

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Follow-up
Audit of 100 Percent
Disability Evaluations*

June 6, 2014
14-01686-185

ACRONYMS AND ABBREVIATIONS

OIG	Office of Inspector General
VA	Veterans Affairs
VBA	Veterans Benefits Administration

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Report Highlights: Follow-up Audit of VBA's 100 Percent Disability Evaluations

Why We Did This Audit

In January 2011, we reported in the *Audit of 100 Percent Disability Evaluations*, Veterans Benefits Administration (VBA) was not correctly evaluating and monitoring 100 percent disability evaluations. We projected that VA Regional Office staff did not correctly process 100 percent disability evaluations for about 27,500 (15 percent) of 181,000 veterans. The 27,500 disability evaluations included over 9,900 veterans with temporary 100 percent disability evaluations without a future exam date entered in their electronic record. We reported without improved management of these claims, VBA could overpay veterans a projected \$1.1 billion in the next 5 years.

Our objective of this audit was to determine whether VBA took sufficient action to implement recommendation 7 from our 2011 report, "*Conduct a review of all temporary 100 percent disability evaluations and ensure each evaluation has a future exam date entered in the veterans' electronic records.*"

What We Found

VBA reviewed all temporary 100 percent disability evaluations but did not take sufficient action to ensure each evaluation had a future exam date. As of January 2014, VBA identified over 8,300 temporary 100 percent disability evaluations for regional offices to review, which 7,400 (88 percent) had not been reviewed. We estimate 3,100 (42 percent) of these veterans received almost \$85 million in improper benefit payments since January 2012 because these claims lacked adequate medical evidence. We remain concerned of VBA's financial stewardship of

these claims and project VBA, without action, could continue making unsupported payments to veterans totaling about \$371 million over the next 5 years. We identified a \$456 million (\$85 million plus \$371 million) total impact to the government. We reduced this projection to \$222.6 million because our 2011 projection and report included all benefits before December 31, 2015.

We determined that almost 1,500 claims folders with temporary 100 percent disability evaluations were located at the VA Records Management Center. Previously VBA told us they implemented our recommendation to transfer claims folders with temporary 100 percent disability evaluations back to the regional office.

What We Recommended

The Under Secretary for Benefits ensure regional office staff take appropriate action on temporary 100 percent evaluations within 180 days and transfer from the Records Management Center all claims folders with temporary 100 percent evaluations to the regional office of jurisdiction.

Agency Comments

The Under Secretary for Benefits concurred with our recommendations and provided plans for corrective actions. We consider the actions acceptable and will follow up on their implementation.

Handwritten signature of Linda A. Halliday in black ink.

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

Our audit was to determine whether the Veterans Benefits Administration (VBA) took sufficient action to implement recommendation 7 from our 2011 report, which was “*Conduct a review of all temporary 100 percent disability evaluations and ensure each evaluation has a future exam date entered in the veterans’ electronic records.*”

Prior Audit

The Office of Inspector General (OIG) issued *Audit of 100 Percent Disability Evaluations* (Report No. 09-03359-71, January 24, 2011), which reported that VBA was not correctly evaluating and monitoring 100 percent disability evaluations. At that time, we projected that VA Regional Office staff did not correctly process 100 percent disability evaluations for about 27,500 (15 percent) of 181,000 veterans who had at least one service-connected condition rated 100 percent disabling, as of September 2009. The 27,500 disability evaluations included over 9,900 veterans with temporary 100 percent disability evaluations without a future exam date entered in the electronic record.

We also projected that from January 1993 to December 2010, VBA paid veterans a net amount of about \$943 million in benefits without adequate medical evidence. In addition, we reported that if VBA did not take timely corrective action, it would overpay veterans a projected \$1.1 billion in benefits from January 2011 to December 2015. VBA concurred with all seven recommendations to increase oversight to correctly evaluate and monitor 100 percent disability evaluations.

OIG General Testimony

Since January 2011, the OIG testified on seven separate occasions to various U.S. Senate and U.S. House of Representative committees that VBA efforts have not been aggressive enough to address the audit’s recommendation. We testified in December 2013, that since FY 2009, 71 of our Benefit Inspections continued to identify regional office staff incorrectly processed temporary 100 percent disability evaluations. This review of a small sample of individual cases examined during each Benefit Inspection resulted in our identification of veterans receiving over \$19 million in actual overpayments.

Other Information

The following appendixes provide additional information:

- Appendix A provides pertinent background information.
- Appendix B provides details on our scope and methodology.
- Appendix C provides statistical sampling information.

RESULTS AND RECOMMENDATIONS

Finding **VBA Continues to Make Unsupported Payments to Veterans**

VBA has not taken sufficient action to ensure each temporary 100 percent disability evaluation had a future exam date entered in the veterans' electronic records. As of January 8, 2014, VBA's data showed they had identified over 8,300 temporary 100 percent disability evaluations for regional offices to review. We estimated that regional office staff had not reviewed or taken action on almost 7,400 (88 percent) of them, including over 4,100 that VBA's Office of Field Operations had notified regional offices to review more than a year earlier.

We also projected the claims folders for almost 1,500 temporary 100 percent disability evaluations were located at the VA Records Management Center. Because these disability evaluations are temporary, when physicians conduct medical exams, they may need to review private medical evidence maintained in the claims folders to determine if temporary medical conditions improved after medical treatments. Therefore, these claims folders should be located at the regional office of jurisdiction.

We previously closed two recommendations that VBA:

- *Issue guidance to ensure VA Regional Office staff does not relocate claims folders with temporary 100 percent disability evaluations to the VA Records Management Center.*
- *Identify all claims folders with temporary 100 percent disability evaluations currently located at the VA Records Management Center, and review the status of each evaluation to determine if a transfer to the regional office of jurisdiction is required to conduct an exam or revise the evaluation.*

However, VBA has not established an adequate plan to ensure regional offices (1) conduct a timely review of their temporary 100 percent disability evaluations (2) establish a future exam date in the veterans' electronic record for each temporary 100 percent disability evaluation and (3) identify and relocate all claims folders with temporary 100 percent disability evaluations back to the regional office of jurisdiction. We estimate that VBA paid over 3,100 (42 percent) of the approximately 7,400 veterans almost \$85 million in benefit payments without adequate medical evidence. Without management attention, VBA could overpay these veterans a projected \$371 million over the next 5 years.

TRAP Report

VBA's TRAP report meets the intent of the first part of the recommendation—to conduct a review of all temporary 100 percent disability evaluations. The TRAP report adequately identifies those temporary 100 percent disability evaluations that do not include a future exam date in VBA's electronic records. In August 2012, VBA established the biweekly TRAP report to identify all veterans with a temporary 100 percent disability evaluation that do not have a routine future exam, make a determination of permanent and total disability, or establish due process for a reduction when justification for a 100 percent evaluation no longer exists. When none of these controls are in place, VBA flags the record for regional offices to review.

VBA provided the OIG with 13 TRAP reports that covered the period April 1 to September 19, 2013, and requested closure of recommendation 7. We reviewed a sample of the veterans listed on the TRAP reports and found veterans' claims that should not have been on the report. This is because regional office staff had already initiated work actions to reduce the veterans' temporary 100 percent disability evaluation. Additionally, we identified veterans with temporary 100 percent disability evaluations that should have been listed on the TRAP report. For example, we identified one veteran with a temporary 100 percent disability evaluation effective March 13, 2008. The veteran's medical records showed the veteran was due for a follow-up exam in May 2010. However, the exam was never scheduled or completed.

At our request, VBA reviewed our findings and found coding errors that prevented the TRAP report from identifying these veterans. VBA informed us they had fixed those coding errors. For example, the earlier coding removed any veteran with a future reduction in their benefits even if that reduction was a dependency change. It also did not recognize active evaluations VBA was in the process of reducing. We reviewed a second sample of veterans after VBA reported they fixed the coding errors and did not identify any additional veterans incorrectly identified or omitted.

Regional Office Action

VBA has not taken sufficient action to ensure each temporary 100 percent disability evaluation has a future exam date entered in veterans' electronic records. As of January 8, 2014, VBA had identified over 8,300 temporary 100 percent disability evaluations for regional offices to review. Of the 8,300, we estimated that regional office staff had not reviewed or taken action on almost 7,400 (88 percent). This included over 4,100 that VBA's Office of Field Operations had notified regional offices to review than a year earlier.

We reviewed available electronic sources to determine whether regional office staff initiated action. For those temporary 100 percent disability evaluations where regional office staff had not taken action, we identified the amount of benefits paid to the veteran since the date Office of Field

Operations notified the regional office to take action. The earliest date in our sample was January 2012.

During our 2011 audit, we determined that 42 percent of all temporary 100 percent disability evaluations without a future medical exam date entered in VA electronic records resulted in veterans receiving benefits that lacked adequate medical evidence. After regional office staff took corrective action, VBA reduced the veterans' benefits by an average of \$1,985 per month. VBA has taken action to reduce the numbers of veterans who currently have temporary 100 percent disability evaluations without a future exam date from a little over 9,900 in our 2011 report to 7,400 as of January 2014. However, as we reported in 2011, the primary control to ensure only entitled veterans receive the temporary 100 percent disability evaluation is the existence of a future exam date in veterans' electronic records. For this reason, the estimated 42 percent error rate is still a reasonable basis to determine the current monetary impact from VBA not taking action on recommendation 7.

Based on the 2011 audit's 42 percent rate and subsequent average reduction of \$1,985 per month, we estimate that since January 2012 over 3,100 of the nearly 7,400 veterans received almost \$85 million in benefit payments without adequate medical evidence. VBA rarely attempts to recover benefits paid in error because current regulations do not allow retroactive reductions. Once the temporary 100 percent disability evaluation has been in place for 20 years, VBA cannot reduce the evaluation unless the veteran committed fraud in obtaining the benefits. Without management attention to establish processes to mitigate these improper payments, VBA could overpay these veterans a projected \$371 million over the next 5 years. Appendix C provides details on our projections.

**Claims
Folders at the
VA Records
Management
Center**

We also identified the claims folders for a projected 1,500 veterans with temporary 100 percent disability evaluations where the electronic records showed the folders were located at the VA Records Management Center. VA criteria state regional offices can relocate claims folder to the Records Management Center after there is no claim activity for at least 12 months. Veterans with a temporary 100 percent disability evaluation require periodic medical exams, which can be as much as 5 years in the future. Therefore, regional office staff should treat these claims folders as active. Physicians may need to review private medical evidence maintained in the claims folders when conducting these medical exams to determine if temporary medical conditions improved after medical treatments.

When we completed our 2011 audit, we recommended the then Acting Under Secretary for Benefits "*Issue guidance to ensure VA Regional Office staff does not relocate claims folders with temporary 100 percent disability evaluations to the VA Records Management Center*" and "*Identify all claims folders with temporary 100 percent disability evaluations currently located*

at the VA Records Management Center, and review the status of each evaluation to determine if a transfer to the VA Regional Office of jurisdiction is required to conduct an exam or revise the evaluation.” Although we closed these recommendations based on VBA’s earlier response that they corrected this problem, this follow up review supports the problem still exists and VBA needs to address this issue.

Conclusion

We are not closing recommendation 7 from our 2011 report at this time. VBA’s corrective actions have not fully addressed our concern that the financial stewardship of these claims remains weak and vulnerable to processing benefit payments in excess of veterans’ eligibility where medical conditions may be improved. To correct the systemic problem that leads to veterans receiving long-term payments to which they may not be entitled, VBA needs to take action to ensure each claim for temporary 100 percent disability evaluation has a future exam date entered in the veterans’ electronic record and resulting actions are processed timely. VBA rarely attempts to recover any monies paid to the veteran in error and does not have processes in place to mitigate improper payments. Further, once the temporary 100 percent disability evaluation has been in place for 20 years, VBA cannot reduce the evaluation unless the veteran committed fraud in obtaining the benefits.

Recommendations

1. We recommended the Under Secretary for Benefits ensure regional office staff take the appropriate action to review and process the records of all veterans with a temporary 100 percent disability evaluation within 180 days of the veteran’s inclusion on the TRAP report or the veteran’s scheduled exam.
2. We recommended the Under Secretary for Benefits ensure regional offices transfer from the Records Management Center all claims folders with temporary 100 percent disability evaluations to the regional office of jurisdiction.

**Management
Comments
and OIG
Response**

The Under Secretary for Benefits concurred with our recommendations. The Under Secretary stated that VBA has implemented an aggressive plan to take appropriate action on all temporary 100 percent disability evaluations within 180 days of inclusion on the TRAP report or maturation of VBA’s future examination indicator that is established when VBA awards the veteran a temporary 100 percent evaluation. The Under Secretary also stated that paper claims files located at the VA Records Management Center that are needed in connection with a temporary 100 percent review are being sent to VBA’s scanning vendor, where they are uploaded for electronic access by the regional office. As the future examination indicator matures, the electronic folder will be available for the regional office to take appropriate

follow-up action. The following is a summary of the Under Secretary's additional comments and our responses.

*Claims Folders
at the VA
Records
Management
Center*

Management Comments: The OIG cites the location of claims folders at the Records Management Center as a factor that prevents VBA from identifying claims where a veteran's medical condition may have improved. However, this is a misunderstanding of VBA's current claims processing business model. The new transformation business model utilizes a paperless claims processing environment. The Records Management Center does not need to send the paper claims folder to the regional office having jurisdiction of the Veteran's claim. Paper claims files located at the Records Management Center that are needed in connection with a temporary 100 percent evaluation review are sent to VBA's scanning vendor, where they are uploaded for electronic access by the regional office.

Based on OIG's review of 106 veterans' records, OIG determined that 16 of these records were located at the Records Management Center. OIG then used this sample to estimate that 1,500 claims requiring future exams were located at the Records Management Center. However, that estimate is inaccurate, as only 182 claims files requiring future exam reviews were actually located at the Records Management Center as of January 31, 2014. VBA has issued guidance to expedite shipment of these files to the scanning vendor.

OIG Response: VBA's planned corrective action of shipping those files with temporary evaluations to the scanning vendor is acceptable and responsive to the intent of the recommendation. Our intent is to ensure physicians have access to any medical evidence maintained in the claims folders, paper or scanned, when conducting medical exams to determine if temporary medical conditions improved after medical treatments.

VBA asserts that our estimate of 1,500 claims requiring future exams located at the Records Management Center is inaccurate. We queried VBA's COVERS (Control of Veterans Records System) database and determined that the claims folders for 179 veterans with temporary 100 percent disability evaluations were located at the VA Records Management Center. However, we also identified an additional 1,110 veterans with temporary 100 percent disability evaluations where the COVERS location was blank. As a result, VBA lacks assurance it has correctly identified all files at the RMC requiring veterans' future examination reviews. VBA should ascertain the location of those claims folders to ensure they are not located at the Records Management Center, and expedite the scanning of those files.

*OIG's Estimate
of Improper
Payments*

Management Comments: VBA disagrees with the OIG's estimate that 3,100 (42 percent) of the veterans listed on the TRAP report are receiving improper payments, and therefore believes the OIG's projection of improper payments to be significantly overstated. The OIG states in Appendix C that

it based the 42 percent estimate on the small sample of cases without future examination dates reviewed by regional office staff during the OIG's 2011 site visits. To assess the applicability of this estimate to the 7,400 cases on the current TRAP report without a future examination date, VBA looked at the universe of 81,092 veterans who were in the population of veterans with 100 percent disability evaluations that were the subject of the OIG's 2011 review, and applied the TRAP criteria to their 2010 status. VBA identified 4,082 claims that met the TRAP criteria in 2010 for no future diary at that time and therefore at risk for improper payments. VBA then reviewed their current status and determined that only 16 percent of these veterans' awards have been reduced, terminated, or suspended. The remaining veterans have either had their 100 percent disability evaluation converted to permanent status or have since died; or they have had their temporary evaluations continued, with the required controls in place to review the claims in the future and schedule examinations as needed.

OIG Response: VBA's concern that we used a small sample in 2011 is unfounded. At that time, we reviewed a sample of five strata of permanent evaluations grouped by diagnostic series as well as the remaining stratum of temporary evaluations. The total sample size for the temporary evaluation strata was 144 cases out of a population of 9,919 cases. The sample was based on a 90 percent confidence level with a precision of 7.3 percent—an acceptable precision by most statistical standards. In addition, 61 cases met these criteria achieving a coefficient of variance for this estimate of only 12 percent which is very accurate. We explain all the details of our sampling design in Appendix C of our original report.

VBA also stated they reviewed the universe of 81,092 veterans who were in the population of veterans with 100 percent. However, that was not our universe. We based our 2011 report on a population of about 239,000 veterans with active compensation claims with at least one diagnostic code rated 100 percent disabling as of September 2009. Of the almost 239,000 veterans, we did not review about 58,000 veterans with medical conditions that had little or no likelihood of improvement (such as double amputees). This reduced our population to approximately 181,000 veterans who may require periodic evaluations. At that time, VBA's electronic record system did not clearly distinguish veterans with permanent and temporary ratings therefore we classified veterans with ratings that did not have a future medical exam date or paragraph 28, 29, or 30 designation in VBA's electronic record system as permanent ratings. We classified the remaining 37,000 (181,000 – 144,000) veterans with a future medical exam date or paragraph 28, 29, or 30 designation as temporary.

This follow-up audit focused only on those temporary evaluations. We provided an explanation of this in Appendix C of the current report under the heading "Prior Audit Results." During our prior audit, regional office staff determined that the medical evidence no longer supported a temporary

100 percent evaluation for a projected 4,202 (42 percent) of the 9,919 veterans and reduced their evaluations. The 9,919 number was projected by OIG's statistician based on the number of the 37,000 projected veterans who did not have a future exam date entered into their electronic record. Based on the prior audit sample errors, we projected that evaluations were reduced for 4,202 (42 percent) of the 9,919 veterans an average of about \$1,985 per month. We applied this 42 percent error rate to our current audit universe and estimated the monetary effect. We believe the 2011 audit results is a reasonable basis and offers a consistent and conservative methodology for determining the current monetary impact from VBA not taking action on our prior recommendation.

We will monitor implementation of these actions and will close the recommendations when we receive sufficient evidence demonstrating VBA has addressed the identified issues. See Appendix E for the full text of the Under Secretary's comments.

Appendix A Background

Prior Audit

The OIG conducted the *Audit of 100 Percent Disability Evaluations* to determine whether regional office staff correctly assigned 100 percent disability evaluations as either permanent or temporary and effectively monitored and adjusted temporary 100 percent disability evaluations. We reported that VBA was not correctly monitoring these evaluations. We projected that regional office staff did not correctly process evaluations for about 27,500 (15 percent) of 181,000 veterans who had at least one service-connected condition rated 100 percent disabling as of September 2009. The 27,500 disability evaluations included over 9,900 veterans with temporary 100 percent disability evaluations without a future exam date entered in the electronic record. We also projected that from January 1993 to December 2010, VBA paid veterans a net amount of about \$943 million in benefits without adequate medical evidence. Additionally, we reported that without timely corrective action, VBA would overpay veterans a projected \$1.1 billion in benefits from January 2011 to December 2015.

As part of the 2011 audit, we recommended the then Acting Under Secretary for Benefits conduct a review of all temporary 100 percent disability evaluations and ensure each evaluation had a future exam date entered in the veteran's electronic record. VBA concurred with this recommendation and provided a plan that they would focus their efforts on the frequency of the diagnostic code used for the 100 percent evaluation. They planned to start with the three diagnostic codes used most frequently:

- 7715: Non-Hodgkin's Lymphoma
- 7528: Malignant Neoplasms of the Genitourinary System (most frequently diagnosed as Prostate Cancer)
- 9411: Post-traumatic Stress Disorder

VBA initially reported they would ensure each temporary 100 percent disability evaluation had a future exam date entered in the veterans' electronic record by September 30, 2011. VBA extended the target completion date to December 31, 2011. They further extended the completion date to June 30, 2012, and finally to September 21, 2012.

VBA established a biweekly TRAP report in August 2012 to audit all claims that field personnel failed to set up a routine future exam, make a determination of permanent and total disability, or establish due process for a reduction when justification for the temporary 100 percent disability evaluation no longer exists. When none of these controls are in place, the evaluation is flagged and regional offices are notified to review the temporary 100 percent disability evaluation for possible corrective action.

Appendix B Scope and Methodology

Scope

We conducted our audit work from January through March 2014. The audit focused on 8,349 temporary 100 percent disability evaluations identified by VBA, as of January 8, 2014. We analyzed regional office documented actions, including notification letters to veterans, development for medical evidence, scheduling of exams, and proposals of reductions.

Methodology

On October 3, 2013, VBA provided the OIG with 13 biweekly TRAP reports (dated April 1 through September 16, 2013) and requested closure of the recommendation. We reviewed both the completeness of the TRAP report and the effectiveness of VBA's management of these temporary 100 percent disability evaluations.

To assess the completeness of the TRAP report, we reviewed the business rules VBA provided showing how they identified veterans on the report. We reviewed a non-statistical sample of veterans listed on the TRAP reports and identified veterans who should not have been listed because regional office staff had already initiated work actions or end products to reduce their temporary 100 percent evaluation. We then recreated a list using VBA's business rules and identified veterans with temporary 100 percent disability evaluations not listed on the TRAP report.

To assess the effectiveness of VBA's management of these temporary evaluations, we reviewed a statistical sample of veterans identified by VBA. We reviewed available electronic records to determine what, if any, actions VBA had taken to control each veteran's temporary evaluation. Once we identified a temporary evaluation had no action taken, we determined the amount of benefits currently paid. We used this amount to estimate the sum of unsupported temporary evaluation payments from the time the Office of Field Operations first notified the regional office.

Data Reliability

To assess the reliability of data, we compared data elements, such as veteran identifier information and claim date between VBA electronic systems and with the sample data. We concluded that the data used to accomplish the review objectives was sufficiently reliable.

Government Standards

Our assessment of internal controls focused on those controls relating to our audit objective. We conducted our original audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our review objective.

We conducted this follow-up audit in accordance with generally accepted government auditing standards, except for the following. We assessed Audit Risk; Applicable Criteria; Detection of Fraud, Violations, and Abuse; and

Using the Work of Others during our 2011 audit. We did not identify any indications of audit risk, fraud, abuse, or any other concerns which would lead us to believe violations had occurred. Therefore, we did not reassess these areas during our follow-up, which focused only on those actions VBA took to comply with our prior audit recommendations. 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

Population The population consisted of 8,349 unique veterans that VBA identified for regional office review as of January 8, 2014.

Sampling Design To answer our audit objective, we selected a stratified random sample. We segregated the population into two groups by time frame—those less than 1 year old (3,510) and those 1 year or more (4,839). We selected a statistical random sample within groups. All records had a chance of selection, which allowed us to make a projection over the entire population. In order to facilitate the stratification selection of records, we used the survey select procedure in the Statistical Analysis Software. We generated random numbers for the selection of records within each strata.

Weights We calculated estimates in this report using weighted sample data and computed sampling weights by taking the product of the inverse of the probabilities of selection at each stage of sampling.

Projections and Margins of Error We used a 90 percent confidence interval and sample size based on time frame. The margins of error and confidence intervals are indicators of the precision of the estimates. If we repeated this audit with multiple samples, the confidence intervals would differ for each sample, but would include the true population value 90 percent of the time.

Table 1 provides a breakout of temporary 100 percent disability evaluations where VBA knows the temporary 100 percent disability does not have a future exam date and where VBA notified the regional office to take appropriate action. We obtained this data from VBA's VETSNET Operations Pending Full Detail Report. Table 1 further breaks out the temporary 100 percent disability evaluations into those the Office of Field Operations notified the regional office less than 1 year and 1 year or more.

Table 1. Office of Field Operations Notifications by Office and Time Frame as of January 8, 2014

Regional Office Number	Time Frame		Total	Regional Office Number	Time Frame		Total
	Less Than One Year	One Year or More			Less Than One Year	One Year or More	
301	54	436	490	339	95	14	109
304	28	10	38	340	19	13	32
306	46	194	240	341	18	9	27
307	50	198	248	343	134	51	185
308	60	47	107	344	244	79	323
309	53	423	476	345	76	27	103
310	80	58	138	346	193	111	304
311	94	288	382	347	9	0	9
313	119	241	360	348	33	1	34
314	49	2	51	349	66	2	68
315	9	19	28	350	30	1	31
316	181	283	464	351	30	0	30
317	322	272	594	354	36	5	41
318	170	256	426	355	9	1	10
319	68	127	195	358	2	0	2
320	99	15	114	362	143	11	154
321	53	17	70	372	5	60	65
322	56	102	158	373	18	23	41
323	37	76	113	377	38	1	39
325	125	715	840	402	9	5	14
326	46	63	109	405	22	1	23
327	87	204	291	436	6	0	6
328	86	10	96	437	6	0	6
329	105	343	448	438	5	0	5
330	21	0	21	442	12	2	14
331	70	8	78	452	14	0	14
333	15	0	15	459	2	0	2
334	11	0	11	460	7	2	9
335	11	0	11	463	24	13	37
				Total	3,510	4,839	8,349

Source: VBA VETSNET Operations Pending Full Detail Report

Table 2 provides universe and sample information, number of sample cases identified where there was no documented record of VBA taking action, and a summary of the potential unsupported payments for those veterans.

Table 2. Summary of Pending Temporary 100 Percent Disability Evaluations Identified for Review With no Action Taken

Description	Universe	Sample Size	No Action Taken	Estimate	Margin of Error	90 Percent Confidence Interval	
						Lower Limit	Upper Limit
Less Than 1 Year							
Number of Records	3,510	53	49	3,245	213	3,032	3,458
Percent				92.5%	6.1%	86.4%	98.5%
Value (in millions)				\$47.8	\$11.0	\$36.8	\$58.9
1 Year or More							
Number of Records	4,839	53	45	4,109	399	3,710	4,507
Percent				84.9%	8.2%	76.7%	93.1%
Value (in millions)				\$152.6	\$19.8	\$132.8	\$172.4
Combined							
Number of Records	8,349	106	94	7,354	452	6,901	7,806
Percent				88.1%	5.4%	82.7%	93.5%
Value (in millions)				\$200.5	\$22.7	\$177.8	\$223.1

Source: VA OIG analysis

Prior Audit Results

During our 2011 audit, we reviewed the records of a projected 37,000 veterans with a temporary 100 percent disability evaluation and identified an estimated 9,919 that did not have a future exam date entered in their electronic record. To determine if the veteran was still entitled to the temporary 100 percent disability evaluation, we reviewed VBA's electronic compensation records and all medical evidence found in each veteran's claims folder.

When we could not determine whether the veteran was still entitled to the temporary 100 percent disability evaluation, we referred the case to the regional office of jurisdiction for review. The regional office conducted a review to determine if a medical exam was necessary and if so, they requested the nearest VA medical center to schedule an exam. Once the physician completed the exam, the physician documented their diagnosis of the veteran's current condition to include any level of improvement. After completing this process, regional office staff determined that the medical evidence no longer supported a temporary 100 percent disability evaluation for a projected 4,202 (42 percent) of the 9,919 veterans and reduced their evaluation accordingly. Prior to our audit, these veterans were receiving a monthly average benefit payment of about \$2,922. After regional office staff took corrective action, VBA reduced the benefits for these veterans by an average of about \$1,985 per month – an accurate entitlement payment. Table 3 provides the confidence level for the error rate.

Table 3. 2011 Audit of 100 Percent Disability Evaluations Results for Temporary Evaluations Without a Future Medical Exam Date Entered

	Estimate	Margin of Error	90 Percent Confidence Interval	
			Lower Limit	Upper Limit
Number of Evaluations not Supported by Medical Evidence	42%	7%	36%	49%

Source: VA OIG Analysis

Since our 2011 report, VBA took actions to reduce the numbers of veterans who currently have temporary 100 percent disability evaluations without a future exam date from a projected 9,919 to 7,354 in January 2014. However, as we reported in 2011, the primary control to ensure only entitled veterans receive the temporary 100 percent disability evaluation is the existence of a future exam date in the veterans' electronic records. For this reason, we believe the 2011 audit results showing a 42 percent error rate and average reduction of about \$1,985 is still a reasonable basis to determine the current monetary impact from VBA not taking action on recommendation 7.

Calculation of Potential Monetary Benefits

For those temporary 100 percent disability evaluations where regional office staff had not taken action, we identified the amount of benefits paid to the veteran since the date Office of Field Operations notified the regional office to take action. The earliest date in our sample was January 2012. During our prior audit, we determined that 42 percent of all temporary 100 percent

disability evaluations without a future medical exam date entered in VA electronic records resulted in the veteran receiving benefits without adequate medical evidence. After regional office staff took corrective action, VBA reduced the veterans' benefits by an average of about \$1,985 per month. Based on the prior audit's 42 percent rate and subsequent average reduction of about \$1,985, we estimate that 3,115 of the 7,354 veterans received almost \$85 million in benefit payments since January 2012 without adequate medical evidence.

Without corrective action, VBA could overpay these veterans a projected \$371 million over the next 5 years. We multiplied the monthly overpayment amount of about \$1,985 by 5 years to project the potential overpayment amounts made to these 3,115 veterans. To avoid duplicating any monetary benefits we identified in our 2011 report, we reduced the estimate of potential monetary benefits by eliminating amounts claimed from the prior audit. That includes all potential overpayments occurring before December 31, 2015. Table 4 explains the methodology we used to identify potential monetary benefits for this follow-up audit.

Table 4. Summary of Payments to Non-Action Cases

Description		Past Overpayment	Future Overpayment in Next 5 Years	
			Amount Claimed on Original Audit	Amount Claimed on This Audit
Benefits Paid To 7,354 Veterans (millions).	\$200.47 M			
Estimated Number Of Veterans Whose Evaluation Should Be Reduced	$7,354 \times \frac{42.36\%}{100} = 3,115$			
Projected Value Of Benefits Paid To Veterans Where VBA Took No Action (millions)	$\frac{\$200.47 \text{ M} \times 42.36\%}{100} = \84.9 M	\$84.9 M	\$84.9 M	\$0
Average Monthly Overpayment (Original Audit).	\$1,985			
Estimated Value Of Benefits That Will Be Paid 3,115 Veterans In 5 Years If VBA Takes No Action (millions)	$\$1,985 \times 60 \text{ mo.} \times \frac{3,115}{100} = \371 M	\$371 M	\$148.4 M	\$222.6 M

Source: VA OIG analysis

* Numbers shown in Table 4 may not match numbers throughout the report due to rounding.

Appendix D Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	<p>In total, we identified a \$456 million impact to the government (\$85 million in past payments and \$371 million over the next 5 years). We estimate that 3,115 (42 percent) of the 7,354 veterans received almost \$85 million in improper benefit payments without adequate medical evidence. Without action, VBA could overpay these veterans a projected \$371 million over the next 5 years. To account for the overlap from the prior audit, we did not claim \$233.4 million (\$85 million in estimated benefit payments without adequate medical evidence and \$148.4 million of the projected future monetary benefits). We had already claimed all benefits before December 31, 2015, on the prior audit. See Table 4 for additional details.</p>	\$222,600,000	\$0
Total:		\$222,600,000	\$0

Appendix E Under Secretary for Benefits Comments

Department of Veterans Affairs

Memorandum

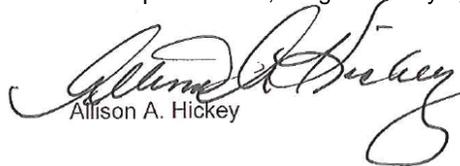
Date: May 13, 2014

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report—Follow-up Audit of 100 Percent Disability Evaluations [Project Number 2014-01686-R5-0089]—VAIQ 7458279

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

1. Attached is VBA's response to the OIG's Draft Report: Follow-up Audit of 100 Percent Disability Evaluations.
2. Questions may be referred to Christopher Denno, Program Analyst, at 461-9125.



Allison A. Hickey

Attachment

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Follow-up Audit of 100 Percent Disability Evaluations**

The Veterans Benefits Administration provides the following comments:

VBA developed a solution for missing future examination dates for Veterans assigned temporary 100-percent evaluations by creating the "TRAP" report. The TRAP report identifies those claims that may require an adjustment based on a temporary 100-percent evaluation and flags the records without a future examination date for the regional office of jurisdiction to review. VBA issued guidance on February 6, 2014, with defined timeliness targets for conducting the reviews and completing any actions needed on the temporary 100-percent evaluations identified through the TRAP report. As of April 26, 2014, the inventory of these pending reviews had decreased by 57 percent, with the number pending over 180 days reduced by 65 percent and the number pending over one year reduced by 73 percent. Based on the actions and improvement outlined above, VBA believes that it has met the requirement to both identify and put a plan in place to take action on Veterans' records requiring a future examination and potential adjustment.

The OIG cites the location of claims folders at the Records Management Center (RMC) as a factor that prevents VA from identifying claims where a Veteran's medical condition may have improved. However, this is a misunderstanding of VBA's current claims processing business model. The new Transformation business model utilizes a paperless claims processing environment. The RMC does not need to physically send the paper claims folder to the regional office having jurisdiction of the Veteran's claim. Paper claims files located at the RMC that are needed in connection with a temporary 100-percent evaluation review are sent to VBA's scanning vendor, where they are uploaded for electronic access by the regional office.

Based on its review of 106 Veterans' records, OIG determined that 16 of these records were located at the RMC. OIG then used this sample to estimate that 1,500 claims requiring future exams were located at the RMC. However, that estimate is inaccurate, as only 182 claims files requiring future exam reviews were actually located at the RMC as of January 31, 2014. VBA has issued guidance to expedite shipment of these files to the scanning vendor.

VBA also disagrees with the OIG's estimate that 3,100 (42 percent) of the Veterans listed on the TRAP report are receiving improper payments, and therefore believes the OIG's projection of improper payments to be significantly overstated. The OIG states in Appendix C that it based the 42-percent estimate on the small sample of cases without future examination dates reviewed by regional office staff during the OIG's 2011 site visits. To assess the applicability of this estimate to the 7,400 cases on the current TRAP report without a future examination date, VBA looked at the universe of 81,092 Veterans who were in the population of Veterans with 100-percent disability evaluations that were the subject of the OIG's 2011 review, and applied the TRAP criteria to their 2010 status. VBA identified 4,082 claims that met the TRAP criteria in 2010 for no future diary at that time and therefore at risk for improper payments. VBA then reviewed their current status and determined that only 16 percent of these Veterans' awards have been reduced, terminated, or suspended. The remaining Veterans have either had their 100-percent disability evaluation converted to permanent status or have since died; or they have had their temporary evaluations continued, with the required controls in place to review the claims in the future and schedule examinations as needed.

The following comments are submitted in response to the recommendations in the OIG draft report:

Recommendation 1: We recommend the Under Secretary for Benefits ensure regional office staff take the appropriate action to review and process the records of all veterans with a temporary 100 percent disability evaluation within 180 days of the veteran's inclusion on the TRAP report or the veteran's scheduled exam.

VBA Response: Concur. VBA has implemented an aggressive plan to ensure appropriate action is taken on all temporary 100-percent disability evaluations within 180 days of inclusion on the TRAP report or maturation of VBA's future examination indicator that is established when the Veteran is awarded a temporary 100-percent evaluation. Since February 6, 2014, when guidance regarding this plan was issued to VBA regional offices, the inventory of pending reviews decreased by 57 percent, and the number of these reviews pending more than 180 days decreased by 65 percent (data as of April 26, 2014).

Target Completion Date: September 30, 2014.

Recommendation 2: We recommend the Under Secretary for Benefits ensure regional offices transfer from the Records Management Center all claims folders with temporary 100 percent disability evaluations to the regional office of jurisdiction.

VBA Response: Concur. However, the transfer will be accomplished in VBA's electronic environment using the Veterans Benefits Management System (VBMS). The Records Management Center (RMC) does not need to physically send the paper claims folder to the regional office of jurisdiction. Paper claims files located at the RMC that are needed in connection with a temporary 100-percent review are being sent to VBA's scanning vendor, where they are uploaded for electronic access by the regional office. As the future examination indicator matures, the electronic folder will be available in VBMS for the regional office to take appropriate follow-up action. As of January 31, 2014, only 182 claims files requiring future exam reviews were actually located at the RMC (significantly below the 1,500 estimated by OIG). VBA has issued guidance to expedite shipment of these files to the scanning vendor.

Target Completion Date: July 31, 2014

Appendix F 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	Larry Reinkemeyer, Director Timothy Halpin Ken Myers Sandra Parsons Nelvy Viguera Butler
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Appendix G Report Distribution

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