M28, Part IV, states case managers will provide monthly contact to monitor the veteran's progress, and they assign a veteran to a rehabilitated status when the business operates and generates income for at least 12 months. At that time, VBA considers the veteran has achieved his or her employment goal and successfully completed self-employment.

For example, a case manager indicated a participant, who was opening a home embroidery business, was ready to begin work in June 2009. In November 2010, the case manager assigned the participant to a rehabilitated

status. However, during this 17-month period, there was no documentation to support the case manager contacted the veteran monthly to ensure the business was operating and generating income.

This occurred because VR&E officers did not provide sufficient oversight or perform adequate case reviews before assigning veterans to a rehabilitated status. Case managers told us they were unaware or did not understand the requirement to monitor the veteran for 12 months to ensure the business generated income. As a result, VBA cannot provide reasonable assurance of the success of self-employment services, thus affecting the accuracy of the Employment Rehabilitation Rate.

**Self-
Employment
Services
Inappropriately
Approved**

VR&E needs to improve the accountability of program funds for self-employment services. VR&E staff inappropriately approved self-employment services for veterans with established businesses, and purchased equipment and services for participants without the appropriate approval authority.

**Services
Provided for
Established
Businesses**

For 9 of 45 CER files in self-employment (valued at about \$200,000), VR&E staff approved self-employment plans for veterans with an established business. VR&E does not have the authority to provide services to improve an established business under a self-employment plan. Title 38 CFR states self-employment services are designed to assist veterans with rehabilitation leading to self-employment and assist veterans in beginning employment.

According to VR&E management, an exception may occur if a business is not suitable in meeting a veterans needs as the result of a case manager's evaluation and feasibility analysis. In this instance, VR&E can provide self-employment services to modify the business. However, VR&E does not have the authority to provide self-employment services to enhance an established business by purchasing additional supplies.

For example, a veteran-owned and operated a printing business for 2 years and earned about \$18,000 to \$20,000 a year. He requested self-employment services to purchase new computer equipment to expand the diversity of the products offered. He received about \$9,200 for new equipment from VR&E self-employment services.

In another example, a veteran operated a business that provided coating services for cars, motorcycles, railings, and other metal products. According to the CER file, the veteran needed additional supplies for his 1 year-old business to maximize its potential. Over a 6-month period, the veteran received about \$11,700 for supplies and equipment from self-employment services including stripper solvent and a powder-coating sprayer system.

This occurred because guidance provided in VBA's Manual M28 does not specify when VR&E can provide self-employment services if a veteran has

an established business. As a result, veterans received services that did not meet Title 38 CFR requirement to begin employment and VR&E inappropriately spent about \$200,000 for services over a period of 2.5 years.

*Expenses Were
Inappropriately
Approved*

The Director of VR&E Service did not provide the required approval of self-employment plans for 6 of 45 CER files with expenses for equipment and services of \$25,000 or more. Title 38 CFR §21.258 requires the Director of VR&E Service approve self-employment plans with an estimated or actual cost of \$25,000 or more.

For example, a veteran started a fitness business and received equipment and services valued at about \$50,000 over 2 years. Because total expenses exceeded \$25,000, approval by the Director was required. However, according to the VR&E officer, he did not believe approval was necessary because VBA's Manual M28, Part IV, stated officers can approve annual expenses of \$25,000 and under to support self-employment plans.

This occurred because guidance provided in VBA's Manual M28, Part IV, differs from Title 38 CFR §21.258. VBA guidance refers to annual program costs, while Title 38 refers to costs associated with the life of the approved plan. VR&E management was not aware of the contradiction between VBA's manual and Title 38 CFR. As a result, VR&E staff inappropriately approved six self-employment plans valued at about \$647,300 for equipment and services.

Conclusion

Service-disabled veterans depend on the benefits provided by the VR&E program. Self-employment services provide employment opportunities for veterans with limited access to traditional employment that may require a more accommodating work environment because of their disabling conditions or other special circumstances. Establishing performance measures and monitoring performance can help VBA increase participation, identify opportunities for improvement, and ensure the objectives of self-employment services are met. Improving the accuracy of program data will help ensure VBA makes effective program decisions to align the appropriate services and resources to better assist veterans. In addition, providing training and implementing clearer guidance will ensure VBA provides participants the assistance and services required to develop successful service-disabled, veteran-owned businesses.

Recommendations

1. We recommended the Under Secretary for Benefits implement procedures to improve the accuracy of data in Corporate WINRS.
2. We recommended the Under Secretary for Benefits perform a data integrity review comparing Corporate WINRS to active self-employment

Counseling/Evaluation/Rehabilitation files and take corrective action as needed.

3. We recommended the Under Secretary for Benefits develop and implement performance measures that evaluate the success of self-employment services.
4. We recommended the Under Secretary for Benefits provide training to Eastern and Central area Vocational Rehabilitation and Employment staff to ensure they understand the criteria used to determine rehabilitation status for participants in self-employment services.
5. We recommended the Under Secretary for Benefits include guidance in Veterans Benefits Administration's Manual M28 to clarify when it is appropriate to provide services for veterans with an established business under a self-employment plan.
6. We recommended the Under Secretary for Benefits revise Veterans Benefits Administration's Manual M28, Part IV, to ensure Veterans Benefits Administration's guidance aligns with Title 38, Code of Federal Regulations, for approval of self-employment plans.

**Management
Comments
and OIG
Response**

VBA recognizes the need to advance self-employment services and is engaged in ongoing initiatives to enhance the overall management and service delivery for self-employment. The Under Secretary for Benefits concurred with our finding and recommendations and plans to complete all corrective actions by September 30, 2014.

VR&E Service will evaluate the current functionality of CWINRS to develop specific modifications and construct technical requirements to enable the programming of enhancements to improve data accuracy. VR&E will request field managers (VR&E officers) to complete a one-time targeted review of all active self-employment cases and take necessary corrective actions. To improve data consistency and accuracy further, VR&E is revising its case closure checklist to include elements specific to self-employment cases. Also, VR&E will develop performance measures that place greater emphasis on all employment outcomes.

VR&E issued a procedures letter to the regional office staff emphasizing the proper procedures for providing VR&E services to veterans with an existing business, and will revise Manual M28 to emphasize proper procedures for these cases. Training activities were completed in FYs 2011 and 2012, to ensure staff members received comprehensive training in the delivery of self-employment services. VR&E aligned Manual M28 with Title 38, and the revised section was issued to the field on August 1, 2012.

We consider these completed and planned actions acceptable, and we will follow-up on their implementation. Appendix D contains the full text of the comments from the Under Secretary for Benefits.

Appendix A Background

Role of VR&E Program

In 1918, Congress passed Public Law 65-178, the Vocational Rehabilitation Act, which provided for vocational rehabilitation and return to civil employment of disabled persons discharged from military or naval forces of the United States. In 1980, the Veterans' Rehabilitation and Education Amendments, Public Law 96-466, changed the emphasis of the program. It changed from training aimed at improving the employability of disabled veterans, to helping them obtain and maintain suitable employment and achieve maximum independence in daily living.

The VR&E program provides veterans with service-connected disabilities a full range of services including vocational planning, case management, training to build job skills, and job placement assistance. In response to the VR&E Task Force recommendations in 2004, the VR&E program implemented the Five-Track Employment Process, stationed 72 employment coordinators at VA Regional Offices across the country, and established Career Resource Centers (job labs). In addition, the VR&E program developed working partnerships and signed Memoranda of Understanding with Federal, State, and private sector employers who have agreed to train and hire veterans participating in the program.

VBA's Manual M28R (August 1, 2012) directs case managers and veterans to contact the Small Business Administration during development of the self-employment plan. The new guidance states the case manager must be aware of the Veteran-Owned Small Business Outreach Program in VA's Office of Small and Disadvantaged Business Utilization. The Outreach Program solicits veteran-owned small businesses and provides for possible VA contracting opportunities. In addition, the guidance directs case managers to include results of contacts with the Small Business Administration to secure consideration under Section 8 of the Small Business Act of 1953, as Amended, as part of their feasibility analysis of the veteran's business plan.

Internal Revenue Service Definition of Trade or Business

The Internal Revenue Service defines trade or business activities as activities engaged in for profit. In addition, the Internal Revenue Service presumes an activity is for profit if it makes a profit in at least 3 of the last 5 tax years, including the current year. In contrast, according to VBA's Manual M28, Part IV, a self-employment case is moved to a rehabilitated status when the veteran has successfully completed the self-employment goal once the business has been operating and generating income for at least 12 months.

Testimony

In June 2011, during the House Committee on Veterans' Affairs hearing on Putting America's Veterans Back to Work, the Director of VR&E Service stated that working in collaboration with VA's Innovation Initiative, VR&E

was engaged in building self-employment tools. She testified that VR&E was also conducting a VA employee innovation competition to allow staff to identify additional program enhancements. Important partners in the self-employment innovation have included the Small Business Administration and VA's Office of Small and Disadvantaged Business Utilization.

Appendix B Scope and Methodology

We conducted our audit work from August 2011 through September 2012. The scope of the audit included active, interrupted, discontinued, and rehabilitated self-employment participants from October 1, 2008, through March 31, 2011. Our audit universe included 415 veterans' CER files with associated expenses of \$9 million identified in CWINRS.

Test Site

We conducted a test of our audit methodology at the Milwaukee Regional Office by reviewing six veterans' CER files identified in our universe as self-employment participants. However, we determined that only two of the six veterans were in self-employment. We interviewed the VR&E officer to determine if staff effectively monitored participation, measured service outcomes, and provided oversight for self-employment services. We also interviewed case managers to gain an understanding of the self-employment services process and to test the appropriateness of our interview questions.

Site Visits

We reviewed a statistical sample of 70 veterans' CER files from the Eastern and Central area offices. We reviewed the 70 CER files, with associated expenses of over \$3.2 million, from 21 regional offices at the statistically selected Newark Regional Office and St. Louis Regional Office. The table below represents the number of CER files reviewed; however, the amounts shown do not represent expenses solely for self-employment services. We found 25 CER files in our sample not in self-employment services, but in other service tracks.

Table 1

Total Sample Number of CER Files Reviewed				
Area (Site Visit Regional Offices)	Self-Employment Services	Other Service Tracks	Total	Total Expenses
Eastern (Newark, NJ)	22	18	40	\$2,051,084
Central (St. Louis, MO)	23	7	30	\$1,169,082
Total	45	25	70	\$3,220,166

Source: CWINRS data of self-employment participants with rehabilitation plans from October 1, 2008, through March 31, 2011

**Counseling
Employment
and
Rehabilitation
File Review**

For our CER file review we:

- Identified self-employment participants during the audit scope period
- Determined the effectiveness of monitoring veteran participation in self-employment
- Determined if there was a proposed business plan, feasibility analysis, and a signed rehabilitation plan for self-employment
- Ensured proper adherence with established guidelines for approving expenses
- Analyzed the overall expenses for accuracy between the purchases documented in CER files and expenses recorded in CWINRS
- Determined if purchases and expenses were justified by comparing with the self-employment and business plans
- Verified the repayment of supplies was conducted as appropriate for veterans in the discontinued status
- Determined if case managers contacted or consulted the Small Business Administration and/or its associate organizations, such as the Service Corps of Retired Executives
- Ensured proper adherence to the guidance for placing veterans in the status of rehabilitated
- Verified the rehabilitated veterans' businesses were still operational

In addition, we interviewed the Director of VR&E Service, VR&E officers, and case managers to obtain program information and the extent of management oversight. We reviewed all relevant performance metrics, including those in the annual Performance and Accountability Report. Our work steps also included reviewing applicable laws, regulations, policies, procedures, and guidelines.

**Fraud
Assessment**

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The team exercised due diligence to any indications of such while conducting the audit and applied appropriate auditing principles and investigative referral policies. For such cases, we requested additional documentation, such as purchase card statements, and evidence to determine if fraud had occurred. We assessed the potential for fraud when:

- Self-employment plans were not amended to justify additional or new purchases
- Self-employment plans lacked the required signatures

- Receipts, invoices, or purchase justifications were not included, or were not legible
- Purchased items were frequently reported as lost, stolen, or not received
- Veterans did not return or repay for consumable and non-consumable supplies after they discontinued VR&E self-employment services
- Overall expenses were excessive
- Veterans participated in one or more of the other employment service tracks in the program
- Veterans discontinued participation in the program and later re-entered one or more times

**Data
Reliability**

We used computer-processed data provided by VBA's Office of Performance Analysis and Integrity from CWINRS to identify veterans participating in VR&E's self-employment services from October 1, 2008, through March 31, 2011. To test the reliability of this data, we compared the CWINRS data and information in the veterans' CER files. We concluded the data were not sufficiently reliable to determine the veterans' service tracks or the program costs. As a result, we explained the condition and developed recommendations for improving management controls to ensure the reliability of CWINRS.

**Government
Standards**

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C Statistical Sampling Methodology

We selected a random sample of participants' self-employment CER files to determine how effectively the VR&E program plans and provides self-employment services.

Population

The audit universe included 415 CER files with associated expenses of \$9 million. We used the data in CWINRS, which has a field to capture self-employment track selections, to identify the audit universe. The files included active, interrupted, discontinued, and rehabilitated self-employment participants with a signed rehabilitation plan on October 1, 2008, through March 31, 2011. From the universe of 415 files, we identified a sample of 131 files for review with associated expenses of \$5 million.

Sampling Design

We used a two-stage sampling approach. For the first stage, we stratified the universe of self-employment participants based on the area, participant type, and total dollar expenditures. CER files of participants who received large dollar amount expenditures (\$50,000 and above) were allocated into one stratum; medium-to-large amounts (\$49,999 to \$25,000) were allocated into a second stratum; medium amounts (\$24,999 to \$10,000) were allocated into a third stratum; and remaining participants' files (\$9,999 and below) into a fourth stratum. The sample was randomly selected within groups.

VBA's 57 regional offices are divided into four area offices (Eastern, Central, Southern, and Western), and for the second stage we selected one regional office from each area for on-site visits using simple random sampling. The table below shows the number of participants' CER files in the universe and sample for each area.

Table 2

Audit Universe and Sample by Strata			
Area (Site Visit Regional Office)	CER Files in Universe	CER Files in Sample	Percent of Universe in Area
Eastern (Newark, NJ)	127	40	31%
Central (St. Louis, MO)	98	30	31%
Southern (Jackson, MS)	63	25	40%
Western (Reno, NV)	127	36	28%
Total	415	131	32%

Source: CWINRS data for self-employment participants with rehabilitation plans from October 1, 2008, through March 31, 2011

**Projections
and Margins of
Error**

We reviewed 70 CER files from 21 regional offices in the Eastern and Central areas and determined that only 45 of 70 files were self-employment participants. We determined that a meaningful projection would not be possible because of the lack of reliability of identifying all self-employment participants in our universe. As a result, we did not project our errors and conduct reviews of the sample participants' CER files from Southern and Western area offices.

Appendix D Under Secretary for Benefits Comments

Department of Veterans Affairs

Memorandum

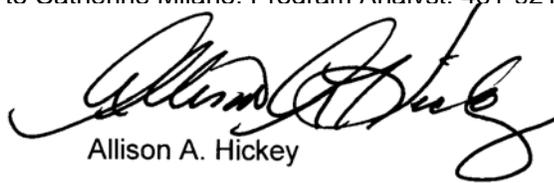
Date: November 6, 2012

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report —Audit of Vocational Rehabilitation and Employment Program's Self-Employment Services at Eastern and Central Area Offices [Project No. 2011-00317-R4-0014]—VAIQ7284365

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

1. Attached is VBA's response to the OIG Draft Report: Audit of Vocational Rehabilitation and Employment Program's Self-Employment Services at Eastern and Central Area Offices.
2. Questions may be referred to Catherine Milano. Program Analyst. 461-9216.



Allison A. Hickey

Attachments

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Audit of Vocational Rehabilitation and Employment
Program's Self-Employment Services at Eastern and Central Area Offices**

The Veterans Benefits Administration provides the following general comments:

VBA recognizes the need to advance self-employment services and is engaged in on-going initiatives to enhance the overall management of and service-delivery within the self-employment track. Piloting new approaches to self-employment, conducting national training activities, and issuing guidance that emphasizes and clarifies proper procedures are all methods Vocational Rehabilitation and Employment (VR&E) Service is using to improve the administration of self-employment services.

Beginning in fiscal year (FY) 2010, VR&E Service initiated three different VA Innovations with Industry (VAi2) projects that focus on both expanding services to Veterans interested in pursuing self-employment and providing a greater array of resources to assist VR&E counselors in delivering self-employment services. VR&E Service is currently piloting these programs and will evaluate which services or combinations of services are most effective.

The following comments are submitted in response to the recommendations in the OIG Draft Report:

Recommendation 1: We recommend the Under Secretary for Benefits implement procedures to improve the accuracy of data in Corporate WINRS.

VBA Response: Concur. VR&E Service continues to make enhancements to the data reporting elements in Corporate WINRS (CWINRS) as system and funding capacities allow. For example, in FY 2012, CWINRS was modified to make track selection a mandatory data field for all cases entering into a plan of services. While limited by the overall technological capacity of legacy systems, VR&E Service will evaluate the current functionality of CWINRS to develop specific modification requirements which may address this recommendation. Once specific requirements are identified, technical requirements will be constructed to enable the programming of those modifications/enhancements. VR&E Service will identify resource requirements for implementation of programming changes and request funding. They will also assess training needs in the field offices to ensure VR&E staff members are knowledgeable regarding data entry requirements and provide needed training.

Target Completion Date: September 30, 2013

Recommendation 2: We recommend the Under Secretary for Benefits perform a data integrity review comparing Corporate WINRS to active self-employment Counseling/Evaluation/Rehabilitation files and take corrective action as needed.

VBA Response: Concur. In September 2011, VR&E Central Office staff performed administrative reviews of 40 cases from VR&E offices in the Eastern Area. Review findings were submitted to each of the offices for follow-up and corrective action. Findings from this review were incorporated into national VR&E self-employment training activities. VR&E Service will also request field managers complete a one-time targeted review of all active self-employment cases in their jurisdictions and take necessary corrective actions. VR&E Central Office staff will verify completion by no later than December 14, 2012.

To further improve data consistency and accuracy, VR&E Service is revising its case closure checklists to include elements specific to self-employment cases. Revised case closure checklists will be developed and implemented no later than January 31, 2013.

Target Completion Date: January 31, 2013

Recommendation 3: We recommend the Under Secretary for Benefits develop and implement performance measures that evaluate the success of self-employment services.

VBA Response: Concur. VR&E is developing performance measures that place greater emphasis on all employment outcomes. These new measures require additional support from current information technology (IT) systems. VR&E Service will develop the new measures during FY 2013 and request IT funding to develop reporting tools for measuring performance in FY 2014 to support implementation no later than September 30, 2014.

Target Completion Date: September 30, 2014

Recommendation 4: We recommend the Under Secretary for Benefits provide training to Eastern and Central area Vocational Rehabilitation and Employment staff to ensure they understand the criteria used to determine rehabilitation status for participants in self-employment services.

VBA Response: Concur. VR&E Service completed the following activities in FY 2011 and FY 2012 to ensure that all VR&E staff members receive comprehensive training in the delivery of self-employment services:

- On September 12-15, 2011, VR&E Service conducted nationwide training in VR&E self-employment services at the National Conference Center in Leesburg, VA. The goal was to provide self-employment training to vocational rehabilitation counselors (VRCs) and employment coordinators (ECs). The training was created as six self-employment train-the-trainer modules. These six modules provided guidance on the implementation of the self-employment program in accordance with 38 CFR 21.257-7 and M28, Part IV, Subpart iv, Chapter 8. The training included information on the criteria for determining rehabilitation in self-employment cases. This training also featured presentations

from several Small Business Administration affiliates, rehabilitation professional business owners, and EAdvantage. Training was provided to approximately 102 VRCs and ECs nationwide.

- In February 2012, all self-employment training materials were posted on the VR&E website. VR&E staff members who attended the self-employment training in September 2011 trained their local VR&E staff. This local training was completed on March 30, 2012.
- VR&E officers and assistant officers were also required to complete a self-employment eLearning module by March 30, 2012. This web-based training provided VR&E officers and assistant officers an in-depth review of the guidelines for the administration of a self-employment plan to include the following: the components of the philosophical framework and standards of practice, tools and resources when utilizing the standards of practice for self-employment plans, and the roles and responsibilities of VR&E staff. This training also included information on the criteria for determining rehabilitation in self-employment cases.

VBA requests closure of this recommendation.

Recommendation 5: We recommend the Under Secretary for Benefits include guidance in Veterans Benefits Administration's Manual M28 to clarify when it is appropriate to provide services for veterans with an established business under a self-employment plan.

VBA Response: Concur. In August 2012, VR&E issued a procedures letter to the field emphasizing the proper procedures for providing VR&E services to Veterans with an existing business (Attachment A). VR&E's M28 Procedures Manual will be revised to emphasize the proper procedures in these cases. The M28 Procedures Manual revisions, along with training for field staff, are scheduled to be completed and delivered to the field by March 31, 2013.

Target Completion Date: March 31, 2013

Recommendation 6: We recommend the Under Secretary for Benefits revise Veterans Benefits Administration's Manual M28, Part IV to ensure Veterans Benefits Administration's guidance aligns with Title 38, Code of Federal Regulations for approval of self-employment plans.

VBA Response: Concur. VR&E conducted training on this issue in FY 2011 and FY 2012. VR&E aligned the M28 Procedures Manual (M28R, Part VI, Section A, Chapter 9.07(b)) with Title 38 and issued the revised section to the field on August 1, 2012.

VBA requests closure of this recommendation.



DEPARTMENT OF VETERANS AFFAIRS
Veterans Benefits Administration
Washington, D.C. 20420

August 27, 2012

In Reply Refer To: 28

VR&E Letter 28-12-40

Director (00/28)
All VA Regional Offices

SUBJ: Vocational Rehabilitation and Employment (VR&E) Procedures for Veterans Pursuing Self-Employment Goals under Chapter 31

The purpose of this letter is to clarify procedures regarding the delivery of chapter 31 benefits to a Veteran who is self-employed at the time of application. Regulations for self-employment benefits can be found in 38 CFR 21.257 and 21.258, and M28R, Part VI, Chapter 9 on the Knowledge Management Portal (KMP).

Consideration of Self-Employment for an Existing Business

When a Veteran, self-employed or not, applies for chapter 31 benefits, entitlement must be determined in accordance with M28, Part IV, Subpart iii, Chapter 2, Required Determinations. To be found entitled to chapter 31 benefits, the Vocational Rehabilitation Counselor (VRC) must make the following determinations:

- The Veteran has a vocational impairment
- The Veteran's service-connected disability contributes in a substantial part to the vocational impairment
- The Veteran has not overcome the effects of the vocational impairment through sustained and suitable self-employment
- The Veteran has an employment handicap
- The achievement of a vocational goal is feasible (applicable only when employment is the Veteran's goal)

If the Veteran is suitably employed in the self-employment position, and has overcome his or her impairment to employment, the criteria for entitlement would not be met. Therefore, the delivery of Chapter 31 benefits would not be authorized.

Attachment A

If the Veteran meets all the entitlement criteria, and the self-employment position is not considered suitable employment as defined in M28, Part IV, Subpart iii, Chapter 2, Chapter 31, benefits may be provided to help the Veteran overcome his or her impairments to employment. For example, these benefits may include altering the Veteran's business in some way or purchasing additional equipment. However, the services provided must address the barriers that make the self-employment position unsuitable.

When a Veteran with an existing business is found entitled to VR&E benefits, a self-employment plan must be developed in accordance with M28R, Part VI, Section A, Chapter 9, Self Employment. The rehabilitation plan must address the barriers that existed to make the business unsuitable. If the Veteran incurred costs for training or other rehabilitation services, and the VRC determines that the training and/or other rehabilitation services were reasonably needed to achieve the goals of the rehabilitation plan, then those costs can be reimbursed per 38 CFR 21.282(c).

It is important to note, VR&E cannot provide services solely designed to expand or update an existing viable business. If the Veteran requires such assistance, there are several additional resources available as outlined on Attachment A.

Contact Information

Questions concerning the above policy and procedures may be directed to your area VR&E field liaison at the email address listed below, or by telephone at (202) 461-9600.

Area	Primary	Alternate	E-mail
Eastern	Teri Nguyen	Veronica Brown	VAVBAWAS/CO/VRE/EA
Southern	Veronica Brown	Teri Nguyen	VAVBAWAS/CO/VRE/SA
Central	Aimee Speers	Melinda Sargent	VAVBAWAS/CO/VRE/CA
Western	Melinda Sargent	Aimee Speers	VAVBAWAS/CO/VRE/WA

(original signed by:)

R. A. Fanning
 Director, Vocational Rehabilitation
 and Employment Service

Attachment A

Financial Resources for Self-Employment

- ◆ Social Security Administration's Work Incentives:
<http://www.ssa.gov/disabilityresearch/wi/detailedinfo.htm>

For example, the Plan for Achieving Self-Support (PASS) is one option. "It is a Supplemental Security Income (SSI) provision to help individuals with disabilities return to work. Training, items and benefits can include supplies to start businesses, school expenses, equipment and tools, transportation and uniform requests."

- ◆ National Veteran Owned Business Association

Buy Veteran
429 Mill Street
Coraopolis, PA 15108
Phone: (412) 269-1663
Fax: (412) 269-1646
Email: cs@buyveteran.com

"NaVOBA's Mission is simple — to create opportunities for all of America's veteran-owned businesses. More than 3 million men and women who have defended our nation's freedoms by serving in America's armed forces have made the choice to start their own small businesses after their military service. We call them vetentrepreneurs."

- ◆ National Association for the Self-Employed

P.O. Box 241
Annapolis Junction, MD 20701-0241

For residents of the Continental US:
1-800-649-6273
(7:00 a.m. - 7:00 p.m. CST)
Monday - Friday

For residents of Alaska and Hawaii:
1-800-232-6273
(7:00 a.m. - 7:00 p.m. CST)
Monday - Friday

"The NASE was founded in 1981 to provide day-to-day support, including direct access to experts, benefits, including scholarships and grants, and consolidated buying power that traditionally had been available only to large corporations. Today the NASE represents hundreds of thousands of entrepreneurs and micro-businesses, and is the largest nonprofit, nonpartisan association of its kind in the United States."

◆ The Abilities Fund

307 North 13th Street
Suite 500
Centerville, IA 52544-1823
Toll Free: (888) 222-8943
Direct: (641) 856-2173
Fax: (641) 856-3101
<http://www.abilitiesfund.org/index.php>

"The Abilities Fund is the first nationwide nonprofit community developer and financial institution focused exclusively on expanding entrepreneurial opportunities, including access to capital, for people with disabilities. We do this by providing a unique combination of financial products, training, technical assistance benefits and advisory supports to individuals with disabilities."

◆ Association for Enterprise Opportunity

1601 North Kent Street
Suite 1101
Arlington, VA 22209
Phone: (703) 841-7760
Fax: (703) 841-7748
<http://www.aeoworks.org/>

"AEO is a national membership organization and voice of microenterprise development in the United States. For nearly two decades, AEO and its hundreds of member organizations have helped more than two million entrepreneurs support themselves and their families and contribute to their communities through business ownership. AEO strives to foster greater understanding of the importance of strong and effective microenterprise initiatives to the U.S. economy and to increase capacity of the field to support underserved entrepreneurs in starting, stabilizing, and establishing businesses."

Appendix E Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Cherie Palmer, Director Larry Chinn Mary Ann Fitzgerald Dana Fuller Theresa Golson David Lakoskey John Pawlik Jennifer Roberts Herman Woo
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