



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Regional Office Jackson, Mississippi

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Conduct fraud and integrity awareness training for facility staff.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

To Report Suspected Wrongdoing in VA Programs and Operations

Call the OIG Hotline – (800) 488-8244

Contents

	Page
Executive Summary	i
Introduction	1
Regional Office Profile	1
Objectives and Scope of the CAP Review	1
Results of Review	3
Organizational Strengths	3
Opportunities for Improvement	4
Compensation and Pension Future Examinations	4
Compensation and Pension Hospital Adjustments	6
Compensation and Pension Claims Processing	7
Vocational Rehabilitation and Employment	8
Fiduciary and Field Examinations	10
Appendixes	
A. Southern Area Director’s Comments	12
B. Regional Office Director’s Comments	13
C. Monetary Benefits in Accordance with IG Act Amendments	19
D. OIG Contact and Staff Acknowledgments	20
E. Report Distribution.....	21

Executive Summary

Introduction

During the week of May 17-21, 2004, the Office of the Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office (VARO) Jackson, Mississippi. The regional office is part of the Veterans Benefits Administration's (VBA) Southern Area. The purpose of the review was to evaluate selected regional office operations, focusing on benefits claims processing and financial and administrative controls. During the review, we provided fraud and integrity awareness training to 131 regional office employees.

Results of Review

This CAP review covered 12 regional office operational activities. The VARO complied with selected standards in the following areas:

- Automated Information Systems (AIS)
- Benefits Delivery Network (BDN) Security
- Compensation & Pension (C&P) Data Validation
- C&P Locked Files
- C&P One-Time Payments
- C&P System Messages
- Government Purchase Card Program

We identified the following two organizational strengths:

- The Regional Office Director's reviews of one-time compensation and pension (C&P) payments of \$25,000 or more were properly completed.
- System-generated messages were promptly processed.

We also identified opportunities for improvement in 5 of the 12 activities reviewed. For these five activities, the regional office needed to:

- Improve controls over future C&P examinations.
- Promptly adjust C&P payments to veterans hospitalized at Government expense for extended periods.
- Reduce the C&P payments for veterans with children receiving Dependents' Educational Assistance (Chapter 35) benefits.

- Improve the timeliness of services, file documentation, and accuracy of case status for veterans in the Vocational Rehabilitation and Employment (VR&E) Program.

A suggestion for improvement was made in the following area:

- Fiduciary and Field Examinations (F&FE) staff should maintain appropriate documentation, and field examiners should make sure sensitive data is adequately protected.

This report was prepared under the direction of Mr. William Withrow, Director, and Mr. Larry Reinkemeyer, CAP Review Coordinator, Kansas City Audit Operations Division.

Southern Area Director and Regional Office Director Comments

The Southern Area and Regional Office Directors agreed with the CAP review findings and provided acceptable improvement plans. (See pages 12-18, for the full text of the Directors' comments). We will follow up on the implementation of recommended improvement actions until they are completed.

(original signed by Jon A. Wooditch,

Deputy Inspector General for:)

RICHARD J. GRIFFIN

Inspector General

Introduction

Regional Office Profile

Organization. VARO Jackson provides C&P, VR&E, and burial benefits to eligible veterans, dependents, and survivors. The regional office also operates offices in the VA medical centers in Jackson and Biloxi, Mississippi, that provide services related to the VR&E program; and has field examiners located in Jackson, Newton, Pontotoc, and Biloxi, Mississippi.

Resources. In Fiscal Year (FY) 2003, the regional office had general operating expenses of about \$11 million, and staffing totaled 137 full-time equivalent employees.

Workload. The estimated veteran population served by the regional office is about 244,000. During FY 2003, the regional office authorized about \$246 million in C&P payments for 42,000 beneficiaries. VR&E benefits totaling about \$659,000 were paid to about 435 beneficiaries. In addition, the regional office provided fiduciary oversight for 1,513 incompetent veterans and other beneficiaries.

Objectives and Scope of the CAP Review

Objectives. CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality VA health care and benefits services. The objectives of the CAP review are to:

- Conduct recurring evaluations of selected health care facility and regional office operations focusing on patient care, quality management, benefits, and financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

Scope. We reviewed selected benefits claims processing, financial, and administrative activities to evaluate the effectiveness of benefits delivery and general management controls. Benefits delivery is the process of ensuring that veterans' claims for benefits and requests for services are processed promptly and accurately. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met. The review covered facility operations for FYs 2003 and 2004 (through April 2004) and was done in accordance with OIG standard operating procedures for CAP reviews.

In performing the review, we interviewed managers and employees and reviewed benefits and financial and administrative records. The review covered selected aspects of the following 12 areas and activities:

AIS	C&P System Messages
BDN Security	Dependents' Educational Assistance
C&P Data Validation	(Chapter 35) Benefits
C&P Future Examinations	F&FE Administration
C&P Hospital Adjustments	Government Purchase Card Program
C&P Locked Files	VR&E Claims Processing
C&P One-Time Payments	

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strengths section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4-11). For these activities, we make recommendations and a suggestion for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. A suggestion pertains to an issue that should be monitored by VBA and regional office management until corrective action is completed.

During the CAP review, we also presented three fraud and integrity awareness briefings that were attended by 131 regional office employees. The briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating benefits fraud, false claims, procurement fraud, and bribery.

Results of Review

Organizational Strengths

The Regional Office Director's Reviews Of One-Time C&P Payments Of \$25,000 Or More Were Properly Completed. VBA policy requires the Regional Office Director or Assistant Director to review all one-time C&P payments of \$25,000 or more. The Regional Office Director reviewed the 32 C&P payments of \$25,000 or more issued by the regional office during the period December 2003 through February 2004. In addition, we found that all of the payments had evidence of third party reviews within 15 days of receiving payment notification, to ensure that the payments were appropriate.

System-Generated Messages Were Promptly Processed. BDN generates messages to advise field stations of the need to review beneficiaries' records. We reviewed all 150 Notice of Benefit Payment Transactions and all 62 C&P Master Record-Audit Writeouts generated by the BDN during March and December 2003 and found that VSC personnel processed all system-generated messages in a timely manner.

Opportunities for Improvement

Compensation and Pension Future Examinations – Controls Needed To Be Established To Ensure Dates of Future VA Medical Examinations are Input into BDN

Condition Needing Improvement. VSC personnel did not ensure that dates of future VA medical examinations were input into BDN. As a result, the benefits of veterans with 100 percent service-connected compensation for disabilities subject to reduction were not reduced, even though their treatments had ended.

Veterans with specific disabilities are granted 100 percent service-connection while undergoing treatments for certain diseases and conditions. The majority of the disabilities result from orthopedic conditions such as knee surgery or joint replacement. However, the regional office's rating board can grant 100 percent service-connection for veterans who are undergoing treatments for cancer and or have had heart surgery if the conditions were either incurred in service or were secondary to exposure to Agent Orange. In all cases, these conditions require future VA medical examinations in order to determine if the veterans are still receiving treatments and to determine if reductions in the 100 percent evaluations are warranted.

In order to ensure that the required future VA medical examinations take place, rating specialists enter a future examination date into the rating decision. When the veteran service representatives (VSRs) input the award they should enter the future examination date into the BDN 301 screen. Prior to the date of the future examination, BDN generates a VA Form 21-2507a (Request for VA Examination). Once this form is generated, the claims folder is pulled from the file bank and both the form and the claims folder are sent to the rating board for review and scheduling of the examination. Following the completion of the VA medical examination, the rating board reviews the evidence of record and if the veteran is still receiving treatment, the 100 percent evaluation is continued and another examination is scheduled. If the veteran is no longer receiving treatment, the rating specialist will reduce the 100 percent evaluation and assign the appropriate service-connection for any remaining conditions or treatments.

We reviewed a judgment sample of 10 compensation cases. The veterans were receiving 100 percent service-connected compensation for disabilities potentially subject to reduction. We found that for 6 of the 10 cases, regional office personnel did not make sure examinations were conducted to determine if the veterans were still receiving treatments. For 5 of the 6 cases, the VSRs did not enter the dates of the future examinations into BDN. Without the VA Form 21-2507a, the rating board is not prompted to review the file and the 100 percent evaluation could potentially run indefinitely. For 1 of the 6 cases, the rating specialist did not annotate the need to conduct a future examination on the rating decision to determine if the 100 percent

evaluation was still appropriate. Once the evaluation has been in place for 20 years, the 100 percent evaluation is protected by Federal law and can not be reduced.

We referred the six cases to the VSC Manager to determine whether the 100 percent evaluations were still warranted. To illustrate:

- In 3 of the 6 cases, the veterans were still undergoing treatments and therefore, the 100 percent evaluations should continue. The VSC manager made sure that appropriate future examination dates were entered into the BDN for these three cases.
- In 2 of the 6 cases, the veterans were no longer receiving treatments for their conditions and the 100 percent evaluations should have been reduced but were not. Based on our calculations, the two veterans were overpaid \$40,684 and potentially could have received an additional \$261,105 through FY 2009.
- One of the 6 cases showed VARO Phoenix awarded the veteran a presumptive service-connection in July 1999 for a condition secondary to exposure to Agent Orange. However, the veteran had not served in the Republic of Vietnam and, therefore, was not entitled to a presumptive service-connection for the condition. The veteran was overpaid \$127,950 and potentially could have received an additional \$148,544 through FY 2009.

VSC employees agreed with our findings and estimate of monetary benefits and immediately implemented a new procedure designed to monitor compensation claims processing. This procedure requires the rating board to attach a flash cover sheet on the outside of the claims folder with the date of the future examination written on the cover. Additionally, VSC management reminded personnel to ensure that all future examination dates are input into BDN.

Recommended Improvement Action 1. We recommended that the Southern Area Director ensure that the Regional Office Director requires VSC to: (a) make appropriate award adjustments for the cases involving evaluations that should be reduced, (b) change the service-connection status of the veteran who did not serve in the Republic of Vietnam, (c) establish a control to ensure VSRs input future examination dates into BDN, and (d) conduct refresher training for rating specialists to ensure disabilities subject to reduction are reduced when appropriate.

The Area and Regional Office Directors agreed and stated that appropriate award adjustments were either initiated or completed for the three cases requiring adjustments. For the other three cases, the veterans are still undergoing treatments for their 100 percent conditions and adjustments are not necessary. While the CAP team was on station, action was taken to ensure VSRs input routine future examination dates into BDN and VSC management trained personnel on this procedure. To ensure that VSRs do not overlook future examination dates, rating specialists are required to attach flash cover sheets on the outsides of the claims folders with the dates of the future examinations written on the

covers. On May 27, 2004, refresher training was conducted for all rating specialists to ensure that disabilities subject to future reduction are properly identified. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Compensation and Pension Hospital Adjustments – Adjustments of Benefits Needed To Be Improved

Conditions Needing Improvement. VSC personnel did not adjust C&P benefits for veterans hospitalized at Government expense. In certain situations, Federal law requires adjustments of C&P payments to hospitalized veterans. For example, payments to veterans who are entitled to an aid and attendance allowance in addition to their regular C&P benefits generally must be reduced to the lower housebound rate if the veterans are hospitalized at Government expense for a period exceeding 1 full calendar month.

At our request, VA medical centers in Biloxi and Jackson, Mississippi identified 327 veterans who had been hospitalized at Government expense for 90 days or more as of January 31, 2004. We reviewed the BDN records of these 327 veterans and identified 50 whose benefits were subject to reduction.¹ Of the 50 cases, VSC personnel appropriately adjusted 28 cases. The following actions were needed on the remaining 22 cases:

- For 11 veterans whose cases are managed at VARO Jackson, C&P payments needed to be reduced. These 11 veterans had been overpaid \$192,392.
- There were 11 veterans whose cases were managed at other VAROs that also required award reductions. These veterans were overpaid \$285,913.

The 22 veterans were overpaid \$478,305. VSC personnel at each VARO (Jackson, St. Petersburg, New Orleans, Montgomery, and Milwaukee) agreed that the C&P payments should have been reduced and informed us that actions had been taken to adjust all C&P payments.

Although VA medical center personnel reported the veterans' hospital admissions in the Automated Medical Information Exchange (AMIE), C&P payments had not been reduced at the regional office because VSC staff did not properly initiate the hospital adjustments. Employees at the other VAROs advised us that they were not notified that the veterans were hospitalized. As of April 1, 2004, VSC implemented new procedures for the proper handling of AMIE hospital reports. These procedures include requiring a second review of all hospital reports that are deemed no action necessary to ensure that hospital adjustments are made when necessary. This new policy also includes

¹ We also found one veteran whose benefits should have been restored; the underpayments in this case were \$57,114.

instructions for handling hospital reports generated for veterans whose files are located at other VAROs. These reports are referred to the Assistant VSC Manager to be referred to the other VAROs and tracked to ensure the proper adjustments are made.

Recommended Improvement Action 2. We recommended that the Southern Area Director ensure that the Regional Office Director requires that VSC staff: (a) adjust the payments to the 22 veterans we identified that were hospitalized at Government expense for extended periods, (b) promptly process all adjustments upon notification to minimize overpayments and underpayments, and (c) closely monitor the implementation of the new local procedures for the proper handling of hospital adjustments.

The Area and Regional Office Directors agreed and stated that adjustments were completed on the 11 cases under the jurisdiction of VARO Jackson. VSC personnel at the other involved VAROs (St. Petersburg, New Orleans, Montgomery, and Milwaukee) have been notified about their respective cases and the appropriate adjustments have been taken. VSC has had a revised policy in place since April 2004 for ensuring that AMIE hospital reports are promptly processed including requiring a second review of hospital reports deemed as no action necessary. VSC management will conduct semi-annual reviews similar to the format used by the CAP team. The results of these audits will be incorporated into the annual Systematic Analysis of Operations (SAO) on this subject. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Compensation and Pension Claims Processing – Payments to Veterans Receiving Additional Compensation Benefits for Children Receiving Chapter 35 Benefits Should Be Reduced

Condition Needing Improvement. VSC personnel did not properly reduce the C&P payments to veterans when the veterans were receiving additional compensation for school aged children, and the children were also receiving Chapter 35 benefits. Dependents of veterans who receive compensation for a permanent 100 percent disability, or who died on active duty, or of a service-connected disability, are eligible to receive Chapter 35 benefits. VA regulations require VSC staff to discontinue the veterans' additional compensation for school aged children when the school aged children receive Chapter 35 benefits. When a Chapter 35 benefit is processed, the Education Division of 1 of the 4 Regional Processing Offices (RPOs)² is required to coordinate with the VARO having jurisdiction over the veteran's claim file to ensure concurrent payments of additional compensation for school aged children and Chapter 35 benefits are not issued.

² The four RPOs are located in Atlanta, Buffalo, St. Louis, and Muskogee.

We identified 2 of 53 veterans receiving 100 percent compensation benefits with additional benefits for school children while the children were also receiving Chapter 35 benefits. The two veterans were overpaid \$8,962 as described below:

- A veteran's claim folder had been transferred from VARO Nashville to VARO Jackson. VSC personnel at VARO Nashville did not reduce the benefits after receiving notification of the Chapter 35 benefits from the RPO. This resulted in overpayments of \$6,666 between August 2001 and May 2004.
- Benefit payments had not been reduced for one veteran because VSC personnel overlooked information from the RPO indicating Chapter 35 benefits. This resulted in overpayments of \$2,296 between August 2003 and May 2004.

During our review, the Regional Office Director reported that required corrective actions had been taken on the two cases. The workflow process has been revised to ensure that all awards for Chapter 35 benefits are identified and appropriate actions are taken.

Recommended Improvement Action 3. We recommended that the Southern Area Director ensure that the Regional Office Director requires VSC personnel to: (a) reduce the C&P payments for the two veterans we identified as receiving additional compensation for school aged children while the children are receiving Chapter 35 benefits, and (b) ensure that all awards for Chapter 35 benefits are identified and appropriate actions are taken.

The Area and Regional Office Directors agreed and stated that both cases were adjusted. VSC management issued written instructions to all applicable personnel on the processing of Chapter 35 cases. Additionally, the workflow process has been revised to ensure that all awards for Chapter 35 benefits are identified and appropriate actions are taken. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Vocational Rehabilitation and Employment – Timeliness of Services, File Documentation, and Accuracy of Case Status Data Needed Improvement

Conditions Needing Improvement. VR&E personnel needed to improve timeliness of services; documentation maintained in Counseling, Evaluation, and Rehabilitation (CER) files; and timely placement of veterans who were not actively pursuing their approved programs into discontinued or other appropriate program status.

VR&E personnel use the VR&E Case Status System to manage their case workload and produce management reports. VR&E personnel assign each program participant a specific case status at each stage of the rehabilitation process. Generally, veterans

pursuing higher education or other training should move sequentially from applicant status through evaluation and planning status, rehabilitation to the point of employability status, employment services status, and finally rehabilitated status. Veterans who temporarily suspend their participation in the program but plan to resume training in the near future are placed in interrupted status. Veterans who are not actively pursuing their approved training programs should be placed in discontinued status.

We selected a judgment sample of 25 of 743 veterans' CER files as of January 31, 2004. Of the 25 files reviewed, 5 were in applicant status, 5 were in evaluation and planning status, 5 were in rehabilitation to the point of employability status, 5 were in employment services status, and 5 were in interrupted status.

Timeliness of Services. VR&E personnel needed to improve the timeliness of services provided to veterans in both applicant status and evaluation and planning status. A veteran is classified in applicant status from the date an application for VR&E benefits is received until the veteran's eligibility is determined and the veteran attends an initial orientation session. VBA's goal is to complete this process within 60 days. However, documents in the five CER files showed the veterans were in applicant status for periods ranging from 368 to 642 days. While in evaluation and planning status, the veteran's needs are identified and counselors develop an individual rehabilitation plan. VBA's goal is to complete this process within 120 days. The five CER files showed the veterans were in this status for periods ranging from 433 to 551 days.

File Documentation. We found that 7 of 25 CER files did not contain appropriate documentation such as due process letters and discontinuance letters. This documentation is needed to ensure veterans receive proper and timely notifications regarding their benefits.

Placement in Appropriate Program Status. VR&E counselors needed to ensure that information concerning a veteran's status is consistently recorded and promptly updated in BDN, the Corporate Case Management Information System, and the CER file. We found:

- Two of the 5 veterans in rehabilitation to the point of employability status should have been placed in an interrupted status at earlier dates for not continuing the training portion of their programs.
- Three of the 5 veterans were in employment services status despite maintaining employment ranging from 264 to 634 days. Veterans should be classified as in rehabilitated status after obtaining suitable employment and maintaining it for at least 60 days.
- Four of the 5 veterans were placed in interrupted status for extended periods of time ranging from 466 to 746 days, but there was no documentation showing they intended to resume their approved training programs. Interrupted status is used when veterans

must temporarily suspend participation in the program and VR&E personnel can establish definite dates for program resumption.

The Regional Office Director stated he has taken an active interest in improving the operations of the VR&E program through increased communications with the VR&E Officer.

Recommended Improvement Action 4. We recommended that the Southern Area Director ensure that the Regional Office Director requires VR&E personnel to: (a) provide timely services to veterans in applicant status and evaluation and planning status, (b) properly document all VR&E actions in the CER files, and (c) promptly place veterans who are not pursuing their approved training programs in discontinued or other program status as appropriate.

The Area and Regional Office Directors agreed and stated that the VR&E Officer has appropriately instructed his staff on the goals of providing timely service and, to ensure compliance, will be actively reviewing pertinent data. Also, on a quarterly basis, the VR&E Officer will validate compliance with these standards through SAOs submitted to the Director. The VR&E Officer has directed his staff to ensure that appropriate documentation is filed in the CER folders. To provide continued compliance with this requirement, the VR&E Officer performs monthly quality reviews on CER folders and monitors file documentation through this process. The VR&E Officer requires his concurrence before a counselor can place a veteran in discontinued status from a program of services. The cases identified in the CAP review have been placed in the correct status. The VR&E Officer has instructed his staff about compliance with this requirement and will monitor through frequent review of monthly reports and other appropriate information. This process will also be reported to the Director through SAOs performed by the VR&E Officer. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Fiduciary and Field Examinations – File Documentation Needed To Be Improved and Safeguards Implemented When Transmitting Medical Information

Conditions Needing Improvement. Regional office management needed to ensure that essential information is maintained in the Principal Guardianship Folders (PGFs) and that safeguards are implemented when transmitting medical information. The basic function of the F&FE Program is to protect the interests of minors and incompetent beneficiaries through effective estate supervision.

File Documentation. We reviewed a judgment sample of 20 PGFs and found documentation deficiencies in 14 folders as described below:

- Six folders did not have the accounting due dates recorded on the VA Form 21-4716a (Adult Beneficiary – Field Examination Request and Report).
- Four folders did not include the VA incompetence ratings.
- Two folders did not have date stamps on the VA Form 21-592 (Request for Appointment of a Fiduciary, Custodian, or Guardian).
- Two folders did not have the VA Form 27-555 (Certificate of Legal Capacity to Receive and Disburse Benefits).

Information Safeguards. Field examiners were sending reports to the regional office using unencrypted email. These reports contain sensitive medical information protected by Federal law. Field examiners should send any data containing sensitive information via mail or fax until VBA deploys the One-VA Virtual Private Network (VPN) software. This software will create a secure, encrypted communication channel between the regional office and all remote personnel and sites.

Suggested Improvement Action 1. We suggested that the Southern Area Director ensure that the Regional Office Director requires that: (a) F&FE staff maintain all appropriate documentation in the files of incompetent veterans, and (b) field examiners send any sensitive information via mail or fax until VBA deploys the VPN software.

The Area and Regional Office Directors agreed and stated that the coach of the public contact team conducted training with all concerned field section personnel to discuss the requirements of proper record keeping and file documentation. The ISO sent a notice to all field examiners that email could not be used to transmit sensitive data. The coach of the public contact team sent a follow-up communication to the field examiners instructing them to either mail or fax sensitive data to the regional office. Since the CAP review, the remote access server has been decommissioned. Field examiners now use One-VA VPN for electronic communications with the regional office. The improvement plans are acceptable, and we will follow up on the completion of the planned actions.

Southern Area Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: August 24, 2004
From: Director, Southern Area Office (20F2)
Subject: **VA Regional Office Jackson, Mississippi**
To: Assistant Inspector General for Auditing (52)

The Southern Area Office has reviewed the draft report. We concur with the IG recommendations as well as the response submitted by the Jackson Regional Office.

(original signed by:)

Michael A. Dusenbery
Southern Area Director

Regional Office Director's Comments

**Department of
Veterans Affairs**

Memorandum

Date: August 13, 2004
From: Director, VARO Jackson, Mississippi (323/00)
Subject: **VA Regional Office Jackson, Mississippi**
To: Assistant Inspector General for Auditing (52)

We concur with the recommendations, suggestions, and monetary benefits contained in the Draft Report - Combined Assessment Program Review of the VA Regional Office, Jackson, MS (Project No. 2004-01016-R5-0302). Our responses to the report's recommendations and suggestions are contained in the following pages.

We appreciate the thorough review conducted by the Kansas City Audit Team and compliment them for their courteous manner, professionalism, and technical expertise. We thank the members of the team for their exhaustive audit of our station -- especially the Audit Manager, Mr. Larry Reinkemeyer, and the Director of the Audit Operations Division, Mr. William Withrow. Also, we thank Resident Agent-In-Charge, Mr. Tom Godeaux, for the fraud and integrity awareness briefings that he conducted for our employees during the CAP review.

If you have any questions, please contact me at (601) 364-7010.

(original signed by:)

JOE J. ADAIR

Director

Regional Office Director's Comments to Office of Inspector General's Report

The following Director's comments are submitted in response to the recommendation and suggestions in the Office of Inspector General Report:

OIG Recommendation(s)

Recommended Improvement Action 1. We recommend that the Southern Area Director ensure that the Regional Office Director requires VSC to: (a) make appropriate award adjustments for the cases involving evaluations that should be reduced, (b) change the service-connection status of the veteran who did not serve in the Republic of Vietnam, (c) establish a control to ensure VSRs input routine future examination dates into BDN, and (d) conduct refresher training for rating specialists to ensure disabilities subject to reduction are reduced when appropriate.

Concur Target Completion Date: 10/4/04

(a) In three of the six cases noted by the CAP Team, the veterans are still undergoing treatment for their 100% conditions and adjustments are not necessary.

In two of the three remaining cases, the veterans are no longer receiving treatment and reductions are in order. On July 19, Due Process expired on one case and final action has now been taken to reduce benefits. For the other case, a Proposal to Reduce Rating was promulgated on July 28. After the expiration of Due Process, final action will be taken to reduce benefits.

(b) The third case involved an erroneous grant of presumptive service connection to a veteran who did not serve in the Republic of Vietnam. Final rating and award action has been taken to sever service connection for prostate cancer, special monthly compensation and secondary conditions associated with prostate cancer effective November 1, 2004.

(c) While the CAP team was on station, action was taken to ensure VSRs input routine future examination dates into BDN. VSC management trained personnel on this procedure. Additionally, to ensure that VSRs do not overlook future examination dates, Rating Specialists are now required to attach a flash cover on the outside of the claims folders with the date of the future examination written on the cover.

(d) On May 27, refresher training was conducted for all RVSRs to ensure that disabilities subject to future reduction are properly identified.

Recommended Improvement Action 2. We recommend that the Southern Area Director ensure that the Regional Office Director requires that VSC staff: (a) adjust the payments to the 22 veterans we identified that were hospitalized at Government expense for extended periods, (b) promptly process all adjustments upon notification to minimize overpayments and underpayments, and (c) closely monitor the implementation of the new local procedures for the proper handling of hospital adjustments.

Concur Target Completion Date: Completed

(a) The CAP Team discovered twenty-two cases in need of adjustment. While the CAP team was on station, adjustments were completed on eleven of these cases since they are under the jurisdiction of the Jackson RO. VSC personnel at the other involved stations (St. Petersburg, New Orleans, Montgomery, and Milwaukee) have been notified about their respective cases and have informed the CAP team that the appropriate adjustments have been taken.

(b) As was noted in the CAP Review, the VSC has had a revised policy in place since April for dealing with AMIE hospital reports -- ensuring that these reports are promptly processed. These procedures also require a second review of those hospital reports deemed "no action necessary" to validate their correct processing.

(c) To monitor these new procedures, VSC management will conduct semi-annual reviews similar to the format used by the CAP Team. The results of these audits will be incorporated into the annual SAO on this subject.

Recommended Improvement Action 3. We recommend that the Southern Area Director ensure that the Regional Office Director requires the VSC personnel to: (a) reduce the C&P payments for the two veterans we identified as receiving additional compensation for school aged children while the children are receiving Chapter 35 benefits, and (b) ensure that all awards for Chapter 35 benefits are identified and appropriate actions are taken.

Concur Target Completion Date: Completed

(a) Both of these cases were adjusted as soon as the CAP team discovered the errors.

(b) VSC management has issued written instructions to all applicable personnel on the processing of Chapter 35 cases. Additionally, the workflow process has been revised to ensure that all awards for Chapter 35 benefits are identified and appropriate actions are taken.

Recommended Improvement Action 4. We recommend the Southern Area Director ensure that the Regional Office Director requires VR&E personnel to: (a) provide timely services to veterans in applicant status and evaluation and planning status, (b) properly document all VR&E actions in the CER files, and (c) promptly place veterans who are not pursuing their approved training programs in discontinued or other program status as appropriate.

Concur Target Completion Date: 10/15/04

(a) The most current data in C-WINRS reveals that the average days in Applicant Status for cases at the Jackson RO is 34.1 days. Also this data shows that the average days in Evaluation and Planning Status is 122.5 days. By October 15, our goal is be at, or under, 100 average days in Evaluation and Planning Status. The VR&E Officer has appropriately instructed his staff on these goals and, to ensure compliance, will be actively reviewing C-WINRS data and other pertinent information. Also, on a quarterly basis, the VR&E Officer will validate compliance with these standards through SAOs submitted to the Director.

(b) The VR&E Officer has directed his staff to ensure that appropriate documentation (such as due process letters and discontinued letters) is filed in the CER folders. For the seven cases identified in the CAP review, their CER folders now contain the appropriate documents. To provide continued compliance with this requirement, the VR&E Officer performs monthly quality reviews on CER folders and monitors file documentation through this process. The VR&E Officer requires his concurrence before a counselor can place a veteran in discontinued status from a program of services.

(c) The cases identified in the CAP review have been placed in the correct status. The VR&E Officer has instructed his staff about compliance with this requirement and will monitor through frequent review of monthly COIN-TAR reports, C-WINRS, data from BDN, and other appropriate information. This process will also be reported to the Director through SAOs performed by the VR&E Officer.

OIG Suggestion(s)

Suggested Improvement Action 1. We suggest that the Southern Area Director ensure that the Regional Office Director requires that: (a) F&FE staff maintain all appropriate documentation in the files of incompetent veterans, and (b) field examiners send any data containing sensitive information via mail or fax until VBA deploys the Virtual Private Network software.

Concur Target Completion Date: Completed

(a) While the CAP team was on station, the Coach of the Public Contact Team conducted training with all concerned Field Section personnel to discuss the requirements of proper record keeping and file documentation.

(b) This deficiency was addressed immediately upon its identification by the CAP team. On the same day, the Information Security Officer sent a notice to all Field Examiners that Email could not be used to transmit sensitive data. The next day, the Coach of the Public Contact Team sent a followup communication to the Field Examiners instructing them to either mail or fax sensitive data to the VARO.

Since the CAP review, the RAS server has been decommissioned. Now the Field Examiners use One-VA VPN for electronic communications with the VARO.

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1a	Payments to veterans with 100 percent service-connected compensation for disabilities subject to reduction should be reduced.	\$301,789
1b	Payments to a veteran with service connection for a condition secondary to exposure to Agent Orange should be stopped.	276,494
2	Payments to certain veterans who were hospitalized at Government expense for extended periods should be reduced.	478,305
3	Payments to two veterans receiving school child benefits while the children were receiving Chapter 35 benefits should be stopped.	8,962
	Total	\$1,065,550

OIG Contact and Staff Acknowledgments

OIG Contact	William H. Withrow, (816) 426-7100
-------------	------------------------------------

Acknowledgments	Tom Godeaux
-----------------	-------------

Tim Halpin

Pat Hudon

Ken Myers

John Ramsey

Larry Reinkemeyer

Jason Schuenemann

Scott Severns

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Assistant Secretaries
General Counsel
Director, Southern Area (20F2)
Director, VA Regional Office Jackson, Mississippi (323/00)
Director, Veterans Integrated Service Network (10N10)
Director, VA Medical Center Biloxi, Mississippi (582/00)
Director, VA Medical Center Jackson, Mississippi (586/00)

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on VA, HUD, and Independent Agencies
House Committee on Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on VA, HUD-Independent Agencies
Senate Committee on Government Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget
U.S. Senate: Thad Cochran, Trent Lott
U.S. House of Representatives: Roger Wicker, Bennie Thompson, Charles (Chip)
Pickering, Jr., Gene Taylor

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/52/reports/mainlist.htm>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.