



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

VETERANS BENEFITS ADMINISTRATION

Deferrals in the  
Veterans Benefits  
Management System

REVIEW

REPORT #18-00215-83

MAY 15, 2019



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## Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether Veterans Benefits Administration (VBA) staff properly created deferrals for disability compensation claims in the Veterans Benefits Management System (VBMS) program and resolved the deferrals in a timely manner.

VBA employees use VBMS, a web-based electronic program, to process veterans' disability compensation claims. A deferral is a VBMS function for VBA employees to return a claim to an earlier phase in the claims process for correction or additional action. The OIG focused this review on the VBMS deferral process because VBA claims processors generated nearly 676,000 deferrals in fiscal year (FY) 2017 and nearly 832,000 in FY 2018.

### What the Review Found

VBA staff generally resolved VBMS deferrals issued from February through April 2018 within the required five business days. However, rating veterans service representatives (RVSRs) did not always properly create deferrals, as the OIG team determined some deferrals were unwarranted, did not have the most appropriate reason selected in VBMS, or were incomplete.

The OIG team estimated that within the three-month review period, 23,200 unwarranted deferrals occurred when the deferral, or part of the deferral, was not necessary. Unwarranted deferrals could result in needless examination costs, delayed processing, unnecessary rework, and improper guidance to claims processors. For example, if a deferral erroneously directed a claims processor to request a medical examination to support a veteran's disability claim, the time and cost associated with the examination would be unnecessary and the claim would be delayed. During the review period, an estimated 7,000 unwarranted deferrals resulted in avoidable medical examinations. The unwarranted deferrals in the sample resulted in delays in processing veterans' claims by an average of 43 days. Based on rates at the time of the review, the OIG team estimated that VBA could spend at least \$8.8 million on unnecessary medical examinations over the next five years if corrective actions are not taken.

The deferral reason selected in VBMS determines how the deferral is classified, but RVSRs did not always select the most appropriate reason when creating a deferral. The OIG team found that during the review period, an estimated 27,900 deferrals did not have the most accurate reason selected in VBMS. Incorrect classifications could lead to deferrals not being assigned to the proper VA regional office (VARO). Incorrect classifications could also prevent the claims processors who caused the deferral from correcting and learning from their mistakes. The OIG team estimated 12,800 VBMS deferrals were classified incorrectly due to VBA staff not selecting the most appropriate reason for the deferral. Of these incorrect deferrals, an estimated 9,300 were not assigned to the proper VARO for rework or additional development.

In addition, RVSRs created about 55,700 incomplete deferrals that did not include required supporting references. As a result, claims processors did not receive all relevant information needed to learn the proper procedures that would ensure consistency and prevent recurrence of incorrect deferrals. Because some of the deferral error types had more than one defect and overlapped, the total number of types of errors would not accurately reflect the overall number of improperly created deferrals.

In summary, the OIG found deferrals that were unwarranted, lacked the most appropriate reasons, and were incomplete. This occurred because the national oversight process did not specifically assess the accuracy of deferrals, local oversight did not assess all aspects of deferral accuracy, some RVSRs lacked feedback and accountability, deferral processing guidance was unclear, and the VBA electronic system had limitations.

### **All Aspects of Deferral Accuracy Not Assessed**

At the time of the OIG team's work, quality review staff did not conduct routine national accuracy assessments focusing on deferrals. Instead, the Assistant Director of Quality Assurance stated that the focus of national quality reviews was on the final products of claims processing. Quality Assurance focused on issues such as benefit entitlement decision accuracy and payment management. In addition, local quality review teams at VAROs did not ensure the RVSRs selected the most appropriate reasons for deferrals. The Chief of Quality Review and Consistency stated accuracy of the deferral reason was not part of their review because improper selection of deferral reasons was not a known issue.

### **Lack of Feedback and Accountability for Some RVSRs on Mitigated Deferrals**

A mitigated deferral occurs when a supervisor determines the action was unnecessary and the deferral is canceled. RVSRs interviewed by the OIG stated they were not informed when deferrals they created were mitigated and the deferrals were not returned to the original RVSR. VARO managers confirmed that RVSRs were not informed of mitigated deferrals, as performance standards at the time of the OIG review were not designed to hold staff accountable for mitigated deferrals. In addition, the National Work Queue (NWQ) Deputy Director informed the OIG team that returning a mitigated deferral to the RVSR who created it can defeat the purpose of the NWQ, which is to match workload with staff available to complete the work.

### **Unclear Deferral Processing Guidance**

Deferrals that did not have the most appropriate reasons selected occurred, at least in part, because guidance was unclear about when to select certain deferral explanations. The Chief of Quality Review and Consistency could not recall any guidance distinguishing between deferral reasons and agreed the guidance was not clear after the OIG team brought the problem to his

attention. The OIG team also interviewed RVSRs who were not certain when to use some of the deferral reasons. These RVSRs gave inconsistent answers as to whether there was a requirement to select more than one deferral reason for claims that required multiple actions.

## **Limitations of VBMS**

According to the RVSRs interviewed by the OIG team, the additional comments field in VBMS is subject to a 250-character limit for all deferral reasons for claims in a ready-for-decision status, except for one, which makes it difficult to explain the reasoning behind a deferral. The Assistant Deputy Under Secretary for Field Operations, however, stated that the designers of VBMS deliberately included the character limitation to ensure that deferral justifications were succinct. However, RVSRs noted that to give sufficient information they would sometimes intentionally select a less appropriate deferral reason that allowed up to 6,000 characters.

Incomplete deferrals occurred because VBMS functionality allowed RVSRs to create deferrals without including the required explanations. The OIG team interviewed VARO managers, RVSRs, and quality review specialists who agreed that a mandatory supporting reference field in VBMS would ensure claims processors include the explanations. The NWQ Deputy Director stated VBMS was not built to require staff to input references supporting deferrals; the thought process was that if claims processors were directed to input the information, they would. The Assistant Deputy Under Secretary for Field Operations explained that the intent of the additional comments field in VBMS was also to allow claims processors to cite the required manual reference for a deferral. However, he also stated the additional comments box could have been more clearly labeled and guidance to include manual references in this box better communicated to claims processors.

## **What the OIG Recommended**

The OIG recommended the Under Secretary for Benefits conduct the following actions:

- Implement plans to enhance quality assurance by conducting periodic national oversight of deferrals and ensuring local oversight specifically addresses all aspects of the accuracy of deferrals created in VBMS.
- Establish internal controls documenting when RVSRs are informed of their mitigated deferrals and corrective action is taken.
- Update guidance to clarify why certain reason selections should be made for deferrals, provide training on this guidance, and monitor the effectiveness of the training.
- Establish plans to modify VBMS to allow sufficient space for inputting deferral instructions and require claims processors to input references when creating deferrals.

## Management Comments

The Under Secretary for Benefits concurred with Recommendations 1–3, concurred in principle with Recommendation 4, and provided acceptable action plans for all recommendations. The Under Secretary requested closure of Recommendations 1 and 2 and, based on the information provided, the OIG considers them closed. The OIG will monitor VBA’s progress and follow up on implementation of the remaining recommendations until all proposed actions are completed.

Although the Under Secretary agreed with the recommendations, he did not concur with the OIG’s projection of estimated unwarranted deferrals associated with unnecessary medical examinations and the associated potential questioned costs. Primarily, the Under Secretary questioned the OIG’s use of a margin of error of 66 percent. The full text of the Under Secretary’s comments is contained in Appendix E.

The OIG did not use a margin of error of 66 percent, but disclosed its margin of error—properly expressed as a count, not a percentage. The OIG is particularly cautious about reporting sample estimates of dollar amounts with larger margins of error. In this instance, the OIG did not report the midpoint estimate for the improper payments because it determined that the margin of error for this dollar-value estimate in the context of its use was too high. Rather, the OIG chose to use the more conservative value of \$440,621, which is the lower limit of the projected total, instead of the mid-point value of \$2,618,827. The OIG team determined that this conservative projection was sufficiently precise to report since it gave the reader an idea of the magnitude of the issue.



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## Abbreviations

|      |  |
|------|--|
| FY   | fiscal year                            |
| NWQ  | National Work Queue                    |
| OBPI | Office of Business Process Integration |
| OIG  | Office of Inspector General            |
| RVSR | Rating Veterans Service Representative |
| STAR | Systematic Technical Accuracy Review   |
| VA   | Department of Veterans Affairs         |
| VARO | VA regional office                     |
| VBA  | Veterans Benefits Administration       |
| VBMS | Veterans Benefits Management System    |
| VSR  | Veterans Service Representative        |



## Introduction

The VA Office of Inspector General (OIG) conducted this review to determine whether Veterans Benefits Administration (VBA) staff properly created deferrals for disability compensation claims in the Veterans Benefits Management System (VBMS) program and resolved the deferrals in a timely manner.

### Disability Compensation Claim and Deferral Processes

Disability compensation is a tax-free monetary benefit paid to veterans with disabilities from diseases or injuries that happened while serving in the active duty military, or that were made worse during active duty service. VBA employees use VBMS, a web-based electronic program, to process veterans' claims for disability compensation. A deferral is a VBMS function for a VBA employee to return a claim to an earlier phase in the claims process for correction or additional action. VBA data show claims processors generated nearly 676,000 VBMS deferrals in fiscal year (FY) 2017 and nearly 832,000 deferrals in FY 2018. Per the Assistant Deputy Under Secretary for Field Operations, prior to VBMS being used to create deferrals they were primarily issued as hard copy documents. Although necessary to correct errors, deferrals should be minimized to help VBA's efforts to reduce rework and minimize the number of claims entering the backlog that could delay payments to veterans.

### Claims Process

The VBMS disability compensation claims process includes four phases, presented in Figure 1. The OIG review focused specifically on the development and rating phases, as the majority of deferrals occur in these phases.



**Figure 1.** VBA's Disability Compensation Claims Process.  
(Source: VBA's VBMS website)

Veterans service representatives (VSRs) develop claims by gathering all documents necessary for a decision. When VSRs determine claims are ready for a decision, rating veterans service representatives (RVSRs) decide whether evidence connected with the claims justifies granting VA benefits. Finally, VSRs notify claimants of the rating decisions and process awards to complete the claims.

## National Work Queue

VBA distributes disability compensation claims within VBMS using its National Work Queue (NWQ). The NWQ is a rule-based workload distribution tool that assigns claims daily to VA regional offices (VAROs) nationwide based on staffing capacity, national claims processing priorities, and special missions. VBA’s Office of Field Operations centrally manages the NWQ.<sup>1</sup>

A deferral identifies, explains, and tracks rework, and can return a claim to an earlier phase. For example, an RVSR can generate a deferral that sends a claim back to a VSR for further development because it lacked evidence needed to decide the claim. After the rework is complete, the claim moves back to the point where staff created the deferral so that processing can continue.

## Deferral Creation

When creating a deferral, claims processors must select the most appropriate deferral reason from a dropdown menu in VBMS that provides a primary and secondary reason for the actions needed. The secondary reasons help to clarify the primary deferral reasons.

**Table 1. Example of Primary Deferral Reasons and Associated Secondary Deferral Reasons**

| Primary reason | Secondary reason   |
|----------------|--------------------|
| Exam           | Needs exam         |
| Development    | Missed development |

*Source: VBMS deferral menu.*

Claims processors must also include supporting criteria, such as a manual reference or regulation, and all relevant details for the deferral.<sup>2</sup> VBMS automatically labels the deferrals as avoidable or unavoidable based on the selected deferral reason. The NWQ then assigns the deferrals to a VARO for resolution based on whether they are avoidable or unavoidable, as well as the claim’s phase when staff created the deferral.<sup>3</sup>

## *Avoidable and Unavoidable Deferrals*

Avoidable deferrals occur when claims processors incorrectly determine a claim is ready for decision. Unavoidable deferrals are caused by actions outside of the claims processor’s control, such as receipt of records after the claim was made ready for decision. Both types of deferrals require action, but whether a deferral is classified as avoidable or unavoidable could affect the

<sup>1</sup> See Appendix A for additional information about the Office of Field Operations.

<sup>2</sup> M21-4 Manual, Appendix D, Section IV, *Deferral Reasons*.

<sup>3</sup> See Appendix A for further description of NWQ routing rules for deferrals.

resolution process. For example, a mistake in classification could assign the deferral to the wrong VARO for completion—avoidable deferrals are assigned to the VARO that caused the deferral, while unavoidable deferrals are assigned to any VARO based on claim priority and production capacity.

According to VBA data, approximately 422,000 of the nearly 676,000 VBMS deferrals in FY 2017 were avoidable (62 percent). In FY 2018, the number of avoidable deferrals and overall deferrals increased to approximately 507,000 of the nearly 832,000 VBMS deferrals (61 percent).

### **Deferral Receipt and Resolution Timeline**

A claims processor who receives a deferral is required to resolve it within five business days.<sup>4</sup> If the claims processor disagrees with the deferral, they will send a brief statement to their supervisor and the VARO’s quality review team supervisor within five business days of receipt of the deferral. The statement must identify why the claims processor disagrees with the deferral and provide a supporting reference. The quality review team supervisor will then assign a quality review specialist to review the disagreement. The quality review specialist will review all relevant documents within two business days of receipt and determine if the deferral was appropriate. If the quality review team determines a deferral was unnecessary, the claims processor’s supervisor can use a “mitigate” function in VBMS that resolves the issue by canceling the deferral. If the quality review team upholds the deferral, the claims processor will take the necessary actions within three business days of review to move the claim to the next stage of processing.

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<sup>4</sup> Veterans Benefits Administration National Work Queue Phase 1 and 2 Playbook, *VBMS Deferrals*.

## Results and Recommendations

### **Finding: VBA Staff Did Not Consistently Create Proper Deferrals, But They Were Generally Resolved in a Timely Manner**

The Assistant Deputy Under Secretary for Field Operations stated that VBMS deferral functionality goals within the NWQ were to increase accountability, improve consistency, reduce rework, and tailor training. The OIG team reviewed a statistical sample of 100 disability compensation claims that processors determined were ready for a decision. The claims also had VBMS deferrals issued from February 1 through April 30, 2018 (the review period).

Generally, VBA claims processors and supervisors resolved sample VBMS deferrals in a timely manner but did not consistently create proper deferrals. The OIG team estimated that of the approximately 116,000 VBMS deferrals generated during the review period, RVSRs created about 23,200 unwarranted deferrals (20 percent), did not select the most appropriate reasons for nearly 27,900 deferrals (24 percent), and created about 55,700 incomplete deferrals (48 percent). A total calculation of the types of errors would not accurately reflect the overall number of improperly created deferrals, as some of the deferrals had more than one type of error.

An estimated 7,000 of the unwarranted deferrals resulted in unnecessary medical examinations for veterans.<sup>5</sup> Based on rates at the time of the review, the OIG team estimated that, without corrective action, VBA could pay at least \$8.8 million for unnecessary medical examinations over the next five years.

Inaccurate deferrals also resulted in delays in claims processing, incorrect instructions to claims processors, and unreliable data for deferral tracking. Inaccurate deferrals could also lead to incorrect classification and routing in the NWQ, which could prevent claims processors who caused the deferrals from learning from their mistakes. The OIG team determined that multiple causes—including inadequate national and local oversight, RVSRs not being informed of mitigated deferrals and held accountable, unclear guidance, and VBA electronic systems limitations—contributed to RVSRs not accurately creating deferrals.

### **What the OIG Did**

The OIG team created a statistical sample from approximately 116,000 VBMS deferrals issued during the review period for compensation claims that processors determined were ready for a decision. The team reviewed its sample of 100 VBMS deferrals to determine whether VBA staff accurately created and then resolved deferrals in a timely manner. It also interviewed the

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<sup>5</sup> One of the development activities that occurs during claims processing is requesting medical examinations to support claims. However, not all claims require these examinations for disability rating decisions. Therefore, deferrals for these unnecessary medical examinations are unwarranted.

managers and staff at the Compensation Service's Systematic Technical Accuracy Review (STAR) office and four VAROs: Nashville, Tennessee; San Diego, California; Seattle, Washington; and Winston-Salem, North Carolina. Appendixes B and C provide additional details on OIG team actions and methodology.

This report discusses the following issues that support the OIG's finding:

- Improperly created VBMS deferrals affected claims processing
- VBA oversight lacked assessments for all aspects of deferral accuracy
- Some RVSRs lacked feedback and accountability on mitigated deferrals
- Processing guidance for deferrals was unclear
- VBMS had limitations
  - Character limits for certain deferral options
  - Lack of functionality forcing input of references for deferrals
- VBMS deferrals were generally resolved timely

## Improperly Created Deferrals Affected Claims Processing

The OIG team categorized improperly created VBMS deferrals into three groups:

- **Unwarranted Deferral:** Part or all of the deferral was not necessary and claims processing could have continued without rework. Unnecessary development from unwarranted deferrals can lead to needless costs for medical examinations and delay processing of claims.
- **Incorrect Deferral Reason:** RVSRs did not select all or the most appropriate deferral reasons, which could affect how the data is tracked for training purposes and who the cases are assigned to for resolution.
- **Incomplete Deferral:** RVSRs did not include required references explaining why the deferral, or part of the deferral, was necessary. As a result, claims processors did not receive all relevant information needed to ensure consistency and prevent recurrence of incorrect deferrals.

Table 2 summarizes the estimated improperly created deferrals the OIG identified from the 116,000 deferrals reviewed.

**Table 2. Estimated Improperly Created Deferrals by Category**

| Category of deferral error | Estimated number of errors | Estimated deferrals in error |
|----------------------------|----------------------------|------------------------------|
| Unwarranted deferral       | 23,200                     | 20%                          |
| Incorrect deferral reason  | 27,900                     | 24%                          |
| Incomplete deferral        | 55,700                     | 48%                          |

*Source: VA OIG analysis and projections of statistically sampled VBMS deferrals issued during the review period for compensation claims that were ready for decision.*

*Note: The estimated number of errors do not sum, as some of the error categories overlapped.*

## Unwarranted Deferrals

The OIG team estimated that 23,200 of the 116,000 deferrals created by RVSRs were unwarranted (20 percent). Unwarranted deferrals can cause undue burdens for veterans and VA alike, and VARO supervisors appropriately cancelled approximately 7,000 of these deferrals through their mitigation process prior to the OIG review. The OIG team estimated that of the 23,200 unwarranted deferrals, 16,200 claims were delayed (70 percent). For the samples reviewed, delays averaged 43 days, with the longest delay being 232 days. Example 1 provides details on an unwarranted deferral.

### Example 1

*A deferral directed a claims processor to get additional evidence from a federal custodian of records to support the claim. However, documentation in the file showed the custodian of records already determined them to be unavailable and therefore, the deferral was not warranted. As a result, the veteran’s claim was unnecessarily delayed by 41 days.*

Unwarranted deferrals also resulted in claims processors receiving incorrect instructions for claims development, causing the potential for unnecessary work in future claims. In addition, unwarranted deferrals skewed the overall deferral data, which can be used for training. VBA management agreed with the OIG team on the errors identified as unwarranted deferrals.

## Unnecessary Medical Examinations Led to Needless Costs

When an unnecessary request results in information that is not needed to decide a claim, VBA categorizes the request as overdevelopment. One example of overdevelopment is the request for a medical examination when the claims processor already has enough information to make a decision. Deferrals for unnecessary medical examinations are therefore unwarranted, as they lead to overdevelopment of medical evidence.

VBA uses both contract providers and Veterans Health Administration (VHA) personnel to conduct medical examinations that support compensation claims. Both methods have associated

costs. In addition to the delays occurred in deciding the claim, if these examinations are unnecessary they waste appropriated funds and generate excessive work that results in the diversion of VA personnel from veteran care and services. As noted in a previous OIG report, unwarranted medical examinations also create unnecessary burdens for veterans.<sup>6</sup>

The OIG team estimated that 7,000 unwarranted deferrals resulted in VBA paying for unnecessary medical examinations. Based on rates at the time of review, the OIG team estimated that VBA could pay at least \$8.8 million for unnecessary medical examinations over the next five years without corrective action. These funds, as well as the time VHA and contracted medical personnel spend conducting the examinations, could be better used for required medical examinations for claims decisions.

Example 2 provides details on an unwarranted deferral that resulted in questioned costs for an unnecessary medical examination.

### **Example 2**

*A deferral directed a claims processor to request a medical opinion evaluating if a veteran's foot condition was related to his military service. However, the medical opinion was unnecessary, as a previous examination report had already opined that the foot condition was unrelated to service. The resulting cost to the VA for the unnecessary exam was approximately \$540.*

### **Incorrect Deferral Reasons**

RVSRs did not select all or the most appropriate deferral reasons for an estimated 27,900 VBMS deferrals (24 percent). In some instances, RVSRs only selected one reason in VBMS for the deferral when more reasons should have been selected to help direct the next steps. In addition, RVSRs did not always select the most appropriate reason for the deferral. The deferral reason selected in VBMS determines if the deferral will be classified as avoidable or unavoidable. The NWQ assigns avoidable deferrals to the VARO that caused the deferral and assigns unavoidable deferrals to any VARO based on claim priority and productive capacity. Therefore, selecting an incorrect reason or not selecting all the reasons could lead to the deferral being assigned to the wrong VARO for completion.

The OIG team interviewed VARO managers and staff, who noted that having avoidable deferrals returned to the claims processors who caused them would reduce future rework because the claims processors would learn from correcting their mistakes. Furthermore, when claims processors erroneously determine a claim is ready for decision, they would receive credit for work that others had to correct. The OIG team estimated 12,800 VBMS deferrals were classified

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<sup>6</sup> *Unwarranted Medical Reexaminations for Disability Benefits*, 17-04966-201

incorrectly due to VBA staff not selecting the most appropriate reason for the deferral, of which an estimated 9,300 (73 percent) were not routed to the proper VARO for rework or additional development.

VARO staff noted claims processors would be less likely to contest a deferral for a claim they had not previously worked, and therefore would be less likely to have an unwarranted deferral mitigated. If improperly routed deferrals are not contested, they are less likely to be noticed and corrected in the future. Furthermore, not selecting the most appropriate deferral reason could lead to inaccurate deferral trend data, which are used to determine claims processing training topics. Example 3 provides details on a deferral where a claims processor did not select the most appropriate deferral reason.

### **Example 3**

*A deferral directed a claims processor to request evidence that was missing from the claims folder. While the deferral was necessary, the RVSR who created the deferral did not select the most appropriate deferral reason. VBMS therefore incorrectly categorized the deferral as unavoidable when it was avoidable. As a result, the NWQ did not route the deferral to the office of the VSR who neglected to request the evidence before determining the claim was ready for decision.*

VBA management agreed with all but two of the cases the OIG team determined to be inaccurate. The two contested cases involved RVSRs not selecting the most appropriate reason for the deferral. In both cases, RVSRs selected a detailed deferral reason of “New Records/Needs Review,” which resulted in the deferrals being classified as unavoidable. However, VSRs in both cases took actions that incorrectly advanced the cases forward, and the OIG team determined that both deferrals should have been classified as avoidable. VBA management disagreed, noting that “references do not use language such as ‘should only’ or ‘required,’” and that there was “no specific guidance” when selecting reasons for deferrals. However, VBA’s procedures state, “The most accurate deferral reason must be selected when generating deferrals.”<sup>7</sup> VBA managers ultimately did agree that both deferrals should have been routed back to the VSRs who made the mistakes for them to correct, and for accurate training data.

### **Incomplete Deferrals**

RVSRs did not consistently identify required references explaining why deferrals or parts of deferrals were necessary, rendering an estimated 55,700 VBMS deferrals incomplete (48 percent). When required references are not included, claims processors do not receive all relevant guidance on proper procedures that would ensure consistency and prevent recurrence of improper procedures. This potentially hindered VBA’s effort to reduce rework and improve

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<sup>7</sup> M21-4 Manual, Appendix D, Section IV, *Deferral Reasons*.

claims processing accuracy and efficiency. VBA managers reviewed and agreed with the OIG team's analysis and assessment of the incomplete deferrals.

## **VBA Oversight Lacked Assessments for All Aspects of Deferral Accuracy**

VBA needs a more systematic oversight process to evaluate the accuracy of VBMS deferrals. While VBA's Compensation Service did establish a local quality review of compensation claims that included a checklist for quality review specialists, with a question asking whether all deferrals completed were necessary and properly recorded, the STAR staff who conduct VBA's accuracy reviews did not conduct routine national quality reviews on the accuracy of deferrals. Corrective action is required to improve quality levels for all compensation claims.

### **VBA's National Oversight of Deferrals**

The OIG team interviewed several representatives from the Compensation Service's Quality Assurance and STAR to determine why they had not conducted national quality reviews of deferrals.<sup>8</sup> The Chief of Quality Review and Consistency stated that he was not aware of any systemic issues with deferral inaccuracies. However, his staff had recently conducted a review of claims that showed incomplete development was occurring at VAROs. Because deferrals were issued for incomplete development, this led to his impression that deferrals for cases were warranted when some actually were not.

VBA's Quality Assurance Officer stated that the quality assurance team conducted directed national reviews based on issues brought to its attention by stakeholders, and that deferral accuracy was not currently a point of emphasis.<sup>9</sup> Furthermore, the Assistant Director of Quality Assurance stated that the focus of national quality reviews was not on deferrals, but rather the final product of claims processing, such as accuracy of benefit entitlement decisions and management of payments.

### **Local Oversight Lacked Focus on Appropriate Deferral Reasons**

Compensation Service established quality review teams, made up of specialists with a focused emphasis on quality, in every VBA facility that processes compensation claims. Quality review teams conduct individual quality reviews to determine an employee's individual quality level as part of their overall performance evaluation. To promote consistency, Compensation Service staff developed a checklist for quality review specialists to use when reviewing RVSR cases for individual quality reviews. However, the checklist did not direct quality review specialists to examine the processor's selection of the most appropriate reason for the deferral. The Chief of

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<sup>8</sup> See Appendix A for hierarchy of Quality Assurance offices.

<sup>9</sup> At the time of our interview the Quality Assurance Officer noted his title was Quality Review Team Chief.

Quality Review and Consistency stated it was because this was not a known issue. Quality review team staff noted that without this checklist item, they were not reviewing whether the RVSR selected the most appropriate reason for deferral. The quality review team is also responsible for conducting in process reviews, which correct deficiencies throughout the claims process and, unlike individual quality reviews, are not used for individual performance. In process reviews and their corresponding checklists are developed by Compensation Service. The Chief of Quality Review and Consistency stated that a national periodic review has not been completed on the accuracy of deferrals because they did not think it was an issue.

### **Some RVSRs Lacked Feedback and Accountability on Mitigated Deferrals**

The NWQ is not designed to return corrected or mitigated cases to the same RVSRs who created the deferrals. The NWQ Deputy Director told the OIG team that the NWQ does not route claims back to the RVSR who created the deferral because it can defeat the purpose of the NWQ, which is to match the workload with staff available to complete the work. A Quality Review and Consistency Consultant with STAR also stated the staffing capacity at each VARO is considered during the routing of claims.

At the time of this review, RVSRs stated they were not informed when deferrals they created were mitigated. VARO managers confirmed RVSRs were not informed of mitigated deferrals, as performance standards at the time were not designed to hold staff accountable for causing mitigated deferrals.

### **Unclear Deferral Processing Guidance**

RVSRs did not always select the most appropriate reasons for deferrals. When creating deferrals, claims processors must select the most appropriate standard deferral reason, with both primary and detailed reasons that specify the action needed.

Table 3 lists the primary and secondary deferral reasons available when generating a deferral for a claim that is in ready-for-decision status.

**Table 3. Ready for Decision or Secondary Ready for Decision Deferral Reasons**

| Primary deferral reason | Secondary deferral reason |
|-------------------------|---------------------------|
| Evidence                | Missed development        |
|                         | New records/Needs review  |
| Issue                   | New issue                 |
|                         | Missed issue              |
|                         | Inferred issue            |
| Exam                    | Needs exam                |
|                         | Opinion needed            |
|                         | Insufficient exam         |
|                         | Clarification needed      |
| Development             | Missed development        |
|                         | New records/Needs review  |

*Source: VA OIG’s presentation of Index of Deferral Reasons, M21-4 Manual, Appendix D, Index of Claim Stage Indicators, October 2016*

The OIG team interviewed representatives from Compensation Service’s Quality Assurance staff to determine whether guidance was available explaining when certain reasons should or should not be selected. After the OIG team brought the concern to his attention, the Chief of Quality Review and Consistency agreed there was no clear guidance distinguishing deferral reasons and that both Office of Field Operations and Compensation Service should provide clarification. A deferral subject matter expert for VBA stated she was unable to find guidance that provided specific information on which reasons should be selected for deferrals. The Chief of Program Operations stated he did not know why the claims processing references did not provide details for when RVSRs should select certain reasons when creating deferrals. He further explained the existing claims processing references were recently updated based on guidance from a VBMS job aid document for assisting with processing claims. The Assistant Director of Quality Assurance stated that except for the claims processing references and the job aid, there was no further guidance.

RVSRs interviewed by the OIG team were not certain when to use some of the deferral reasons. Some stated they primarily used the “missed development” deferral reason, while others used “new records/needs review.” RVSRs also gave inconsistent answers regarding whether there was a requirement to select more than one reason for deferrals with multiple reasons—some stated they only provided one deferral reason because they were unaware of the VBMS functionality or requirement to select all reasons. The OIG team agreed with the Assistant Director of Quality

Assurance that there was no further guidance available, other than the claims processing references and the VBMS job aid, that listed the selection of deferral reasons.

## **Limitations of VBMS**

VBMS had functionality limitations that contributed to the creation of some of the erroneous deferrals. These limitations including character limits for narratives explaining the reason for the deferral, and no functionality forcing a user to input references for deferrals.

### **Character Limits for Certain Deferral Options**

Character limitations reduce the amount of details RVSRs can enter in VBMS, which can lead to selecting an improper reason when the details of the deferral are too long. Claims processors must add all relevant details for a deferral, including necessary procedural references. When RVSRs initiate a deferral, VBMS requires them to enter comments in an additional comments section. This section has a limit of 250 characters for all deferral reasons for claims in a ready-for-decision status except for one—the “Exam - Opinion Needed” option, which according to VBA’s Quality Review and Consistency Consultant allows for 6,000 characters. RVSRs interviewed by the OIG team stated they sometimes intentionally selected “Exam - Opinion Needed” even if an opinion was not needed because the option allowed more characters to explain the deferral.

The Office of Business Process Integration (OBPI) Chief of Business Requirements told the OIG team he was not aware there was a variation of character limits in the additional comments areas. A Program Analyst with OBPI also stated she was not aware that some deferral reasons allowed more characters than others. The Assistant Deputy Under Secretary for Field Operations stated the decision to limit characters was intentional, to prevent a large amount of free text that he felt made the data harder to use.

### **Lack of Functionality Forcing Input of References for Deferrals**

VBMS functionality allows RVSRs to create deferrals without including supporting references, even though references are required by policy.<sup>10</sup> The OIG team interviewed VARO managers, RVSRs, and quality review specialists, who agreed that a field in VBMS requiring claims processors to input supporting references would ensure their inclusion.

The OBPI Chief of Business Requirements stated there was no request from stakeholders to include a supporting references field in VBMS. He noted supporting references could already be included as free text in the additional comments sections. The NWQ Deputy Director explained that VBMS was not built to require staff to input references supporting deferrals; the thought

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<sup>10</sup> M21-4 Manual, Chapter 6.8.e, *Veterans Benefit Management System (VBMS) Reviews*.

process was that if claims processors were directed to input the information, they would. A Quality Review and Consistency Consultant with STAR stated that inputting procedural references was only helpful for more obscure issues. The Chief of Quality Review and Consistency stated it was a good practice to provide the procedural references, but it was not going to affect the deferral mitigation.

The Assistant Deputy Under Secretary for Field Operations further explained that the intent of the additional comments field in VBMS was to allow claims processors to cite the required manual reference for a deferral. He also stated the additional comments box could have been more clearly labeled, and guidance to include manual references in this box better communicated to claims processors.

## **Timeliness of Resolving VBMS Deferrals**

During the review period for the OIG team's sample of 100 deferrals, VBA claims processors and supervisors generally resolved VBMS deferrals within the required five business days or less. For the samples reviewed, claims processors took an average of one day to resolve VBMS deferrals, while the longest deferral took 27 days to resolve. Three deferrals took longer than five business days to resolve, and two were not yet resolved and pending over six months during the OIG's review. VBA management reviewed and agreed with OIG's analysis of the five deferrals that were not resolved within standard timeframes. The OIG team determined that this small number of VBMS deferrals out of the sample of 100 was not a systemic issue that warranted recommendations for improvement.

## **Conclusion**

VBA staff need to improve accuracy when creating deferrals to minimize unnecessary medical examinations, claims processing delays, incorrect instructions provided to claims processors, and unreliable tracking data used to train staff. Improving the accuracy of deferrals would also reduce incorrect classification and routing of deferrals in the NWQ. If VBA's quality review staff enhance both national and local oversight processes focused on the accuracy of VBMS deferrals, VBA could reduce unwarranted deferrals as well as those with improper reasons. By informing RVSRs of their mitigated deferrals and holding them accountable for creating unnecessary deferrals, VBA could enhance the accuracy of deferrals. VBA could also reduce deferrals with improper reasons by updating guidance and providing training. If VBA modifies VBMS, allowing more space for inputting deferral instructions and requiring claims processors to input references when creating deferrals, it will decrease incomplete deferrals and other errors.

## **Recommendations 1–4**

The OIG recommends the Under Secretary for Benefits complete the following recommendations:

1. Implement plans to enhance quality assurance by conducting periodic national oversight of deferrals and ensuring local oversight specifically addresses all aspects of the accuracy of deferrals created in the Veterans Benefits Management System.
2. Establish internal controls documenting when Rating Veterans Service Representatives are informed of their mitigated deferrals and corrective action is taken.
3. Update guidance to clarify why certain reason selections should be made for deferrals, provide training on this guidance, and monitor the effectiveness of the training.
4. Establish plans to modify the Veterans Benefits Management System to allow sufficient space for inputting deferral instructions and require claims processors to input references when creating deferrals.

## Management Comments

The Under Secretary for Benefits concurred with Recommendations 1–3, concurred in principle with Recommendation 4, and provided acceptable action plans for all recommendations.

To address Recommendation 1, the Under Secretary for Benefits stated VBA will continue to check deferrals during the local quality review process and as part of the complete claim review in the STAR process. Furthermore, Compensation Service will continue to check for deferral reason compliance and review a sample of deferrals during site visits. VBA requested closure of this recommendation.

To address Recommendation 2, VBA has updated its systematic analysis of operations for quality of exams, deferrals, and rework. The systematic analysis of operations includes the process for notifying employees of their mitigated deferrals as well as corrective and oversight actions. In addition, the Office of Field Operations issued a reminder to all regional offices on February 13, 2019, that the VBMS Deferrals Report contains information on mitigated deferrals that should be shared with employees to ensure systematic review and identify potential areas of improvement. VBA requested closure of this recommendation.

To address Recommendation 3, NWQ released a step-by-step guide on initiating and finalizing deferrals, including selecting deferral reasons. In addition, consistency studies were completed by VBA in December 2018 and January 2019 for RVSRs, Decision Review Officers, and Rating Quality Review Specialists on initiating deferrals, including selecting deferral reasons. A future consistency study for VSRs and Authorization Quality Review Specialists was in process during February 2019. In addition, the findings from the consistency studies will be incorporated into training during the March 2019 National Compensation Service Quality Call. Finally, a consistency study and National Compensation Service Quality Call will take place by October 31, 2019 to monitor the effectiveness of the training. The target completion date is October 31, 2019.

To address Recommendation 4, the Under Secretary for Benefits stated VBA will conduct an assessment of the consistency studies, the effectiveness of training, and the effect of the updated systematic analysis of operations to determine the business need and value of requiring a manual reference related to the deferral process. The target date of completion is October 31, 2019.

## **OIG Response**

The Under Secretary for Benefits' comments and actions are responsive to the recommendations, and the OIG considers Recommendations 1 and 2 closed. The OIG will monitor VBA's progress and follow up on implementation of the remaining recommendations until all proposed actions are completed. Although the Under Secretary agreed with the recommendations, he did not concur with the OIG's projection of estimated unwarranted deferrals associated with unnecessary medical examinations and the potential questioned costs associated with the projection of unwarranted deferrals. Primarily, the Under Secretary questioned the OIG's use of a margin of error of 66 percent. The full text of the Under Secretary's comments is contained in Appendix E.

The OIG does not agree with the Under Secretary's comment that the OIG "stipulated to a margin of error of 66 percent for the estimated number of unwarranted deferrals associated with unnecessary medical examinations" (Table C.2). The OIG team did not stipulate the margin of error; the margin of error was calculated from the sample results. Saying the OIG stipulated the margin of error implies that the margin of error was controlled ahead of time, which is not possible. This value can only be computed from the sample results after they are compiled in the audit.

The Under Secretary's statement does not provide any basis for the statement of 66 percent, but it appears to be the result of dividing the OIG-calculated margin of error (4,599) by the OIG projection (6,963). The margin of error of a count estimate is expressed as a count, not a percentage, and is not calculated by dividing a projection by the margin of error. The OIG routinely provides margins of error for all sample-based estimates in its reports to be completely transparent about its methodology. The OIG included the margin of error value of 4,599 in the statistical appendix, table C-2, properly expressed as a count.

What the Under Secretary appears to be implying is that the margin of error is too high, but the Under Secretary provided no statistical analysis, calculations, or other criteria to support this implication. The OIG is particularly cautious about reporting sample estimates of dollar amounts with larger margins of error. In this instance, the OIG did not report the midpoint estimate for the improper payments because it determined that the margin of error for this dollar-value estimate in the context of its use was too high. Rather, the OIG chose to use the more conservative value of \$440,621, which is the lower limit of the projected total instead of the midpoint value of \$2,618,827. The OIG team determined that this conservative projection was sufficiently precise to report since it gave the reader an idea of the magnitude of the issue.

## Appendix A: Background

### Office of Field Operations

VBA’s Office of Field Operations oversees operations at its district offices, VAROs, and other field offices to ensure that VBA delivers benefits and services in an effective and efficient manner. Furthermore, the Office of Field Operations is responsible for

- Monitoring, tracking, and evaluating national workload systems;
- Developing achievable performance measures for quality and consistency of benefits;
- Evaluating VARO performance; and
- Overseeing the nationwide implementation of the NWQ, including workload distribution.

### Quality Assurance

Compensation Service assesses claims processing accuracy nationwide for rating and authorization workload. The STAR process is a comprehensive quality review and analysis of all elements of processing associated with a specific claim on an identified end product. The Program Review Staff and Quality Review Team perform STAR functions. Figure A.1 illustrates a hierarchy of the Quality Assurance Office.



**Figure A.1.** VBA’s Quality Assurance Office organizational hierarchy.  
(Source: VBA’s Compensation Service Staff Directory)

## NWQ Deferral Routing Rules

The NWQ distributes claims with active deferrals according to the phase of the claim prior to the deferral, the phase when staff created the deferral, and if the deferral was avoidable or unavoidable. Table A.1 shows the general NWQ routing rules for claims with active deferrals related to this review.

**Table A.1. Active Deferral Routing Rules**

| Phase prior to deferral | Phase when deferral created | Claim with avoidable deferral   | Claim with unavoidable deferral    |
|-------------------------|-----------------------------|---|------------------------------------|
| Development             | Rating                      | Assigned to VARO of last employee who made claim<br>Ready for Decision or<br>Secondary Ready for Decision | Assigned to any VARO with capacity |

*Source: VA OIG's presentation of general rules for distributing claims with active deferrals from VBA's VBMS User Guide, February 2018*

## Appendix B: Scope and Methodology

### Scope

The OIG team conducted its review work from February 2018 through February 2019. The team evaluated VBMS deferrals issued from February 1 through April 30, 2018, for compensation rating claims manually placed in a ready-for-decision status.

### Methodology

To accomplish the review objective, the OIG team identified and reviewed applicable laws, regulations, policies, procedures, and guidelines related to VBMS deferrals. The team interviewed and obtained testimonial information related to work processes associated with VBMS deferrals including managers and staff with VBA's Central Office, Compensation Service's STAR office, and the four VAROs visited in July and August 2018: Nashville, Tennessee; San Diego, California; Seattle, Washington; and Winston-Salem, North Carolina. In addition, the team performed a site visit at the Compensation Service STAR office in Nashville, Tennessee, in August 2018.

In coordination with VA OIG statisticians, the team reviewed a random sample of 100 compensation rating claims with VBMS deferrals issued from February 1 through April 30, 2018, and manually placed in a ready-for-decision status. It then determined whether VBA staff accurately created the VBMS deferrals and resolved them in a timely manner. The OIG used VBA's electronic systems, including VBMS, to review the sample veteran electronic claims folders and relevant documentation during its assessment. The team discussed the findings with VBA officials and included the VBA comments where appropriate.

Appendix C provides more details on the statistical sampling methodology.

### Fraud Assessment

The OIG team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this review. The OIG team exercised due diligence in staying alert to any fraud indicators and completed the following actions:

- Identified laws and regulations related to the review subject matter
- Considered previous reviews, audits, and inspections as reported by VA OIG and other auditing organizations regarding VBA
- Completed the Fraud Indicators and Assessment Checklist
- Reviewed VA OIG's Hotline for reports of fraud in the review area

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

## **Data Reliability**

The OIG team used computer-processed data from VBA's Tableau server. To test for reliability, the team determined whether any data were missing from key fields 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 data provided in the Tableau report, such as veterans' file numbers, dates of claim, end product code, date of deferral finalization, and deferral reasons against information contained in the 100 VBMS electronic claims folders reviewed.

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

## **Government Standards**

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## **Appendix C: Statistical Sampling Methodology**

### **Approach**

To accomplish the objective, the OIG team reviewed a random sample of compensation rating claims with VBMS deferrals issued from February 1 through April 30, 2018, and manually placed in a ready-for-decision status. The review used statistical sampling to quantify the extent of cases for which VBA staff did not accurately create VBMS deferrals or resolve them in a timely manner.

### **Population**

The review population included 116,055 VBMS deferrals issued from February 1 through April 30, 2018, for compensation claims that claims processors determined were ready for a decision.

### **Sampling Design**

The OIG team selected a random sample of 100 VBMS deferrals from the population of deferrals issued from February 1 through April 30, 2018, for compensation claims that claims processors determined were ready for a decision. All deferrals had the same probability of being selected to allow making a projection over the whole population.

### **Weights**

The OIG team calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.

### **Projections and Margins of Error**

The OIG team used Statistical Analysis System software to calculate the weighted universe estimates and associated sampling errors. The Statistical Analysis System employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. The margins of error and confidence intervals are indicators of the precision of the estimates. If the OIG repeated this review with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

Table C.1 shows the projections of the estimated number and percentage of improperly created VBMS deferrals by category from February 1 through April 30, 2018.

**Table C.1: Summary of Projections and Confidence Intervals for Improperly Created VBMS Deferrals by Category**

| Result                    | Projection      | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Count from Sample |
|---------------------------|-----------------|-----------------|-------------------------------------|-------------------------------------|-------------------|
| Unwarranted deferral      | 23,211<br>(20%) | 7,747<br>(7%)   | 15,464<br>(13%)                     | 30,958<br>(27%)                     | 20                |
| Incorrect deferral reason | 27,853<br>(24%) | 8,271<br>(7%)   | 19,582<br>(17%)                     | 36,124<br>(31%)                     | 24                |
| Incomplete deferrals      | 55,706<br>(48%) | 9,676<br>(8%)   | 46,031<br>(40%)                     | 65,382<br>(56%)                     | 48                |

Source: VA OIG statistician’s projection of estimated inaccurate VBMS deferrals. The OIG obtained the data from VBA’s Tableau Server.

Note: The estimated number of errors do not sum, as some of the error categories overlapped.

Table C.2 shows the projections of the estimated number and cost of unwarranted deferrals associated with unnecessary medical examinations.

**Table C.2: Summary of Projections and Confidence Intervals for Unwarranted Deferrals and Their Cost Associated with Unnecessary Medical Examinations**

| Result   | Projection  | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Count from Sample |
|--|-------------|-----------------|-------------------------------------|-------------------------------------|-------------------|
| Unwarranted deferrals associated with unnecessary medical examinations | 6,963       | 4,599           | 2,364                               | 11,563                              | 6                 |
| Cost of unnecessary medical examinations                               | \$2,618,827 | \$2,178,207     | \$440,621                           | \$4,797,034                         | 6                 |

Source: VA OIG statistician’s projection of estimated unwarranted deferrals associated with unnecessary medical examinations. The OIG obtained the data from VBA’s Tableau Server.

Note: The OIG estimated that if VBA continues to request unnecessary medical examinations associated with unwarranted deferrals on a three-month basis, as estimated in Table C.2 and based on rates at the time of the review, VBA could spend at least \$8.8 million on unnecessary medical examinations over the next five years. This calculation involved multiplying the lower limit (due to the large margin of error) by four, to make it equivalent to 12 months. This calculation was then multiplied by five to make it equivalent to five years.

Table C.3 shows the projections of the estimated number of unwarranted deferrals that led to delays in claims processing.

**Table C.3: Summary of Projections and Confidence Intervals for Unwarranted Deferrals that Led to Delays in Claims Processing**

| Result  | Projection | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Count from Sample |
|---|------------|-----------------|-------------------------------------|-------------------------------------|-------------------|
| Unwarranted deferrals that led to delays in claims processing | 16,248     | 6,720           | 9,528                               | 22,968                              | 14                |

Source: VA OIG statistician’s projection of estimated unwarranted deferrals that led to delays in claims processing. The OIG obtained the data from VBA’s Tableau Server.

Table C.4 shows the projections of the estimated number of unwarranted deferrals that were mitigated by VARO supervisors.

**Table C.4: Summary of Projections and Confidence Intervals for Unwarranted Deferrals That Were Mitigated by VARO Supervisors**

| Result  | Projection | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Count from Sample |
|---|------------|-----------------|-------------------------------------|-------------------------------------|-------------------|
| Unwarranted deferrals mitigated by VARO supervisors | 6,963      | 4,599           | 2,364                               | 11,563                              | 6                 |

Source: VA OIG statistician’s projection of estimated unwarranted deferrals mitigated by VARO supervisors. The OIG obtained the data from VBA’s Tableau Server.

Table C.5 shows the projections of the estimated number of deferrals that were incorrectly classified as avoidable or unavoidable.

**Table C.5: Summary of Projections and Confidence Intervals for Deferrals Incorrectly Classified as Avoidable or Unavoidable**

| Result  | Projection | Margin of error | Lower limit 90% confidence interval | Upper limit 90% confidence interval | Count from Sample |
|---|------------|-----------------|-------------------------------------|-------------------------------------|-------------------|
| Deferrals incorrectly classified                    | 12,766     | 6,060           | 6,706                               | 18,826                              | 11                |
| Deferrals misrouted due to incorrect classification | 9,284      | 5,254           | 4,030                               | 14,538                              | 8                 |

Source: VA OIG statistician’s projection of estimated deferrals incorrectly classified and deferrals misrouted due to incorrect classification. The OIG obtained the data from VBA’s Tableau Server.

## Appendix D: Monetary Benefits in Accordance with Inspector General Act Amendments

| Recommendation | Explanation of benefits  | Better use of funds | Questioned costs       |
|----------------|--|---------------------|------------------------|
| 1 and 2        | The OIG estimated that if corrective action is not taken over the next five years VBA could pay at least \$1.1 million on unnecessary medical examinations, based on rates in effect at the time of this review. |                     | \$1.1 million *        |
|                | <b>Total</b>   |                     | <b>\$1.1 million *</b> |

*\* The OIG reduced the estimated monetary benefits of \$8.8 million included in this report to account for monetary benefits already claimed in the previous OIG report, Unwarranted Medical Reexaminations for Disability Benefits, 17-04966-201.*

## Appendix E: Management Comments

### Department of Veterans Affairs Memorandum

Date: February 27, 2019

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Review of Deferrals in the Veterans Benefits Management System [Project No.2018-00215-SD-0356]

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

1. Attached is VBA's response to the OIG Draft Report: Review of Deferrals in the Veterans Benefits Management System.
2. Questions may be referred to Renetta Johnson, Sr. Program Analyst, Office of Program Integrity & Internal Controls at (202) 632-8699.

(Original signed by)

Paul R. Lawrence, Ph.D.

Attachments

*OIG Note: The attachments were not included in this report. Copies may be obtained from the OIG Information Officer.*

**Veterans Benefits Administration  
Comments on OIG Draft Report  
Review of Deferrals in the Veterans Benefits Management System**

**The Veterans Benefits Administration (VBA) provides the following comments:**

VBA does not concur with OIG's projection of estimated unwarranted deferrals associated with unnecessary medical examinations and their cost provided in Table C.2 on page 20. This projection is based on 6 out of the 100 cases sampled and OIG stipulates to a margin of error of 66 percent. While OIG based their finding of \$8.8 million on the lower limit determined by their margin of error (which OIG later reduced to \$1.1 million due to an overlap in this review and OIG's July 17, 2018 report, Unwarranted Medical Reexaminations for Disability Benefits, 17-04966-201), this margin of error is so large that it effectively renders any assessment unreliable. Also, a finding of 6 cases out of 100, or 6 percent, is within OIG's stated margin of error for the sample of 100 (given as 7 percent in Table C.1 on page 20). On this basis, it is not possible to draw a statistically significant conclusion about this specific population or render a meaningful projection of cost over a five-year period.

Furthermore, the unit-cost calculation is not provided other than a statement on the bottom of page 20 that the costs are, "...based on rates at the time of the review,..." A cross-reference to page 3 of OIG's July 17, 2018, report, Unwarranted Medical Reexaminations for Disability Benefits, 17-04966-201, states that OIG based its monetary findings on, "Estimated costs based on Veterans Health Administration (VHA) data of the cost for each sampled VHA examination (*italics added*)." This reflects the variance in the unit cost of examinations dependent on whether the examination(s) were performed by VHA examiners or VBA contract examiners and the number of Disability Benefits Questionnaires (DBQs) required in an examination request. The lack of specificity regarding these factors in OIG's analysis make monetary projections based on the small sample of 6 cases even less certain.

Tables C.3, C.4, and C.5 on pages 21-22 exhibit to varying degrees the same issues found in Table C.2 (margins of error of 41.3 percent, 66 percent, and 47.4 percent / 56.6 percent respectively) and are likewise best considered anecdotal examples rather than statistically significant results due to their low incidence.

The draft report also lacks contextual information relevant to the findings as given. Specifically, while OIG determined that VBA would incur \$1.1 million in examination costs over the next 5 years (\$220,000 per annum) due to the issue of unwarranted deferrals, this represents less than 0.02 percent of VBA's projected \$1.1 billion in examination costs for fiscal year (FY) 2019 utilizing contract vendors. This percentage would drop even further if VHA exam costs were included. Finally, the report assumes that VBA would not make any improvements over the next 5 years, including those from implementing OIG's recommendations. This is incorrect and misleading to the reader.

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

Recommendation 1: The Under Secretary for Benefits implement plans to enhance quality assurance by conducting periodic national oversight of deferrals and ensuring local oversight specifically addresses all aspects of the accuracy of deferrals created in the Veterans Benefits Management System.

VBA Response: Concur. From both a national and local quality perspective, deferrals will continue to be checked during the local quality review process and as part of the complete claim review in the Systematic Technical Accuracy Review (STAR) process. Compensation Service will continue to review a

sample of deferrals while conducting site visits, and continue checking for deferral reason compliance. Since these mechanisms are in place and ongoing, VBA requests closure of this recommendation.

Recommendation 2: The Under Secretary for Benefits establish internal controls documenting Rating Veterans Service Representatives are informed of their mitigated deferrals and corrective action is taken.

VBA Response: Concur. VBA updated the existing Systematic Analysis of Operations (SAO) for Quality of Exams, Deferrals, and Rework to incorporate the process for notifying employees of their mitigated deferrals and include corrective and oversight actions taken to address mitigated deferrals (Attachment A). On February 13, 2019, the Office of Field Operations issued a reminder to all regional offices that the Veterans Benefits Management System (VBMS) Deferrals Report contains information on mitigated deferrals that should be shared with employees, and that the SAO has been updated to incorporate this guidance to ensure continual systematic review and identification of any potential areas of improvement (Attachment B). Since these mechanisms are in place and ongoing, VBA requests closure of this recommendation.

Recommendation 3: The Under Secretary for Benefits update guidance to clarify why certain reason selections should be made for deferrals, provide training on this guidance, and monitor the effectiveness of the training.

VBA Response: Concur. On January 24, 2019, the National Work Queue (NWQ) released to the field a step-by-step guide on initiating and finalizing deferrals, which includes selection of deferral reasons (Attachments C & D). Consistency studies were completed in December 2018 and January 2019 for the Rating Veterans Service Representatives, Decision Review Officers, and Rating Quality Review Specialists on initiating deferrals, which included the selection of deferral reasons. A consistency study is in process for February 2019, for Veteran Service Representatives and Authorization Quality Review Specialists regarding deferrals.

During the March 2019, National Compensation Service Quality Call, staff will incorporate findings from deferral consistency studies and provide training to include deferral reasons and why certain selections are recommended. Additionally, Compensation Service will coordinate with the NWQ regarding revisions to M21-4. To monitor the effectiveness of the training, a consistency study and another National Compensation Service Quality Call will take place by October 31, 2019 and include any additional lessons learned focused on deferrals.

Target Completion Date: October 31, 2019

Recommendation 4: The Under Secretary for Benefits establish plans to modify the Veterans Benefits Management System to allow sufficient space for inputting deferral instructions and require claims processors to input references when creating deferrals.

VBA Response: Concur in Principle. VBA will conduct an assessment based on the outcome of the consistency studies, effectiveness of training provided, and the impact of the updated SAO on Quality of Exams, Deferrals, and Rework to determine the business need and value of requiring a manual reference as part of the deferral process. Any procedural changes and/or modification of VBMS determined through the assessment to be necessary, will be incorporated into an action plan. The assessment and, if needed, preparation of the action plan will be completed by October 31, 2019.

Target Completion Date: October 31, 2019

*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

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