

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Review of
Transition to a
Paperless Claims
Processing Environment*

February 4, 2013
11-04376-81

ACRONYMS AND ABBREVIATIONS

IA	Interagency Agreement
NARA	National Archives and Records Administration
OIG	Office of Inspector General
OIT	Office of Information and Technology
PII	Personally Identifiable Information
VA	Veterans Affairs
VBA	Veterans Benefits Administration
VBMS	Veterans Benefits Management System
VARO	Veterans Affairs Regional Office

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Report Highlights: Review of VBA's Transition to a Paperless Claims Processing Environment

Why We Did This Review

In May 2012, the House Appropriations Committee directed the OIG to evaluate the Veterans Benefits Management System (VBMS) to determine whether VA has performed sufficient testing, and to assess whether the Veterans Benefits Administration (VBA) can meet its goal of eliminating the disability claims backlog and increasing the accuracy rate of processing claims to 98 percent by 2015. We addressed this mandate as part of our ongoing work to evaluate effectiveness of VBA's efforts to scan and digitize veterans' claims to support paperless processing.

What We Found

As of September 2012, in the early stages of VBMS system development, VA had not fully tested VBMS. Due to the incremental development approach VA chose, the system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated. While we did not evaluate the quality of system testing, we determined, the partial VBMS capability deployed to date has experienced system performance issues.

Further, scanning and digitization of veterans' claims lacked a detailed plan and an analysis of requirements. We identified issues hindering VBA's efforts to convert hard-copy claims to electronic format for processing within VBMS, including disorganized electronic claims folders and improper management of hard-copy claims.

VA senior officials stated they have taken recent actions to improve in the areas identified. However, given the incremental system development approach used and the complexity of the automation initiative, VA will continue to face challenges in meeting its goal of eliminating the backlog of disability claims processing by 2015. Because the system was in an early stage of development, we could not examine whether VBMS was improving VBA's ability to process claims with 98 percent accuracy.

What We Recommended

We recommended VA establish a plan with milestones for resolving system issues and develop a detailed approach to scanning and digitizing claims so that transformation efforts do not adversely affect claims processing and add to the existing backlog.

Agency Comments

The Under Secretary for Benefits and the Assistant Secretary for Information and Technology concurred with our report recommendations and provided technical comments for consideration. We will close the recommendations when we receive sufficient evidence demonstrating VA progress in addressing the issues identified. Appendix C includes the full text of VA's comments.

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

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

In response to a May 2012 House Appropriations Committee requirement, we conducted this review to determine whether VA has performed sufficient VBMS testing and assessed whether VA is positioned to meet its goal of eliminating the disability claims backlog and increasing the accuracy rate of processing claims to 98 percent by 2015. We addressed this mandate as part of our ongoing work to evaluate the effectiveness of VBA's efforts to scan and digitize veterans' claims to support paperless claims processing.

VBA's Transformation Initiative

In 2009, under the leadership of the VA Secretary, VBA initiated efforts to address the claims process and backlog by modernizing the way it receives and processes benefits claims. VBA proposed a focused and multi-pronged transformation of over 40 initiatives that entailed reengineering VBA's culture, business processes, and information technology.

The decision to transition to a completely paperless claims process was intended to help minimize rating inconsistencies and errors, and mishandling of veterans' claims information. More importantly, VBA anticipated that its transformation, which included paperless processing, would result in a 45 to 60 percent increase in productivity while improving quality. VBA also expected that paperless processing would enable a more efficient claims process flow that would reduce cycle-time and address the growing backlog of pending claims. According to an official within VBA's Office of Performance Analysis & Integrity, the Department had an inventory of about 847,000 pending claims, of which 557,000 (66 percent) were more than 125 days old, as of September 2012.

VBMS

A key part of VBA's transformation approach involved replacing its paper-based claims process with an automated process that integrates Web-based technology. VA's Office of Information and Technology (OIT) is responsible for developing that Web-based system, VBMS, using the Agile software development methodology, which allows subject matter experts to incrementally validate requirements, processes, and functionality. The use of commercial off-the-shelf technology also facilitates system development and update to meet user needs. VBA established a Virtual Regional Office to compile business specifications for VBMS.

Other Information

Appendix A provides additional background information. Appendix B provides details on our review scope and methodology. Appendix C includes comments by the Under Secretary for Benefits in coordination with the Assistant Secretary for Information and Technology.

RESULTS AND RECOMMENDATIONS

Finding **VBA Faces Challenges in Meeting Its Paperless Claims Processing Goals**

As of September 2012, in the early stages of VBMS system development, VA had not fully tested VBMS. Due to the incremental software development approach VA chose, the system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated. As VA expected, the partial VBMS capability deployed to date has experienced system performance issues. VBA took positive actions to limit the types of claims processed in VBMS, and users at the four pilot sites relied on VA's legacy systems to manage their workloads. VBA also delayed VBMS deployment to address system issues.

Further, scanning and digitization of veterans' claims lacked a detailed plan and an analysis of requirements. We identified issues hindering VBA's efforts to convert hard-copy claims to electronic format for processing within VBMS, including disorganized electronic claims folders and improper management of hard-copy claims.

VA senior officials stated they have taken recent actions to improve in the areas identified. However, given the incremental system development approach used and the complexity of the initiative, VA will continue to face challenges in meeting its goal of eliminating the backlog and increasing the accuracy rate of disability claims processing by 2015.

VBMS Not Sufficiently Tested

Because of the incremental software development approach VA chose, VBMS had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated. VBMS capability deployed to date experienced a number of performance issues including system failures, slowness, and errors in generating notification letters for veterans. VBA took proper actions to limit the types of claims processed in VBMS and users relied on legacy systems to manage their workload. According to VBA officials, the decision to limit claims types was to allow safe evolution of the established process, and creation of the electronic folder (eFolder) and document repository to support incremental VBMS deployment.

VBMS Not Fully Developed to Support End-to-End Testing

Given the early stages of development as well as the Agile approach, VBMS had not been fully developed so that the claims process can be sufficiently tested from end-to-end. The Information Systems Audit and Control Association's *Control Objectives for Information Technology* states that organizations should execute a testing methodology to provide reasonable assurance that the developed solution meets the defined business

requirements, meets technical requirements, handles the expected transaction volume and response time, produces accurate results, and operates reliably.¹ Implicit in these criteria is the need for VA to fully develop VBMS functionality and perform end-to-end testing to obtain reasonable assurance that the system will meet defined business and technical requirements.

As of September 2012, three major VBMS software releases had not provided all of the functionality necessary to support the entire claims process. VA designed the system to have seven major subcomponents lined up with each stage of the claims process, from initial application through review, rating, award, and benefits delivery. As such, all of the sub-components were at various stages of completion and were not yet fully functioning. Two of the seven modules had not been developed; the other five were only partially functional. For example, critical capabilities such as establishing claims and calculating disability benefits were not fully available in VBMS.

According to the Assistant Secretary for Information and Technology, in line with the Agile methodology, system requirements were being identified as VBMS functionality was incrementally developed and deployed. Although communications needed strengthening, subject matter experts provided incremental input through the VBA program office to developers to assist in building a standard automated process that would best meet VA's needs. Given this approach, VA had not yet developed a software release that fully met business and technical requirements for supporting end-to-end disability claims processing. As such, the system and the adequacy of system testing could not be sufficiently evaluated to determine whether VA would meet its 2015 goal.

¹ Information Systems Audit and Control Association's Business Application Change Control Procedure, October 2006.

Table 1 outlines the seven major VBMS sub-components and the extent to which they were functioning as of September 2012.

Table 1

VBMS Component Performance Issues				
Component	Purpose	Fully Functional	Partially Functional	Not Functional
VBMS-E	Initiate claims.		✓	
VBMS-F	Establish electronic folders (eFolders) to store claims information.		✓	
VBMS-W	Manage workload distribution.			✓
VBMS-D	Gather evidence and electronically transmit and receive required documentation.		✓	
VBMS-C	Enable electronic communication between VBA and veterans.		✓	
VBMS-R	Provide for Web-accessible, rules-based tools and automated decisions.		✓	
VBMS-A	Automate award calculation and notification.			✓

Source: VA OIG-based observations, user input, and VBMS documentation.

Testing Limited to Partial VBMS Functionality

Early VBMS testing was limited to evaluating the partial functionality deployed to process disability claims. Consistent with the Agile software development methodology, VA is using an “iterative” software development approach to incrementally improve VBMS through subsequent software releases supporting the pilot test sites. The Agile methodology allows for rapid response to changing requirements and the flexibility to modify the software development process as it moves forward. Software development work is ideally delivered every couple of weeks to help leverage user requirements as input for designing, developing, and testing updated VBMS software releases.

Prior to software release, software changes must successfully negotiate functional testing, regression testing, integration testing, and user acceptance testing. In line with the rapid Agile software development and testing methodology, VA reported recently releasing three VBMS software updates (patches) to improve document load-times, timeliness of entering contentions, and document display. Software development officials told us that the releases underwent the various types of testing, with user acceptance testing as the most recent.

Nonetheless, users who had participated in user acceptance testing raised concerns that the testing had not been well-organized. For example:

- Users stated that developers did not visit the pilot sites for the first time until August 2012 to understand their business needs and system functionality requirements. VBMS had been deployed to the “all-in” sites (VA Regional Offices) (VAROs) Fort Harrison and Wichita) in March 2012.
- Some users said that developers did not provide test scripts—sets of instructions for testing the system to verify that it performed as expected. As a result, some users had to create their own test scenarios to validate VBMS functionality.
- Users indicated that test scenarios were not realistic because functionality in the test environments did not replicate functionality in the production environment.
- Test cases did not process claims end-to-end within VBMS.

Taken together, users found it difficult to determine whether VBMS functionality was working as intended. Nevertheless, system users were optimistic that VBMS would eventually facilitate processing disability claims when fully functional. According to the Assistant Secretary for Information Technology, sustained commitment to successfully developing and implementing VBMS as an automated solution to improving claims processing has been demonstrated at all levels VA-wide.

*Performance
Issues with
Deployed
VBMS
Functionality*

As OIT senior leadership expected, existing VBMS functionality at this early stage in development experienced system performance issues and did not provide the capability to support faster, more flexible claims processing. System users at the pilot locations demonstrated numerous system performance issues that affected their ability to process claims within VBMS. Users expressed concerns that these system issues hindered their ability to meet performance metrics. Specifically, we noted VBMS performance issues in the following areas:

- **Establishing Claims.** Users at the pilot sites disclosed problems establishing claims in VBMS. For example, a user at one VARO cited a high failure rate in establishing claims and demonstrated a commonly observed system error message: “Transaction to Finance and Accounting System has failed.” This user explained that the Financial Accounting System supports fiscal and accounting transaction processing, including an interface with the Department of the Treasury and this error occurred when VBMS would not allow the user to establish a new claim in the system. Other users stated that even when they could establish claims in VBMS, in most cases they could not complete the process without relying on legacy systems. System users’ informal records indicated that

while it took approximately 4 minutes to establish a claim with multiple contentions—contentions are veterans' disabilities or health issues—in the legacy systems, it took approximately 18 minutes to establish the same claim in the VBMS pilot system.

- **Developing Claims.** Users explained that VBMS, in its current state, did not allow them to fully develop disability claims because they had difficulty identifying and locating pertinent documents in the VBMS e-Folder. Specifically, users stated that VBMS eFolder data was not chronologically organized (that is, most recently received document first) to facilitate finding the required documents. Furthermore, there was limited functionality to label eFolders or categorize the documents within to facilitate searching for pertinent evidence. As a result, users had to spend hours searching through scanned claims documents to develop each disability claim.
- **System Performance.** Veterans Service Representatives raised concerns about VBMS system slowness and memory management issues causing claims processing to take up to four times longer to complete than in the legacy systems. Of note, VBMS performance issues caused some documents to take 3 to 4 minutes or longer to open. On numerous occasions, inefficient system use of memory caused the system to crash and users had to reboot after opening multiple documents.
- **Preparing Veterans Claims Assistance Act Letters.** VBA officials said standardization of letters was intentional and one of the goals of the overall transformation effort. However, users said VBMS-generated Veterans Claims Assistance Act letters contained errors and spacing issues and did not provide capabilities to edit or modify the documents. The letters provide guidance to veterans on the evidence necessary to substantiate claims, summarize specific compensation requests, and outline the required next steps to receive benefits. System users complained these letters often contained the wrong VARO addresses and VBMS did not provide the capability to make the necessary corrections.
- **Rating Claims.** Ratings calculators had been deployed. However, because the calculators were not functioning properly, they were disabled and therefore not used to support disability claims determinations. A Rating Veterans Service Representative disclosed that rating an average claim in VBMS typically took 1 hour in the legacy systems, but required 2 or more hours in VBMS.

Due to such performance issues as well as limitations in VBMS at this stage of development, users continued to rely on VA's legacy systems. VBMS is expected to eventually replace the processes currently performed in the Veterans Service Network, which is VBA's legacy claims processing system. The legacy Veterans Service Network links to the Corporate Database and encompasses the Operating Suite of Applications listed as follows.

- **Share**—Helps establish disability claims, identify VBMS files, and verify veterans' claims numbers and physical file locations during claims establishment.
- **Modern Award Processing-Development**—Supports the claims development process and generates automated notifications to veterans that additional evidence is needed to support their claims.
- **Rating Board Automation-2000**—Assists with rating decisions for VBMS claims.

Both VBMS and the Veterans Service Network currently update VBA's Corporate Database. Users were using the two systems in combination to accomplish their claims processing workloads. For example, they toggled back and forth from one application to another to process a single claim. This made for a slow and cumbersome process.

Also, no claims could be processed in VBMS end-to-end. As of September 2012, VBA reported that it had established 5,027 and completed 1,569 disability claims in VBMS since the system's initial deployment through the Virtual Regional Office in November 2010; the Providence VARO deployed production ready software in November 2011. While users were able to start processing claims in VBMS, in most cases they could not complete the process without returning to the Share and Modern Award Processing-Development legacy system modules. Based on figures provided by VBA's Office of Performance Analysis & Integrity, the number of claims established in VBMS was also relatively small compared with VA's inventory of 847,000 pending claims as of September 2012.

Table 2 quantifies the claims established and completed in VBMS; however, none of the claims has been processed end-to-end in the system. This was not possible, given the incremental system development approach.

Table 2

VBMS Disability Claims Metrics as of September 2012				
Regional Office	Pilot Implementation Date	Claims Established	Claims Completed	Actual Claims Completed End-to-End
Providence, RI	11/2011	1,052	733	0
Salt Lake City, UT	5/2011	798	430	0
Wichita, KS	3/2012	1,953	216	0
Fort Harrison, MT	3/2012	1,224	190	0
Total		5,027	1,569	0

Source: Information reported to the VA Executive Leadership Board, September 2012.

During the early stages of system development, VBA restricted VBMS processing to less complex types of claims. For example, the Salt Lake City, UT, and Providence, RI Regional Offices were directed to process only disability claims in VBMS that had eight contentions or less. VBA also directed that the four pilot sites should exclude from VBMS processing several more complex types of veteran disability claims, such as homelessness, hardship, and terminally ill cases.

Other types of disability claims excluded from VBMS processing included benefits delivery at discharge, burials, alcoholism, drug abuse, human immunodeficiency virus infections, sickle cell anemia, dual compensation and pension, fast track claims, foreign, and sensitive files. According to VBA officials, the decision to limit claims types was to help ensure safe evolution of the established process, and creation of the eFolder and document repository to support incremental VBMS deployment.

The four VBMS pilot sites also were relatively small in comparison to VA's total population of about 5 million veterans served nationwide. Specifically:

1. Providence VARO—Serves about 92,000 veterans in Rhode Island and 75,000 veterans in Southeastern Massachusetts.
2. Salt Lake City VARO—Serves about 161,000 veterans in Utah.
3. Fort Harrison VARO—Serves about 106,100 veterans in Montana. This VARO is remotely managed by the Salt Lake City VARO.
4. Wichita VARO—Serves about 242,000 veterans in Kansas.

The pilot testing at these relatively small stations was not broad enough to provide full assurance that VBMS can ultimately support greater volumes of claims processing at larger VAROs once the system is fully deployed and operational. More extensive load testing beyond what was being done at these small pilot sites would provide better assurance of VBMS scalability to larger VAROs. VA originally planned to roll out VBMS to 12 other Regional Office “pilot sites” by September 2012. VA took appropriate actions to postpone further VBMS deployment until it could resolve the system issues. In December 2012, VA senior officials reported they had deployed VBMS to a total of 19 sites.

VA had expended a significant portion of the allocated funding on VBMS as of September 2012. VA stated it was allocated about \$433 million for VBMS development from FY 2010 through FY 2012. However, Department officials told us they had spent about \$273 million (63 percent) of that budget. This is a concern, given that the system was still in the early stages of development. Further, VA plans to spend an additional \$92.3 million to enhance and deploy VBMS by the end of FY 2013.

Table 3 compares estimates, obligations, and expenditures for VBMS development by VBA and OIT from FY 2010 through FY 2012.

Table 3

VBMS Development Costs (in millions)							
Cost	FY 2010		FY 2011		FY 2012		Totals
	VBA	OIT	VBA	OIT	VBA	OIT	
Estimated	\$29	\$63	\$31	\$159	\$32	\$119	\$433
Obligations	28	63	27	158	14	85	375
Expenditures	28	47	27	129	7	35	273

Source: VBA's Office of Strategic Planning received September 2012.

Scanning and Digitizing Approach Not Well-Planned

VA began scanning and digitizing veterans' claims before it had a detailed plan and analysis of requirements for automating claims intake. Due to this approach, we identified a number of issues with efforts to convert hardcopy claims to electronic format for processing within VBMS. These issues included disorganized electronic claims folders, improper management of hard-copy claims folders, and a lack of guidance on automating claims folder data.

No Detailed Plan or Requirements Analysis

VBA's efforts to scan and digitize veterans' claims have not been built from a detailed plan and analysis of requirements. *The Government Performance and Results Act of 1993* requires an agency to submit a strategic plan that includes a description of the operational processes to meet goals and objectives for program activities. Further, the Government Accountability Office's *Business Process Reengineering Assessment Guide* states that an organization should establish a skilled, dedicated group of team members from all functional disciplines affected by the project to map in detail the current process, create alternatives for a new process, and develop and facilitate an implementation plan.² The guide further states that the organization should develop a methodology that the team will follow to plan and carry out a project. The methodology should define in detail the activities that the team needs to complete and the mechanisms for alerting the team to key issues it must address.

VBA did not immediately prioritize its actions to scan and digitize claims until 14 months into VBMS development. Although VBMS development had started in 2010, in January 2012 the Under Secretary for Benefits tasked the Director of the Office of Business Process Integration to assess all the elements of intake and propose a claims intake plan. The Office of Business Process Integration assessed the various methods by which VA received claims documentation and worked to develop an intake plan.

² *Business Process Reengineering Assessment Guide*, version 3, U.S. Government Accountability Office, May 1997.

Business Process Integration officials told us they encountered difficulties such as determining the various sources of claims documentation and where to access electronic claims data already available from other ongoing claims processing automation initiatives across VBA, such as Veterans Relationship Management and Modern Award Processing-Development Live.³ They said these other initiatives had not been well managed and organizations within VBA lacked clear ownership of the scanning and digitizing project. Further, some elements, such as documentation needed from the Department of Defense to support the veterans claims process, were out of VA's direct control.

As such, the FY 2012 plan that Business Process Integration officials developed was high level—a briefing presentation that laid out objectives that VBA wanted to accomplish via automated claims intake and the funding challenges to meeting the 2015 backlog elimination goal. The plan did not outline requirements, such as a skilled team to develop a detailed, step-by-step methodology to follow to accomplish claims scanning and digitization. Developing such a methodology would entail mapping the current claims process, providing an end-to-end assessment of activities required for claims scanning and indexing, developing guidelines for automating claims folder data, and providing solutions for managing and organizing eFolders. It was not until after VBA had scanned and digitized hardcopy claims for about 2 years and experienced issues with eFolders that VBA put such a team together.

*VA Moved
Forward
Without a
Detailed Plan in
Place*

VA proceeded with claims scanning and digitizing without a detailed plan outlining what this process would entail. In May 2010, OIT entered into an Interagency Agreement (IA) with the National Archives and Records Administration (NARA) to develop a long-term scanning solution to support VBMS and ultimately transition VBA to a paperless claims processing environment. Specifically, NARA was responsible for:

- Defining and designing a scanning architecture
- Building a taxonomy (that is an indexing and filing scheme) to allow documents to be stored and retrieved in an image repository
- Documenting workflows for scanning, quality assurance, categorization, data extraction and validation, indexing, and storage
- Developing the scanning software to automatically categorize and extract data from VA compensation claims forms and evidentiary documents

³ Veterans Relationship Management was used to upgrade and expand communication capabilities with veterans. Modern Award Processing-Development Live was to enable visibility into claims status for veterans by improving accuracy of claims data.

- Transferring images, indexes, and data from NARA to the VBMS image repository and database
- Piloting the scanning system as a proof of concept and documenting scanning requirements so that going forward, VBA could contract for scanning services through open competition

For this IA with NARA, VA initially spent an estimated \$9.7 million between May 2010 and June 2012. VA anticipates spending an additional \$17 million for NARA's assistance in claims scanning and digitization. Thus, VA expects to spend a total of about \$27 million through FY 2013.

VBA and OIT were to work with NARA to facilitate its understanding of the types of documents to be stored in VBMS and VBA's vision of how to access and use scanned documents to process claims. However, NARA officials told us that VA officials did not work with them as envisioned or provide the data needed to support efforts to develop the long-term scanning solution. This affected NARA's ability to identify the most efficient way to store documents electronically and, ultimately, develop the long-term scanning solution.

In late 2010, without a full understanding of all the digitization process would entail, NARA began scanning VA's new claim forms, with eight or less contentions, to support development of a long-term scanning solution. The scanned claims data were used to support the initial VBMS pilots at the Providence and Salt Lake City VAROs. Then, in March 2012, still lacking an assessment of the volume and complexity of all the claims folders that would need to be scanned for fully automated claims processing, VBA proceeded with piloting VBMS at two additional VAROs—Fort Harrison and Wichita. These four VBMS pilots remained ongoing as of October 2012.

***Scanning and
Digitization
Issues***

Because a methodology was not well planned, VA encountered issues in scanning and digitizing claims folders to support the VBMS pilots. Specifically, the eFolders used to store the scanned images were disorganized and VA did not ensure proper management of hard copy claims folders.

***Disorganized
Electronic
Folders***

VA's scanning and digitization approach resulted in creation of disorganized eFolders. Each day, VBA shipped about 20 to 25 boxes of claims folders, including approximately 50,000 to 63,000 pages, for NARA to scan claims folder documentation. NARA officials told us they were not prepared to manage the volume and complexity of the documents sent. NARA did not know what the documents meant, what the priorities were, or how best to present the information in an electronic format that would be helpful to VBMS end users.

As such, scanned documents lacked organization, which made it difficult for Veterans Service Representatives to locate within the folders the most recent documents and newly received evidence needed to support claims adjudication. VARO employees had to page through hundreds of electronic documents, in some cases taking hours, to find what they needed to process claims. Users expressed concerns that the eFolders limited the number of documents they could view simultaneously. Documents also were not labeled to identify purpose or type of information, such as medical evidence or rating sheets. It is crucial to be able to locate such documents, especially in high-risk cases involving financial hardship or terminally ill veterans.

To allow NARA time to catch up with the scanning workload, VBA reduced the number of claims shipped daily for scanning, instructing the Fort Harrison and Wichita VAROs to only send claims folders with numbers ending in 00 to 49. The two VAROs reverted back to processing the remaining claims with numbers ending in 50 to 99 in the legacy systems. In July 2012, VBA also designated a skilled team of subject matter experts to conduct an end-to-end review of scanning and indexing activities to develop guidelines to automate and organize the data in the eFolder.

*Sensitive
Claims Data
Not
Well-Secured*

VA did not provide the oversight necessary to ensure veterans' claims files shipped to NARA's facilities for scanning were adequately secured. According to VA Directive 6502, *VA Enterprise Privacy Program*, the Department is required to provide measures for safeguarding sensitive information, which include ensuring compliance with VA policies for managing personally identifiable information (PII). The directive further requires other key officials to perform program reviews to assess and identify weaknesses in third party premises.

NARA's own guidelines, *Protection of PII*, states that when leaving for the day, paper materials should be in a locked drawer or cabinet or in a locked office. However, VA did not ensure NARA complied with such guidance, thereby placing veterans' claims files and PII at potential risk of unauthorized access and disclosure. During our site visit observations and discussions with NARA and VARO officials, we noted several claims files on shelves, carts, and desks in open areas after the NARA employees left the office for the day. VBA relied on NARA to ensure the facility was secure and PII was not improperly disclosed. VBA officials we met with felt that NARA generally operated according to a high level of security and therefore NARA officials should know the security requirements. After we pointed out instances of improper claims folder handling, VBA officials we interviewed acknowledged that a review of NARA's policies and the scanning facility was needed. OIT senior leadership confirmed that VA has a responsibility to ensure third party organizations secure VA data in their possession.

*Claims Files
Returned in
Disarray to
VAROs*

VARO employees we interviewed stated that claims folders were sometimes in disarray when NARA shipped them back to the VARO. The IA stated that NARA shall maintain the claims documents in the condition in which they were provided. However, according to Veterans Service Representatives, folders were not always returned in the order originally shipped to NARA. VARO officials we spoke with at the pilot sites did not note any missing folders. VBA senior officials also said that VBA has always shipped folders among VAROs, but never tracked individual pages as this effort would increase claims processing times. These officials concluded that such tracking was unnecessary in sharing claims folders with outside vendors.

Nonetheless they said they designated staff to re-organize the folders upon receipt, which diverted resources away from claims processing workloads. VBA would have benefited from implementing quality controls to oversee the condition of individual claims folders shipped from NARA to the VAROs. Such controls could have enabled VBA to address the receipt of disorganized folders and reduced the time VBA staff spent reorganizing returned files.

*Issues
Adversely
Affected
Claims
Processing*

As of September 2012, based on the issues we identified with VBMS functionality and performance and the approach to scanning and digitizing claims, VA faced challenges in meeting its goal of eliminating the backlog and increasing the accuracy rate of disability claims processing by 2015. Such issues have made the claims process more difficult, rather than improving efficiency as intended. Although increased timeliness is critical to reduce the backlog of pending claims, ultimately the issues identified have added to instead of reducing delays in claims processing, which consequently adversely affects veterans awaiting disability awards. VBA's data shows that claims processing times have increased since the VBMS rollout.

Table 4 shows an increase in claims processing times for the Fort Harrison and Wichita VAROs from October 2011 to September 2012, partly due to the VBMS processing issues.

Table 4

VARO Claims Processing Metrics Before and After VBMS Pilot Implementation (October 2011 to September 2012)									
Pilot VARO	Average Days Pending			Average Days Awaiting Development			Average Days Awaiting Decision		
	10/2011 Pre VBMS	9/2012 Post VBMS	Delta	10/2011 Pre VBMS	9/2012 Post VBMS	Delta	10/2011 Pre VBMS	9/2012 Post VBMS	Delta
Ft. Harrison	78	125.6	47.6 or 61%	9.7	53.2	43.5 or 448.5%	18.3	42.3	24 or 131.1%
Wichita	159.2	171.3	12.1 or 7.6%	15.4	64.1	48.7 or 316.2%	58.7	66.4	7.7 or 13.1%

Source: VA OIG-developed based on data from VBA's Office of Program Integrity and Internal Control.

Average days for pending claims post VBMS implementation increased 61 percent for Fort Harrison and over 7 percent for Wichita. Average days for claims awaiting development increased for both VAROs—Fort Harrison experienced about a 448.5 percent increase in this category. Further, the increase in average days for claims awaiting decision was more disparate between the two VAROs: Fort Harrison's increase was over 131 percent while Wichita's was less at about 13 percent. Metrics for the Providence and Salt Lake City VAROs were not included because at the time of our site visit they did not process all claims in VBMS.

*Recent
Improvement
Actions*

Proactive measures to overcome these issues may help ensure automated claims processing success. According to senior officials, VA has initiated efforts to overcome the issues we identified during this review, as well as address end-user complaints to VBA about standardizing usage and performance of the system. For example, OIT officials said that in response to user-identified issues with VBMS Release 3, OIT implemented three patches to improve document load-times, timeliness in entering contentions, and document display. According to OIT, the patches were implemented to improve system latency, performance, and functionality issues. OIT officials told us they released VBMS version 3.5 in November 2012 to improve eFolder capabilities. According to senior VBA officials, VA had deployed VBMS to a total of 19 VAROs as of December 2012.

Further, in July 2012, VA's Deputy Secretary recognized digitized claims intake was critical to VBMS success and posed significant logistical and financial challenges that needed to be addressed. VBA officials told us that this recognition was the result of multiple briefings that VBA provided to the Deputy Secretary on the intake plan. With this recognition, the Deputy Secretary directed that VBA establish digitization of claims intake as a separate initiative—the Veterans Claims Intake Program. VBA was to work with VA's Enterprise Program Management Office to stand up the Veterans Claims Intake Program and assign a VBA component to oversee program accomplishment. In December 2012, VBA officials also said they were moving beyond document conversion and working to avoid the receipt of hard-copy claims to begin with, expecting to save tens of millions of taxpayer dollars. At the time of this review, VBA was too early in the implementation phase of this program to fully assess effectiveness.

Also, in July 2012, VBA contracted with two vendors at a cost of about \$320 million for a base year and 2 option years to assist VBA with claims folder scanning and digitization. The contractors were to standardize, index, and change portable document format to searchable portable document format (image plus text). The contractors were to incorporate quality assurance activities into multiple steps of the conversion process to ensure that VA receives images and sufficient quality data to support its business processes. Additionally, according to VBA officials, the two vendors were responsible for meeting physical security requirements related to storage of records and protection of veterans data. Officials said the vendors are responsible for reconstruction of hard-copy claims folders following scanning and digitization. At the time of our review, work under these two contracts had just begun. VBA also anticipated that NARA would continue to assist developing a long-term scanning solution.

Conclusion

Through its transformation efforts, VBA expects to eliminate the backlog and process claims with 98 percent accuracy by 2015. However, our examination of the VBMS pilot sites disclosed that because the system was still in an early phase of development, its capability to process claims from initial application through review, rating, award, to benefits delivery could not be sufficiently evaluated. As VA expected, the partial VBMS capability deployed as of September 2012 experienced significant system performance issues, requiring users rely on VA's legacy systems to manage their workloads. VBA appropriately delayed deployment of VBMS to additional sites while it worked to address the system issues. Also, VA's approach to digitizing the hard-copy claims information needed to support automated processing lacked a detailed plan for organizing eFolders and managing sensitive claims data.

We concluded that given the incremental system development approach and the complexity of the automation initiative, VA will continue to face challenges in meeting its goal of eliminating the backlog and increasing the

accuracy rate of disability claims processing by 2015. Given the delays to date, there may be unanticipated costs to ultimately accomplish the goal. At the end of FY 2012, VA had spent 63 percent of the \$433 million budgeted for VBMS and planned to spend an additional \$92.3 million to enhance and deploy VBMS by the end of FY 2013. Further, until a long-term solution is developed, there remains the potential need for funding for claims scanning and digitization beyond the estimated total of \$347 million allocated for NARA and the two contractors. We will continue to monitor VBA's progress in its claims processing transformation efforts.

Recommendations

1. We recommend the Under Secretary for Benefits in coordination with the Assistant Secretary for Information and Technology broaden the types of claims tested at additional sites to provide assurance that the range of VBA functionality and processing requirements can be met through VBMS.
2. We recommend the Under Secretary for Benefits in coordination with the Assistant Secretary for Information and Technology establish a plan with milestones to resolve the system issues to ensure system testing does not adversely affect and add to the existing claims processing backlog.
3. We recommend the Under Secretary for Benefits ensure development of a detailed plan, including costs associated with the long-term scanning solution, so that transformation efforts do not adversely affect and add to the existing claims processing backlog.

Management Comments and OIG Response

The Under Secretary for Benefits and the Assistant Secretary for Information and Technology concurred with our recommendations and provided technical comments for our consideration. The Under Secretary for Benefits and the Assistant Secretary for Information and Technology proposed that we close the recommendations. We will close the recommendations when we receive sufficient evidence demonstrating VA progress in addressing the issues identified. Appendix C includes the full text of VA's comments.

Following is our summary response to VA's technical comments regarding VBMS development and testing, claims scanning and digitization, and the OIG's review scope.

Management Comments Regarding System Development and Testing

The Under Secretary for Benefits and the Assistant Secretary for Information and Technology stated that some of our concerns were based on an incomplete understanding of VBMS plans and incremental development. They emphasized that VBMS was never intended to deliver full end-to-end processing on "day one." They said that such an approach would have been high-risk, and, due to requirements continuously evolving, would have

resulted in the system failing to meet real user requirements when finally delivered. They pointed out that the VBMS plan provides flexibility for users to switch to using legacy systems while VBMS functionality is incrementally deployed. Additionally, the Under Secretary and the Assistant Secretary stated that VBMS is a thoroughly tested system and the incremental development approach they are following has no bearing on VA's ability to fully test the system.

OIG Response

We believe that as a result of our review, we have gained a solid understanding of VA's plans to incrementally develop, test, and deploy VBMS functionality. Accordingly, we acknowledged in our report that VA was using an "iterative" software development approach to incrementally improve VBMS through subsequent software releases supporting the pilot test sites. We recognized that VA did not intend to fully develop the system and deliver end-to-end claims processing capability from "day one" and we provided no assessment of this approach in our report. We noted that VA's methodology allowed for rapid response to changing requirements and the flexibility to modify the software development process as it matures. We also discussed that users have flexibility to switch to using legacy systems while VBMS is being incrementally deployed.

With this understanding, we reported that in the early stages of incremental system development, VBMS testing was limited to evaluating the partial functionality deployed to process disability claims. We concluded that VA had not fully tested VBMS, which was in direct response to the House Appropriations Committee's requirement that we determine whether VA has performed sufficient VBMS testing to meet its 2015 goals. We believe VA's technical comments in response to our report generally serve to substantiate and corroborate this conclusion. Because we and VA both recognize the risks inherent in system development until the end goal is accomplished, we do not believe a discussion of the interim challenges and performance issues encountered in VBMS development is misplaced, as VA suggests.

Further, we clearly state in our report that we did not evaluate the quality of the various stages of VBMS testing. As such, we cannot opine on VA's assertion that incremental software releases were thoroughly tested. We anticipate that a future audit of VBMS will include a more in-depth examination of VA's software development methodology and an evaluation of the quality of the various stages of VBMS testing to support incremental software releases.

Management Comments Regarding Scanning and Digitization

The Under Secretary for Benefits and the Assistant Secretary for Information and Technology indicated they have completed very detailed plans and analyses of requirements for scanning and digitizing veterans' claims. Further, the Under Secretary disagreed with the total scanning contract costs

we reported, stating that the \$320 million cited is not for multiple-award pricing. OIT had previously allocated about \$27 million for scanning and digitization support by NARA alone. The Under Secretary clarified that because task orders were awarded to two vendors, the total task order costs for the first 15-month base period and two option years is \$160 million. As such, the Under Secretary said we should report a total cost of \$186.8 million, versus the \$347 million we indicated for scanning and digitization.

OIG Response

During the course of our review, VBA provided several high-level PowerPoint presentations regarding its transformation approach. Despite multiple requests, VBA never provided a detailed plan and analysis of requirements specifically for scanning and digitizing veterans' claims. As recently as our December 2012 discussion with the Under Secretary, VBA could not provide documentation as evidence that such a detailed plan and analysis of requirements existed.

We disagree with the Under Secretary's comment that total costs for scanning activities by NARA and the two vendors should be about \$186.8 million. VBA provided us with copies of the contracts awarded to two vendors in July 2012. The contracts were for a base period of 15 months with 2 option years. Both contracts identified periods of performance from July 2012 through October 2015. One contract was for approximately \$176 million, while the other cost \$143 million, comprising the total of about \$320 million we identified in this report. Representatives of the Veterans Claims Intake Program team, responsible for the scanning and digitization project as of July 2012, corroborated this information. Further, they confirmed that the two task order amounts represent the contract awards to two vendors. VBA did not provide additional documentation to support the different contract costs asserted in its response to our report.

Based on the Under Secretary's response, we contacted the contracting officer to independently validate the amount of the contract awards. The contracting officer provided evidence to support the \$320 million contract costs we reported. However, the contracting officer also indicated that one contract recently increased in cost by about \$4.6 million (from \$176.2 to \$180.8 million) to make more images searchable, while the other contract cost increased by about \$12.5 million (from \$143.4 to \$155.9 million) for document storage and retrieval. As such, the total amount VBA anticipates spending between 2012 and 2015 for scanning and digitization activities is now close to \$337 million, about \$17 more than the \$320 million we reported.

Management Comments Regarding the OIG's Review Scope

The Under Secretary for Benefits and the Assistant Secretary for Information and Technology suggested that changes in the OIG's review scope may have

contributed to OIG confusion regarding VBA's transformation initiatives. They related that the OIG's research began in September 2011, and the official audit entrance was held in December 2011. They said that in May 2012, the OIG's audit scope changed based on the Congressional requirement (HR 5854) that we determine whether VA has performed sufficient VBMS testing and is positioned to meet its 2015 goals.

OIG Response

The project milestones that the Under Secretary for Benefits and the Assistant Secretary for Information and Technology outline are correct. Broadening the review in May 2012 beyond claims scanning and digitization to include an assessment of VBMS development and testing to address a Congressional tasking was mandatory, a good fit with ongoing work, and within the OIG's prerogative as an independent oversight agency. This addition to our review scope is stated in our report, was clearly communicated to the Under Secretary, and was never questioned. The additional work enhanced our understanding and in no way created confusion. As previously stated, we believe that as a result of our review, we gained a solid understanding of VA's incremental VBMS development, test, and deployment approach, and of the documentation available regarding the claims scanning and digitization strategy. The knowledge gained will further benefit the OIG by laying the groundwork and preclude extensive research to plan our future audit of VBMS.

Appendix A Background

VBA's Transformation Initiative

In 2009, under the leadership of the VA Secretary, VBA initiated efforts to address the claims process and backlog by modernizing the way it receives and processes benefits claims. VBA proposed a focused and multi-pronged transformation composed of more than 40 initiatives that entailed reengineering VBA's culture, business processes, and information technology.

VBMS

A key part of this approach involves replacing VBA's paper-based claims process with an automated paperless process that integrates Web-based technology. The Office of Information and Technology (OIT) is responsible for developing that Web-based system, VBMS, using a Service-Oriented Architecture that includes the Agile software development methodology and commercial off-the-shelf technology. Agile allows subject matter experts to validate requirements and functionality in increments, while commercial off-the-shelf technology facilitates system development and updates to meet user needs. VBA established a Virtual Regional Office, a platform to compile business specifications for developing VBMS as the technology solution to paperless claims processing. Further, OIT entered into an Interagency Agreement (IA) with the National Archives and Records Administration (NARA) to develop a long-term solution to scan and digitize claims to support VBMS processing.

As of September 2012, VBMS was piloted at four VAROs in Providence, RI; Salt Lake City, UT; Fort Harrison, MT; and Wichita, KS. The pilots were limited at Providence and Salt Lake City. However, Fort Harrison and Wichita were selected as "all-in" sites where all claims processing and associated transactions were to be processed in VBMS.

The decision to transition to a completely paperless claims process was intended to help minimize rating inconsistencies and errors and the mishandling of veterans' claims information. VBA anticipated that its transformation initiative, which included paperless processing, would result in a 45 to 60 percent increase in productivity while improving quality. VBA also expected that paperless processing would enable a more efficient claims process flow that would reduce cycle-time and address the growing backlog of pending claims. According to VBA's Office of Performance Analysis & Integrity, the Department had a backlog of about 847,000 pending claims, of which 557,000 (66 percent) were more than 125 days old, in September 2012.

Appendix B Scope and Methodology

We conducted our review from October 2011 through September 2012. Our focus was on examining VBMS development and testing activities. We also considered VBA's efforts to scan and digitize hard copy veterans' claims to support a transition to a paperless environment.

Methodology

To accomplish our review, we interviewed OIT officials concerning VBMS development and testing activities and obtained supporting documentation. During site visits at four VARO pilot sites (Salt Lake City, Providence, Wichita, and Fort Harrison), we interviewed staff to determine the extent to which VBMS was being deployed to meet end user requirements and support paperless claims processing. Further, we attempted to review VBA's plans to scan and digitize hard copy claims and test VBMS functionality. We reviewed and analyzed interagency agreement terms and costs in addition to procurement costs. We conducted interviews with VBA, OIT, and NARA officials to obtain information and understand their roles in scanning and digitizing VBA's hard-copy claims folders.

Scope Limitation

Because the system was in an early stage of development, we did not examine whether or not VBMS was improving VBA's ability to meet the goal of processing claims with 98 percent accuracy. The system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated. We did not evaluate the quality of all system testing, as accuracy data also were not available for an assessment. We requested information from VA related to VBMS development and scanning and digitization to include costs, the transformation strategy and communication plans, best practices, lessons learned, and internal and external reviews related to scanning and digitizing hard copy claims folders. Our ability to examine data that were necessary to achieving our review objective was limited by delayed, incomplete responses to our data requests, or insufficient documentation such as VBA's long-term intake plan.

After we announced that the House Appropriations Committee directed us to assess VBMS, VA, beginning in late August 2012, provided us with previously requested data, as well as new information. For example, VA provided VBMS development and scanning and digitization costs, and external reviews related to scanning and digitizing hard-copy claims folders. We do not believe that the nature of these limitations is such that they affect the validity of our review findings or conclusions.

Data Reliability

To test for reliability, we evaluated VA-provided data for unusual items or amounts and discussed the data accuracy with VA personnel.

**Government
Standards**

Except as noted above, we conducted our review in accordance with the *Quality Standards for Inspection and Evaluation* published by the Council of Inspectors General on Integrity and Efficiency.

Appendix C Under Secretary for Benefits Comments

Department of Veterans Affairs

Memorandum

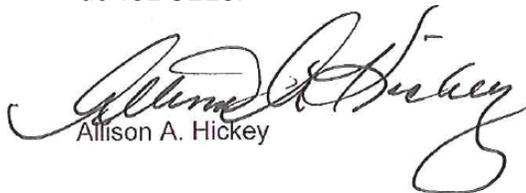
Date: January 11, 2013

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Veterans Benefits Administration: Review of Transition to a Paperless Claims Processing Environment [Project No. 2011-04376-R6-0234]—VAIQ 7301875

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

1. Attached is VBA's response to the OIG Draft Report: Veterans Benefits Administration: Review of Transition to a Paperless Claims Processing Environment. This response was prepared in coordination with the Assistant Secretary for Information and Technology.
2. Questions may be referred to Catherine Milano, Program Analyst, at 461-9216.



Allison A. Hickey

Attachment

Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Veterans Benefits Administration: Review of Transition to a
Paperless Claims Processing Environment

In reviewing this draft report, VBA and the Office of Information and Technology (OIT) recognize that there is a need to provide a better understanding of the Veterans Benefits Management System (VBMS) environment and development approach. We therefore offer the following additional information.

We understand OIG's concern about the comprehensiveness of the current technology, but believe that many of those concerns are based on an incomplete understanding of the plans in place for VBMS and of incremental development. As an incrementally developed and delivered system, our intent with VBMS was never to deliver full end-to-end processing with VBMS on "day one." Such an approach would have been high-risk and, due to the continuously evolving nature of the requirements, would have resulted in the system failing to meet real user requirements when finally delivered – a classic failure of large systems development that is specifically mitigated by our incremental delivery approach. Additionally, our VBMS plan ensures that the system fully coexists with the legacy tools that VBA still uses to process all paper claims, providing users with the flexibility to switch back into legacy, while also taking advantage of VBMS as it is incrementally deployed. Because of this, we have been able to incrementally deploy VBMS functionality to our pilot test offices without impacting their ability to fully process any claim. Throughout our VBMS deployment, there were no unrecoverable situations, nor were there material impacts to claims processing.

It is important to understand that VBMS is a thoroughly tested system, and the incremental development approach we are following has no bearing on VA's ability to fully test the system. VA chose an incremental software development approach based on industry best practices. VA is not just building a system to replace the paper claims folder, nor are we building a system just to replace the multiple legacy systems used to process claims. Rather, VBMS serves as the enabling technology for quicker, more accurate, and integrated claims processing. Implementation of the VBMS infrastructure will help VA meet increasing demand while providing more timely and responsive customer service to Veterans and their families. VBMS is already providing VA and Veterans Service Organizations with real-time and on-demand access to Veterans' information. It has already begun integration with other systems that provide real-time and on-demand access directly to the Veterans we serve. The system is developed to the point that it is reducing inefficiencies associated with paper-based claims processing. With the automated claims processing features, some being developed and others already deployed, VBMS is and will continue to increase quality, accuracy, and the timeliness of claims decisions.

Very detailed plans and analyses of requirements were in fact completed for the scanning and digitization of Veterans' claims. Initial contracting issues surrounding business proposals for scanning services made the interagency agreement with National Archives and Records Administration (NARA) the best path forward. While NARA successfully partnered with VA to develop the scanning solution and fulfilled its initial mission for the pilots, NARA was unable to scale to support VBA's volume requirements. VBA therefore developed the Veterans Claims

Intake Program (VCIP) and, in January 2012, aligned all of the various elements of claims intake into a single VCIP function within the Office of Business Process Integration (OBPI). This alignment ensures proper accountability and execution. VA has contracted with two vendors to perform document conversion services. These vendors are required to meet physical security requirements related to the storage of records and the protection of Veterans' data, and their compliance with these procedures is audited to ensure standards are met.

Furthermore, the VCIP office developed a comprehensive approach to document conversion. This approach includes the conversion of those documents necessary to resolve Veterans' claims – and in such a manner that ensures document conversion does not impact claims processing in any way. Additionally, the VBA has gone beyond document conversion and is aggressively deploying capabilities under the Veterans Relationship Management (VRM) program to avoid the receipt of paper documents, potentially saving millions of dollars over the next few years.

It is misleading to state that VA expected systems-performance issues without also stating that developing a system of this magnitude – or any system – has a high probability of encountering performance issues. This risk is well known and understood in systems development; therefore the excessive emphasis in this report on the prevalent challenges is misplaced. A more valuable and insightful exercise would have been an assessment of the ability of the VBMS program to identify, respond to, and correct these issues using the incremental methodology. VA has taken continuous steps to mitigate risk and resolve issues identified during rollout of the VBMS system. Given the complexity of this automation initiative, VA will not be able to completely avoid issues. VA's strategy is to continue to develop and consistently expand and improve this unique system, addressing risks and issues as they are identified.

VA provides the following technical comments:

Page i, Why We Did This Review:

“In May 2012, the House Appropriations Committee directed the OIG to evaluate the Veterans Benefits Management System (VBMS) to determine whether VA has performed sufficient VBMS testing, and assess whether the Veterans Benefits Administration (VBA) is positioned to meet its goal of eliminating the disability claims backlog and increasing the accuracy rate of processing claims to 98 percent by 2015. We addressed this mandate as part of our ongoing work to evaluate effectiveness of VBA's efforts to scan and digitize veterans' claims to support paperless processing.”

VA Comment: OIG's research for the review began in September 2011, and the official audit entrance was held December 13, 2011. OIG's original objective was, “To evaluate the effectiveness of VBA's strategy to transition to a paperless environment.” During the entrance, OIG agreed to consider narrowing its audit objective to focus on how VBA electronically ingests new claims (digitizes) and converts existing claims to digital (paperless). On January 23, 2012, OIG provided a revised audit objective: “To evaluate the effectiveness of VBA's efforts to scan and digitize hardcopy Veterans claims to support a transition to a paperless claims processing environment.”

In May 2012, the OIG's audit scope changed based on the congressional directive (HR 5854) to determine whether VA has performed sufficient VBMS testing and assess whether VA is positioned to meet its goal of eliminating the claims backlog and increasing the accuracy rate of processing claims to 98 percent in 2015. The changes in scope may have contributed to some of the confusion we identified in the draft report.

Page i, What We Found, first paragraph, first sentence:

“As of September 2012, in the early stages of VBMS system development, VA had not fully tested VBMS”

VA Comment: VBMS has been fully tested throughout the deployment of all releases. A test plan, which meets VA, government, and industry standards, is produced and followed prior to each release of VBMS.

VA's incremental approach calls for clear testing for each new capability as it is deployed, requiring each capability to have well-defined inputs and outputs and new capabilities to be attached to the portions of VBMS already in place. This approach goes well beyond the older methods and allows for: (a) better testing of each capability; (b) continuous improvement of each block of functionality; and (c) facilitation of long-term automation of the claims process (moving from a document- or image-driven claims process to a data- or content-driven process).

Page i, What We Found, first paragraph, second sentence:

“Due to the incremental software development approach VA chose, the system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated.”

VA Comment: VBMS is able to evaluate capabilities as they are delivered. VBMS was intentionally designed to: (a) allow for incremental delivery of capabilities and (b) coexist operationally with legacy-system tools and paper-based claims processing. It is not an all-or-nothing proposition. The transition from legacy to VBMS must allow for side-by-side operation. This is standard industry practice and allows high value, stable functionality (e.g., rating, document repository) to be deployed while developing new capabilities (e.g., automated development, Disability Benefits Questionnaires, etc.). This was deemed to be the best approach to deliver paperless processing without disruption to overall claims delivery.

Page i, What We Found, first paragraph, third sentence:

“While we did not evaluate the quality of system testing, we determined that as VA expected, the partial VBMS capability deployed to date has experienced system performance issues.”

VA Comment: While VBMS capability was planned to be incremental, it was not planned to be delivered at the expense of system performance. As part of the initial development plan, specific usage scenarios were developed for both functional and performance testing.

While early analysis of test results by the VBMS team indicated potential issues with VBMS performance capabilities to support greater numbers of users than planned as part of initial rollouts, it did so with the expectation of usage behaviors mirroring planned usage. Over the course of several months of usage activity, increased user loads, and further testing, it was determined that planned usage behavior did not mirror actual usage behavior. Therefore, testing did not fully capture the impact of real usage behavior.

As a result, VBMS OIT developed system capabilities to better track methods and service calls being executed as part of daily operations. That information will become part of the usage-behavior modeling for future performance-testing scenarios. Additional understanding of the volume of users by profile is also being used to develop a better test mix that more closely mirrors production profile proportions (e.g., 17 percent of all VBMS users are logged on with a supervisory profile, so 17 percent of a test profile reflects transactions executed by a person with a supervisory profile).

Page i, What We Found, second paragraph, first and second sentences:

“Further, scanning and digitization of veterans’ claims lacked a detailed plan and an analysis of requirements. We identified issues hindering VBA’s efforts to convert hardcopy claims to electronic format for processing within VBMS, including disorganized electronic claims folders and improper management of hardcopy claims.”

VA Comment: Scanning and digitization of Veterans’ claims followed very detailed plans and analyses of requirements. VBA has a detailed analysis of the challenges related to digitization, including the types of materials, channels of delivery, and media types. VBA also has a detailed analysis of the historical claims folder that was used in formulating our scanning plan. When OIG requested the scanning and digitization plan, VBA was in the middle of a sensitive procurement process and was directed by VA’s Office of Acquisition not to release the plan.

VBMS Release 3.5 was deployed on November 5, 2012, and included user requested enhancements to the design and usability of the VBMS eFolder. Please also see previous comments on page 2 related to scanning and digitization.

Page i, What We Found, third paragraph, second sentence:

“However, given the incremental system development approach used and the complexity of the automation initiative, VA will continue to face challenges in meeting its goal of eliminating the backlog of disability claims processing by 2015.”

VBA Comment: VBMS is one of several major transformation initiatives currently being implemented across VBA to eliminate the backlog. In 2011, VBA established the Transformation Implementation Center (IC) to streamline and coordinate the transformation process. In preparation for national deployment of VBMS, the VBMS Program Management Office worked closely with the IC to align the deployment strategy and schedule for VBMS with larger organizational transformation efforts.

VA chose an incremental software development approach based on industry standards. VA is not just building a system to replace the paper claims folder, nor are we building a system just to replace the multiple legacy systems used to process claims. Rather, VBMS serves as the enabling technology for quicker, more accurate, and integrated claims processing.

Page 11, fifth paragraph, first and second sentences:

“VA’s scanning and digitizing approach resulted in creation of disorganized eFolders. Each day, VBA shipped about 20-25 boxes of claims folders, including approximately 50,000 to 63,000 pages, for NARA to scan claims folder documentation.”

VBA Comment: Claims folder shipment has nothing to do with the organization of the claims folder. Claims folder organization is tied to the scanning rules. It would therefore be more appropriate to say, “During the initial development of the scanning and document rules, VA encountered challenges related to the organization of the claims folder.” The actual volume was approximately 25 boxes per week.

Page 12, Sensitive Claims Data Not Well-Secured, Lines 24-27:

“VA did not provide the oversight necessary to ensure veterans’ claims files shipped to NARA’s facilities for scanning were adequately secured. According to VA Directive 6502 VA Enterprise Privacy Program, the Department is required to provide measures for safeguarding sensitive information, which include ensuring compliance with VA policies for managing personally identifiable information (PII).”

VBA Comment: The following directives were provided to the vendors: VA Directive 0730; VA Handbook 6300 1; VA Handbook 6300 2; VA Handbook 6500 2; and VA Handbook 6500 6. VBA cannot comment on NARA operations, but has confirmed that VCIP issued the appropriate directives to the Document Conversion Services (DCS) vendors in order to safeguard Veteran records.

Information security for the DCS vendors is an OIT responsibility. DCS vendors were required to establish security plans and generate security artifacts consistent with OIT standards and policies. OIT has signed risk acceptance letters with both DCS vendors stating their compliance with OIT security requirements.

Page 15, second paragraph, first sentence:

“Further, in July 2012, VBA contracted with two vendors at a cost of \$320 million for a base year and two option years to assist VBA with claims folder scanning and digitization.”

VBA Comment: This is incorrect. The \$320 million stated by OIG for the two task orders does not take into account that the values listed on the task orders are for single-award pricing and not multiple-award pricing. A clause within the task order stipulates that should the task be awarded to multiple providers of these services, the minimum volumes identified in this Performance Work Statement will be distributed equally among all awardees.

Because task orders were awarded to two vendors, the total task order for the first 15-month base period and two option years is \$160 million.

Page 16, first paragraph, third sentence:

“Further, until a long-term solution is developed, there remains the potential need for funding for claims scanning and digitization beyond the estimated total of \$347 million allocated for NARA and the two contractors.”

VBA Comment: This is incorrect. The \$347 million stated by OIG as allocated for NARA and the two contractors, does not take into account that the values listed on the task orders for the two document conversion services vendors are for single-award pricing and not multiple-award pricing. A clause within the task order stipulates that should the task be awarded to multiple providers of these services, the minimum volumes identified in this Performance Work Statement will be distributed equally among all awardees.

Because task orders were awarded to two vendors, the total task order for the first 15-month base period and two option years is \$160 million.

The following information is VA IT Appropriations aligned with the VBMS Exhibit 300 to support the Interagency Agreement (IAA) Part B with NARA:

- FY10 NARA IAA Part B = \$4.3 million
- FY11 NARA IAA Part B = \$5.5 million
- FY12 NARA IAA Part B = \$17 million (15 month IAA with NARA ends July 2013)
- Total NARA allocation = \$26.8 million

The total allocation for NARA and the two document-conversion services contractors is \$186.8 million.

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

Recommendation 1: We recommend the Under Secretary for Benefits in coordination with the Assistant Secretary for Information Technology broaden the types of claims tested at additional sites to provide assurance that the range of VBA functionality and processing requirements can be met through VBMS.

VA Response: Concur. VA broadened the types of claims processed and tested at additional sites to provide assurance that the range of functionality and processing requirements can be met through VBMS. VA requests closure of this recommendation.

Recommendation 2: We recommend the Under Secretary for Benefits in coordination with the Assistant Secretary for Information Technology establish a plan with milestones to resolve the

system issues to ensure system testing does not adversely impact and add to the existing claims processing backlog.

VA Response: Concur. VA established a plan with milestones to resolve the system issues (see Attachment A). VA also established a business test plan that does not adversely impact and add to the existing claims processing backlog. VA requests closure of this recommendation.

Recommendation 3: We recommend the Under Secretary for Benefits ensure development of a detailed plan, including costs associated with the long-term scanning solution, so that transformation efforts do not adversely impact and add to the existing claims processing backlog.

VBA Response: Concur. VBA developed a detailed plan, including costs associated with the long-term scanning solution, so that transformation efforts do not adversely impact and add to the existing claims processing backlog (see Attachment B). VBA requests closure of this recommendation.

The following supporting materials are available upon request:

- 1 – VCIP Shipping Cost.xlsx
- 2 – VCIP Claims Ingestion Strategy – Draft Feb 2012.pdf
- 3 – VCIP Supplemental Claims Scanning Costs Estimates v2 (Feb 2012).pdf
- 4 – VCIP Monthly Original and Supplemental v.1.0.xlsx
- 5 – VCIP VBA Transformation (Ingest Strategy and Resourcing) V3 Mar 2012.pdf
- 6 – VCIP LongTerm Ingestion Strategy V16 March 2012.pdf
- 7 – VCIP Claims Folder Sources.pptx
- 8 – VCIP Ingestion Brief (Mitigators v2).xlsx
- 9 – VCIP Scanning Bar Chart v% 2012-5-21 (Mitigators v2).xlsx
- 10 – VCIP VA Directive 0730 – Security and Law Enforcement.pdf
- 11 – VCIP VA Handbook 0730 – Security and Law Enforcement.pdf
- 12 – VCIP VA Handbook 6300 1 – Records Management Procedures.pdf

Appendix D 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	Michael Bowman, Director Mario Carbone, Director Chau Bui Glen Gowans Wade Greenwell George Ibarra Heather Jones Crystal Markovic Jamie McFarland Ryan Nelson Larrynnee Pierre Steven Slawson
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Appendix E Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

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