

GAO

Report to the Committee on Veterans'
Affairs, U.S. Senate

November 2004

VETERANS' BENEFITS

More Transparency Needed to Improve Oversight of VBA's Compensation and Pension Staffing Levels





Highlights of [GAO-05-47](#), a report to the Committee on Veteran's Affairs, U.S. Senate

Why GAO Did This Study

The Chairman and Ranking Minority Member, Senate Committee on Veterans' Affairs, asked GAO to assist the committee in its oversight of the Veterans Benefits Administration's (VBA) disability compensation and pension programs. This report examines (1) VBA's determination and justification of claims processing staffing levels, and the role of productivity in such determinations, and (2) VBA's projections of future claims workload and complexity.

What GAO Recommends

To assist the Congress in its oversight of VBA's compensation and pension claims processing operations, GAO recommends that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to prepare several types of information and work with the appropriate congressional committees and subcommittees on how best to make it available for their use. This includes information on (1) the expected impact of specific initiatives and changes in incoming claims workload on requested staffing levels; (2) claims processing productivity, including how VBA plans to improve productivity; and (3) how claims complexity is expected to change and the impact of these changes on productivity and requested staffing levels.

VA concurred with GAO's recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-05-47.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7215 or bascettac@gao.gov.

VETERANS' BENEFITS

More Transparency Needed to Improve Oversight of VBA's Compensation and Pension Staffing Levels

What GAO Found

VBA's fiscal year 2005 budget justification did not clearly explain how the agency would achieve the productivity improvements needed to meet its compensation and pension claims processing performance goals with fewer employees. According to VBA officials, productivity improvements, workload changes, and employee attrition were considered in developing its fiscal year 2005 budget request. While some of these factors were identified in VBA's budget justification, they were not linked to the requested full-time equivalent (FTE) employment levels. Also, VBA's justification did not specifically address its claims processing productivity or how much VBA planned to improve productivity. Finally, VBA does not explain the impacts of VBA budgetary decisions on long-term productivity. VBA officials identified information technology improvements and training programs that could help improve productivity but have been delayed because VBA shifted funding from these initiatives to support higher staffing levels. This was done to help meet VBA's shorter-term goal to improve claims decision timeliness, in particular the Secretary of Veterans Affairs' goal to reduce decision time for rating-related claims to an average of 100 days. More transparent budget justifications would better inform congressional oversight of VBA by making it easier to evaluate whether the agency's budget requests reflect the resources, particularly staffing, needed to achieve expected performance.

VBA estimated the number of claims it expects to receive (receipts) in fiscal year 2005 based on historical workload trends, with adjustments for factors that could affect future receipts, notably the impact of legislation allowing some military retirees to concurrently receive Department of Veterans Affairs (VA) disability compensation and military retirement pay. The accuracy of VBA's projections of rating-related receipts for fiscal years 2000 through 2004 was mixed, varying from underprojecting by about 11 percent to overprojecting by about 19 percent. Actual receipts in fiscal year 2004 exceeded VBA's projections. Meanwhile, VBA did not project claims complexity in its fiscal year 2005 budget justification and did not explain how it expected claims complexity to affect its productivity and requested staffing levels. A claim's complexity can be affected by many factors, such as the number and types of disabilities claimed. VBA's budget justification could be improved if the agency explained how changes in complexity affect workload and staffing requirements.

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Abbreviations

BDN	Benefits Delivery Network
DOOR	Distribution of Operational Resources
FTE	full-time equivalent
IDA	Institute for Defense Analyses
OMB	Office of Management and Budget
RBA	Rating Board Automation
STAR	Systematic Technical Accuracy Review
TPSS	Training and Performance Support Systems
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VSR	Veterans Service Representative

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United States Government Accountability Office
Washington, DC 20548

November 15, 2004

The Honorable Arlen Specter
Chairman
The Honorable Bob Graham
Ranking Minority Member
Committee on Veterans' Affairs
U. S. Senate

In fiscal years 1998 through 2003, the Veterans Benefits Administration (VBA) added significant numbers of employees to process veterans' disability compensation and pension benefit claims. With these additional employees, VBA significantly increased its production of rating-related claims decisions in fiscal years 2002 and 2003, and this increase in turn reduced the agency's claims inventory and led to improved decision timeliness.¹ Also, according to VBA, these employees' increased proficiency, due to experience and training, will lessen the impact of attrition of its most experienced employees. In its fiscal year 2004 and 2005 budget justifications, VBA requested funding to support lower staffing levels than in fiscal year 2003 while maintaining ambitious performance goals, in particular the Secretary of Veterans Affairs' goal to complete rating-related decisions within an average of 100 days.

At your request, we reviewed the basis for the agency's estimation of its disability compensation and pension claims processing staffing needs and workload levels. Specifically, we assessed how VBA (1) determined and justified its staffing requests for fiscal year 2005, including the extent to which productivity was considered, and (2) projected the volume and complexity of future workloads.

We focused our review on VBA's fiscal year 2005 budget justification to the Congress, specifically the request for funding of compensation and pension administration. We also reviewed VBA's budget justifications for fiscal years 2000 through 2004 to compare the fiscal year 2005 justification with previous justifications, identify trends in requested and actual funding and staffing, and obtain background information on specific management initiatives and workload trends. We discussed VBA's fiscal

¹Rating-related decisions are primarily decisions on original claims for compensation and pension benefits and reopened claims. For example, veterans may file reopened claims if they believe their service-connected conditions have worsened.

year 2005 budget and staffing estimates with VBA officials. To review VBA's estimation of the number of claims it expects to receive (receipts) in fiscal year 2005, we interviewed VBA officials and reviewed records of how they developed the receipts estimates for its fiscal year 2005 budget justification. To assess the accuracy of VBA's estimates, we compared original estimates with actual rating-related receipts for fiscal years 2000 through 2004. We also interviewed VBA and Institute for Defense Analyses (IDA) officials and reviewed documentation on the IDA receipt projection model. Finally, we interviewed VBA officials on the agency's capability to measure disabilities per claim. We assessed the reliability of VBA's workload data and found it adequate for purposes of this report. For additional scope and methodology information, including data reliability, see appendix I. We conducted our review from April through September 2004, in accordance with generally accepted government auditing standards.

Results in Brief

Although VBA officials said they considered productivity improvements, claims workload changes, and employee attrition in developing its compensation and pension fiscal year 2005 budget request, VBA did not clearly explain the impacts of these factors on meeting its claims processing performance goals with fewer employees. VBA officials said they considered productivity, workload, and attrition when developing VBA's fiscal year 2005 compensation and pension budget estimate, including its estimated staffing levels. The justification identified a number of factors that could affect VBA's staffing requirements, such as implementation of specialized claims processing teams in VBA's regional offices, projected increases in receipts of compensation claims, and expected attrition of experienced claims processing staff. However, VBA did not clearly explain how each of these initiatives and projections affected its estimated staffing requirements and funding request for fewer employees in fiscal year 2005. Also, VBA's budget justification did not provide information on its productivity or identify how it planned to improve productivity. Without such information, it is difficult to assess whether the agency can make the productivity improvements needed to process more claims faster with fewer staff resources while improving accuracy. Finally, VBA did not clearly explain the impacts of budget decisions that delayed training and information technology initiatives that could improve productivity. The lack of transparency in VBA's budget makes it difficult for the Congress to assess whether VBA has requested the resources it needs to meet its performance goals.

VBA estimated the number of rating-related claims it expects to receive in fiscal year 2005 using historical trends and VBA judgments about the impacts of various factors on receipts, such as enactment of legislation allowing some military retirees to receive both military retirement pay and Department of Veterans Affairs (VA) disability compensation. VBA's projections in the recent past have been mixed in their accuracy. For fiscal years 2000 through 2004, the variances between VBA's original projections of the number of rating-related claims it would receive and actual receipts ranged from an underprojection of about 11 percent to an overprojection of about 19 percent. Actual compensation receipts in fiscal year 2004 exceeded VBA's original projections for that fiscal year. VBA has been working to improve its ability to project rating-related claims receipts through a model developed by IDA. Meanwhile, VBA did not provide projections of claims complexity in its fiscal year 2005 budget justification and did not explain the impact of complexity on productivity and requested staffing levels. A claim's complexity can be affected by many factors, such as the number and types of disabilities claimed. For example, the Congress and VA have established presumptions of eligibility for some types of disabilities that can make a claim easier to complete because less evidence is needed to support the decision. Like information on productivity and workload, information on complexity and its impact on staffing requirements could help the Congress better evaluate VBA's staffing requests.

This report contains a recommendation to the Secretary of Veterans Affairs to direct VBA to provide additional information to support its staffing requests and work with appropriate congressional committees and subcommittees on how best to make it available for their use.

Background

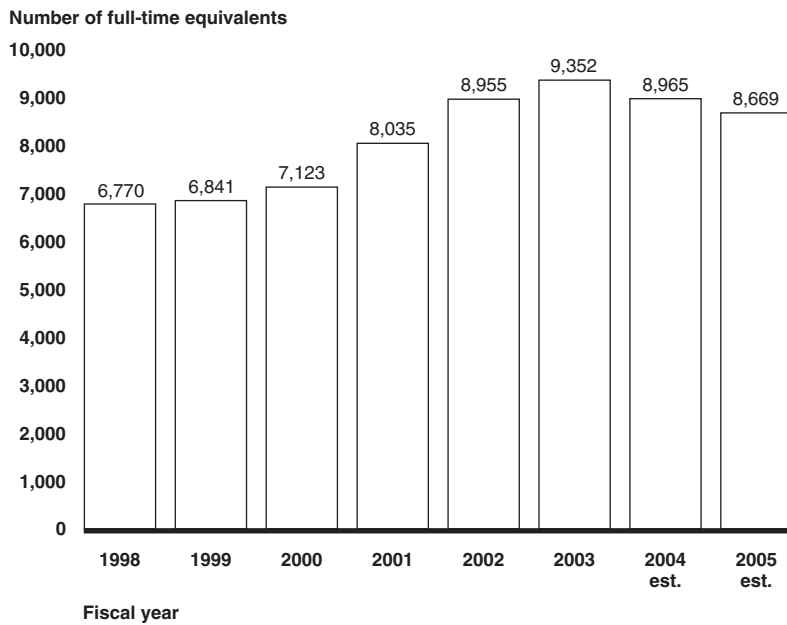
When a veteran submits a claim for disability benefits to a VBA regional office, Veterans Service Center staff process the claim in accordance with VBA regulations, policies, procedures, and guidance. A Veterans Service Representative (VSR) in a Pre-Determination Team develops the claim; that is, assists the claimant in obtaining sufficient evidence to decide the claim. The claim then goes to a Rating Team, where a Rating Veterans Service Representative (also known as a Rating Specialist) makes a decision on the claim, based on the available evidence and VBA's criteria for benefit entitlement. VSRs also perform a number of other duties, including establishing claims files, authorizing payments to beneficiaries and generating notification letters to claimants, conducting in-person and telephone contacts with veterans and other claimants, and assisting in the processing of appeals of claims decisions.

VBA's administrative costs, including personnel costs, are funded through VA's General Operating Expenses account. VBA, as part of VA's annual budget justification, asks for specific amounts for each of its programs, including compensation and pension programs. Funding is requested to support an estimated full-time equivalent (FTE) employment level.² In fiscal year 2003, VBA spent about \$878 million to administer its compensation and pension programs. This funding included support for about 9,350 FTEs.

From fiscal year 1998 through 2003, staffing levels for VBA's compensation and pension programs increased significantly, particularly for staff who process compensation and pension claims at VBA's 57 regional offices, as shown in figure 1 below. In fiscal year 1998, VBA had 6,770 compensation and pension FTEs; by fiscal year 2003, employment had increased by about 38 percent to 9,352 FTEs. Compensation and pension FTE levels rose by about 900 in fiscal years 2001 and 2002. Staffing levels increased because VBA hired hundreds of new rating specialists and VSRs in anticipation of a large number of future retirements. Also, these additional staff helped VBA respond to a sharp drop in the production of rating-related claims decisions in fiscal year 2001. In fiscal year 2002, these decisions rose from about 481,000 to about 797,000, and to about 827,000 in fiscal year 2003.

²Full-time equivalent employment is the basic measure of levels of employment used in the budget. It is the total number of hours worked divided by the total number of compensable hours in a fiscal year. For example, in fiscal year 2003 an FTE represented 2,088 hours (8 hours per day for 261 days).

Figure 1: VBA Compensation and Pension FTEs, Fiscal Years 1998-2005



Source: Department of Veterans Affairs Budget Submissions for fiscal years 2000-05.

In fiscal year 2003, VBA's 57 regional offices received about 735,000 rating-related claims from veterans and their families for disability benefits. This included about 167,000 original claims for compensation of service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty) and about 434,000 reopened compensation claims.³ In addition, about 90,000 original and reopened claims were filed for pensions for wartime veterans who have low incomes and are permanently and totally disabled for reasons not service-connected and for their survivors.⁴ In addition, VBA received about 28,000 original claims for dependency and indemnity compensation by deceased veterans' spouses, children, and parents and to survivors of service members who died on active duty.

³For example, a reopened compensation claim could be filed by a veteran seeking an increase in disability rating based on the worsening of a service-connected disability or by a veteran seeking compensation for a previously unclaimed disability.

⁴Veterans aged 65 or older do not have to be permanently and totally disabled to become eligible for pension benefits, as long as they meet the other requirements for income and military service. VBA also pays pensions to surviving spouses and unmarried children of deceased wartime veterans.

VBA's Budget Justification Did Not Clearly Explain the Basis for Its Fiscal Year 2005 Compensation and Pension Staffing Estimates

VBA officials stated that productivity improvements, workload changes, and attrition of experienced claims processing staff are considered throughout the annual budget process. However, VBA's budget justification did not clearly explain how these factors affected its request. Early in this process, the Compensation and Pension Service makes a budget request that is reviewed by VBA's Office of Resource Management, under the direction of VBA's Chief Financial Officer and becomes part of VBA's total request. VBA's request eventually becomes part of VA's overall budget request, which is submitted to the Office of Management and Budget (OMB) for review.⁵

VBA's fiscal year 2005 budget justification identified a number of initiatives and projections that could affect its staffing levels. For example, implementing specialized claims processing teams in VBA's regional offices and consolidating pension maintenance work at three regional offices could affect staffing levels. Also, VBA projected it would receive more disability compensation claims than in previous years, based on such factors as the enactment of concurrent receipt legislation in 2003. Specifically, the fiscal year 2005 budget justification stated that VBA expected to receive about 65,000 claims because of the enactment of legislation that allows military retirees with service-connected disabilities rated at 50 percent or higher to receive both VA disability compensation and military retirement pay. VBA officials said that this estimate was included in their negotiations with OMB. Further, VBA noted that it expects many experienced claims processing staff to leave VBA over the next several years.

Despite identifying these factors in its 2005 budget justification, VBA does not specify how such initiatives and projections will affect the number of employees it needs to meet its claims processing performance goals. For example, VBA projected that in fiscal year 2005, the number of original and reopened compensation claims receipts would increase by about 15 and 10 percent respectively from its fiscal year 2004 estimates, and that original and reopened pension receipts would decrease by about 2 percent. However, VBA did not specifically identify how these anticipated workload trends had affected its requested staffing levels or its expected improvements in productivity. VBA's reduced staffing request was consistent with OMB guidance to agencies to assume increased

⁵Under OMB guidance (Circular A-11), agency FTE employment estimates should consider productivity improvements and workload assumptions.

productivity in their budget requests—for example, to do the same amount of work with fewer employees. However, the budget justification does not describe how its FTE staffing requirements are linked to the specific initiatives and projections that could affect these needs.

Also, VBA's fiscal 2005 budget justification provides no specific information on its compensation and pension claims processing productivity or on its planned improvements in productivity. VBA expressed confidence that it can improve productivity enough to meet its claims processing goals for fiscal year 2005 with fewer employees, despite a projected increase in the workload of compensation claims. To achieve expected improvements in timeliness and accuracy with fewer employees, while receiving more claims for disability compensation, VBA's claims processing operations will need to become more productive. However, the budget justification included no measurement of productivity, nor did it identify how it planned to achieve the needed productivity improvements.

Finally, VBA's fiscal year 2005 budget justification does not explicitly show the impact of budget decisions to shift funding away from initiatives that could improve productivity; such decisions were based on VBA's emphasis on meeting the Secretary's 100-day timeliness goal for deciding rating-related claims. According to VBA officials, in fiscal years 2002 and 2003, nonpayroll funds were shifted to help fund increased FTE employment levels in VBA regional office Veterans Service Centers, which are responsible for processing compensation and pension claims. This was done to increase the number of rating-related claims being decided and to meet the Secretary's fiscal year 2003 goals for improving timeliness and reducing the backlog of undecided claims. For example, VBA used nonpayroll funds to help support about 300 more FTEs than it had originally requested for fiscal year 2002, and about 400 more FTEs than it had originally requested for fiscal year 2003. Specifically, in fiscal year 2002, VBA requested funding for 7,351 compensation and pension FTEs but reported that it actually used 7,663, and in fiscal year 2003, VBA originally requested funding for 7,532 FTEs but reported that it actually used 7,936. According to VBA officials, nonpayroll funds were shifted to help pay increased payroll costs associated with this higher FTE level. In addition, the fiscal year 2003 budget request assumed a 2003 pay raise of 2.6 percent, but the actual pay raise was 3.1 percent. VBA's fiscal year 2004 and 2005 budgets reflect continued efforts to support as many FTEs as possible through reductions in nonpayroll funding to continue to support improvements in claims processing timeliness.

VBA officials identified training and information technology initiatives that have been delayed because of these cuts in nonpayroll funds. These include delays in developing new Training and Performance Support Systems (TPSS) modules and in updating existing TPSS modules to reflect changes in laws, regulations, and procedures. According to its fiscal year 2005 budget justification, VBA is relying on TPSS to improve productivity by helping new claims processing employees develop needed proficiency more quickly and by helping experienced employees maintain their proficiency. Delays in the progress of TPSS implementation could affect VBA's productivity, because existing modules may not be as useful as revised modules could be, and advanced modules may continue to be unavailable. VBA requested about \$2.6 million for TPSS implementation in fiscal year 2005, including funding to update some existing modules. However, VBA did not explain the impact of delays in developing new training modules and updating existing modules.

Another delayed initiative that could improve productivity is Virtual VA. This initiative involves the scanning of paper records into electronic claims folders. VBA expects efficiency and timeliness to improve when Virtual VA is fully implemented, in part because electronic claims folders could be transferred among regional offices more quickly. VBA has implemented Virtual VA at its three Pension Maintenance Centers.⁶ However, VBA requested fiscal year 2005 funding only to maintain the existing Virtual VA program and anticipates that funding will not be available to expand the program beyond the Pension Maintenance Centers. VBA's justification stated that full implementation of Virtual VA would help improve claim processing and identified the need for additional staff to convert existing paper claims files to electronic format, such as for document preparation and scanning. However, VBA did not request these additional staffing resources and did not explain why. The budget justification stated that VBA expected no improvements in performance because of implementation of Virtual VA at regional offices in fiscal year 2005, but it did not identify how much productivity would be forgone because of VBA's decision to delay Virtual VA implementation.

The Congress relies on the budget justification as VBA's statement of how it plans to spend the funds it requested. The House and Senate

⁶The Pension Maintenance Centers are responsible for processing income and eligibility verifications and other related actions for VBA's pension beneficiaries. They are located at VBA's St. Paul, Minnesota, Philadelphia, Pennsylvania, and Milwaukee, Wisconsin, regional offices.

Appropriations Committees have noted that VA's budget justification represents the agency's budget plan.⁷ VA's authorizing committees also rely on VBA's budget justification in conducting their oversight. In February 2004, both the Senate and House Veterans' Affairs Committees held hearings on VA's fiscal year 2005 budget request. Each committee then recommended funding levels to its respective Budget Committee. The Appropriations Committees also conduct oversight of VA through the annual budget process. Congressional oversight could be enhanced if VBA's budget justifications were more transparent.

VBA Projected Claims Workload Is Based on Historical Trends and Other Factors but VBA Did Not Project Claims Complexity

VBA estimated the number of rating-related claims it would receive in fiscal year 2005 based on historical trends and judgments about the likely impacts of various factors on receipts, but it did not project claims complexity, such as average disabilities per claim. For example, VBA expected an increase in the number of claims received based on the enactment of legislation allowing some military retirees to receive both military retirement pay and VA disability compensation. Also, VBA officials stated that they factored in the return of veterans from operations in Iraq and Afghanistan, but they were unclear as to how many claims VBA expected to receive from these veterans.

Previous VBA projections have been mixed in their accuracy. For fiscal years 2000 through 2004, VBA's projections of rating-related claims receipts varied from an underprojection of about 11 percent to an overprojection of about 19 percent, as shown in table 1.

⁷Conference Report, Consolidated Appropriations Act, 2004, House Report 108-401, November 25, 2003. Specifically, Division G, p. 1033, which includes VA's appropriations.

Table 1: VBA Projected versus Actual Rating-Related Claims Receipts, Fiscal Years 2000-04

Fiscal year	Projected receipts	Actual receipts	Variance
2000	699,250	585,565	Overprojected by 19.4%
2001	647,960	674,219	Underprojected by 3.9%
2002	812,608	721,727	Overprojected by 12.6%
2003	723,675	735,275	Underprojected by 1.6%
2004	687,412	771,115	Underprojected by 10.9%

Sources: Department of Veterans Affairs Budget Submissions for fiscal years 2000-05, Veterans Benefits Administration fiscal year 2004 claims receipt data.

In its fiscal year 2004 budget justification, VBA projected that it would receive an average of about 57,300 rating-related claims per month. For its fiscal year 2005 budget justification, VBA revised its fiscal year 2004 projection to an average of about 63,900 receipts, based on actual receipts for October and November 2003. VBA's revised projection underprojected by only about 0.5 percent; actual fiscal year 2004 receipts averaged about 64,300 per month.

VBA is working to improve its ability to project its rating claims workload by more accurately estimating the number of such claims it will receive. In June 2000, VBA received the first version of a model for forecasting original and reopened compensation claims receipts, developed under contract by the Institute for Defense Analyses. This model factored into its projections the changing size and demographics of the veteran population. Specifically, the model used historical claim submission data and projections of the veteran population to project VBA's future workload. Although the model was updated in June 2002, its usefulness is limited by several factors. For example, it projects only original and reopened compensation claims and relies on outdated veteran population data. According to a VBA official, VBA's workload projections for its budget justifications were not based on this model, but the results of the model were used to check VBA's projections. An expanded model with more recent information is scheduled to be delivered in December 2004. The expanded model will project workload for more types of claims, including all rating-related claims, and will be updated to reflect the 2000 Census.

VBA did not project the complexity of its rating-related claims in its fiscal year 2005 budget submission and did not explain the impact of complexity on productivity and requested staffing levels. VBA has noted that disability compensation claims have become more complex because veterans are

claiming more service-connected disabilities per claim, and VBA must make a decision whether each disability is service-connected. Meanwhile, the Congress and VA have established presumptions of compensation and pension eligibility that can make some claims less complex. For example, the Congress and VA have identified several types of disabilities (such as type II diabetes) as service-connected based on the presumption that veterans who served in Vietnam were exposed to Agent Orange. Claims based on these disabilities can be simpler to decide because less evidence is needed to prove service connection. VBA did not specifically explain the impact of claims complexity on productivity and staff requirements.

VBA provided some data on average number of disabilities for completed compensation claims in its fiscal year 2005 budget justification. However, these data were based on incomplete information. The average number of disabilities per claim was based on calendar years 1998 through 2001 data on completed claims from VBA's software application for preparing rating decisions, Rating Board Automation (RBA). According to a VBA official, the RBA data were incomplete because data on many rating decisions were not transmitted to VBA's central database for analysis. For example, according to a VBA official, employees who were working from home did not always upload rating information from computer disks into RBA and send the data to VBA's central database. Also, because making corrections to a rating once it had been entered into the central database was cumbersome, corrections were not always made to the incorrect information that had been entered in the database. VBA began implementing a new rating decision preparation package (RBA 2000) in October 2000. While VBA officials stated that RBA 2000 provides more complete data on rating decisions, it cannot provide data by the end product code, which VBA uses to identify types of claims (for example, original and reopened compensation claims). VBA officials suggested that, in the future, it could measure issues per claim through its new claims development software application, MAP-D. VBA is not planning to provide information on disabilities per claim in its fiscal year 2006 budget justification.

Conclusions

It is difficult to determine whether VBA's confidence that it can meet its key fiscal year 2005 claims processing goals is well founded because its budget justification lacks sufficient information to make such an assessment. VBA set ambitious goals for providing veterans and their families with more timely decisions. At the same time, VBA expects the volume of incoming rating-related claims to increase and to lose experienced claims processing staff to attrition. Nonetheless, VBA

requested a reduction in claims processing staff in fiscal year 2005, on top of a decrease in fiscal year 2004. VBA's budget justification does not clearly explain how its estimated staffing requirements will be affected by its proposed initiatives to improve efficiency and accuracy, projected increases in compensation claims, and staff attrition.

To achieve its goals in the face of increasing workloads and decreased staffing, VBA will have to rely on productivity improvements. However, its budget justification does not provide information on VBA's claims processing productivity or how much VBA expects to improve productivity. Consequently, it is difficult to determine if VBA can achieve the productivity improvements it needs or determine how these improvements will be achieved. While VBA's budget assumes improved productivity, the agency has made budget decisions to delay initiatives that could help improve productivity, in order to protect funding for claims processing staff to help meet its top short-term priority—improving timeliness. Its budget justification could have provided more information on the impacts of decisions to delay these initiatives. Further, VBA's budget justification did not clearly explain the effects on productivity of claims complexity, such as changes in the average number of disabilities per claim. Consequently, the effect of complexity on VBA's workload and staffing requirements is unclear. A more transparent budget justification would better inform the Congress' oversight of VBA, by making it easier to evaluate whether the agency's administrative budget requests adequately reflect the resources, particularly staff, needed to achieve expected performance.

Recommendation

To assist the Congress in its oversight of VBA's compensation and pension claims processing operations, we recommend that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to prepare the following information and work with the Committees on Veterans' Affairs and the Appropriations Subcommittees on Veterans Affairs, Housing and Urban Development, and Independent Agencies on how best to make it available for their use:

- explanation of the expected impact of specific initiatives and changes in incoming claims workload on requested staffing levels;
- information on claims processing productivity, including how VBA plans to improve productivity; and
- explanation of how claims complexity is expected to change and the impact of these changes on productivity and requested staffing levels.

Agency Comments and Our Response

In its written comments on a draft of this report (see app. II), VA concurred with our recommendation. VA noted that VBA will work closely with VA's Office of Budget, OMB, and congressional authorizing and appropriating committees and subcommittees to ensure that appropriate supporting information is included in its future budget justifications.

We will send copies of this report to the Secretary of Veterans Affairs, appropriate congressional committees, and other interested parties. The report will also be available at GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please call me at (202) 512-7215 or Irene Chu, Assistant Director, at (202) 512-7102. In addition to those named, Amy Buck, Denise Fantone, Martin Scire, Greg Whitney, and Gregory Wilmoth made key contributions to this report.



Cynthia A. Bascetta
Director, Education, Workforce,
and Income Security Issues

Appendix I: Scope and Methodology

To assess how the Veterans Benefits Administration (VBA) determined and justified its staffing requests, we focused on VBA's fiscal year 2005 budget justification to the Congress: specifically, its requests for discretionary administrative funding for VBA's compensation and pension programs.¹ We also reviewed VBA's budget justifications for fiscal years 2000 through 2004 to identify funding and staffing trends and obtain background information on specific management initiatives and workload trends. We reviewed Office of Management and Budget guidance to agencies on how to prepare their fiscal year 2005 budget requests.² In particular, we reviewed guidance on information to be included in budget requests, estimating staffing levels, and the budget formulation process. In addition, we interviewed VBA officials to identify the role of productivity and workload factors in VBA's internal budget process and to discuss the fiscal year 2005 request. Specifically, we interviewed VBA officials responsible for compensation and pension programs, resource management, and field operations. In some instances, we relied on testimonial evidence from our interviews, along with written responses to detailed questions.

To review VBA's fiscal year 2005 receipts projections, we interviewed Compensation and Pension Service officials responsible for these estimates. We obtained records showing the workload data used to estimate receipts for fiscal years 2004 and 2005 as well as the adjustments VBA made to historical trends in developing its estimates. To assess the accuracy of receipts estimates for fiscal years 2000 through 2004, we reviewed VBA's budget justifications for those fiscal years. For fiscal years 2000 through 2003 we compared initial estimates of rating-related claims for each fiscal year with actual VBA-wide receipts reported in VBA's budget justifications. We focused on rating-related claims because they represent the types of claims VBA uses to develop key performance measures, such as timeliness (average days to complete rating-related claims). For fiscal year 2004, we compared VBA's estimate in its budget justification with VBA's Distribution of Operational Resources (DOOR) report of receipts for the fiscal year.

¹Department of Veterans Affairs, Fiscal Year 2005 Budget Submission, Volume 1: Benefits Programs, February 2004.

²Office of Management and Budget, Circular No. A-11, Preparation, Submission, and Execution of the Budget, July 2003.

In addition, we reviewed documentation of the Institute for Defense Analyses (IDA) receipt estimation model and discussed the model with IDA and Compensation and Pension Service officials. Because VBA did not use this model to develop the compensation claims receipt estimates in its fiscal year 2004 and 2005 budget justifications, we did not conduct a detailed analysis of the model. In our discussions, IDA officials identified improvements in its model, such as projecting receipts for additional types of claims and using updated population data.

We assessed the reliability of end product data in VBA's Benefits Delivery Network (BDN). The end product code is a key data element because it identifies the type of claim. VBA's DOOR reports aggregate workload data from the BDN by end product. We reviewed 1997 and 1998 Department of Veterans Affairs (VA) Inspector General reports that identified significant control deficiencies in BDN, leading to questionable reliability of workload and timeliness data. We reviewed VBA's system for identifying potentially erroneous end product transactions that might lead to inaccurate workload data. VBA adopted this system in response to the Inspector General's findings. We interviewed the VBA official responsible for sampling transactions to identify questionable end product instances—where a regional office may have improperly taken credit for completing a claim or for completing a claim in less time than was actually required. For example, this sample is designed to identify when a regional office has taken credit for more than one decision on the same claim, leading to overcounting of decision production. We also reviewed sample data from fiscal year 1999 through the second quarter of 2004.

We also reviewed how VBA's Systematic Technical Accuracy Review (STAR) program identifies questionable and erroneous end product codes. If a STAR reviewer determines that the end product code for a randomly sampled claim file is questionable or erroneous, the claim will be removed from the STAR sample and be replaced by another claim with the same end product code. For example, if a claim is identified as completed in BDN but no decision has been made on the claim, the claim is removed from the STAR sample. We interviewed a VBA official responsible for STAR and reviewed data on claims removed from the STAR sample in fiscal year 2003 and the first half of fiscal year 2004.

We determined that VBA's end product data are sufficiently reliable for the purposes of this report, which focuses on VBA-wide data. For example, VBA's sampling shows a decline in questionable end product codes from the second quarter of fiscal year 2003 to the second quarter of fiscal year 2004, from about 5.2 percent to 2.8 percent. However, we are aware that

BDN is an aging information system. In its October 2001 report, VA's Claims Processing Task Force noted this and recommended that VBA maintain BDN until the replacement VETSNET system is fully implemented. However, VBA officials stated that VBA was not planning to make significant investments in maintaining BDN because it will be replaced.

We interviewed VBA officials about the reliability of its Rating Board Automation (RBA) system as a source of data on average disabilities per claim. These officials noted that many rating decisions were not included in the RBA data used in VBA's fiscal year 2005 budget justification. On the basis of this, we determined that the data on average disabilities per compensation claim in VBA's budget justification were not reliable, and we do not use the data in our report. Finally, we did not assess the reliability of the full-time equivalent data VA reported in its budget submissions.

Appendix II: Comments from the Secretary of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 1, 2004

Ms. Cynthia A. Bascetta
Director
Education, Workforce, and Income Security Issues
U. S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Bascetta:

The Department of Veterans Affairs (VA) has reviewed your draft report, **VETERANS' BENEFITS: VBA's Fiscal Year 2005 Compensation and Pension Staffing Request Could Have Been More Transparent** (GAO-05-47) and agrees with your conclusions. The Veterans Benefits Administration will work closely with VA's Office of Budget, the Office of Management and Budget, and congressional authorizing and appropriating committees and subcommittees to ensure appropriate supporting information is included in future budget justifications.

Thank you for the opportunity to comment on your draft report.

Sincerely yours,

A handwritten signature in cursive script that reads "Anthony J. Principi".

Anthony J. Principi

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