



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Compensation and Pension
Proceeds Were Generally
Handled Accurately but
Some Were Delayed

AUDIT

REPORT #20-00817-123

MAY 27, 2021



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Executive Summary

The Veterans Benefits Administration's (VBA) compensation program provides tax-free monthly benefits to veterans as compensation for the effects of disabilities caused by diseases or injuries incurred or aggravated during active military service. VBA also pays pension benefits to wartime veterans who meet certain age or disability requirements, and who have income and net worth within specified limits. When a benefit payment sent to a veteran is returned to VA, VA creates what it terms a "proceed" in the veteran's record.

Payments may be returned for reasons such as change of bank account number, change of address, or death. VBA handles a proceed by researching why the payment was returned and taking appropriate action to resolve the issue and close the proceed. The VA Office of Inspector General (OIG) conducted this audit to determine whether VBA ensures timely and accurate handling of proceeds. As of December 18, 2019, VBA had more than 7,500 open compensation and pension proceeds totaling about \$13 million. At that time, veterans service centers at each regional office handled compensation proceeds. Some veterans and beneficiaries had to wait months to have their funds returned to them, potentially causing financial hardships.

Beginning in April 2020, during the audit period, VBA began transitioning responsibility for handling compensation proceeds to benefit eligibility support teams. The teams, located at eight regional offices' service centers, are intended to streamline the handling of compensation benefit adjustments to include proceeds. VBA completed the transfer as of September 30, 2020, after the end of the audit period; therefore, the OIG team was unable to assess whether the transition had any impact on the timeliness of handling compensation proceeds. As of December 4, 2020, VBA reported approximately 3,691 open compensation and pension proceeds totaling nearly \$8.5 million. This report assesses the processes in place before the transfer.

What the Audit Found

VBA generally handled proceeds accurately; however, the OIG team estimated about 2,200 proceeds (10 percent) were open more than 90 days. A proceed is considered open until staff conduct one of three financial transactions to close it: (1) refund the proceed to the veteran or beneficiary, (2) apply the proceed to the veteran's or beneficiary's debt, or (3) return the proceed to VA's appropriation at the Department of the Treasury (the Treasury).¹ Although the VA manuals that govern the handling of proceeds do not specify a time for closing them, the team applied a 90-day benchmark based on the standard used in VBA's internal proceeds reports, interviews with staff, and questionnaire results from regional offices.

¹ Funds returned to VA's appropriation at the Treasury may be used to pay other veterans' and beneficiaries' compensation and pension benefits.

Table 1 provides an overview of the entities involved in handling VBA’s compensation and pension proceeds before the transfer to benefit eligibility support teams.

Table 1. Entities and Roles

| Entity | Role |
|---|---|
| VBA entities | |
| Office of Financial Management | Provides leadership and management expertise in directing and managing all resource management policies and operations within VBA |
| Office of Field Operations | Provides operational oversight through policies and procedures to VBA’s four district offices and 56 regional offices |
| District offices | Monitor, track, and evaluate operations and workload indicators of the regional offices in their jurisdiction |
| Regional offices | Provide benefits and services through their veterans service centers, pension centers, and finance departments* |
| Service centers | Handle proceeds related to compensation benefit payments |
| Pension centers | Handle proceeds related to pension benefit payments |
| Finance departments | Handle proceeds returned due to outstanding or uncashed checks or being undeliverable |
| Non-VBA entity | |
| Office of Management’s Debt Management Center | Collects the overpayment of benefits that occur after a veteran’s or beneficiary’s death (reclamation proceeds) |

Source: VA OIG analysis.

* VBA’s pension workload is consolidated in pension centers at three VA regional offices.

The team reviewed 150 closed sample proceeds and determined that 144 of them were handled correctly. However, VBA took more than 90 days to close some proceeds. Using the sample results, the team estimated that for proceeds remaining open beyond the 90-day benchmark, an average of 221 days elapsed before VA took action to close them. The team estimated proceeds open more than 90 days as of January 31, 2020, totaled about \$2.1 million.

Setting a timeliness standard would help encourage the closing of proceeds. Service and pension center staff do not have timeliness measures for proceeds incorporated in their performance standards. After reviewing veterans’ records for proceeds that had been open more than 90 days, the team found either: (1) the information needed to close the proceeds was already present, or (2) evidence that staff had done the necessary research but not acted to close the transaction. In contrast, finance department staff are held to a timeliness measure through performance standards, and the team found no finance department proceeds open more than 90 days in the sample.

The team also found that ineffective monitoring contributed to delays in handling proceeds. The Office of Financial Management is responsible for monitoring compensation and pension proceeds, but it has no oversight over the entities that handle and close proceeds. The Office of Field Operations oversees the VBA entities that handle proceeds, but it did not ensure proceeds were closed. District offices also did not take corrective actions when proceeds were not handled timely. Regional office staff did not effectively and consistently monitor proceeds. When this audit began, the Debt Management Center had only limited internal monitoring. In February 2020, shortly after the OIG team initiated this audit, staff at the Debt Management Center instituted new practices for monitoring proceeds.

What the OIG Recommended

The OIG recommended VBA set a standard time frame for closing proceeds and develop oversight and monitoring procedures to ensure proceeds are closed timely.

In January 2020, VBA automated the application of reclamation proceeds to any corresponding debt, resulting in a significant reduction in open proceeds.² Therefore, the OIG is not making any recommendations regarding the Debt Management Center at this time.

Management Comments

The under secretary for benefits concurred in principle with recommendation 1, concurred with recommendation 2, and requested both recommendations be closed. For recommendation 1, the under secretary indicated that the establishment of a timeliness metric is not feasible because some proceeds take longer to complete, for example if they require both finance and adjudicative activity. However, he stated VBA is managing its adjudicative actions supporting the release of proceeds in an average of 30 days and workloads will be monitored to ensure adjudicative actions are taken timely. For recommendation 2, VBA has centralized processing and created oversight reports to monitor the administrative benefit adjustments workload, which includes proceeds.

² A benefit paid after a veteran's or beneficiary's death creates an overpayment and VBA must establish the debt for collection of the overpayment by the Debt Management Center.

OIG Response

Acceptable action plans were provided for both recommendations. For recommendation 1, the OIG acknowledges the newly established benefit eligibility support teams are completing most proceeds in under 30 days. The OIG acknowledges proceeds are managed differently and may require both finance and adjudicative activity for closure that could impact the amount of time to complete. The finance staff's performance standards require proceeds to be closed in two to five days, giving the benefit eligibility support teams at least 25 days to complete the adjudicative activity. According to VBA, over 81 percent of the proceeds from March 2021 were completed in 10 days or less. Therefore, the OIG encourages VBA to implement a target, such as an average of 30 days, to close proceeds. The OIG will continue to monitor VBA's progress and follow up to determine if VBA is taking timely action and continues to complete proceeds in an average of 30 days or less prior to issuing closure of the recommendation. For recommendation 2, VBA's response and documentation supports the closure of this recommendation.



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Contents

| | |
|--|----|
| Executive Summary..... | i |
| Introduction..... | 1 |
| Results and Recommendations..... | 8 |
| Finding: Proceed Payments to Veterans Were Generally Accurate but Some Were Delayed | 8 |
| Recommendations 1–2..... | 20 |
| Appendix B: Statistical Sampling Methodology..... | 25 |
| Appendix C: Management Comments..... | 30 |
| OIG Contact and Staff Acknowledgments..... | 33 |
| Report Distribution..... | 34 |



Introduction

The Veterans Benefits Administration's (VBA) compensation program provides tax-free monthly benefits to veterans as compensation for the effects of disabilities caused by diseases or injuries incurred or aggravated during active military service. VBA also pays pension benefits to wartime veterans who meet certain age or disability requirements, and who have income and net worth within specified limits. When a benefit payment sent to a veteran is returned to VA, VA creates what it terms a "proceed" in the veteran's record.

Payments may be returned for a variety of reasons, such as a change of bank account number, change of address, or death. VBA handles a proceed by researching why it was returned and taking an appropriate action to resolve the issue. The VA Office of Inspector General (OIG) conducted this audit to determine whether VBA ensures timely and accurate handling of proceeds. As of December 18, 2019, VBA had over 7,500 open compensation and pension proceeds totaling about \$13 million. At that time, veterans service centers at each regional office handled compensation proceeds while the pension centers handled proceeds related to pensions that could not first be resolved by the finance department. The audit found some veterans and beneficiaries had to wait months to have their funds returned to them, potentially causing financial hardship.

Beginning in April 2020, during the audit period, VBA began transitioning responsibility for handling compensation proceeds to benefit eligibility support teams. The centralized benefit eligibility support teams, which are colocated at eight regional offices' service centers, are intended to streamline the completion of compensation benefit adjustments. VBA completed the transition as of September 30, 2020, after the end of the audit period; therefore, the OIG team was unable to assess whether the transition had any impact on the timeliness of handling compensation proceeds. As of December 4, 2020, VBA reported approximately 3,691 pending compensation and pension proceeds totaling nearly \$8.5 million. This report will assess the processes that were in place prior to benefit eligibility support teams becoming responsible for handling compensation proceeds.

Overview of Process to Complete Proceeds

When a benefit payment cannot be delivered to the intended recipient, it is returned to VA's appropriation at the Department of the Treasury (the Treasury). The Treasury Regional Finance Center produces an electronic file of returned benefit payments that is sent to VA's Hines Information Technology Center in Illinois for processing. The Hines Information Technology Center matches the Treasury information with VBA information and assigns each proceed a code

in VBA's Finance and Accounting System indicating the reason for the benefit payment return. VBA uses the codes to assign proceeds to the responsible entity for resolution:

- VBA's finance department within support services divisions (finance departments),
- veterans service centers (service centers),
- pension management centers (pension centers), or
- the Office of Management's Debt Management Center.³

Once a proceed is created, it is considered to be in an "open" status. To close the proceed, staff must complete one of three financial transactions, as shown in figure 1.

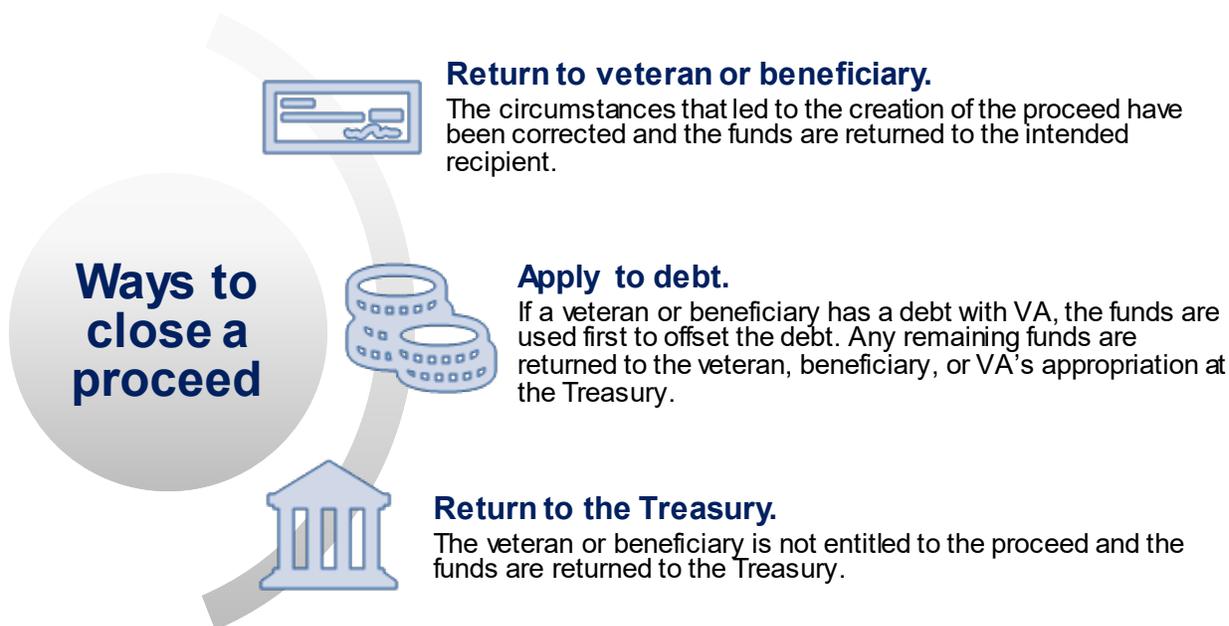


Figure 1. Overview of ways to close a proceed.
Source: VA OIG analysis.

When VA issues a benefit payment by direct deposit to a veteran's bank account after his or her death, VA must recover (or reclaim) the funds. When this occurs, the Debt Management Center sends a request for reclamation to the Treasury. The Treasury notifies the financial institution of its obligation to return the payment to VA. When the funds are returned to VA, a reclamation proceed is created. A reclamation proceed is usually closed by applying the funds to a veteran's debt or returning them to the Treasury. For all other proceeds, research and closure is conducted by the finance, service, or pension centers. The entity that handles the proceed is dependent on

³ The Debt Management Center is an independent entity that provides administrative services, such as collecting debt, for VA and other governmental agencies.

the reason the payment was returned and the type of benefit payment, such as compensation or pension.⁴ Figure 2 shows the responsibility for handling proceeds.

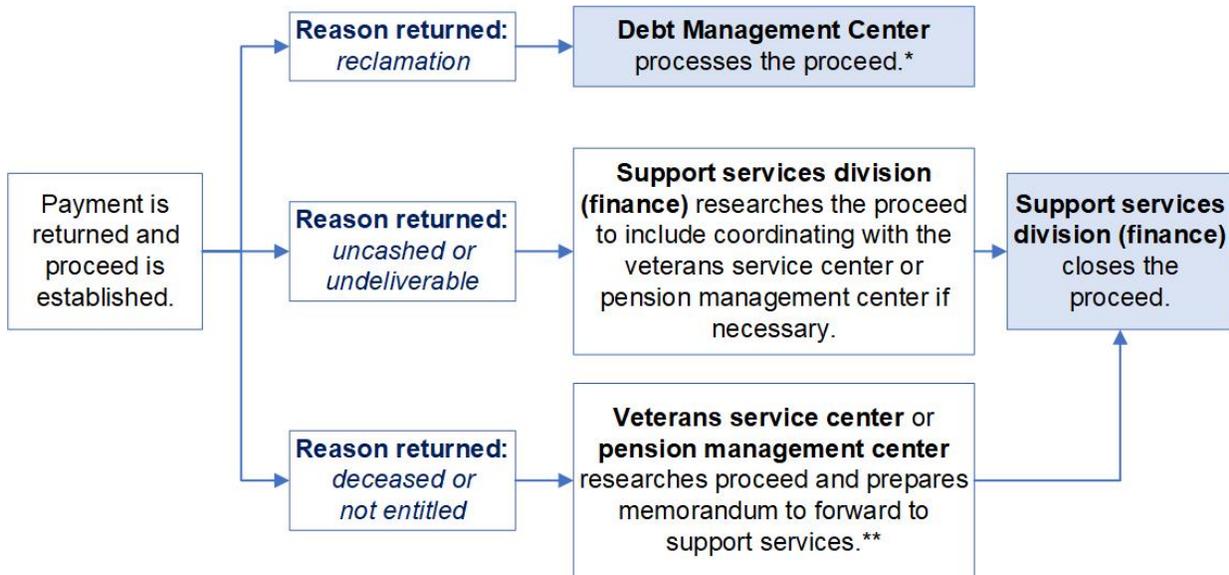


Figure 2. Flowchart showing responsibility for handling proceeds.

Source: VA OIG analysis.

*In some cases, such as when the debt is not established in a veteran’s file, the Debt Management Center may refer cases to a regional office for award adjustment and processing.

**Pension management centers are responsible for proceeds from pension benefits. Veterans service centers were responsible for proceeds from compensation benefits. Effective October 1, 2020, benefit eligibility support teams handle compensation proceeds.

Entities Involved in Handling VA Proceeds

Figure 3 shows the organizational hierarchy of the entities involved in handling compensation and pension proceeds.

⁴ VBA Manual Part-4, part 4, chap. 4, “Returned Payment Procedures,” March 2019 and revised October 2019.

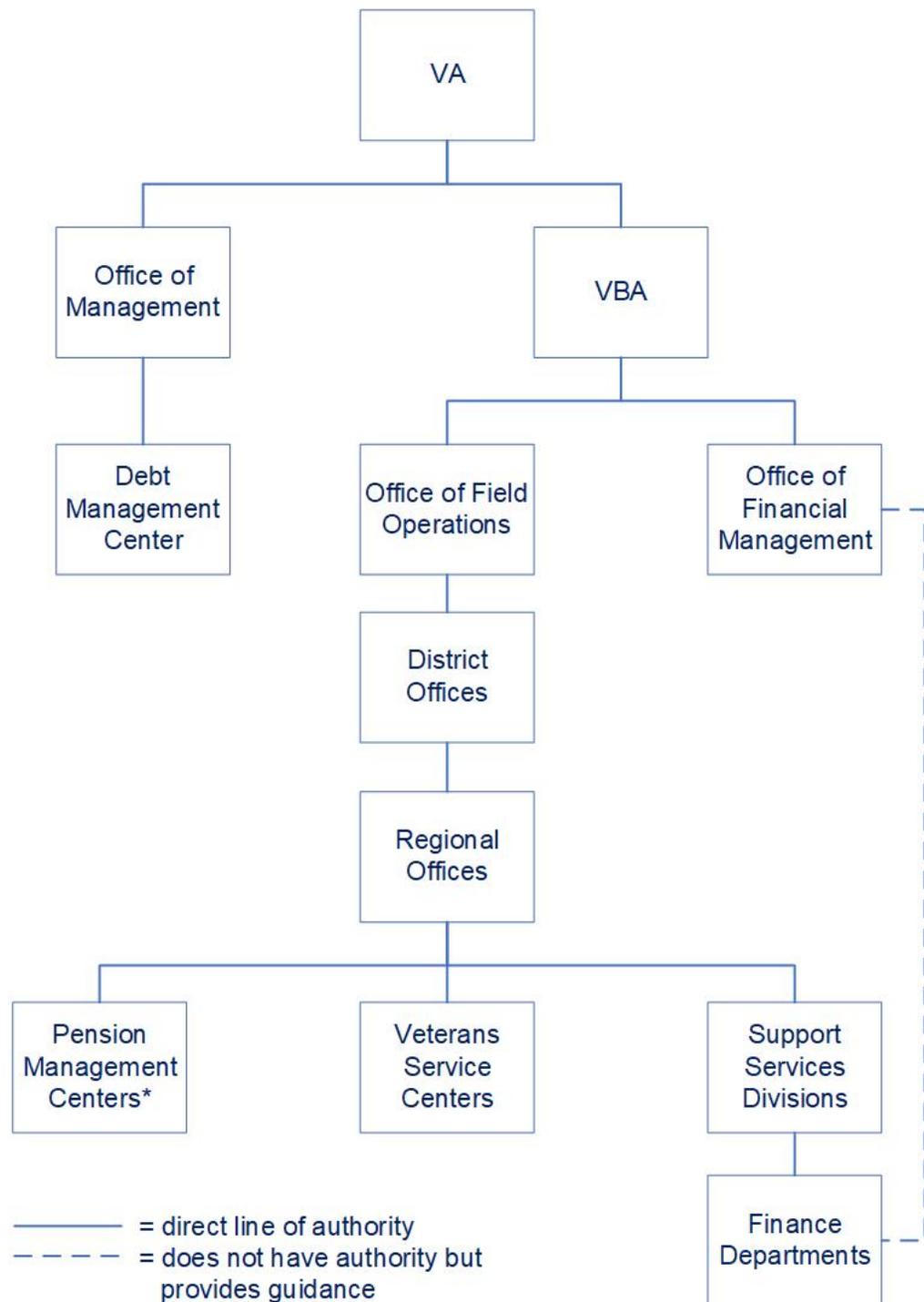


Figure 3. Organizational chart.

Source: VA OIG analysis.

*Three regional offices have pension management centers.

Office of Management's Debt Management Center

The Debt Management Center under VA's Office of Management collects benefit payments that occur after a veteran's or beneficiary's death, which are considered overpayments. Once VBA establishes the overpayment debt, the Debt Management Center notifies the Treasury that a recovery, or reclamation, of funds is needed. When the funds return to VA, they are verified as being a reclamation and a proceed is established in the Finance and Accounting System. Debt Management Center staff are responsible for reviewing reclamation proceeds and completing the appropriate financial transaction. VBA's Office of Financial Management is responsible for monitoring compensation and pension proceeds; however, this office does not have authority over the Debt Management Center because it is a franchise fund, which means that it is an independent entity that provides administrative services, such as collecting debt, for VA and other governmental agencies.

VBA's Office of Financial Management

VBA's Office of Financial Management provides leadership and management expertise in directing and managing all resource management policies and operations within VBA. The Office of Financial Management has 10 divisions, one of which is Financial Operations and Reengineering. When this audit began, this division was responsible for compiling, disseminating, monitoring, and maintaining a monthly proceeds report. A systems and procedures analyst from this division sent a monthly email directly to the finance departments at all regional offices and to the service and pension centers through the Office of Field Operations. The email contained a link to a list of open proceeds assigned to each regional office and an explanation of the responsibility to review and update the list with actions taken on each proceed.

VBA's Office of Field Operations

The Office of Field Operations provides operational oversight through policies and procedures to VBA's four district offices and 56 regional offices. Three regional offices have pension centers. The Office of Field Operations facilitates performance and workload management by ensuring VBA benefits and services are provided in a timely, objective manner with respect to speed, accuracy, and customer satisfaction; evaluating the performance of regional and district offices; and monitoring, tracking, and evaluating national workload systems. The Office of Field Operations forwards the monthly proceeds report from the Office of Financial Management to the district offices.

District Offices

VBA's four district offices serve as intermediaries between the Office of Field Operations and regional offices. The district offices are charged with monitoring, tracking, and evaluating operations and workload indicators of the regional offices in their jurisdiction.

Regional Offices

VBA provides benefits and services through 56 VA regional offices. Each VA regional office has a veterans service center and a finance department. VBA's pension workload is consolidated in pension centers at three VA regional offices.⁵ Veterans service representatives in the service centers handle compensation proceeds, while veterans service representatives in the pension centers handle proceeds related to pension that could not first be processed by either the service center or the finance department.⁶ Service and pension center staff refer to the applicable VBA manual for guidelines and procedures for researching and handling proceeds. This manual does not include a timeliness standard for handling proceeds.⁷

Financial administrative specialists and financial accounting technicians in the finance department are responsible for handling proceeds returned due to outstanding or uncashed checks or being undeliverable. Staff research the circumstances surrounding the proceeds using information in systems such as VBA's Finance and Accounting System, Veterans Benefits Management System, and Share to determine the appropriate action to take.⁸ VBA's finance manual provides guidelines and procedures for handling returned benefit payments but does not include a timeliness standard.⁹

Service and pension center staff also review and research proceeds for benefits returned as a result of death or nonentitlement. Staff verify the date of death and take appropriate action before forwarding the proceed to the finance department to be closed. The Debt Management Center recovers payments made to deceased veterans after their confirmed date of death through the reclamation process.

Unlike the proceeds handled by the finance department, the proceeds for which the service and pension centers are responsible may require more research and analysis. This can be related to circumstances that resulted in the veteran's benefit payments being suspended or terminated rather than the proceed itself.¹⁰ The circumstances surrounding a suspended or terminated payment, such as the death of a veteran or the removal of a beneficiary from the veteran's account, may indicate or require a change in the amount of payment, entitlement to the benefit,

⁵ The three pension centers are collocated with and under the jurisdiction of regional offices in Milwaukee, Wisconsin; Philadelphia, Pennsylvania; and St. Paul, Minnesota.

⁶ Beginning April 1, 2020, VBA began transitioning the responsibility of handling compensation proceeds to benefit eligibility support teams. This transition was completed as of September 30, 2020.

⁷ VA Manual 21-1, part 3, sub. 6, chap. 8, "Miscellaneous Authorization Issues," October 2019.

⁸ Share is a Microsoft Windows-based application that interfaces with other VBA systems and databases.

⁹ VBA Manual Part-4, part 4, chap. 4, "Returned Payment Procedures," March 2019 and October 2019.

¹⁰ Payment records have one of three statuses: (1) active—currently receiving periodic benefits; (2) suspended—benefits have been temporarily stopped; or (3) terminated—no longer receiving benefits.

or both. Service or pension center staff reinstate or change benefits; finance staff are unable to change benefits.

If the veteran's account does not require action or if an action does not close the proceed automatically, the service or pension center staff communicate with finance department staff by issuing a memorandum stating what financial action is needed to close the proceed. The memorandum is necessary because the veterans service representatives do not process financial transactions. Once the research is completed to determine where the proceed funds should be returned or applied, the financial transaction is completed by the finance department staff to close the proceed.¹¹

¹¹ VBA, Financial Transactions for VBA Benefit Programs, chap. 5, "Financial Procedures Guide Regional Offices," April 2018 and revised October 2019.

Results and Recommendations

Finding: Proceed Payments to Veterans Were Generally Accurate but Some Were Delayed

VBA generally handled undelivered benefit payments (proceeds) accurately; however, the OIG team estimated about 2,200 proceeds (10 percent) were pending over 90 days. Because VBA does not have a timeliness standard for closing proceeds, the team used the Office of Financial Management's 90-day measure as a benchmark for what is a reasonable amount of time to close a proceed.¹² Interviews with VBA staff and questionnaire results from all VBA regional office staff surveyed supported the 90-day measure as a reasonable time frame.

Proceeds pending over 90 days were open an average of 221 days before VA reissued benefit payments, applied funds to debt, or returned funds to the Treasury.¹³ Based on sample results, proceeds exceeding 90 days totaled approximately \$2.1 million as of January 31, 2020. Delays occurred at VBA's service and pension centers and the Debt Management Center because there were no standards to hold staff accountable for the timely handling of proceeds and monitoring procedures were ineffective. The OIG team found no delays occurred for proceeds handled by VBA's finance departments. Finance department staff have performance standards that require them to handle proceeds within five business days.

VBA's Office of Financial Management did not provide effective monitoring of proceeds. Its use of a monthly report only required staff to provide responses regarding the status or action taken for the listed proceeds by the end of the month. However, the Office of Financial Management did not follow up to ensure the proceeds were closed. Any proceeds that were not closed appeared on the following month's report. Further, the Office of Financial Management did not have the authority to hold offices accountable for delayed handling of proceeds. The Office of Financial Management relied on the Office of Field Operations to provide oversight and monitor the regional offices' finance departments and service and pension centers.

The finding is based on the OIG team's determinations that

- proceeds were generally handled accurately,
- timeliness standards would help expedite the handling of proceeds, and
- ineffective monitoring contributed to delays in handling proceeds.

¹² The Office of Financial Management's monthly proceeds report identifies the number of proceeds that are older than 90 days.

¹³ The projected average of 221 days is based on the combined results for both the open and closed proceed samples.

What the OIG Did

The OIG team reviewed a random sample of both open and closed proceeds. The team reviewed open proceeds to assess how long they had been open and whether documentation needed to close the proceeds had been received by VBA. The team was unable to assess the accuracy of open proceed samples because they were still pending action. Therefore, the team also reviewed closed cases to assess both timeliness and accuracy. The team obtained a sample of cases open as of January 31, 2020. When the team began reviewing these cases on February 10, 2020, VBA had already completed almost half of them. Table 2 provides an overview of the sample proceeds reviewed.

Table 2. Overview of Sample Proceeds Reviewed

| Status | Total number of proceeds | Number of sample proceeds |
|--|--------------------------|---------------------------|
| Closed between July 31, 2019, and February 5, 2020 | 20,813 | 150 |
| Open as of January 31, 2020 | 5,206 | 190 |
| <i>Still open on February 10, 2020</i> | | 96 |
| <i>Closed before February 10, 2020</i> | | 94 |

Source: VA OIG analysis.

The team used VBA’s electronic systems to review each proceed in the sample and relevant documentation to assess whether proceeds were completed timely and accurately. The team also performed virtual site visits and interviewed managers and staff at the veterans service centers, support services division—finance departments, pension centers, and the Debt Management Center. Appendix A provides additional details about the scope and methodology. Appendix B provides more information about the statistical sampling methodology.

Proceeds Were Generally Handled Accurately

The OIG team reviewed a sample of 150 closed proceeds and determined that 144 of them were handled correctly. Four proceeds totaling over \$150,000 should have been returned to a veteran or beneficiary but were instead returned to the Treasury. Two proceeds totaling approximately \$5,880 were returned to the veterans or beneficiaries instead of being either returned to the Treasury or applied to debt. The Office of Financial Management and regional office managers concurred with the errors identified by the team and took prompt action to correct them. Table 3 illustrates the review results of the 150 closed sample proceeds.

Table 3. Accuracy of Closed Proceeds

| Determination | Number of proceeds | Amount of proceeds |
|--|---------------------------|---------------------------|
| Correctly closed | 144 | \$6,456,050 |
| Incorrectly sent to the Treasury instead of the veteran or beneficiary | 4 | \$151,688 |
| Incorrectly sent to veteran or beneficiary instead of applied to debt | 1 | \$2,600 |
| Incorrectly sent to veteran or beneficiary instead of returned to the Treasury | 1 | \$3,280 |
| Total | 150 | \$6,613,618 |

Source: VA OIG analysis.

Timeliness Standards Would Help Expedite the Completion of Proceeds

Since VA’s manuals do not include a timeliness standard for handling proceeds, the OIG team applied a 90-day timeliness benchmark. This timeliness benchmark was used because the Office of Financial Management’s monthly report of open proceeds highlighted the total number of proceeds open for more than 90 days. Also, the team sent a questionnaire to the pension centers, service centers, and finance departments regarding the time needed to close proceeds.¹⁴ When asked what a reasonable time frame was to handle a proceed, 46 out of the 115 respondents (40 percent) indicated that 90 days or less was sufficient. The other 60 percent did not respond to this question or did not provide a time frame.

Additionally, during interviews, regional office staff and managers stated that proceeds could be researched and closed within one week or less. The average of the team’s sample of closed proceeds was 22 days to close a proceed. Therefore, when considering the responses to the questionnaire, the interviews with staff, and the average days to close the sample of closed proceeds, the team determined that 90 days was a reasonable measure for the timely handling of proceeds.

Without an established time frame for handling proceeds, staff lacked urgency to close proceeds expeditiously. Based on the combined sample results for both open and closed proceeds, the OIG team estimated that, for proceeds pending at least 90 days, it takes an average of 221 days for the returned benefit payments to be reissued to veterans or beneficiaries, applied to debt, or returned to the Treasury. VBA’s service and pension centers and the Office of Management’s Debt

¹⁴ Only VBA entities were provided the questionnaire since their manuals do not have a timeliness standard. The Debt Management Center uses VBA manuals.

Management Center do not have local timeliness standards for closing proceeds. In contrast, VBA’s finance department staff have established time frames as part of their performance standards. Table 4 provides the number of sampled proceeds exceeding 90 days by the responsible entity.

Table 4. Sample of Proceeds Exceeding 90-Day Benchmark by Responsible Entity

| Responsible entity | Number of sample proceeds reviewed | Number of sample proceeds exceeding 90 days |
|---------------------------|---|--|
| Finance department | 63 | 0 |
| Service or pension center | 149 | 20 |
| Debt Management Center | 34 | 29 |
| Total | 246 | 49 |

Source: VA OIG analysis.

The OIG team found no delays in the handling of VBA’s finance departments’ proceeds. Finance department staffs’ performance standards have timeliness requirements for the handling of fiscal transactions, which include proceeds. Depending on the levels of experience, financial administrative specialists and financial accounts technicians are given between two and five business days to handle proceeds.

The OIG team determined that veterans service representatives do not have an established time frame or performance standard for handling proceeds. Four service center veterans service representatives interviewed stated it takes between one and five business days to review, act on, and close a proceed while completing other work as well. Two pension center veterans service representatives interviewed did not provide a number of days that it takes to complete a proceed because they stated each case is different and may require more or less time to research. They also stated that their supervisors have an unofficial expectation of two to three weeks to complete assigned proceeds. The OIG acknowledges that each case is unique. However, in the team’s review of 49 proceeds open over 90 days, the necessary information needed to close the proceed in under 90 days was available in the veterans’ files in every case.

Based on responses to an OIG team questionnaire, no official local timeliness standards existed for closing proceeds. The questionnaire was sent to the Office of Field Operations for distribution to all 56 regional offices’ service centers and finance departments and to three pension centers. The team received 115 responses—56 from service centers, 56 from finance departments, and three from pension centers—for a response rate of 100 percent. The team is grateful to the personnel who took the time to complete the survey. When asked what timeliness requirements and/or standards were in place for the research and closure of proceeds, 24 percent of questionnaire respondents from VBA’s service and pension center staff and 36 percent of

questionnaire respondents from VBA’s finance department staff stated that the expectation to close proceeds is between zero and seven days. Half of the respondents from the service and pension center staffs and over a third (38 percent) of the respondents from the finance department staff gave nonspecific answers to this question, such as citing VA manuals that include no timeliness standard.¹⁵ As previously discussed, 40 percent of respondents to the OIG team questionnaire stated 90 days or less was a reasonable time frame to research and close proceeds.

The OIG team determined that the Debt Management Center did not have written timeliness goals for handling proceeds at the time of the audit. The chief of veterans communication and data analytics stated that the objective to close proceeds within 90 days is an unpublished goal to support the goal in the VBA financial manual of resolving proceeds within 180 days. However, this manual does not contain a 180-day timeliness goal and the chief was not able to show the team the goal in the manual.

The management analyst who oversees the accounts receivable technicians responsible for handling proceeds at the Debt Management Center stated during an April 30, 2020, interview that the new goal for staff was to complete proceeds in under 60 days. Beginning November 6, 2020, the Debt Management Center updated performance measures for accounts receivable technicians which included handling proceeds. Based on the staff member’s level of experience, performance standards for processing proceeds range from six to 10 transactions per hour.

Delays Found in Open Proceeds Sample

The OIG team reviewed a sample of 190 proceeds open as of January 31, 2020. When the team began its review on February 10, 2020, VBA had closed 94 of these proceeds. Table 5 shows the timeliness of these proceeds and the average number of days VBA took to close them.

Table 5. Timeliness of Closed Sample Proceeds

| Time to close proceed | Number of proceeds | Average days to close |
|-------------------------------|--------------------|-----------------------|
| Met 90-day benchmark | 49 | 50 |
| Did not meet 90-day benchmark | 45 | 207 |
| Total | 94 | 125 |

Source: VA OIG analysis.

¹⁵ VA Manual 21-1, “Miscellaneous Authorization Issues;” VBA Manual Part-4, “Returned Payment Procedures.”

For the remaining 96 open sample proceeds reviewed, the OIG team found that as of January 31, 2020, 43 proceeds had been pending for more than 90 days. These proceeds included about \$310,000 owed to veterans or beneficiaries and over \$58,300 to be applied to debts.

After reviewing the files for proceeds that had been open over 90 days, the team found either (1) the information needed to close the proceeds was already in the files or (2) evidence that staff initiated the necessary research but did not complete the processing. The Office of Financial Management and regional office managers agreed with the team’s assessment and took corrective action on these proceeds.

Based on the sample results, the OIG team estimated over 1,800 open proceeds totaling about \$2.1 million were pending for over 90 days. About \$1.3 million of the open proceeds were designated to be returned to veterans or beneficiaries or applied to veterans’ debts. Based on the sample results, the team estimated that proceeds open over 90 days remained pending for an average of 243 days. When a proceed remains open for an extended period, it can cause benefit payment delays and financial hardship to the veteran or beneficiary. Figure 5 shows the projected amount to be paid by action for cases with proceeds open over 90 days as of February 10, 2020.

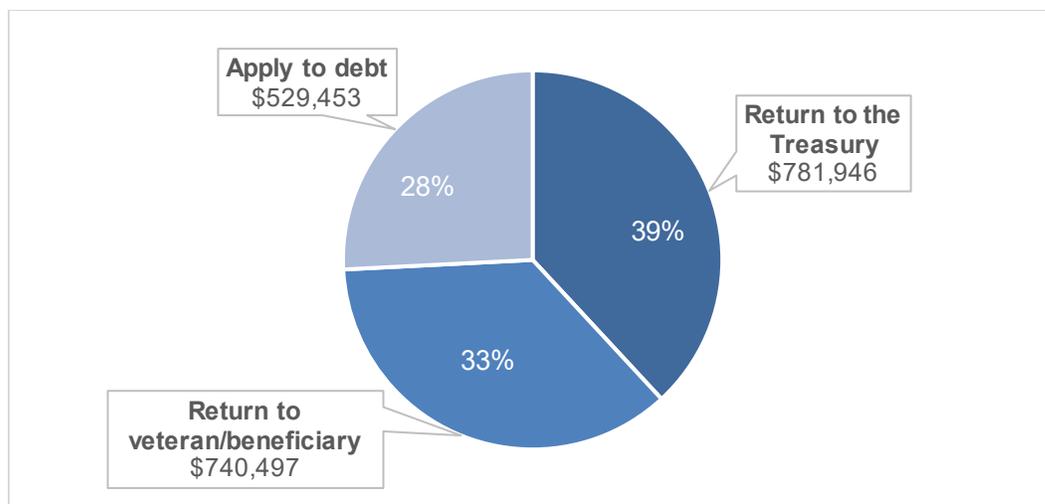


Figure 5. Projected total amount of about \$2.1 million to be paid by action for cases with proceeds open over 90 days as of February 10, 2020.

Source: VA OIG analysis.

Unnecessary delays can occur even when VBA has the information on file to close the proceed. Figure 6 summarizes one example found by the OIG team.

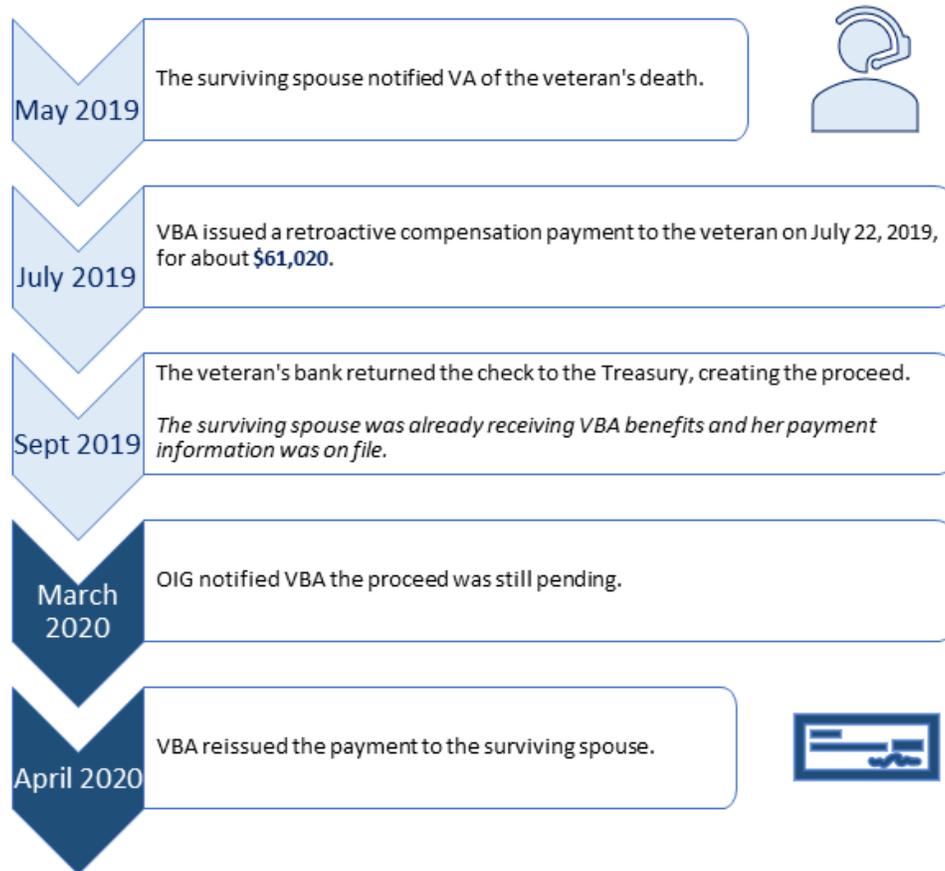


Figure 6. Timeline of proceed reviewed by OIG team.
Source: VA OIG analysis.

The 43 proceeds identified in the sample that were open more than 90 days remained pending for between 94 and 475 days with an average of 225 days. Based on the open proceeds sample results, the OIG team estimated that proceeds remained open for an average of 243 days. Table 6 shows the appropriate actions for the 43 open proceeds with the range of days open.

Table 6. Proceeds That Did Not Meet the 90-Day Benchmark

| Required action | Number of sample proceeds | Lowest number of days open | Highest number of days open |
|--------------------------------------|---------------------------|----------------------------|-----------------------------|
| Return to the Treasury | 17 | 108 | 432 |
| Return to the veteran or beneficiary | 14 | 94 | 475 |
| Apply to debt | 12 | 102 | 287 |
| Total | 43 | | |

Source: VA OIG analysis.

Based on the review of open proceeds that were open over 90 days, the OIG team estimated that VBA took over seven months to handle the open proceeds, regardless of the required action.

Minimal Delays Found in Closed Proceeds Sample

The 150 closed sample proceeds reviewed took an average of 22 days to close, ranging from zero to 178 days. Six of the 150 cases reviewed totaling approximately \$338,000 did not meet the 90-day benchmark. Most of these 150 closed proceeds were related to the return of an uncashed check (11 proceeds), a change in financial information (43 proceeds), a change in address (45 proceeds), or were the result of the recipient being deceased (31 proceeds). According to VBA staff, these types of proceeds typically can be worked quickly.

The OIG team found that the information was available to close all of the proceeds within 90 days. Figure 7 details the six delayed proceeds that averaged 142 days to complete.

Three proceeds that were open between 100 and 135 days resulted in payments totaling about **\$259,000** being delayed before reissuance to veterans or beneficiaries.

Two proceeds open for 163 and 218 days totaling about **\$9,200** were applied to veterans' outstanding debt.

One proceed totaling about **\$69,100** was open 178 days before it was returned to the Treasury.

*Figure 7. Summary of six sample proceeds that did not meet the 90-day benchmark.
Source: VA OIG analysis.*

Example 1 details one of the six closed proceeds that took over 90 days to close.

Example 1

VBA issued a benefit payment to a deceased veteran's surviving spouse on March 27, 2019, for \$240,980. The payment was returned on April 9, 2019, due to an incorrect mailing address. On June 18, 2019, service center staff determined that the correct address was available as of March 18, 2019, but systems had not been updated. On August 22, 2019, the funds were reissued to the surviving spouse at the correct address. Despite the correct address information being available to VBA both when the original payment was issued and the proceed was established, the surviving spouse had to wait over four months to receive her payment.

Ineffective Monitoring Contributed to Delays in Handling Proceeds

VBA's Office of Financial Management is responsible for monitoring compensation and pension proceeds; however, this office has no authority or oversight over the entities that handle and close proceeds. The Office of Financial Management only compiles the monthly report and sends

it to the regional offices' finance department and the Office of Field Operations. The regional offices were responsible for reviewing and monitoring the proceeds designated to them.

Although the Office of Field Operations oversees regional offices, it did not ensure proceeds were handled and closed. When the audit began, the Office of Financial Management provided a monthly report of open proceeds to the Office of Field Operations. The Office of Field Operations forwarded the email to the district offices, whose staffs forwarded the email to the regional offices' service centers. An Office of Field Operations program manager explained that his office merely forwarded the open proceed email from the Office of Financial Management to the districts without reviewing the information. In addition, the Office of Financial Management does not monitor the open proceeds assigned to the Debt Management Center because it is an independent entity.

According to the Office of Financial Management's director of finance services staff, there was no oversight for the proceeds beyond the regional office directors. During discussions with the director of finance services staff and the lead systems and program analyst, it was determined that procedures for completing and overseeing proceeds had not been updated since the Compensation Service's National Work Queue became available to distribute and track message work items generated by proceeds.¹⁶ Therefore, a contradiction existed between the handling procedures for proceeds and the workflow of proceeds distributed via the National Work Queue. The National Work Queue allowed any regional office to handle a proceed; however, other VBA procedures stated that the regional office with jurisdiction over the recurring benefit payment should handle the proceed.¹⁷ The regional office with jurisdiction is typically the office closest to the veteran's home.

In six cases, the regional offices' service centers stated that proceeds remained open for more than 90 days because they did not have jurisdiction or because they assumed the proceeds were being worked by another office. Although the veterans' files contained the required documentation to handle the proceeds, the managers believed that other offices were responsible for working them. In a September 29, 2020, interview, the chief of financial operations and the lead systems and program analyst agreed that conflicting guidance could lead to delays, confusion, and potential duplication of work among regional offices regarding who is responsible for working the proceed.

The Office of Financial Management discontinued the distribution of the monthly proceed reports to the service and pension centers effective November 1, 2020. An email notification explained that the National Work Queue team implemented a process to recall and distribute

¹⁶ The National Work Queue is a workload distribution tool that uses electronic claims processing technology within the Veterans Benefits Management System. The National Work Queue centrally manages the national claims workload by prioritizing and distributing claims across VBA's network of regional offices.

¹⁷ VBA, *Station of Jurisdiction National Work Queue Playbook*, August 2020; VBA, *Non-rating Workload Transition Playbook*, August 2020.

proceed-related work items to the benefit eligibility support teams and pension centers. The report was discontinued because National Work Queue work is based on capacity and the Office of Financial Management report was based on the station of jurisdiction, and the two processes “created conflicts” by assigning responsibility for the same cases to different regional offices. The finance departments still receive a monthly proceeds report.

District Offices

District offices did not take corrective actions when proceeds were not handled timely. Staff at each district office stated that any corrective actions related to nonaction or closing of proceeds were deferred to the regional office directors. Each district office stated it sent confirmation to the Office of Field Operations that the regional offices completed their monthly updates to the Office of Financial Management’s open proceeds list. Only one of the four district offices provided evidence of oversight activity in the form of a monthly proceeds tracker that categorized the proceeds by regional office, age of the proceeds, and dollar amount.

All four district offices required the regional offices under their jurisdiction to provide monthly email confirmation that the Office of Financial Management’s open proceeds list was updated. When asked what types of responses the district offices were looking for in their confirmation of the proceed status updates, none of the district offices provided specific examples. One district office provided a copy of the spreadsheet it used to track the number, amount, and age of proceeds at each regional office within its jurisdiction. The methods of monitoring employed by the district offices were ineffective, as they did not review what actions, if any, were taken to resolve the proceeds.

Regional Offices

None of the four directors from the regional offices visited described any monitoring measures in relation to the amount of time proceeds had remained open, despite receiving this information as part of the monthly emails from the Office of Financial Management. The OIG team found differing levels of review and involvement from directors with regards to proceeds. Two of four directors stated they reviewed the results or responses to the monthly proceed report after receiving notice of completion. The other two directors did not indicate that they conducted any kind of review, but one did provide a copy of the spreadsheet used to keep track of the month and year of the oldest open proceed. The four directors did not indicate that they monitored whether the action taken to close the proceed was accurate.

The OIG team did not find consistent procedures in how supervisors addressed pending proceeds. Proceeds generated a message work item that was received by the veteran’s or beneficiary’s regional office of jurisdiction. A message work item is a system-generated message designed to assist service and pension center managers in identifying and tracking cases that require follow-up action. The average days to complete work items is reported on the director’s

dashboard with goals of 150, 90, and 30 days. The goals apply to all message work items, not just proceeds. The Office of Financial Management's monthly report highlighted the total number of proceeds open over 90 days. One supervisor at a regional office reviewed and monitored message work items weekly. However, managers at three regional offices stated they used the Office of Financial Management's monthly report, not the work items, to identify proceeds for their offices.

Prior to November 1, 2020, the regional offices were expected to update the report on the intranet regarding the listed proceeds by the end of the month. The report categorized the proceeds by how long they had been open and indicated those over 30, 60, or 90 days. However, responses were merely status updates; there was no requirement to take action or close the proceed. The OIG team reviewed the monthly responses for the 20 sample proceeds open over 90 days that were annotated by the service or pension centers on the Office of Financial Management's monthly proceed report. The response entries included eight proceeds that had actions taken but were not completed and 12 proceeds that had no responses or actions taken. Although some directors indicated they reviewed the report to ensure it was updated, the absence of content or quality reviews of the responses made the process ineffective for monitoring the timeliness and handling of proceeds. Example 2 shows how a lack of effective monitoring contributed to unnecessary delays for a deceased veteran's surviving spouse.

Example 2

On June 19, 2019, VBA issued a benefit payment for \$3,228 to a veteran who passed away on June 22, 2019. The payment was returned on July 9, 2019, creating the proceed. On July 16, 2019, the veteran's family notified VBA the veteran was deceased. On July 29, 2019, the veteran's surviving spouse applied for the proceed to be paid to her. On September 13, 2019, VBA received a copy of the veteran's death certificate. The following month, the proceed was included on the Office of Financial Management's monthly proceeds report. From August 2019 through April 2020, the regional office did not provide information indicating any action taken on the monthly report. After the OIG team informed VBA of the proceed on March 19, 2020, VBA determined that the veteran's spouse was entitled to the returned benefit payment. On April 29, 2020, VBA issued the funds to the surviving spouse.

Two service center managers from two regional offices stated that either they reviewed their staffs' work on proceeds or staff reviewed each other's work, and one of these two managers sent the monthly proceeds report to the director. However, in interviews with the OIG team at these two regional offices, one veterans service representative and one financial administrative specialist stated there was no oversight in general. One financial administrative specialist stated his manager reviewed his work on proceeds, and one financial administrative specialist stated that the director began receiving reports regarding proceeds only in "the last few months."

According to the staff interviewed at four regional offices, there were no repercussions based on the lack of status updates or failure to resolve proceeds within a certain time frame. In addition, the Office of Financial Management does not have authority to take disciplinary actions when proceeds are not closed in a timely manner.

At the time of the audit, the OIG team found that regional office staff did not effectively and consistently monitor proceeds. Due to the recent transition of responsibility for handling proceeds to benefit eligibility support teams, the OIG team was not able to determine whether the transition has improved how the regional offices monitored this process.

Debt Management Center

The Debt Management Center is responsible for reclamation proceeds. The Finance and Accounting System proceed report dated January 2, 2020, showed 3,267 open reclamation proceeds with 1,855 open over 90 days. In February 2020, shortly after the OIG team initiated this audit, staff at the Debt Management Center instituted new practices for monitoring proceeds. According to the Debt Management Center's management analyst who oversees the technicians responsible for handling proceeds, open proceeds were monitored by reviewing the Finance and Accounting System report every two days to identify proceeds that required research and action. In addition, during February 2020, the Debt Management Center instituted a new practice of following up monthly on outstanding proceeds referred to VBA. Prior to this time, internal monitoring was limited, and the Debt Management Center did not follow up to confirm whether VBA closed the referred proceeds. In addition, no external oversight was provided by VBA or the Office of Financial Management, as the Debt Management Center is an independent entity.

VBA also updated the Finance and Accounting System on January 13, 2020, to automate the application of reclamation proceeds funds to any corresponding debt.¹⁸ As of June 1, 2020, the proceed report showed 115 open reclamation proceeds with only 18 open over 90 days. This significant reduction of open proceeds was a result of automating part of the process for handling reclamation proceeds. The management analyst stated that prior to the update, the Debt Management Center received between 80 and 100 reclamation proceeds per day, each one requiring staff to research and manually perform the necessary financial transaction to close the proceed. She further explained that after the automation system update, it received approximately 20 reclamation proceeds every two days. Because of the update to handling reclamation proceeds, the OIG is not making any recommendations regarding the Debt Management Center at this time.

When the Debt Management Center requires VBA assistance, the management analyst refers the proceed to VBA by emailing the VBA proceeds mailbox; however, she did not always receive a

¹⁸ A benefit paid after a veteran's or beneficiary's death creates an overpayment and VBA must establish the debt for collection by Debt Management Center.

response stating whether or not the proceed was closed. For 18 of the 29 reclamation sample proceeds that were open over 90 days (62 percent), the Debt Management Center referred them to the regional offices in February and March 2020 because they required service center, finance department, or pension center assistance. According to the management analyst, these had been previously referred to regional offices; however, she was unable to provide documentation showing the communications.

Conclusion

The OIG team determined that VBA generally handled proceeds accurately. However, some proceeds were not closed within 90 days. When proceeds are not completed in a timely manner, veterans and beneficiaries encounter delays in receiving monetary benefits to which they are entitled. In some cases, they may not receive the benefits at all. While it is understood that staff may need to conduct research before closing a proceed, the team determined that most proceeds can be resolved in under 90 days. Of note, finance department staff are held to a timeliness measure through performance standards, and the team found no finance department proceeds open over 90 days in the sample.

Based on the sample results, the OIG team estimated proceeds pending over 90 days were open an average of 221 days before VA reissued benefit payments, applied funds to debt, or returned funds to the Treasury. The team estimated delayed proceeds exceeding 90 days totaled \$2.1 million. While VA managers can prioritize work items, they are still responsible for completing proceeds in a manner that does not cause veterans and beneficiaries undue financial hardship. To ensure actions are not delayed, VBA should establish a timeliness standard or requirement for handling proceeds and adequately monitor compliance.

Recommendations 1–2

The OIG made the following recommendations to the under secretary for benefits:

1. Implement a timeliness requirement or performance measure for handling proceeds.
2. Develop oversight and monitoring procedures to ensure timely handling of proceeds.

Management Comments

The under secretary for benefits concurred in principle with recommendation 1, concurred with recommendation 2, and requested both recommendations be closed. For recommendation 1, the under secretary indicated that the establishment of a timeliness metric is not feasible because some proceeds take longer to complete, for example if they require both finance and adjudicative activity. He indicated that since processing of administrative benefit adjustments has been centralized, adjudicative actions supporting the release of proceeds are being completed in an average of 30 days and workloads will be monitored to ensure adjudicative actions are taken timely. For recommendation 2, VBA has centralized processing and created oversight reports to

monitor the administrative benefit adjustments workload, which includes proceeds. Appendix C contains the full text of VBA's management comments.

OIG Response

Acceptable action plans were provided for both recommendations. For recommendation 1, the OIG acknowledges newly established benefit eligibility support teams are completing the majority of proceeds in under 30 days. The OIG acknowledges proceeds are managed differently and may require both finance and adjudicative activity for closure, which could impact the amount of time to complete. The finance staff's performance standards require proceeds to be closed in two to five days, giving the benefit eligibility support teams at least 25 days to complete the adjudicative activity. According to VBA, over 81 percent of the proceeds from March 2021 were completed in 10 days or less. Therefore, the OIG encourages VBA to implement a target, such as an average of 30 days, to close proceeds. The OIG will continue to monitor VBA's progress and follow up to determine if VBA is taking timely action and continues to complete proceeds in an average of 30 days or less prior to issuing closure of the recommendation. For recommendation 2, VBA's response and documentation supports the closure of this recommendation.

Appendix A: Scope and Methodology

Scope

The OIG team conducted its work from December 2019 through March 2021. The team reviewed a sample of proceeds closed during the period from July 31, 2019, through February 5, 2020, and open proceeds as of January 31, 2020. The team only reviewed the sample open proceeds if they were still open as of the date of the team's review.

Methodology

To accomplish the audit objective, the OIG team identified and reviewed applicable regulations, policies, procedures, and guidelines related to handling undelivered benefit payments (proceeds). The team interviewed managers and staff at VBA's Office of Financial Management and the Office of Field Operations to obtain information about handling proceeds. The team performed virtual site visits at the regional offices in Lincoln, Nebraska; Newark, New Jersey; Philadelphia, Pennsylvania; and Reno, Nevada.

The OIG team conducted interviews with regional offices' financial administrative specialists, financial accounts technicians, supervisory financial administrative specialists, and chiefs, as well as veterans service representatives and managers from both the service and pension centers. In addition, the team interviewed the Office of Financial Management systems and procedures analysts and the Debt Management Center's chief of veterans communication and data analytics, assistant chief of operations, and a management analyst.

In coordination with an OIG statistician's guidance, the team initially reviewed a random sample of 190 proceeds open as of January 31, 2020. Ninety-six proceeds were still open at the time of the team's review and were included in the sample review results. The team also reviewed 150 proceeds closed between July 31, 2019, and February 5, 2020. The team used VBA's electronic systems, including the Veterans Benefits Management System, Finance and Accounting System, and Share to review each proceed in the sample and relevant documentation to assess whether VA completed the proceeds timely and accurately.

Internal Controls

The OIG team reviewed VBA's internal controls relevant to the audit objective of ensuring timely and accurate handling of proceeds. Specifically, the team reviewed whether VBA

- exercised oversight responsibility,
- communicated internally,
- performed monitoring activities, and

- remediated deficiencies.

VBA established controls for oversight of proceeds and communicated internally on a monthly basis. However, monitoring procedures were inadequate. The monthly report did not enable adequate monitoring of how long proceeds remained open. Although the Office of Financial Management monitors proceeds, it does not have the authority to take any disciplinary action or institute repercussions for delayed handling of proceeds.

Fraud Assessment

The OIG team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of audit objectives, could occur during the audit. The team exercised due diligence in staying alert to any fraud indicators by

- soliciting the OIG's Office of Investigations for indicators,
- reviewing OIG hotline complaints and concerns for indicators,
- reviewing notes and documentation of sampled cases for indicators, and
- conducting fraud assessments to identify fraud risks significant to the objective.

The OIG did not identify any instances of fraud or potential fraud during this audit.

Data Reliability

The OIG team used computer-processed data from VBA's Corporate Database. To test for reliability, the team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared veterans' and beneficiaries' names and Social Security numbers for 10 compensation and pension proceeds from the VBA Corporate Database to the information in the Veterans Benefits Management System, Share, and Finance and Accounting System.

Testing of the data disclosed that they were sufficiently reliable for the audit objective. Comparison of the data with information in the veterans' claim folders reviewed did not disclose any problems with data reliability.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions

based on audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the OIG team reviewed a statistical sample of compensation and pension proceeds to determine if funds were disposed of properly and if the proceeds could have been closed within 90 days. The sample was divided into two parts: open proceeds as of January 31, 2020, and proceeds that were closed between July 31, 2019, and February 5, 2020.

Population

The population included 26,019 compensation and pension proceeds that were open as of January 31, 2020, or closed between July 31, 2019, and February 5, 2020. Table B.1 shows the number and dollar value of open and closed unique compensation and pension proceeds based on the population strata.

Table B.1. Population Strata

| Strata | Number | Dollar value |
|-----------------|---------------|-------------------|
| Open proceeds | 5,206 | 9,149,113 |
| Closed proceeds | 20,813 | 40,026,575 |
| Total | 26,019 | 49,175,688 |

Source: VA OIG analysis.

Sampling Design

The OIG team selected a statistical sample of 340 compensation and pension proceeds, 190 open and 150 closed, from the population of records open as of January 31, 2020, and closed between July 31, 2019, and February 5, 2020, respectively. Open and closed samples were selected with probability proportional to the dollar amounts associated with the proceeds. In other words, proceeds with higher dollar amounts were more likely to be selected. Table B.2 shows the number and dollar value of open and closed unique compensation and pension proceeds in the sample.

Table B.2. Sample Strata

| Sample | Number | Dollar value |
|-----------------|------------|------------------|
| Open proceeds | 190 | 2,698,250 |
| Closed proceeds | 150 | 6,793,757 |
| Total | 340 | 9,492,007 |

Source: VA OIG analysis.

Weights

The OIG team calculated estimates in this report using weighted sample data. Samples were weighted to represent the population from which they were drawn. The team used the weights to compute estimates. For example, the team calculated the error rate point estimates by summing the sampling weights for all sample proceeds that contained the error, then dividing that value by the sum of the weights for all sample proceeds.

Projections and Margins of Error

The point estimate (or estimated error) is an estimate of the population parameter obtained by sampling. The margin of error and confidence interval associated with each point estimate is a measure of the precision of the point estimate that accounts for the sampling methodology used. If the team repeated this audit with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate the weighted population estimates and associated sampling errors. This software uses replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While precision improves with larger samples, the rate of improvement does not significantly change as more records are added to the sample review. Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

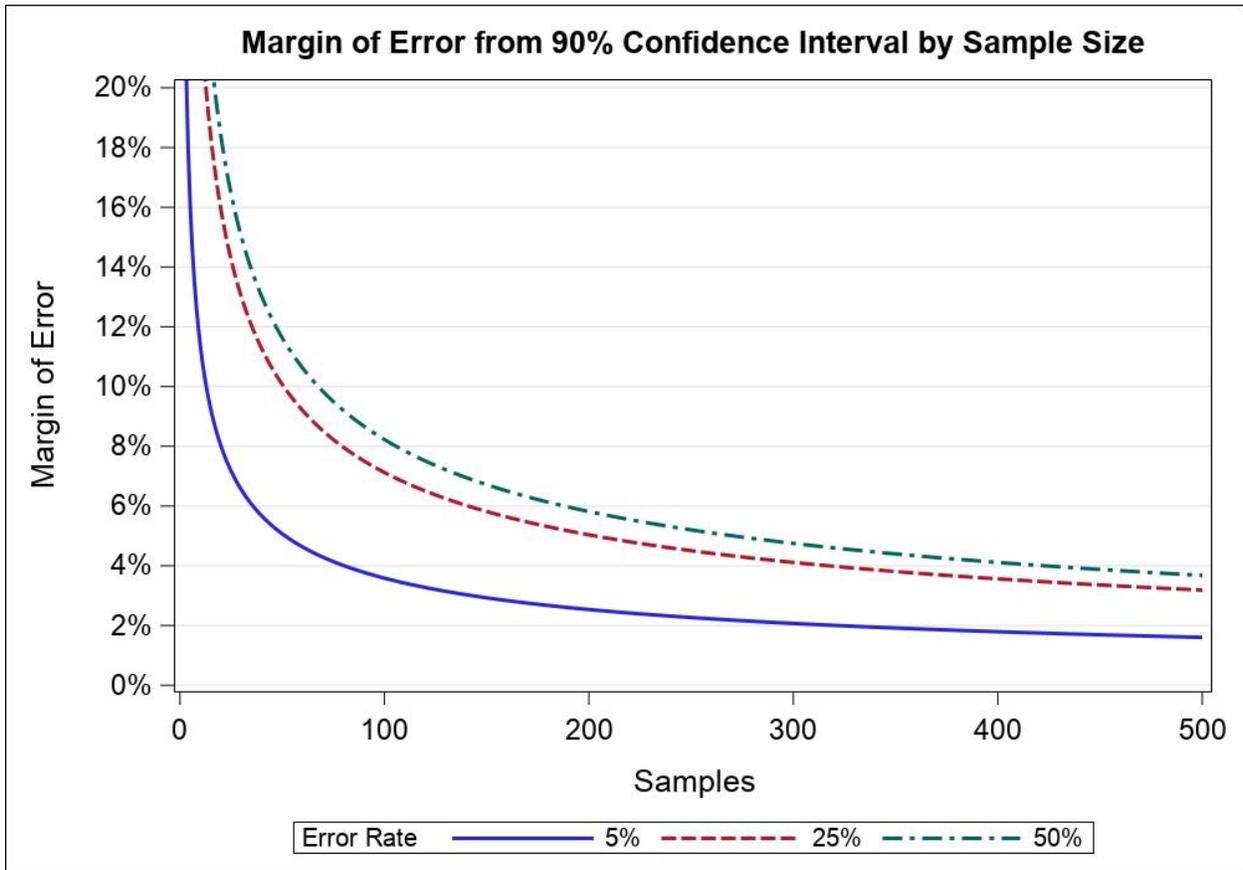


Figure B.1. Effect of sample size on margin of error.
 Source: VA OIG statistician’s analysis.

Projections

Table B.3 shows the projection for the number of proceeds over and under 90 days in the population at the time of review. Projected total count reflects the total number of projected proceeds.

Table B.3. Summary of Projections and Confidence Intervals for Proceeds Over and Under 90-Day Benchmark

| Category | Projected total count of proceeds | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Sample size |
|-------------------------------|-----------------------------------|-----------------|-------------------------------------|-------------------------------------|-------------|
| Did not meet 90-day benchmark | 2,185 (10%) | 1,099 (6%) | 1,086 (4%) | 3,283 (16%) | 49 |
| Met 90-day benchmark | 19,622 (90%) | 7,620 (6%) | 12,003 (84%) | 27,242 (96%) | 197 |

Source: VA OIG statistician’s projection of the number of proceeds pending over and under 90 days as of January 31, 2020, based on the team’s sample data analysis.

Table B.4 shows the projection for the average number of days proceeds remained open from the sample of open and closed proceeds over 90 days.

Table B.4. Average Days Open for Proceeds Exceeding 90-Day Benchmark

| Results | Estimated average days open | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Sample size |
|-------------------------------------|-----------------------------|-----------------|-------------------------------------|-------------------------------------|-------------|
| Proceeds open over 90-day benchmark | 221 | 36 | 185 | 257 | 49 |

Source: VA OIG statistician’s projection of the average days open for proceeds open over 90 days as of January 31, 2020, based on the team’s sample data analysis.

Table B.5 shows the projection for the number of proceeds open over 90 days with percentage of the population at the time of review. The projected total count reflects the total number of projected proceeds.

Table B.5. Summary of Projections and Confidence Intervals for Proceeds Exceeding 90-Day Benchmark

| Results | Projected total count of proceeds | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Sample size |
|-------------------------------------|-----------------------------------|-----------------|-------------------------------------|-------------------------------------|-------------|
| Proceeds open over 90-day benchmark | 1,753 (64%) | 988 (17%) | 765 (47%) | 2,741 (81%) | 43 |

Source: VA OIG statistician’s projection of the number of proceeds open as of January 31, 2020, over 90 days based on the team’s sample data analysis.

Table B.6 shows the projections for the dollar amount of open proceeds over 90 days by action. The projected amount of all proceed actions is reflected in the total.

Table B.6. Summary of Projections and Confidence Intervals for the Amount of Open Proceeds Exceeding 90 Days

| Required action | Projection | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Sample size |
|--------------------------------------|--------------------|------------------|-------------------------------------|-------------------------------------|-------------|
| Return to the Treasury | \$781,946 | \$303,968 | \$477,977 | \$1,085,914 | 17 |
| Return to the veteran or beneficiary | \$740,497 | \$348,443 | \$392,054 | \$1,088,941 | 14 |
| Apply to debt | \$529,453 | \$245,176 | \$284,278 | \$774,629 | 12 |
| Total | \$2,051,896 | \$483,605 | \$1,568,292 | \$2,535,501 | 43 |

Source: VA OIG statistician's projection of the amount of proceeds open as of January 31, 2020, over 90 days based on the team's sample data analysis.

Table B.7 shows the projection for the average number of days proceeds remained open from the sample of open proceeds over 90 days based on the required action.

Table B.7. Average Days Proceeds Over 90 Days Were Open

| Required action | Estimated average days open | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Sample size |
|--------------------------------------|-----------------------------|-----------------|-------------------------------------|-------------------------------------|-------------|
| Return to the Treasury | 231 | 52 | 179 | 283 | 17 |
| Return to the veteran or beneficiary | 249 | 48 | 201 | 296 | 14 |
| Apply to debt | 257 | 104 | 154 | 361 | 12 |
| Total | 243 | 29 | 215 | 272 | 43 |

Source: VA OIG statistician's projection of the average days proceeds over 90 days were open as of January 31, 2020, based on the team's sample data analysis.

Appendix C: Management Comments

Department of Veterans Affairs Memorandum

Date: April 26, 2021

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Compensation and Pension Proceeds Were Generally Handled Accurately but Some Were Delayed [Project No. 2020-00817-R4-0002] – VIEWS 04779844

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

Attached is VBA's response to the OIG Draft Report: Compensation and Pension Proceeds Were Generally Handled Accurately but Some Were Delayed.

The OIG removed point of contact information prior to publication.

(Original signed by)

Thomas J. Murphy

Acting

Attachments

**Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Compensation and Pension Proceeds Were Generally Handled Accurately but
Some Were Delayed**

VBA concurs with the findings in OIG’s draft report and provides the following comments in response to the recommendations:

Recommendation 1: Implement a timeliness requirement or performance measure for handling proceeds.

VBA Response: Concur in principle. The Veterans Benefits Administration (VBA) tracks and measures timeliness for proceeds that require adjudicative review and has reports from the Financial Accounting Service (FAS) for those that do not require adjudicative review. Particularly for those proceeds on the FAS report, some take longer to complete, such as those involving Veterans whose whereabouts are unknown or Veterans who are deceased, but no claim for accrued unpaid benefits has been received. VBA will monitor each of these workloads and ensure that adjudicative actions are taken timely and that accounts with proceeds are established on a recurring basis.

VBA receives a notice called a Message Work Item whenever funds are placed in proceeds and the Veteran’s account requires adjudicative review or action. OIG notes that VBA has centralized processing of administrative benefit adjustments to eight Benefit Eligibility Support Teams (BEST). As a result of this action, in fiscal year (FY) 2021, VBA is processing these adjudicative reviews in less than one month on average. In March 2021, VBA processed these adjudicative reviews in an average of 7.33 days (see Attachment A), effectively re-releasing payments to some Veterans before the next monthly benefits payment.

| March 2021 | | | | | |
|-------------------|-------|-------|-------|------|-------|
| Days to Complete | ≤ 10 | 11-20 | 21-30 | > 30 | Total |
| Reviews completed | 4,278 | 678 | 274 | 33 | 5,263 |
| | 81.3% | 12.9% | 5.2% | 0.6% | 100% |

As noted in the chart above, VBA is managing its adjudicative actions supporting the release of proceeds in an average of 30 days. VBA’s finance activities are also reviewing accounts with proceeds each month, and the Office of Financial Management (OFM) issues oversight reports to ensure that accounts are reviewed timely. Because the work is managed differently and some proceeds segments may require both finance and adjudicative activity, or no action may be possible to clear the funds held in proceeds, the establishment of a timeliness metric is not feasible.

Based on the information provided and the actions taken, VBA requests closure of this recommendation.

Recommendation 2: Develop oversight and monitoring procedures to ensure timely handling of proceeds.

VBA Response: Concur. For those proceed reviews that require a claims processor, VBA has established strong oversight of workload through centralized processing at the eight BEST sites. Additionally, VBA has developed oversight reports on its Tableau Server that are accessible to all levels of management in the organization to ensure appropriate monitoring and oversight of the workload. VBA also issues monthly scorecards showing the performance of each regional office finance division with the review of their accounts with proceeds. A copy of these reports are attached (see Attachments A and B).

VBA requests closure of this recommendation based on the information provided.

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

| | |
|----------------|---|
| Contact | For more information about this report, please contact the Office of Inspector General at (202) 461-4720. |
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