

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Review of
Alleged Mismanagement
of Informal Claims
Processing at
VA Regional Office
Oakland, California*

February 18, 2015
14-03981-119

ACRONYMS

OIG	Office of Inspector General
VA	Veterans Affairs
VARO	Veterans Affairs Regional Office

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EXECUTIVE SUMMARY

On July 10, 2014, the Office of Inspector General (OIG) received a request for assistance from the Under Secretary for Benefits to review allegations that the Oakland VA Regional Office (VARO) had not processed nearly 14,000 informal requests for benefits dating back to the mid-1990s. The same allegation was forwarded to us by Representative Doug LaMalfa, who also requested an OIG review. A complainant also alleged that those “informal claims” were being improperly stored. VA considers an informal claim any type of communication or action indicating intent to apply for one or more benefits under the laws administered by the Department of Veterans Affairs. In July 2014, we conducted an unannounced onsite review at the Oakland VARO and its Sacramento Satellite Office to assess the merits of the allegations. We substantiated the allegations that VARO staff had not processed informal claims and that staff did not properly store informal claims at the VARO. During our inspection, no current issues related to improper storage of informal claims documents came to our attention.

A Veterans Benefits Administration (VBA) management support team, sent to assist with operations of the Oakland Veterans Service Center from October through November 2012, located approximately 14,000 informal claims dating back to the mid-1990s in a file cabinet. Management stated it counted the documents and identified 13,184 informal claims of which 2,155 informal claims required review or action. At the time of our onsite review, we could not confirm the existence of 13,184 or 2,155 informal claims due to VARO management’s poor record keeping practices. VARO management told us they had created a special project team to process the 2,155 informal claims. VARO management believed staff processed the 2,155 informal claims, and in April through May 2014, discovered additional claims where the VARO’s special project team had previously annotated these claims as reviewed. VARO management determined these claims remained unprocessed. VARO management did not initially determine how many informal claims it found until it created a tracking spreadsheet in June 2014. Then, management determined staff did not process 537 informal claims.

We reviewed 34 informal claims and found 7 (21 percent) remained unprocessed. All were on the list of 537 pending claims. While no claims in our sample dated back to the mid-1990s, some were as old as July 2002. We found that the Oakland VARO staff had repeatedly reviewed these seven informal claims from December 2012 through June 2014 without taking additional action on them as required. VARO staff did not maintain adequate records or provide proper supervision of trainees to ensure informal claims received timely processing. As a result, veterans did not receive consideration for benefits to which they may have been entitled. We recommended the VARO Director complete and certify the review of the 537 informal claims, take appropriate action, and provide documentation to certify these actions are complete. In addition, the Director should implement a plan to train staff on the proper procedures for processing informal claims. Finally, the Director should implement a plan to ensure oversight of staff assigned to process informal claims.

A handwritten signature in black ink, reading "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

RESULTS AND RECOMMENDATIONS

Allegation **Did the Oakland VARO Delay Processing and Improperly Store Informal Claims Documents?**

On July 10, 2014, the Office of Inspector General received a request for assistance from the Under Secretary for Benefits to review allegations that the Oakland VA Regional Office (VARO) had not processed approximately 14,000 informal requests for benefits dating back to the mid-1990s. The allegation indicated some claims dated back to the mid-1990s. The same allegation was forwarded to us by Representative Doug LaMalfa, who also requested an OIG review. A complainant also alleged that those “informal claims” were being improperly stored.

Background

VA considers an informal claim to be any type of communication or action indicating intent to apply for one or more benefits under the laws administered by the Department of Veterans Affairs. The communication or action identifying the benefit sought may be from a claimant, his or her duly authorized representative, a Member of Congress, or a person acting as a friend of a claimant who lacks the capacity to manage his or her own affairs. Upon receipt of an informal claim, and when no formal claim is on record, VA will forward an application form to the claimant for completion. If a formal claim is received within 1 year of the date VA sends the application form to the claimant, VA considers the date of receipt of the informal claim as the effective date of claim.

A Veterans Benefits Administration (VBA) management support team, sent to assist with operations of the Oakland Veterans Service Center from October through November 2012, found in a file cabinet approximately 14,000 informal claims dating back to the mid-1990s. VARO staff stated they counted the documents and found 13,184 informal claims, of which 2,155 still required processing action. VARO management tasked a special project team to process the 2,155 informal claims—an effort that continued until the team supervisor left the VARO in April 2014.

While the Oakland VARO was undergoing construction from April through May 2014, management discovered a cart of informal claims that the special project team had previously reviewed. VARO management determined staff had not taken action on these informal claims as required. Management developed a spreadsheet in June 2014, at which time it determined staff did not process 537 informal claims.

What We Did

In July 2014, we conducted an unannounced onsite review at the Oakland VARO and its Sacramento Satellite Office to assess the merits of the allegations. We also visited the San Bruno Federal Records Center, which is the VARO’s offsite claims folder storage facility. We interviewed

management and staff at all three locations. We obtained and reviewed VBA's mail processing policy, as well as the VARO's workload management plan, informal claims tracking spreadsheet, workload reports, and related emails. We sampled 34 documents that VARO management found improperly stored from April through May 2014. We reviewed the 34 documents, along with associated claims folders, to determine if further processing was required. Further, we conducted physical inspections of conference rooms, storage rooms, common areas, and randomly selected management and staff workspaces to determine whether employees improperly stored other informal claims documents at the Oakland VARO, the Sacramento Satellite Office, and the San Bruno Federal Records Center.

**What We
Found**

We substantiated the allegation that Oakland VARO staff had not processed a significant number of informal requests for benefits dating back many years. However, we could not confirm that VARO staff processed all of the informal claims found in October 2012, nor could we confirm the initial list contained 13,184 informal claims because of management's poor record keeping practices. Further, we substantiated Oakland VARO staff did not properly store 537 informal claims because these claims were not discovered until the office was undergoing a construction project. Some of these informal claims dated back to July 2002. The 537 informal claims, documented by VARO management in June 2014, appear to be part of the original list found by VBA's special review team in October 2012; however, poor record keeping practices limit our ability to confirm this fact.

Oakland VARO staff did not perform an adequate review or take actions needed on all of the unprocessed informal claims found by staff when the office was undergoing a construction project. We found that 7 of the 34 documents in our sample (21 percent) were informal claims that had not been processed. Further, Oakland VARO staff had repeatedly reviewed these seven informal claims from December 2012 through June 2014 without taking additional action as required. Two of the seven unprocessed informal claims resulted in underpayments to veterans totaling approximately \$3,904. Details on these errors affecting benefits follow.

- On July 26, 2002, VA received a veteran's informal claim for post-traumatic stress disorder. On November 12, 2002, the veteran filed a formal claim and a Rating Veterans Service Representative granted service connection for this condition, with a 50 percent disability evaluation effective that same date. The informal claim entitled the veteran to an earlier effective date of July 26, 2002. As a result of the error, VA underpaid the veteran approximately \$2,704 over a period of 4 months.
- On June 6, 2008, VA received a veteran's informal claim for hearing loss and tinnitus. On April 21, 2009, the veteran filed a formal claim and a Rating Veterans Service Representative granted service connection for

these conditions with a 10 percent disability evaluation effective that same date. The informal claim entitled the veteran to an earlier effective date of June 6, 2008. As a result of the error, VA underpaid the veteran approximately \$1,200 over a period of 10 months.

The remaining five informal claims had the potential to affect veterans' benefits but did not affect the current benefits the veterans were receiving. Oakland VARO staff did not forward formal application forms to the veterans as required. Neither VBA nor the OIG can determine entitlements to disability benefits without the veterans submitting formal applications. As a result, the veterans may not have received timely consideration for benefits to which they were entitled.

Our physical inspections of conference rooms, storage rooms, common areas, and management and staff workspaces at the Oakland VARO and Sacramento Satellite Office, as well as our inspection of the San Bruno Federal Records Center, revealed no current issues related to improper storage of informal claims documents.

Why It Happened

Informal claims remained unprocessed because the Oakland VARO did not maintain adequate records regarding the unprocessed documents first discovered in the fall of 2012. The VARO's special project team did not complete its review of the documents discovered and in some instances incorrectly annotated "No Action Necessary" on some of the informal claims, even though staff needed to complete processing actions. Further, VARO management delayed tracking and summarizing completed actions on the remaining claims until 2 weeks into its review. The delay in that action had the potential to increase the risks associated with losing control of informal claims it previously reviewed. Because of the poor record keeping, we could not verify the VARO's original document count of 13,184 unprocessed informal claims or the 2,155 identified as requiring additional review or action. We also could not confirm that only 537 informal claims remained to be processed following the special project team's review.

A lack of management supervision over the review process also resulted in inadequate action on the informal claims. VARO staff recalled that management did not properly supervise Veterans Service Representative trainees tasked with reviewing the informal claims as part of the special project team. Staff stated that completing the processing of the informal claims found in the file cabinet also was not a priority. Staff sporadically conducted the review, dividing their time to address other workloads, such as the VARO's mail backlog.

What Resulted

Because of inadequate processing actions and improper supervision of trainees on the informal claims, veterans did not always receive consideration for benefits to which they may have been entitled. Further, VARO staff should have sent formal applications for benefits to those claimants who

submitted informal claims. As a result, claimants may not have received accurate benefits payments.

Conclusion

We substantiated the allegations Oakland VARO staff did not correctly process informal claims and improperly stored informal claims. Because of poor record keeping, we could not verify the VARO's original document count of 13,184 unprocessed informal claims, or the 2,155 identified informal claims requiring additional review or action.

VARO staff did not maintain adequate records and provide the oversight needed to ensure timely processing and storage of these informal claims. As a result, veterans did not receive consideration for benefits to which they may have been entitled.

Recommendations

1. We recommended the Oakland VA Regional Office Director complete the review of, and take appropriate action on, the remaining 537 informal claims and provide documentation to certify these actions are complete.
2. We recommended the Oakland VA Regional Office Director implement a plan to provide training to staff on proper procedures for processing informal claims and assess the effectiveness of that training.
3. We recommended the Oakland VA Regional Office Director implement a plan to ensure oversight of those staff assigned to process the informal claims.

Management Comments

The VARO Director concurred with our recommendations. The Director certified that staff reviewed and took appropriate action on all 537 informal claims. Further, staff received training on the proper procedures for processing informal claims in June and October of 2014. The Oakland VARO transitioned to a Centralized Mail Portal in December 2014, routing all paper claims to a scanning Vendor. The VARO Director indicated this would increase accuracy and tracking of all mail, to include informal claims. The mail is then converted from paper to electronic data, which allows VA to improve control time of claims and evidence mail and route to the appropriate personnel electronically.

OIG Response

The Director's actions and comments are responsive to the recommendations.

Standards

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* except those standards assessing internal controls.

Appendix A VARO Director's Comments

Department of Veterans Affairs

Memorandum

Date: January 23, 2015

From: Director, VA Regional Office, Oakland, California

Subj: Review of Alleged Mismanagement of Informal Claims Processing at the Oakland VA Regional Office, Oakland, California

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

1. The Oakland VARO's comments are attached on the OIG Draft Report: *Review of Alleged Mismanagement of Informal Claims Processing at the Oakland VA Regional Office*.
2. Please refer questions to Michele Kwok at (510) 637-6000.

(original signed by:)

Julianna M Boor
Director

Attachment

**Oakland VA Regional Office
Attached Responses
January 20, 2015**

Recommendation 1: We recommended the Oakland VA Regional Office Director complete the review of and take appropriate action on the remaining 537 informal claims and provide documentation to certify these actions are complete.

Oakland VARO Response: Concur

The Oakland Regional office completed review of the remaining 537 informal claims and certifies that all appropriate actions were completed on September 5, 2014.

Recommendation 2: We recommended the Oakland VA Regional Office Director implement a plan to provide training to staff on proper procedures for processing informal claims and assess the effectiveness of that training.

Oakland VARO Response: Concur

The Oakland Regional Office provided specific training on informal claims on June 2, 2014 and refresher training again on October 28, 2014.

Recommendation 3: We recommended the Oakland VA Regional Office Director implement a plan to ensure oversight of those staff assigned to process the informal claims.

Oakland VARO Response: Concur

The Oakland Regional Office Intake Processing Center (IPC) is responsible for processing informal claims as well as scheduling and implementing training on this and other topics. Guidance on appropriate processing and oversight for informal claims are outlined in the Veterans Service Center Workload Management Plan and implemented by the IPC management staff. Additionally, on December 29, 2014, the Oakland Regional Office transitioned to the Centralized Mail Portal, routing all paper claims to the scanning Vendor, increasing accuracy and tracking of all mail, to include informal claims. All mail is now sent directly to the scanning vendor and is also rerouted by USPS via capture. The mail is then converted from paper to electronic data, which allows VA to improve control time of claims and evidence mail and route to the appropriate personnel electronically.

Appendix B **OIG Contact and Staff Acknowledgments**

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Brent Arronte, Director Ed Akitomo Orlan Braman Rachel Stroup Dana Sullivan

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