



Department of Veterans Affairs Office of Inspector General

Audit of Veterans Benefits Administration's Control of Veterans' Claims Folders

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Executive Summary

Results in Brief

The Office of Inspector General (OIG) conducted this audit to evaluate the Veterans Benefits Administration's (VBA) control of veterans' claims folders. The objective for the audit was to determine if VBA had adequate procedures in place to effectively locate veterans' claims folders.

VBA's control of veterans' claims folders, which contain personally identifiable information, was not effective because VBA managers did not track the number of lost or rebuilt folders, consistently enforce Control of Veterans Records System (COVERS) policies, and establish effective search procedures for missing claims folders. Misplaced claims folders can cause unnecessary claim processing delays and increases the likelihood that folders will be lost. Lost claims folders place additional burdens on the veterans and reduce the time regional office personnel have to spend processing claims.

Background

COVERS is VBA's system for tracking the location of paper claims folders within and between offices. COVERS shows where a folder should be located within a particular organization or operating element, or with a specific individual in the organization. The more specific the designation, the more useful COVERS will be in locating a folder. VBA employees update the COVERS database location by accessing COVERS and updating the system's "receive" function. This can be done by scanning the folder barcode with an electronic barcode reader, or by manually typing in the folder number.

Claims folders contain sensitive and personally identifiable information including social security numbers, birth dates, military records, and medical information. Loss of a claims folder could potentially impair a veteran's ability to obtain accurate and timely benefits.

COVERS Inaccurate

As of February 20, 2009, VBA had assigned about 4.2 million claims folders to regional offices for benefit claims processing and safeguarding. We projected the claims folders for an estimated 437,000 (10 percent) veterans were not at the location shown in COVERS:

- Claims folders for approximately 296,000 (7 percent) veterans were at locations different from that shown in COVERS (misplaced). Of the 296,000 misplaced claims folders, we projected about 55 percent were found in other locations inside the regional office, and the remaining 45 percent were found at the VA Records Management Center (RMC). Regional office personnel could not completely explain why folders were located at the RMC rather than at the regional office location shown in COVERS.

- Claims folders for approximately 141,000 (3 percent) veterans were lost. Our sample results showed most of the 141,000 lost claims folders were for veterans with denied claims or for deceased veterans with no current payments. Regardless of the lost claims folders' status, regional office personnel agreed with us that VBA was responsible for maintaining accountability over these folders to ensure veterans' personally identifiable information was protected. VBA officials agreed that some of these folders were lost but also stated that many may never have existed. However, we found folders that met the same criteria VBA used to conclude a folder may not have existed. Additionally, all of the lost folders had records in COVERS and the Beneficiary Identification and Records Locator System (BIRLS) indicating the folders existed and at one time had been at a Federal Records Center, the RMC, or a regional office.

Lost Claims Folders Not Tracked or Monitored

VBA personnel were not required and did not consistently track and monitor the number of lost claims folders. In addition to the lost claims folders we identified, regional office personnel rebuilt approximately 49,000 (1 percent) of the 4.2 million claims folders assigned to regional offices. Approximately 6,000 of the 49,000 rebuilt claims folders were rebuilt from September 2007 through May 2009. A rebuilt folder represents a folder where a veteran with previous claims history submits a new claim, but regional office personnel cannot find the folder and declare the folder lost. Only 2 of the 12 regional offices we visited tracked the number of rebuilt claims folders.

COVERS Policies Not Enforced

While VBA criteria mandates the use of COVERS, regional office managers did not consistently enforce existing COVERS policies due to minimal procedures for monitoring compliance. VBA requires regional office personnel to:

- Receive, or scan, the claims folder in COVERS immediately to confirm receipt. Our surprise inspections of employees' desks and office common areas found that 128 (7 percent) of 1,731 randomly selected claims folders were not shown in the correct location. Common areas are areas within the regional office where claims folders that need to be worked or returned to the main folder storage area are stored on shelves or tables. Regional office personnel generally have unrestricted access to move claims folders in and out of these common areas.
- Periodically reconfirm the location of claims folders that are located outside the regional offices' main folder storage area. VBA's national policies conflicted regarding how often staff needed to reconfirm the location of folders—either every 7 days or every 30 days. From our sample, approximately 467,000 claims folders were located outside the regional offices' main folder storage area. Of these 467,000 claims folders, regional office personnel had not reconfirmed the location of approximately 202,000 (43 percent) claims folders within the last 7 days. Further, of

those 202,000, regional office personnel had not reconfirmed the location of an estimated 45,000 (10 percent of the 467,000) folders within the last 30 days.

- Conduct annual sequence checks of the regional offices' main folder storage areas to ensure folders are filed in sequential numerical order. Sequence checking provides regional offices the opportunity to confirm COVERS locations and identify misfiled claims folders before they are needed for claims processing. Of the 12 regional offices reviewed, 11 stated they conducted annual sequence checks. However, their processes did not always update COVERS. The review of 2,881 sample claims folders located during our physical search showed that 16 misplaced claims folders were found misfiled in the main folder storage areas, and about 36 percent of folders found in our sample had not been confirmed since January 1, 2008. At the regional office that did not complete annual sequence checks, staff stated they had not conducted a sequence check for at least 5 years.

Claims Folders Search Process Ineffective

VBA's process for locating lost claims folders was not effective. Regional office personnel use COVERS to search for claims folders. However, the COVERS search report was not reliable because regional office personnel did not update the search report to keep it accurate. Additionally, COVERS does not differentiate between a potentially lost claims folder and a claims folder that regional office personnel flagged because action needed to be taken on the claim. At four of the first five regional offices we visited, managers stated they were not able to give us a list of potentially lost claims folders.

Further, no standards specified how long regional office personnel should search for a claims folder before declaring it lost and rebuilding it. Using the COVERS search report, we attempted to determine if any folders were lost by matching a list of claims folders on search to active claims listed on the Veterans Service Network Operations Report. Based on our matches, we found that for most claims folders a search was no longer necessary because the claims folder had been previously located, but regional office personnel failed to remove the search request. However, we identified eight veterans' benefits claims where the claims folder appeared to be lost. These claims from 6 of the 12 regional offices had processing delays ranging from 105 to 270 days.

Conclusion

Controls need to be strengthened to better track, locate, and provide accountability over veterans' claims folders. Effective control of veterans' records is imperative for reducing the time regional office personnel spend searching for, and rebuilding lost folders. This time can be better spent improving services to veterans and to improve claims processing timeliness along with increasing regional office productivity. Without an effective method to track lost and rebuilt claims folders, and ensure policies are enforced, VBA

leadership cannot adequately monitor performance or rely on the information they have available in COVERS to improve control and accountability of veterans' claims folders.

Recommendations

1. We recommended the Under Secretary for Benefits require regional office directors to establish unique COVERS locations for all areas to include office common areas and claims folders designated for relocation and retirement.
2. We recommended the Under Secretary for Benefits establish a mechanism to identify and track the number of claims folders regional office personnel rebuild.
3. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel update COVERS when they transfer and receive claims folders.
4. We recommended the Under Secretary for Benefits clarify national policy for regional office personnel to reconfirm the location of the claims folders outside the main folder storage areas every 7 days.
5. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel meet the requirement to reconfirm the location of claims folders outside the main folder storage areas every 7 days and take corrective actions to meet the requirement where improvement is needed.
6. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel conduct annual sequence checks that update COVERS.
7. We recommended the Under Secretary for Benefits establish requirements for regional office directors to maintain the COVERS folder search report using standard codes for claim related mail requiring action and monitor to ensure the search report is accurate.
8. We recommended the Under Secretary for Benefits require regional office personnel to initiate rebuilding missing claims folders with a pending claim no more than 60 days from the date VBA personnel are notified of the claim.
9. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel enforce the maximum 60 day search established in recommendation 8 and take corrective actions to meet the standard where improvement is needed.

Under Secretary for Benefit Comments

The Under Secretary for Benefits agreed with our findings and recommendations. The Under Secretary's planned actions for the nine recommendations were acceptable and we

will follow up on their implementation. See Appendix C for the full text of the Under Secretary's comments.

(original signed by:)

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Assistant Inspector General
for Auditing

Introduction

Purpose

The Office of Inspector General (OIG) conducted this audit to determine if the Veterans Benefits Administration (VBA) had adequate procedures in place to locate veterans' claims folders effectively.

Background

Control of Veterans Records System (COVERS) is VBA's system for tracking the location of paper claims folders. COVERS shows where a folder is located within a particular organizational or operating element or with a specific individual in the organization. VBA employees update the COVERS database location by accessing COVERS and updating the system's "receive" function. This may be done by scanning the folder barcode with an electronic barcode reader, or by manually typing in the folder number. The COVERS User Guide requires that staff update COVERS each time a claims folder is received at a new location. However, VBA had conflicting policies addressing how often the regional office should reconfirm the location of the folders located outside the main folder storage area:

- VBA Manual M21-4, dated May 20, 2008, requires regional office personnel to reconfirm the folders at least monthly.
- VBA Manual M21-1MR, dated November 15, 2004, and still in effect, requires regional office personnel to reconfirm folders every 7 days.

In addition, VBA Manual M23-1, dated March 7, 1994, requires checking the main folder storage areas annually to make sure folders are filed in numerical sequential order.

Upon receipt of an initial claim from a veteran, a VBA employee establishes a paper claims folder and an electronic record of the veteran in COVERS. A label including the veteran's name, claim number or social security number, and COVERS barcode is generated and placed on the folder. Claims folders contain critical documents necessary to support the veteran's military and medical history, which is the evidence used to grant benefits and, in many cases, could be the only original or certified copy of the document. This includes documents such as military discharge (DD Form 214), medical records showing the origin and cause of a disability, death certificates, and marriage certificates. Claims folders contain sensitive or personally identifiable information including social security numbers, birth dates, military records, and medical information. Loss of a claims folder could potentially impair a veteran's ability to obtain accurate and timely benefits.

Results and Conclusions

VBA's Claims Folder Control Process Ineffective

VBA's control of veterans' claims folders, which contain personally identifiable information, was not effective. VBA managers did not track lost and rebuilt folders, consistently enforce COVERS policies, or establish effective search procedures for missing claims folders. Misplaced claims folders can cause unnecessary claim processing delays and increases the likelihood that folders will be lost. Lost claims folders place additional burdens on the veterans and reduce the time regional office personnel have to spend processing claims.

1. COVERS Inaccurate—Claims Folders Misplaced and Lost

As of February 20, 2009, VBA had about 4.2 million claims folders assigned to regional offices for benefit claims processing and safeguarding. From a statistical review of claims folders, we projected an estimated 437,000 (10 percent) of the 4.2 million claims folders were not at the location shown in COVERS. This consisted of approximately 7 percent that regional office personnel eventually found at a location different than shown in COVERS (misplaced), and about 3 percent that were still missing at the completion of our audit (lost).

Table 1. Location of Veterans' Claims Folders Incorrect in COVERS

| Category | Claims Folders | Percent |
|------------------------------|----------------|---------|
| Misplaced Folders | 296,000 | 7 |
| Lost Folders | 141,000 | 3 |
| Total Not at COVERS Location | 437,000 | 10 |

Claims Folders Found At Different Locations Than Shown in COVERS

We projected that claims folders for approximately 296,000 (7 percent) veterans were misplaced. About 55 percent of the folders from this projection were found in other locations inside the regional office. For example, a claims folder that COVERS showed to be in the rating section was actually located in the regional office's main folder storage area.

The remaining 45 percent of the misplaced folders were found at the VA Records Management Center (RMC). VBA relocates inactive folders for living veterans to the RMC. However, claims folders that are designated for relocation are not updated until the RMC has acknowledged receipt of the folder in COVERS. During the time regional offices are relocating claims folders, and until such time as RMC staff update COVERS, these folders show in COVERS that they are located in the regional office's main folder storage area, which is not the correct location for the claims folders. To ensure that

COVERS shows the correct location of claims folders, VBA should establish unique COVERS locations for folders waiting to be relocated.

Claims Folders Not Located

We projected that claims folders for an estimated 141,000 (3 percent) veterans were lost. A review of payment histories for the 99 lost claims folders from the sample found that 98 were not receiving current payments and 1 was receiving the appropriate monthly pension payment. For these lost claims folders, VBA officials stated most were for veterans with denied claims or for deceased veterans with no current payments. Regardless of the status (denied claims or deceased veterans) of lost claims folders, VBA personnel were responsible for maintaining accountability over these folders. VBA officials agreed that some of these folders were lost but also stated that the remaining folders may never have existed. However, we found folders that met the same criteria VBA used to conclude a folder may not have existed. Additionally, the disputed lost folders had records in COVERS and the Beneficiary Identification and Records Locator System (BIRLS) indicating the folders existed and at one time had been at a Federal Records Center, the RMC, or a regional office.

2. VBA Did Not Track and Monitor Lost Veterans' Claims Folders

VBA personnel were not required and did not consistently track and monitor the number of lost claims folders. In addition to the lost claims folders we identified, regional office personnel rebuilt approximately 49,000 (1 percent) of the 4.2 million claims folders assigned to regional offices. Approximately 6,000 of the 49,000 rebuilt claims folders were rebuilt from September 2007 through May 2009. A rebuilt folder represents a situation where regional office personnel cannot find the folder when a veteran with previous claims history submits a new claim.

Staff at only 2 of 12 regional offices tracked the number of rebuilt claims folders. For example, one regional office required staff to request approval from the service center manager when a folder was lost and needed to be rebuilt. Without knowledge of the number of claims folders lost and rebuilt, VBA officials cannot effectively manage resources to improve veterans' benefits and services.

3. COVERS Policies Not Enforced

While VBA criteria mandates the use of COVERS, regional office managers did not consistently enforce existing COVERS policies due to minimal procedures for monitoring compliance. VBA Manual M21-4 requires regional office personnel to use COVERS for tracking the movement of all claims folders. The regional office assigns a COVERS name to each individual and office common area located in the regional office. Common areas are areas within the regional office where claims folders that need to be worked or returned to the main folder storage area are stored on shelves or tables. The more specific the designation, the more useful COVERS is in locating a folder. The COVERS User Guide requires that each individual update COVERS when they receive a claims folder to ensure locations in COVERS are up to date at all times—this includes

receiving folders located in office common areas used for temporarily storing folders. While criteria conflicts, M21-4 requires regional office personnel to reconfirm the location of the claims folder at least monthly, and sooner if numerous claims folders are on search or spot checks identify noncompliance.

Regional Office Personnel Did Not Update COVERS

Regional office personnel did not always receive, or scan the claims folders to confirm receipt. The COVERS User Guide states that all staff will update COVERS to show the folder's new location each time they receive a claims folder. This relatively simple and quick process requires the individual to access the COVERS system and click the receive button in the COVERS window. Regional office personnel use an electronic barcode reader to scan the barcode, but if necessary, they could manually type in the claims folder number. COVERS is then updated to show the folder's new location.

Our surprise inspections of 1,731 randomly selected claims folders from employees' desks and office common areas found that 128 (7 percent) of the claims folders were misplaced. Regional office personnel told us they:

- Were unaware that the claims folder was on their desk and that most likely the folder was placed on their desk when they were not there.
- Received new folders at the close of business and believed it to be too disruptive to stop and receive a folder every time one was received. However, folders frequently move multiple times in a day and if the folder was requested for review by a veteran, a service organization, or Congressional inquiry an extensive search would then be required since the last location in COVERS would have been at least a day old.

Regional office managers need to establish a mechanism to ensure regional office personnel update COVERS when they transfer and receive claims folders. One potential option discussed with VBA officials was to require regional office personnel to COVER folders to new locations, and monitor COVERS to determine when regional office personnel did not receive the folders in COVERS within a specific number of business days.

Further, office common areas at one location did not have a unique COVERS location so multiple common areas in the office showed the same location. While attempting to locate some claims folders, we had to search multiple locations in the regional office that had the same location name in COVERS to find a claims folder. Searching multiple locations is time consuming and creates inefficiencies reducing time available for claims processing. Regional office managers need to ensure each COVERS location within the regional office is unique.

Regional Office Personnel Did Not Periodically Reconfirm Claims Folders

Regional office personnel did not always reconfirm claims folders periodically as required by VBA policy. In addition, VBA's existing policies conflicted on how often staff needed to reconfirm folders. M21-4 stated that regional office management should ensure that all folders (outside the regional office's main folder storage area) are reconfirmed at their current location at least monthly. On the other hand, M21-1MR, which is still in effect, requires regional office personnel to reconfirm folders every 7 days.

VBA Central Office personnel stated that folders should be reconfirmed every 7 days. Further, 11 of the 12 regional offices had local policies that required staff to reconfirm claims folders outside the main folder storage area every 7 days. All 11 offices designated a specific day of the week as their update COVERS day, where all employees were required to reconfirm every folder in their physical custody. Personnel at one regional office told us they reconfirmed folders twice a month, which met the requirement for criteria described in M21-4. However, this did not meet the requirement described in M21-1MR and was inconsistent with the local policies for the other 11 regional offices.

We projected that approximately 467,000 claims folders were located outside the regional offices' main folder storage areas. Of these 467,000 claims folders, regional office personnel had not reconfirmed the location of approximately 202,000 (43 percent) claims folders within the last 7 days. Further, of these 202,000, regional office personnel had not reconfirmed an estimated 45,000 (10 percent of the 467,000) folders within the last 30 days.

Regional office personnel said that periodic reconfirmations were not done because:

- Staff was unclear about what day to reconfirm claims folders.
- Claims folders at an office common area were rarely reconfirmed.
- Claims folders were not reconfirmed for absent staff.

Regional office managers need to establish a mechanism to ensure regional office personnel reconfirm folders at least every 7 days. One potential option we discussed with VBA officials was to implement a management report that will globally identify claims folders at the regional office that were outside the main folder storage area and have not been received for more than 7 days.

Annual Sequence Checks Not Complete

The review of 2,881 sample claims folders located during our physical search showed that 16 claims folders were misfiled in the main folder storage areas, and about 36 percent of folders found in our sample had not been confirmed since January 1, 2008. VBA Manual M23-1 requires staff to confirm annually that claims folders located in the main folder storage area are in sequential numerical order. Of 12 regional offices, 11 stated they conducted annual sequence checks. At the regional office that did not

complete annual sequence checks, staff stated they had not conducted a sequence check for at least 5 years.

While staff at 11 regional offices stated they completed annual sequence checks, their processes did not always update COVERS. VBA officials informed us about two modes in which regional office personnel could perform sequence checks via COVERS. When regional office personnel perform the sequence check, and the computer is connected to the regional office's data network, the first option simultaneously reconfirms (updates the date and location) the claims folder in COVERS at the time it is scanned. If regional office personnel perform the sequence check with the computer not connected to the network, the second option provides a log file that can be uploaded to update COVERS.

Sequence checking is necessary to organize and control veterans' records in the storage areas. For example, in our report *Audit of VA Regional Office Rating Claims Processing Exceeding 365 Days* (Report No. 08-03156-227, September 23, 2009) we reported a case where a veteran's claim for benefits was significantly delayed because the claims folder was misplaced. The misplaced claims folder was found during an annual sequence check at a regional office 22 months after the claim was filed. Without the sequence check, this original folder could have remained lost indefinitely and eventually would have required regional office personnel to rebuild the folder. Regional office managers need to establish a schedule so that regional office main folder storage areas are sequence checked and claims folders are reconfirmed at least annually.

4. Claims Folders Search Process Ineffective

VBA's process for locating lost claims folders was not effective. VBA uses COVERS to search for claims folders needed for filing new mail ("M" search request) or for other reasons such as a Veterans Service Organization had requested the folder ("O" search request). However, COVERS did not identify a folder as lost. VBA needs to ensure lost folders are identified and implement standards for initiating the rebuilding process.

Search Procedures

If regional office personnel have exhausted all initial search efforts and still cannot find a claims folder necessary to complete an action, they would generally place the claims folder on either "M" or "O" search. However, regional office personnel stated that the search function was not reliable because regional office personnel did not update the search report to keep it accurate. Further, COVERS information does not differentiate between a potentially lost claims folder and a claims folder that has been flagged because it requires action. Regional offices were using the "M" and "O" search codes inconsistently. For example, one regional office associated mail immediately with the claims folder, and only used the COVERS "O" search for potentially lost folders when regional office personnel needed the folder for claims processing. Other regional offices used the COVERS "M" search for most incoming mail without trying to associate the mail with the folder—claim related or not. Some regional offices used the COVERS

“M” search for missing claims folders, while other regional offices only used the COVERS “O” search to locate missing claims folders.

At four of the first five regional offices we visited, we asked managers to provide us a list of lost folders for which they were currently searching. They were unable to provide us a list of lost folders because COVERS did not track that information, but referred us to the COVERS search report, which they stated was usually not accurate. VBA should ensure regional office directors maintain the COVERS folder search report using standard codes for claim related mail requiring action and monitor to ensure the search report is accurate. An accurate search report would help minimize delays in identifying folders that are actually lost and initiating the rebuilding process.

Declaring Folders Lost and Rebuilding the Folder

Regional office personnel did not rebuild lost claims folders unless a claim was pending. When folders could not be located, staff placed the folder on the search report, requested a physical check for the folder in the main folder storage area, and sent a request to the regional offices where they believed the folder might be located. If the claims folder was not located, regional office personnel then requested the RMC to conduct a missing folder search. If the claims folder was not at the RMC, regional office personnel prepared a rebuilt claims folder to include development for any evidence or documents required for reconstruction, and marked the cover of the claims folder with the words *Rebuilt Folder*.

VBA lacks standards specifying how long regional office personnel should search for a claims folder before declaring it lost and rebuilding it. A review of claims folders on search prior to January 1, 2009, and active claims listed on the Veterans Service Network Operations Report found that for most claims folders a search was no longer necessary because the claims folders had been previously located but regional office personnel had failed to remove the search request. However, we identified eight claims folders that were lost with related veteran benefit claims pending. These claims from 6 of the 12 regional offices had processing delays ranging from 105 to 270 days.

- A claim for increase in benefits was received from a veteran and opened on June 18, 2008. Additional medical information that could materially affect the rating, was date stamped September 18, 2008. The folder was put on search on December 2, 2008. Regional office personnel agreed the claim should have been rated when the medical exam results were received on or about September 18, 2008. The folder was rebuilt and benefits were granted on May 5, 2009—a delay of 229 days.
- A claim for increase in benefits was received from a veteran and established on December 1, 2008, and the folder was put on mail search on December 2, 2008. On March 17, 2009, in response to our inquiry, regional office personnel initiated a request to obtain service history information to continue processing the claim. The lack of timely action on the initial mail search delayed processing the claim from

December 2, 2008, to March 17, 2009—a delay of at least 105 days from the time the claim was received until the first action was taken. On April 9, 2009, the folder was found misfiled in the regional office's offsite storage area.

The time regional office personnel spend searching for and rebuilding lost folders can be better spent processing claims for veterans. When regional office personnel locate folders on search, they should remove the search request. Additionally, folders that regional office personnel cannot find should be identified as lost, and the staff should begin rebuilding the claims folder within 60 days from the date VBA personnel are notified of the claim.

Conclusion

Controls need to be strengthened to better track and locate claims folders and improve claims processing timeliness because current procedures were inadequate. VBA personnel properly controlled 90 percent of the claims folders, but additional improvements were needed to better track claims folders throughout the benefit claims rating process. Better control of veterans' claims folders will improve service to veterans, help reduce claims processing times and lost documentation, and improve regional office productivity.

Recommendations

1. We recommended the Under Secretary for Benefits require regional office directors to establish unique COVERS locations for all areas to include office common areas and claims folders designated for relocation and retirement.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will revise the COVERS User Guide to direct stations to establish unique COVERS locations for all common areas and for those folders designated for relocation and retirement.

2. We recommended the Under Secretary for Benefits establish a mechanism to identify and track the number of claims folders regional office personnel rebuild.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will create a report in the COVERS application to identify and track the number of folders rebuilt by VA regional offices that will show the number of days it takes to initiate the rebuilding process.

3. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel update COVERS when they transfer and receive claims folders.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated that the Office of Field Operations will send a formal letter to all regional offices reinforcing the requirement that all personnel update COVERS when they transfer and receive claims folders. Compliance will be monitored by the Area Office during their regional office site visits.

4. We recommended the Under Secretary for Benefits clarify national policy for regional office personnel to reconfirm the location of the claims folders outside the main folder storage areas every 7 days.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will update M21-4, Chapter 2, requiring regional office personnel to reconfirm the location of claims folders outside the main storage area every 7 days.

5. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel meet the requirement to reconfirm the location of claims folders outside the main folder storage areas every 7 days and take corrective actions to meet the requirement where improvement is needed.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will create a report in the COVERS application that will show those claims files scanned out of the main file banks and not reconfirmed in the COVERS application within 7 days. Compliance will be monitored by the Area Office and Compensation and Pension Service during their regional office site visits.

6. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel conduct annual sequence checks that update COVERS.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated that Office of Field Operations will send a formal letter to all regional offices reinforcing the requirement for annual COVERS sequence checks that update COVERS simultaneously. The Area Office and Compensation and Pension Service will incorporate a review of the sequence check schedule during their regional office site visits.

7. We recommended the Under Secretary for Benefits establish requirements for regional office directors to maintain the COVERS folder search report using standard codes for claim related mail requiring action and monitor to ensure the search report is accurate.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will update the COVERS User Guide to clarify the appropriate use of the "M" and "O" codes when initiating search efforts on missing or lost files.

8. We recommended the Under Secretary for Benefits require regional office personnel to initiate rebuilding missing claims folders with a pending claim no more than 60 days from the date VBA personnel are notified of the claim.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will update M21-1 MR, Chapter III, requiring regional office personnel to initiate rebuilding missing claims folders with a pending claim no more than 60 days from the date VBA personnel are notified of the claim. The manual update is scheduled for February 2010.

9. We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel enforce the maximum 60 day search established in recommendation 8 and take corrective actions to meet the standard where improvement is needed.

Under Secretary for Benefits Comments

The Under Secretary agreed and stated VBA will create a report in the COVERS application to show the number of days it takes a regional office to rebuild a claims folder. VBA will also add a review of the time it takes to rebuild a claims folder, from date of notification of claim to date of folder rebuild, in the Compensation and Pension Service site visits to regional offices upon implementation of the new rebuilt folder report.

Scope and Methodology

We conducted our audit from March to August 2009. Our review of national and local policies included discussions with VBA Central Office personnel on procedures in place to locate claims folders and track their movements. We conducted a physical inspection and review of 3,000 claims folders at 12 statistically selected regional offices to determine if VBA had adequate procedures in place to effectively locate veterans' claims folders. We selected the 3,000 claims folders based on a statistical sample of the claims folders COVERS showed were currently located at the 12 regional offices. We performed the following test procedures:

- Determined if the location of claims folders shown in COVERS matched the claims folders' current physical locations.
Identified the potential effect for the misplaced and lost claims folders and researched the history of these folders in COVERS, Modern Award Processing-Development, and BIRLS.
- Identified claims folders from our sample located outside the regional offices' main folder storage areas to determine if regional office personnel reconfirmed folders within seven days, per VBA Manual M21-1MR.
- Interviewed regional office and VA medical center administrative personnel with compensation and pension examination responsibilities to determine if they followed established procedures to adequately locate and track claims folders.

In addition to the statistical review of claims folders, we performed the following tests at the 12 regional offices selected for onsite review:

- Surprise inspections of 1,731 randomly selected claims folders located at employees' desks or office common areas to determine if the location shown in COVERS matched the folders' current physical locations.
- Examination of selected folders placed on search to determine if staff removed folders from the list after receiving the claims folders.
- Matched a list of folders searched prior to January 1, 2009, to active claims listed on the Veterans Service Network Operations Report to determine any potential delays in processing the claims due to folders not being readily available. Randomly selected matches from these lists to determine if claims processing delays occurred because the claims folders could not be located when needed.

Also, to determine the number of rebuilt claims folders, we used data obtained from BIRLS, which is a VBA managed legacy database system that contains records of all beneficiaries and includes the claims folder rebuilt indicator. We obtained the number of rebuilt claims folders in BIRLS as of September 18, 2007, and May 5, 2009, which showed 118,080 and 124,136 rebuilt claims folders, respectively. Therefore, for the 20-

month period ended May 5, 2009, the national number of rebuilt claims folders increased by 6,056.

Our assessment of COVERS' computer processed data was a primary objective of this audit. We determined location data of claims folders identified in COVERS was inaccurate. We also assessed the reliability of the veterans' name and claim number in the claims folder's documentation, and found it to be sufficiently reliable, and when viewed in context with the available evidence, we believe the conclusions and recommendations in this report fairly reflect the accuracy and reliability of COVERS' computer processed data.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Universe and Sample Review of Claims Folders

Universe

The sampling universe consisted of 4,204,541 claims folders under the jurisdiction of 57 regional offices as of February 20, 2009. For the purpose of our review, Cheyenne, WY was sampled as a separate regional office and we did not include Manila, which had 36,282 claims folders.

Sample Design

We used a two stage sample design. The first stage of the sample selection stratified regional offices by region (East, Central, South, and West). Three regional offices were selected from each stratum using probability proportional to the number of claims folders in each regional office. The second stage of the sample design employed simple random sampling to select claims folders within each selected regional office. For each of the 12 regional offices, we selected 250 claims folders for a total of 3,000 claims folders. This design minimized variations in the size of the sampling weights between sample units and therefore reduced any negative impact on precision due to unequal weights.

Sample Methodology

To evaluate COVERS accuracy, we determined if claims folders were at the physical locations recorded in COVERS by performing a physical search for each claims folder using the claims folder number and the recorded COVERS location. For the physical search:

- Auditors were accompanied by a staff member of each regional office.
- The location where the folder was found was compared to the location recorded in COVERS.
- If folders were not found during our initial search, then regional office personnel searched for the folders.
- We verified possession of the folders by receiving a fax of the front cover for each volume of each sampled claims folder for folders outside the regional office.
- Folders found at locations other than the recorded COVERS location were determined to be misplaced.

After all search efforts were exhausted at the regional office and all folders had not been found, we made requests to the RMC and Federal Records Centers to locate the missing claims folders. Folders not found by the regional office, RMC, or Federal Records Centers were identified as lost.

Sample Projections

We projected 437,541 (10 percent) of 4,204,541 claims folders were not at the recorded COVERS location. This consisted of an estimated 296,354 misplaced claims folders and 141,187 lost claims folders.

Table 2. Projection of Misplaced and Lost Claims Folders

| Category | Number of Claims Folders | Margin of Error Number +/- | Percent of Active Folders | Margin of Error Percent +/- |
|-----------|--------------------------|----------------------------|---------------------------|-----------------------------|
| Misplaced | 296,354 | 34,823 | 7 | 0.83 |
| Lost | 141,187 | 23,802 | 3 | 0.57 |
| Total: | 437,541 | 42,231 | 10 | 1.01 |

Of the 141,187 lost claims folders, we projected 137,065 (with a margin of error of 23,856) were lost claims folders that had not been rebuilt.

In addition, we projected 466,830 claims folders were located outside of the main folder storage area. This consisted of an estimated 201,622 claims folders that were not reconfirmed within 7 days. Of the 201,622 folders, 45,180 were not reconfirmed within 30 days.

Table 3. Projection of Claims Folders Outside the Main Folder Storage Area

| Not Confirmed Timely | No. of Claims Folders | Margin of Error Number +/- | Folders Outside Main Storage Area | Margin of Error Percent +/- | Sample Size |
|--|-----------------------|----------------------------|-----------------------------------|-----------------------------|-------------|
| Not Confirmed within 7 days | 201,622 | 27,694 | 43% | 5 | 140 |
| Not Confirmed within 30 days | 45,180 | 12,319 | 10% | 2 | 31 |
| Total Folders Outside Main Folder Storage Area | 466,830 | 37,989 | - | - | 330 |

Sample Results

We selected 250 claims folders for a total of 3,000 claims folders for each of the 12 regional offices. For 20 sampled claims folders, it was determined that physical claims folders did not exist for the sampled claims numbers. These sampled claims folders were not included in sample results or projections.

Of the 2,980 claims folders reviewed, we found a total of 2,670 claims folders at the recorded COVERS location, 211 claims folders that were misplaced, and 99 claims folders that were lost.

Table 4. OIG Sample of Claims Folders

| Location | Folders Reviewed | Accurate Locations | Misplaced Folders | Lost Folders | Total Inaccurate Locations |
|----------------------|-------------------------|---------------------------|--------------------------|---------------------|-----------------------------------|
| Atlanta | 245 | 212 | 21 | 12 | 33 |
| Boston | 250 | 239 | 4 | 7 | 11 |
| Houston | 248 | 224 | 15 | 9 | 24 |
| Indianapolis | 248 | 174 | 68 | 6 | 74 |
| Little Rock | 250 | 227 | 16 | 7 | 23 |
| Nashville | 249 | 239 | 7 | 3 | 10 |
| New York | 247 | 202 | 20 | 25 | 45 |
| Reno | 250 | 228 | 19 | 3 | 22 |
| San Diego | 250 | 227 | 17 | 6 | 23 |
| Seattle | 246 | 230 | 10 | 6 | 16 |
| St. Louis | 247 | 227 | 8 | 12 | 20 |
| Winston-Salem | 250 | 241 | 6 | 3 | 9 |
| Total: | 2,980 | 2,670 | 211 | 99 | 310 |

Under Secretary for Benefits Comments

**Department of
Veterans Affairs**

Memorandum

Date: September 11, 2009

From: Under Secretary for Benefits

Subj: OIG Draft Report - Audit of Veterans Benefits Administration's Control of Veterans' Claims Folders – WebCIMS 437886

To: Assistant Inspector General for Audit (52)

1. Attached are VBA's comments to OIG's Draft Report: Audit of Veterans Benefits Administration's Control of Veterans' Claims Folders.
2. Questions may be referred to Nancy Holly, Program Analyst, at 461-9199.

(original signed by:)

P. W. Dunne

Attachment

**VBA COMMENTS TO OIG DRAFT REPORT
Audit of Veterans Benefits Administration's
Control of Veterans' Claim Folders**

Recommendation 1: We recommended the Under Secretary for Benefits require regional office directors to establish unique COVERS locations for all areas to include office common areas and claims folders designated for relocation and retirement.

VBA Response: Concur. VBA will revise the COVERS User Guide to direct stations to establish unique COVERS locations for all common areas and for those folders designated for relocation and retirement. These unique locations will be required for use nationwide to establish consistency across regional offices.

Target Completion Date: December 1, 2009

Recommendation 2: We recommended the Under Secretary for Benefits establish a mechanism to identify and track the number of claims folders regional office personnel rebuild.

VBA Response: VBA will create a report in the COVERS application to identify and track the number of folders rebuilt by VA regional offices. This report will also show the number of days it takes a Regional Office to initiate the process of rebuilding a claims folder.

Target Completion Date: August 1, 2010

Recommendation 3: We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel update COVERS when they transfer and receive claims folders.

VBA Response: Concur. Current VBA policy in M21-1MR, Chapter III, requires all VA regional offices to use COVERS for tracking files. In addition, VBA also reviews COVERS compliance in the Compensation and Pension (C&P) site visits to regional offices. The Office of Field Operations (OFO) will send a formal letter to all regional offices reinforcing the requirement that all personnel update COVERS when they transfer and receive claims folders. This letter will also emphasize station management's duty to ensure all regional office employees are following established policy and procedures. Compliance will be monitored by the Area Office during their regional office site visits.

1Target Completion Date: December 1, 2009

Recommendation 4: We recommended the Under Secretary for Benefits clarify national policy for regional office personnel to reconfirm the location of the claims folders outside the main folder storage areas every 7 days.

VBA Response: Concur. VBA will update M21-4, Chapter 2, requiring regional office personnel to reconfirm the location of claims folders outside the main storage area every 7 days. VBA will also provide notification to the regional offices of the M21-4 update during the next Veterans Service Center Manager call scheduled for September 17, 2009.

Target Completion Date: December 1, 2009

Recommendation 5: We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel meet the requirement to reconfirm the location of claims folders outside the main folder storage areas every 7 days and take corrective actions to meet the requirement where improvement is needed.

VBA Response: Concur. VBA will create a report in the COVERS application that will show those claims files scanned out of the main file banks and not reconfirmed in the COVERS application within 7 days. Compliance will be monitored by the Area Office and C&P Service during their site visits to the regional office.

Target Completion Date: August 1, 2010

Recommendation 6: We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel conduct annual sequence checks that update COVERS.

VBA Response: Concur. Current VBA policy in M21-1MR, Chapter III, requires regional office management to establish a schedule to ensure that each regional office conducts a full file bank sequence check at least once per year. The Office of Field Operations (OFO) will send a formal letter to all regional offices reinforcing the requirement for annual COVERS sequence checks that update COVERS simultaneously. The Area Office and C&P Service will incorporate a review of the sequence check schedule during their regional office site visits.

Target Completion Date: December 1, 2009

Recommendation 7: We recommended the Under Secretary for Benefits establish requirements for regional office directors to maintain the COVERS folder search report using standard codes for claim related mail requiring action and monitor to ensure the search report is accurate.

VBA Response: Concur. VBA will update the COVERS User Guide to clarify the appropriate use of the "M" and "O" codes to when initiating search efforts on missing or lost files. This guide will incorporate the requirement for station management to ensure the accuracy of the search report on a regular recurring basis. In addition, mandatory employee training will be conducted for all appropriate regional office personnel.

Target Completion Date: January 1, 2010

Recommendation 8: We recommended the Under Secretary for Benefits require regional office personnel to initiate rebuilding missing claims folders with a pending claim no more than 60 days from the date VBA personnel are notified of the claim.

VBA Response: Concur. VBA will update M21-1 MR, Chapter III, requiring regional office personnel to initiate rebuilding missing claims folders with a pending claim no more than 60 days from the date VBA personnel are notified of the claim. The manual update is scheduled for February 2010. VBA will also provide notification to the regional offices of this new time limit for initiation of rebuilding claims folders during the next Veterans Service Center Manager call scheduled for September 17, 2009

Target Completion Date: March 1, 2010

Recommendation 9: We recommended the Under Secretary for Benefits establish a mechanism to ensure regional office personnel meet the maximum 60 day search time standard and take corrective actions to meet the standard where improvement is needed.

VBA Response: Concur. VBA will create a report in the COVERS application to show the number of days it takes a regional office to rebuild a claims folder. VBA will also add a review of the time it takes to rebuild a claims folder, from date of notification of claim to date of folder rebuild, in the Compensation and Pension (C&P) site visits to regional offices upon implementation of the new rebuilt folder report.

Target Completion Date: March 1, 2010

OIG Contact and Staff Acknowledgments

| | |
|-----------------|---|
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