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STATEMENT OF
BELINDA J. FINN
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FOR AUDITS AND EVALUATIONS
OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS, UNITED STATES SENATE
ON
THE INSPECTION OF THE ANCHORAGE VA REGIONAL OFFICE
FEBRUARY 16, 2010

Senator Begich, thank you for the opportunity to testify today on the Office of Inspector General (OIG) report, Inspection of the VA Regional Office, Anchorage, Alaska. I am accompanied by Mr. Brent Arronte, Director, Benefits Inspection Division, Office of Inspector General, Department of Veterans Affairs.

BACKGROUND

The Benefits Inspection Program is a new OIG initiative to ensure our Nation's veterans receive timely and accurate benefits and services. The Benefits Inspection Division contributes to the improvement and management of benefits processing activities and veteran services by conducting onsite inspections at VA Regional Offices (VAROs).

Under the current organizational structure, the Benefits Inspection Division, consisting of two teams, will complete a review of all 57 VAROs during a 5-year cycle, performing 12 inspections annually. The OIG recently implemented a new hiring initiative to create a second Benefits Inspection Division. Tentatively, this new division will be operational by the end FY 2010. This initiative would allow the OIG to complete a review of all VAROs within a 3-year period.

For each inspection, we issue a report describing VARO performance as measured against current VBA and VA policy. The scope of our inspections allows for a narrow review of work performed at each office and our reports represent a "snapshot" in time. Currently, we perform our reviews using five protocols focused on distinct functional areas and specific operational activities within the VARO. The protocols are claims processing, data integrity, management controls, information security, and public contact. We designed these protocols based on a risk analysis of previous OIG national audits and Combined Assessment Reviews, VBA's Compensation and Pension Site Visit reports, Government Accountability Office (GAO) reports, and information provided by the Senate and House Veterans' Affairs Committees. Our plan is to review the protocol areas annually to identify new high-risk areas and adjust as necessary.

ANCHORAGE VARO RESULTS

In late July and early August 2009, we conducted onsite work at the Anchorage VARO. Our inspection focused on the following 14 operational activities within the 5 protocol areas:

- Processing of disability claims for specific service-related conditions – Post-traumatic stress disorder, traumatic brain injury, diabetes and disabilities related to herbicide exposure, and Haas claims. A Haas claim is a claim affected by a U.S. Court of Appeals for Veterans Claims

decision that involves veterans who served in waters off Vietnam but did not set foot in Vietnam and whether those veterans are entitled to the presumption of service connection to herbicide agents.

- Integrity of VBA's Claims Management Data – Establishing correct dates of claim and properly tracking veteran's claims folder using VBA's Control of Veterans Records (COVERS) database.
- Management Controls over Claims Processing – Systematic analysis of operations (SAO), a management driven analysis of key business activities designed to identify existing or potential problems; systematic technical accuracy review (STAR), an integral part of VBA's quality assurance program designed to measure VARO performance in processing claims; and accountability for VARO date stamps and usage of the claims process improvement business model. This business model requires employees to rotate between the different teams within the VARO to maintain skills required to process claims.
- Security of Veterans' Information – Mail handling procedures and controls for the safeguarding of veterans documents to prevent unauthorized destruction
- VARO Public Contact Functions - Inquiry Routing and Information System (IRIS), VA's internet based public message system that allows beneficiaries a means to communicate with VA electronically.

During our visit, we interviewed the VARO Director, Veterans Service Center Manager (VSCM), supervisors, and employees responsible for processing claims and providing benefit services to veterans and their dependents. We reported the Anchorage VARO management team faces challenges in providing benefits and services to veterans. These challenges include addressing oversight of operational activities, improving insufficient network capacity to support business processes, providing training to staff, and managing an internal claims brokering process. The VARO did not meet VBA's standards for 13 of the 14 operational areas inspected.

Our analysis of disability claims processing revealed a 29 percent error rate at the Anchorage VARO. The error rate represents our analysis of 78 disability claims and not the entire caseload of the VARO. Of the 78 claims reviewed, processing errors occurred in 23 claims, of which only three errors directly affected veterans' benefits. The VARO underpaid two veterans, one for \$288 and one for \$4,758. The other error did not involve monetary benefits. The majority of processing errors involved claims for PTSD and Haas claims. These errors occurred because of a lack of training for Rating Veterans Service Representatives (RVSR) responsible for making disability determinations.

Of those 13 operational areas that did not meet VBA standards, 9 occurred because of a lack of management oversight. These areas were: tracking veterans claims folders, establishing the correct dates of claim, correcting errors identified by VBA's STAR quality assurance program, completing SAOs, safeguarding VARO date stamps, safeguarding veteran's personally identifiable information (PII), properly handling claims related mail, responding to electronic inquiries submitted by veterans, and, responding to congressional inquiries.

For approximately 8-months during FY 2009, the VARO had no manager for its Veterans' Service Center, a key management position affecting many operational areas in the Anchorage VARO. Further, the VARO Director geographically residing in Salt Lake City may have also attributed to diminished oversight. For example, the Director could not observe the effectiveness

of SAO recommendations designed to improve station performance and delays in implementing several SAOs occurred while waiting for the Director in Salt Lake City to approve the plan.

In addition to the 14 operational areas inspected, we identified serious concerns regarding network capacity to support current business processes. Employees reported difficulty maintaining consistent access to certain VBA applications required to perform their jobs. These difficulties included applications being unresponsive and the need for employees to restart their computers several times a day. The employees informed us this problem had already existed for over one year. We estimated the Anchorage VARO might lose 7.5 productive hours per rating specialist a month due to network capacity problems.

The VARO Director implemented an internal brokering plan that moves rating-related claims between Anchorage, AK, Ft. Harrison, MT, and Salt Lake City, UT. VBA normally brokers work between VAROs because of insufficient resources to process certain types of work. The Anchorage VSCM informed us it is difficult to create a workload management plan and to control the workload of pending claims brokered to other VAROs. A supervisor from the Anchorage VARO indicated brokering impacts mail handling procedures and it is difficult to associate claims related mail with claims folder located at other VAROs. Currently, the OIG is performing a national audit to determine the effectiveness of claims brokering across all VBA regional offices.

Because the Anchorage VARO was moving so much work to other VARO's, we compared staffing levels between the Anchorage VARO and the Boise VARO to determine if the staffing level was commensurate with similar VARO's. Our analysis revealed the Boise VARO has 22 additional full-time employees while maintaining a comparable inventory of rating and non-rating claims. We based this comparison on the total number of actual claims pending in each office. We believe this provides the best comparison of actual workload, rather than the number of veterans who reside in each state or those veterans who might file claims.

The Benefits Inspection Division completed 6 VARO inspections during FY 2009. A comparison of the percentage of claims processing errors revealed the highest error rate occurred at the San Juan, P.R. VARO, (41 percent), followed by Anchorage, AK (29 percent), Roanoke, VA (25 percent) Baltimore, MD (20 percent), Nashville, TN (19 percent) and Wilmington, DE (11 percent). These error rates represent our analysis of a sample of disability claims and not the entire caseload at each VARO. None of the VAROs inspected complied with 100 percent of the operational areas we reviewed. The Baltimore office had the highest rate of non-compliance with VBA standards followed by Anchorage, San Juan, Nashville, Wilmington and Roanoke.

We recommended the Director improve oversight of the quality assurance process for several of the operational areas that did not meet standards, develop a mail routing guide to ensure proper processing of mail, research the cause and solutions to improve network capacity issues, and train staff to maintain required skills. The VARO Director concurred with all of the OIG's recommendations in the inspection report.

SUMMARY

Although our inspection found the Anchorage VARO management team faces many challenges in providing benefits and services to veterans, we believe the Director's comments to our

recommendations are responsive. The Benefits Inspection Division has not performed any follow-up regarding the implementation of these recommendations at this time.

Senator Begich, thank you for the opportunity to testify here today. Mr. Arronte and I would be pleased to answer any questions that you may have.