Department of Veterans Affairs

Office of Inspector General

Audit of the Impact of the Veterans Benefits Administration's Special Hiring Initiative

Contents

Executive Summary

Introduction

In 2007, with supplemental funding from Congress, the Veterans Benefits Administration (VBA) initiated an ambitious plan to increase its claims processing workforce by about 30 percent. The VA Office of Inspector General (OIG) conducted this audit to determine the impact of VBA's hiring initiative on reducing the claims backlog. During the audit, we assessed the effectiveness and timeliness of VBA's hiring process, VBA's process for ensuring new employees are trained and supervised, and VBA's overall progress at integrating new employees into the claims processing workforce.

Ensuring sufficient staffing to meet the growth in the number and complexity of veterans' benefits claims has been a significant challenge for VBA. Over the past 5 years, the number of claims received each year has generally exceeded the number of claims processed each year. As a result, the number of claims carried over at the end of the fiscal year (FY) has increased by about 66 percent during this period (from 338,896 claims at the end of FY 2003 to 564,145 claims at the end of FY 2007). Recognizing this challenge, Congress passed legislation in FYs 2007 and 2008 giving VBA $185 million to hire additional claims processing personnel. Congress also gave VBA $2 million to lease space and $39.7 million to provide information technology (IT) resources for the new employees.

In his February 2008 testimony before the House Committee on Veterans' Affairs, Subcommittee on Disability Assistance and Memorial Affairs, VBA's Deputy Under Secretary for Benefits reported that VBA planned to hire 3,100 new full-time equivalent employees (FTE) by the end of FY 2008 and that VBA was also conducting ongoing recruitment to replace losses due to attrition. VBA allocated the 3,100 new FTE primarily to 4 VBA business lines—compensation and pension (C&P), education, vocational rehabilitation and employment (VR&E), and loan guaranty.

The C&P business line received 2,834 FTE (or 91 percent) of the total allocation because C&P operations represent the largest portion of VBA's workload. VBA also allocated some positions to other business lines because, according to VBA officials, when C&P workload increases, the workload in these other areas typically increases. From the beginning of FY 2007 to May 10, 2008, VBA had hired 2,456 C&P FTE, achieving about 87 percent of its goal of 2,834 FTE, and appeared to be on track for hiring the remaining 378 FTE by the end of FY 2008.

Claims processing is the most significant portion of C&P business line's workload, and C&P employees process two major types of claims: rating claims and non-rating claims. Disability compensation claims—commonly referred to as rating claims by VBA—require a trained rating specialist to evaluate medical evidence. Rating claims include

original and re-opened disability compensation claims for service-connected diseases or injuries, original pension claims, and death compensation claims. The number of rating claims VBA received each year has grown steadily over the past 5 years, from 735,275 claims in FY 2003 to 838,141 claims received in FY 2007. Non-rating claims do not require rating decisions and include dependency claims, income adjustments for pension claims, and burial claims. The number of non-rating claims received has varied over past 5 years, with 726,479 claims received in FY 2007.

VBA tracks all rating and non-rating claims awaiting decisions. In his February 2008 testimony, the Deputy Under Secretary for Benefits distinguished between VBA's claims inventory and claims backlog. The claims inventory is comprised of all claims awaiting decisions and provides a "snap-shot" of VBA's workload. It includes all claims that are carried over from previous periods as well as claims received during the current period. The ages of claims in the inventory range from 1 day to over 365 days. At the end of FY 2007, VBA had a claims inventory of 564,145 claims (391,593 rating claims and 172,552 non-rating claims). The claims backlog is a subset of the claims inventory; it represents claims that exceed a certain age—in other words, older claims awaiting processing decisions.

Results

VBA has effectively managed its hiring initiative by implementing processes to ensure the timely hiring and training of new employees. VBA is also progressing at integrating new employees into the claims processing workforce, but the new FTE are not expected to have a positive impact on decreasing the claims inventory until at least the end of FY 2009, when they have completed 1–2 years of formal and on-the-job training. Furthermore, we could not conclude that the hiring initiative alone will result in eliminating VBA's backlog because a number of other factors contribute to the backlog, and, according to VBA officials, some of these factors are outside of their control.

VBA Has Effective Hiring Processes. VBA has implemented effective processes to ensure it hires a large number of employees in a relatively short period. Although VBA had not yet met its hiring goal as of May 2008, it increased its claims processing workforce by approximately 30 percent in 19 months, and it was on track to meet its hiring goal by September 30, 2008. We reviewed the hiring processes at three VA regional offices (VAROs) and determined that the average of 28 days from the closing of a job announcement to making a job offer was timely. We also found that new employees have adequate office space and IT support and that the attrition rate of new employees is not a significant factor in VBA achieving its FY 2008 hiring goal.

VBA Implemented an Effective Process To Ensure Training, but Reviewing New Employees' Work is a Challenge. VBA has implemented an effective process for ensuring new employees receive timely training. However, VBA officials reported that maintaining productivity while also ensuring reviews of the work completed by new

employees has been a challenge. Until new employees become proficient at their assigned tasks, VBA requires senior claims processors to review 100 percent of their work. These 100 percent reviews leave less time for senior employees to process claims. The senior claims processors at the VAROs we visited told us that with the rapid influx of new employees, they now review the work of up to eight new claim processors. Prior to the hiring initiative, senior claim processors typically oversaw the work of less than three claim processors. VARO supervisors are reporting delays in processing claims, but productivity should increase as new employees increase their proficiency and VBA promotes and trains more senior claims processors.

Integrating New Employees into VBA's Workforce Can Help To Reduce the Claims Inventory. VBA has made good progress at integrating new employees into the claims processing workforce. In the short term, the large influx of new employees has resulted in a decrease in VBA's overall productivity from an average of 176.8 claims processed per FTE in FY 2006 to a projection of 155.8 claims processed per FTE in FY 2008. This dip in productivity has also resulted in a moderate increase in VBA's claims inventory since FY 2006, yet VBA officials are confident that by the end of FY 2009, as the new employees are trained, productivity will increase. Our analyses also support this—by the end of FY 2009, VBA should be able to process 9–16 percent more claims than in FY 2007, and begin to see a downward trend in the claims inventory.

Furthermore, our analyses show that by the end of FY 2011, VBA could complete about 27 percent more claims than in FY 2007 and theoretically eliminate the inventory, including its backlog of older claims. However, we expect that VBA will always have an inventory because it cannot control the number of claims it receives or when they are received, and other factors can delay claims processing, such as delays in obtaining evidence from third parties. Also, our analyses assume that the number of claims received would not increase greatly due to court cases, legislative changes, or increased military engagement and would grow at an annual rate of 2 percent.

VBA Needs to Redefine Rating Claims Backlog. We disagree with how VBA currently defines backlog of rating claims and think that VBA needs to define its rating claims backlog in a more meaningful, understandable way. (For this discussion, we did not assess non-rating claims backlog because this was addressed previously in the OIG's *Audit of Veterans Benefits Administration Non-Rating Claims Processing,* Report Number 06-03537-69, dated February 7, 2008.)

VBA defines rating claims backlog as its "actual inventory" minus its "normal running inventory." VBA defines "actual inventory" as the number of rating claims awaiting decisions at any point in time and "normal running inventory" as the number of rating claims VBA expects to have if it is meeting its processing performance target. Because this approach is based on averages, it does not portray the full extent of the rating claims backlog. For example, on May 3, 2008, the actual number of claims in VBA's inventory

was 396,897 (that is, "actual inventory"). However, if VBA was meeting its FY 2008 performance target of 169 days to complete a claim, its inventory would have been 395,832 claims (that is, "normal running inventory"). Because VBA was not meeting its performance target, it calculated a backlog of 1,065 claims (actual inventory of 396,897 claims – normal running inventory of 395,832 claims).

By comparison, our "aging methodology" shows VBA's backlog to be 110,992. Our methodology defines backlog as all claims that exceed a target time period. To illustrate, if we use VBA's FY 2008 performance target of 169 average days to complete a claim, the rating claims backlog as of May 3, 2008, would be 110,922 (the number of claims older than 169 days). However, because VBA's 169-day performance target is based on the average length of time it *actually* takes to process claims, we could not conclude that this was an appropriate performance measure for backlog. Therefore, in redefining how it measures backlog, VBA needs to establish a target time period that is derived from an analytical assessment of how long it *should* take to process claims.

Recommendations

1. We recommended that the Acting Under Secretary for Benefits adopt a new definition for measuring rating claims backlog as the number of claims that are older than a realistic target time period.

2. We recommended that the Acting Under Secretary for Benefits implement a plan to monitor and report backlog based on a new definition as described in Recommendation 1.

Acting Under Secretary for Benefits Comments

The Acting Under Secretary for Benefits concurred "in part" with the two audit recommendations. The Acting Under Secretary reported that VBA has never formally defined or measured its claims backlog, citing that stakeholders often refer to VBA's entire inventory as a backlog. In response to this misconception, VBA has attempted to explain the difference between its expected normal inventory if claims are being processed within established timeliness targets and what portion of its inventory might represent backlogged claims. The Acting Under Secretary stated that VBA would continue to collect and study data to determine if a backlog performance measure could be developed and used as an effective management tool to improve claims processing. Their target for completing their planned actions is February 28, 2009. In addition, the Acting Under Secretary provided technical comments, which we have incorporated into the body of the report, as appropriate. (See Appendix C for the full text of the Acting Under Secretary's comments.)

OIG Response

We agree with the Acting Under Secretary for Benefits that stakeholders often do not understand the difference between VBA's pending claims inventory and the claims backlog. We support VBA's efforts to make this important distinction and to eliminate the misconceptions about inventory and backlog. We intended our audit recommendations to have VBA develop a more meaningful and understandable way to monitor claims processing delays in order to better identify and address potential causes for these delays, as well as to better inform its stakeholders.

We disagree with the Acting Under Secretary' comment that VBA has never formally defined or measured backlog. In his February 2008 testimony before the House Committee on Veterans' Affairs, Subcommittee on Disability Assistance and Memorial Affairs, VBA's Deputy Under Secretary for Benefits defined backlog as follows: "'Backlog' is actually the current inventory minus the normal running inventory if we are meeting our timeliness goals." He then reported that "with an inventory of 400,000, 61,000 claims should be considered 'backlog.'" Although the Deputy Under Secretary testified in the second quarter of FY 2008, according to VBA officials, the backlog he reported was based on VBA's FY 2009 performance target (or "timeliness goal") of 145 average days to complete a claim. We believe that VBA's approach to arrive at the 61,000 estimate significantly understates the backlog and that until VBA adopts another methodology for measuring backlog, they will continue to understate the actual backlog of older rating claims.

In his response to the audit report, the Acting Under Secretary also took issue with our use of VBA's FY 2008 169-day performance target in calculating the rating claims backlog. He stated that VBA has never testified to or defined its normal running inventory using the 169-day target; instead, they have used 145 days or 125 days. While the Acting Under Secretary is correct that VBA has not testified or defined its normal running inventory using the 169-day target, we believe that since we conducted our audit work in FY 2008 and primarily used FY 2008 workload data, our use of the 169-day target was appropriate to illustrate the flaws in VBA's definition of backlog.

Furthermore, it is important to recognize that VBA's performance target for completing rating claims changes each year. For example, the *Department of Veterans Affairs FY 2007 Performance and Accountability Report* reported a performance target of 160 days for FY 2007, and the *FY 2009 Budget Submission* showed targets of 169 days for FY 2008 and 145 days for FY 2009. In addition, VBA has an overall "strategic target" of 125 days. Regardless of which target we used, our conclusion would have been the same—VBA's definition for backlog does not fully portray the extent of its backlog. Furthermore, the fact that VBA's performance targets change annually reinforces our position that any performance standard that VBA uses to measure backlog

should be derived from an analytical assessment of the number of days it *should* take to process rating claims as opposed to the average number of days it *actually* takes.

We find VBA's implementation plans to be generally acceptable. We strongly recommend, however, that VBA move forward to develop a sound methodology for measuring backlog to provide its stakeholders with meaningful, accurate information about claims processing delays and better monitor how effectively and timely it is serving veterans and their families.

(original signed by:)

BELINDA J. FINN
Assistant Inspector General
for Auditing

Introduction

Purpose

In 2007, with supplemental funding from Congress, VBA initiated an ambitious plan to increase its claims processing workforce by about 30 percent. We performed this audit to determine the impact of its hiring initiative on reducing the claims processing backlog. The audit objectives were to assess the effectiveness and timeliness of VBA's hiring process, VBA's process for ensuring new employees are trained and supervised, and VBA's overall progress at integrating new employees into the claims processing workforce.

Background

Appropriations for VBA's Hiring Initiative. Ensuring sufficient staffing to meet the growth in the number and complexity of veterans' benefits claims has been a significant challenge for VBA. Recognizing this, in FYs 2007 and 2008, Congress passed legislation giving VBA $185 million to hire additional claims processing personnel, as described below. Congress also gave VBA $2 million to lease space and $39.7 million to provide IT resources for new employees.

- On May 25, 2007, Congress enacted Public Law 110–28, "U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007," which provided VBA $60.8 million for "the expenses related to hiring and training new claims processing personnel." This supplemental appropriation was in addition to the $1.25 billion VBA already received for General Operating Expenses (GOE) in the FY 2007 appropriation.

- On December 26, 2007, Congress enacted Public Law 110–161, "Consolidated Appropriations Act, 2008," which gave VBA an additional $124.2 million for GOE to hire more than 1,800 new claims processors.[1] In January 2008, the President designated this FY 2008 funding as an emergency requirement, thereby releasing it to VBA.

With these additional appropriations, VBA officials determined that they could hire about 3,100 new FTE to bring VBA-wide staffing up to 15,570 FTE by the end of FY 2008.

VBA Organization and Responsibilities. VA's Under Secretary for Benefits provides centralized program direction and oversees all VBA activities. VBA also has three Associate Deputy Under Secretaries who oversee the Offices of Policy and Program Management, Field Operations, and Management. The Office of Field Operations (OFO)

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[1]According to the "Transfer of Disbursing Authority," VBA actually received about $128.7 million. However, we used the figure shown in the House Appropriations Committee report for Public Law 110-161.

is the program management office for VBA's hiring initiative. OFO is responsible for the management of the 57 VAROs that administer VA benefits programs. Each VARO operates a Veterans Service Center (VSC), which is responsible for the development and processing of rating claims.

The VSC is primarily staffed by Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (all referred to as claims processors in this report). Other VSC staff include managers, coaches, claims assistants, legal instrument examiners, and file clerks, among others. VSC staff are typically assigned to one of six specialized teams that process claims using a production line approach, with each team focusing on specific phases of claims processing. Depending on the teams to which they are assigned, claims processors can work on both rating and non-rating claims. The six specialized teams are described below.

- The Pre-Determination Team assembles supporting evidence, such as medical and service records, to prepare claims for the Rating Team.

- The Rating Team makes decisions on claims that require consideration of medical evidence.

- The Post-Determination Team processes rating decisions for payment and notifies veterans or their dependents about claims decisions.

- The Triage Team reviews and manages all mail.

- The Public Contact Team handles personal interviews and telephone inquiries.

- The Appeals Team processes appeals of VBA decisions submitted by veterans or their dependents.

Details of VBA's Hiring Plan. In his February 2008 testimony before the House Committee on Veterans' Affairs, Subcommittee on Disability Assistance and Memorial Affairs, VBA's Deputy Under Secretary for Benefits reported that in FY 2007, VBA implemented an aggressive hiring initiative and since January 2007 it had hired more than 1,800 new employees. He added that as part of its hiring initiative, VBA planned to hire 3,100 FTE by the end of FY 2008 and that it was also conducting ongoing recruitment to replace losses due to attrition.

VBA allocated the 3,100 new FTE primarily to 4 VBA business lines—C&P, education, VR&E, and loan guaranty. The C&P business line received 91 percent of the total allocation (2,834 FTE) because C&P operations represent the largest portion of VBA's workload. However, according to VBA officials, they also allocated some positions to other business lines because when C&P workload increases, the workload in these other areas typically increases. Exhibit 1 shows VBA's allocations by business line.

Exhibit 1. VBA's Hiring Plan

VBA Business Line	FTE Allocated	Percent Total
C&P	2,834	91%
VR&E	133	4%
Education	83	3%
Loan Guaranty	25	1%
Other Support Services	25	1%
ALL VBA	**3,100**	**100%**

In allocating FTE to the VAROs, OFO considered past performance, space capacity, and consolidation of special functions. For example, VBA is centralizing processing of all original pension awards at three Pension Maintenance Centers (PMCs) to more effectively use resources and improve technical accuracy. VBA is also creating nine National Call Centers (NCCs) to provide information and answer veterans' questions about their claims. Some of the FTE went to these PMCs and NCCs. The Philadelphia VARO received the largest number of FTE, in part, because it is the largest of the PMCs with jurisdiction over the population of veterans residing on the East Coast. Exhibit 2 shows the top 20 VAROs receiving FTE. For a complete list of VAROs, see Appendix A.

Exhibit 2. Top 20 VAROs Receiving C&P FTE
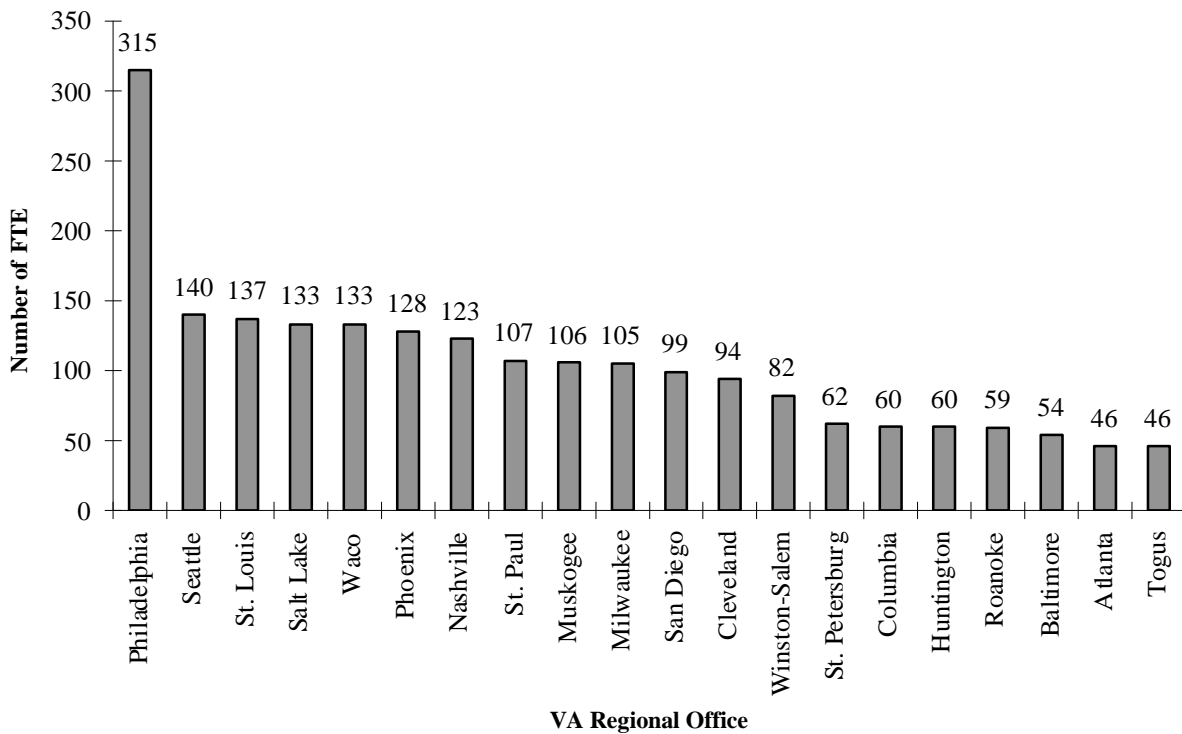
Status of Hiring Initiative. VBA's OFO and Office of Resource Management (ORM) are responsible for tracking the hiring initiative. At the beginning of FY 2007, the C&P business line had 8,252 C&P FTE. From the beginning of FY 2007 to May 10, 2008, it lost 1,577 FTE and hired 4,033 new FTE, which resulted in a net gain of 2,456 C&P FTE. The C&P business line plans on hiring the remaining 378 FTE to reach their goal of 2,834 FTE by the end of FY 2008.

Claims Processing Workload. Claims processing is the most significant portion of C&P business line's workload, and C&P employees process two major types of claims: rating claims and non-rating claims. Claims that are based on disability—commonly referred to as rating claims by VBA—require a trained rating specialist to evaluate medical evidence. Rating claims include original and re-opened disability compensation claims for service-connected diseases or injuries, original pension claims, and death compensation claims. As Exhibit 3 shows, the number of rating claims VBA received each FY grew steadily over the past 5 years, from 735,275 claims in FY 2003 to 838,141 claims received in FY 2007. Non-rating claims do not require rating decisions and include dependency claims, income adjustments for pension claims, and burial claims. The number of non-rating claims received varied over the past 5 years, as shown below.

Exhibit 3. Claims Received FYs 2003–2007

	2003	2004	2005	2006	2007
Rating Claims	735,275	771,115	788,298	806,382	838,141
Non-Rating Claims	781,487	759,142	725,002	684,907	726,479
All Claims	**1,516,762**	**1,530,257**	**1,513,300**	**1,491,289**	**1,564,620**

Claims Inventory Versus Claims Backlog. In his February 2008 testimony, the Deputy Under Secretary for Benefits distinguished between VBA's claims inventory and claims backlog. The inventory is comprised of claims that are awaiting decisions from VBA and provides a "snap-shot" of VBA's workload. It includes all claims that are carried over from previous periods as well as claims received during the current period. For both rating and non-rating claims, the number of claims received each year has generally exceeded the number of claims processed each year, resulting in carry-over. As a result, the end-of-year claims inventory has increased by about 66 percent over the past 5 years (from 338,896 total claims at the end of FY 2003 to 564,145 total claims at the end of FY 2007), as shown in Exhibit 4 on the following page.

Exhibit 4. Claims Inventory at the End of FYs 2003–2007
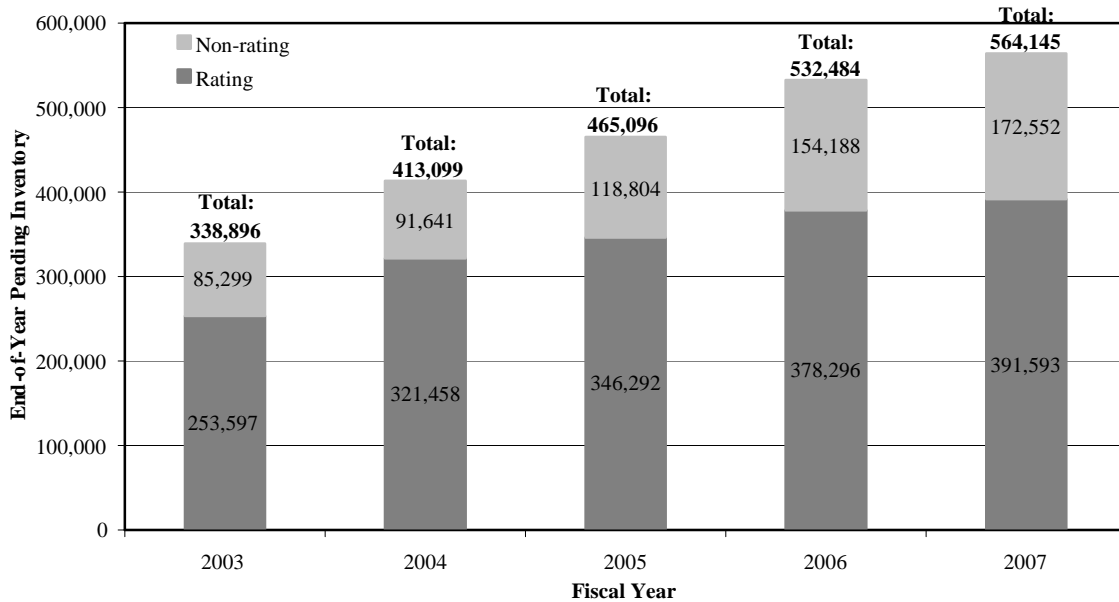
Claims in the inventory range in age from 1 day to over 365 days. The claims backlog is a subset of the inventory. The backlog represents claims that exceed a certain age—in other words, older claims that are awaiting processing. For example, Exhibit 5 shows the ages of *rating* claims in the inventory as of May 3, 2008. The backlog over 366 days is 14,400, and the backlog over 169 days is 110,922 (96,522+14,400). (See pages 18–19 for a discussion on backlog and how our definition of backlog differs from VBA's definition.)

Exhibit 5. Age of Rating Claims as of May 3, 2008
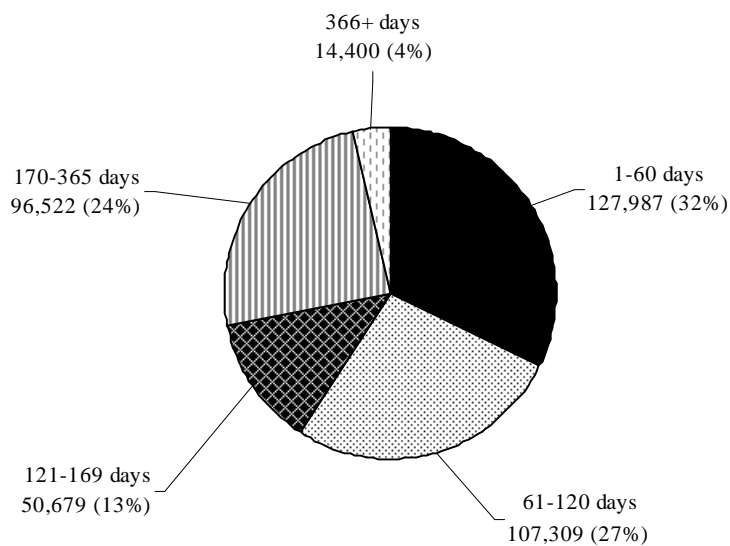
Scope and Methodology

We conducted the audit from March 2008 through May 2008 and made visits to VA Central Office and VBA Central Office and three VAROs: Seattle, WA; Cleveland, OH; and Nashville, TN. We selected the three VAROs based on their large percentages of FTE authorizations and because each VARO was located in a different VBA Regional Area. We limited the scope of our review to the new FTE hired and authorized for the C&P business line October 2006–May 2008.

We interviewed VA budget officials and officials in VBA's OFO, ORM, Office of Human Resources, Office of Employee Development and Training, C&P Service, and Office of Performance Analysis and Integrity. During our visits to the three VAROs, we interviewed Assistant Directors, Assistant Service Center Managers, Human Resources Liaisons, Training Coordinators, Information Management officials, coaches of claims processing teams, and senior claims processors. We also interviewed the directors of VBA's four regional Human Resource Centers (HRCs) located in Jackson, MS; Detroit, MI; Denver CO; and Baltimore, MD to obtain information on VBA's hiring process and performance standards. We did not review the quality of VBA's training program, the quality of the supervisory reviews, or the quality of its claim processing decisions.

We used the Personnel and Accounting Integrated Date (PAID) system to determine how many new FTE VBA hired. We also used data from the Benefits Delivery Network (BDN) and Veterans Service Network (VETSNET) to determine claims inventory and backlog. We reviewed the Security Controls Assessment (SCA) reports for the three systems, and we found no deficiencies that would limit reliability of data. In addition, we tested data elements to identify calculation errors, data outside the time frame, duplication of records, alphabetic characters in numeric fields (or vice versa), negative amounts in positive-only fields (or vice versa), or illogical relationships between data elements. We found none of these obvious flaws. Based on our review of the SCA reports and our testing, we concluded the data from these systems are sufficiently reliable to meet the audit objectives.

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

Results and Conclusions

VBA has effectively managed its hiring initiative by implementing processes to ensure the timely hiring and training of new employees. VBA is also progressing at integrating new employees into the claims processing workforce, but the new FTE are not expected to have a positive impact on decreasing the claims inventory until at least the end of FY 2009, when they have completed 1–2 years of formal and on-the-job training. Furthermore, we could not conclude that the hiring initiative alone will result in eliminating VBA's claims backlog because other factors may contribute to the backlog, and, according to VBA officials, some of these factors are outside their control.

In the short term, the large influx of new employees has resulted in a decrease in VBA's overall productivity from an average of 176.8 claims processed per FTE in FY 2006 to a projection of 155.8 claims processed per FTE in FY 2008. This dip in productivity has also resulted in a moderate increase in VBA's claims inventory since FY 2006, yet VBA officials are confident that by the end of FY 2009, as the new employees are trained, productivity will increase. Our analyses also support this—by the end of FY 2009, with about 30 percent more C&P employees, VBA should be able to process about 9–16 percent more claims than in FY 2007. Furthermore, our analyses show that by the end of FY 2011, VBA could complete about 27 percent more claims than in FY 2007 and theoretically eliminate the inventory, including its backlog of older claims. However, VBA will always have an inventory because it cannot control the number of claims it receives or when they are received, and other factors can delay claims processing, such as delays in obtaining evidence from third parties. In developing our estimates, we assumed that the number of claims received would not increase greatly due to court cases, legislative changes, or increased military engagement and would grow at an annual rate of 2 percent.

We identified two management challenges during the audit. First, VBA requires that senior claims processors review 100 percent of the work performed by new employees. However, with the large number of new employees, the new employee to senior claims processor ratio has increased, and VAROs are challenged to maintain productivity while ensuring quality reviews. We discuss this issue further under Issue 2. Second, VBA needs to change its method for defining rating claims backlog to provide more meaningful and consistent information. We discuss this issue further under Issue 3.

Issue 1: VBA's Hiring Process is Effective and Timely

Results

As of May 10, 2008, VBA had 2,456 new C&P FTE, achieving 87 percent of its hiring goal of 2,834 FTE. Although VBA had not yet met its hiring goal as of May 2008, it increased its claims processing workforce by approximately 30 percent in 19 months, and it was on track to meet its hiring goal by September 30, 2008. VBA uses the Office of Personnel Management's (OPM's) 45-day hiring model as a baseline to measure timeliness from the closing of a job announcement to making a job offer. We reviewed hiring processes at the three VAROs and determined that the VAROs averaged 28 days from the closing of a job announcement to making a job offer. We also found the attrition rate of new employees to be less than VBA's overall attrition rate.

VBA's Hiring Process. According to VBA Human Resources and VARO officials, VBA is able to meet OPM's 45-day hiring model (shown in Exhibit 6) because the hiring initiative is a high priority, many of the tasks are taking less time than allowed, and they are hiring multiple candidates from a single list of qualified candidates. For example, one VARO had formed multiple teams so they could conduct interviews simultaneously, assign values to responses, and rank order the candidates. The VARO Director and his senior staff reviewed the selection recommendations and decided which candidates to hire. Although the OPM model allows 22 days for VAROs to complete interviews, check references, and select employees, the VARO staff reported that they typically completed these actions in 10–12 days.

Exhibit 6. OPM's 45-Day Hiring Model
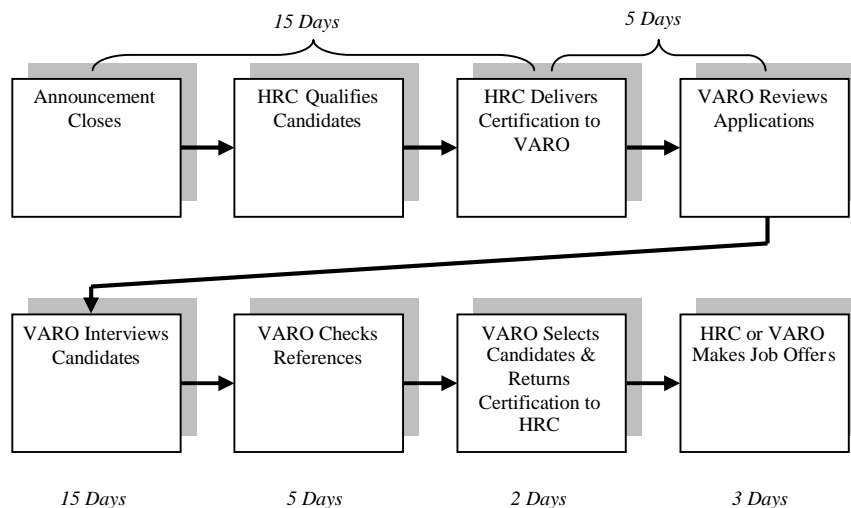
VARO officials were satisfied with the quality of candidates, in terms of experience and education, applying and hired for open positions. They also used various recruitment

methods. In addition to posting open positions on USAJobs, the Federal Government website for vacancy announcements, VAROs recruited new employees from college job fairs and veterans' career fairs and worked with other VA entities to identify eligible veteran candidates for open positions. VARO officials stressed that they recognized they were investing substantial resources to hire and train new employees and, therefore, worked hard to ensure their screening processes for candidates identified appropriate employees to fill the open positions.

Support for New Employees. VBA was also taking necessary actions to ensure that new employees had adequate office space and IT support, such as computers. VBA worked with the VAROs and the General Services Administration (GSA) to find additional office space and with the VA Office of Information and Technology (OI&T) for IT support.

According to VBA officials, they acquired all of the space needed for the hiring initiative. At the VAROs we visited, staff told us that obtaining additional office space had been a temporary challenge, but VBA and GSA addressed, or were in the process of addressing, their space needs. IT officials at the three sites we visited described the primary challenge as the lack of additional IT FTE to support the new employees. However, in April 2008, OI&T authorized an additional 44 FTE to support the VAROs.[2] The additional staff would bring the user-to-IT support staff to OI&T's preferred ratio of 75:1.

Attrition of New Employees. We determined that the national attrition rate of new employees was not a significant factor in regards to VBA achieving its hiring goal by the end of FY 2008. When VBA set its hiring goals for FYs 2007 and 2008, it considered losses through attrition, including resignations, retirements, and terminations.

Our analysis of PAID workforce statistics as of February 29, 2008, showed an attrition rate of 3.6 percent for new claims examiners who began employment since FY 2007. This attrition rate includes transfers, resignations, and terminations. The attrition rate for new claims examiners is lower than the attrition rates for all claims examiners in FYs 2006 and 2007, 7 percent and 6 percent, respectively. However, since many of the new claims examiners have been with VBA for less than 1 year, we believe it is premature to conclude that the attrition rate will remain low.

Conclusion

VBA implemented effective processes to ensure it could hire a large number of employees in a relatively short period. The three VAROs we visited were meeting OPM's 45-day hiring model and reported that they were satisfied with the quality of candidates applying for open positions. Attrition of new employees is not a significant

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[2]OI&T is a separate organization within VA. The 44 FTE authorized by OI&T are not part of the 3,100 FTE allocated for VBA's special hiring initiative.

factor in VBA achieving its FY 2008 hiring goal. However, since many of the new claims examiners have been with VBA for less than 1 year, we cannot be certain that the attrition rate will remain low.
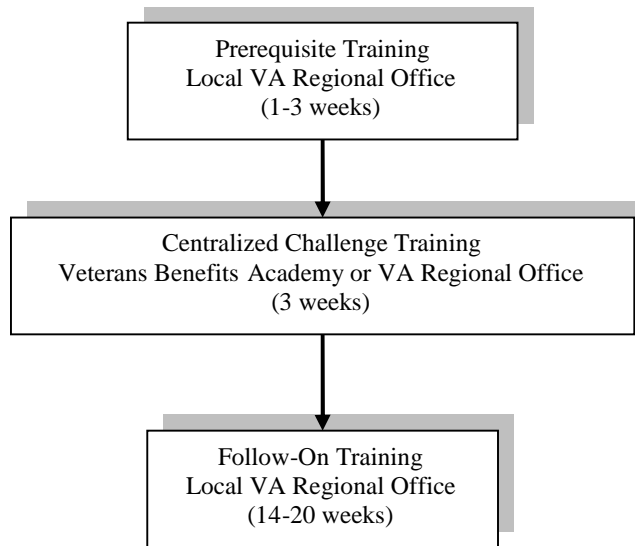
Issue 2: VBA Implemented an Effective Process To Ensure Training, but Reviewing New Employees' Work is a Challenge

Results

Although we did not assess the quality of VBA's training programs, we found that VBA had implemented an effective process for ensuring new employees received timely training.[3] However, reviewing the work of the new employees during follow-on training while trying to maintain claims processing productivity has been a challenge for VBA because of the large number of new employees, the work review requirements, and the promotions of experienced VBA personnel to fill other needs. VBA is taking action to ensure that this situation is temporary.

VBA's Training Process. Veterans' benefits claims processing is a specialized field that requires extensive formal and informal training. To become fully proficient in their work assignments, most claims processors require at least 1–2 years of training and on-the-job experience. VBA provides new employees training in three phases: prerequisite, centralized, and follow-on. The three phases are shown in Exhibit 7.

Exhibit 7. VBA New Employee Training

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        ┌─────────────────────────────────┐
        │      Prerequisite Training       │
        │    Local VA Regional Office      │
        │          (1-3 weeks)             │
        └─────────────────────────────────┘
                        │
                        ▼
   ┌──────────────────────────────────────────┐
   │        Centralized Challenge Training      │
   │ Veterans Benefits Academy or VA Regional   │
   │                Office                      │
   │               (3 weeks)                    │
   └──────────────────────────────────────────┘
                        │
                        ▼
        ┌─────────────────────────────────┐
        │       Follow-On Training         │
        │    Local VA Regional Office      │
        │         (14-20 weeks)            │
        └─────────────────────────────────┘
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<u>Prerequisite Training</u>. The first phase of training takes place at the employees' local VAROs and takes 1–3 weeks to complete. During prerequisite training, new employees

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[3]In May 2008, the Government Accountability Office (GAO) issued a report that addresses the uniformity and design of VBA training—*Increased Focus on Evaluation and Accountability Would Enhance Training and Performance Management for Claims Processors*, GAO-08-561.

learn basic claims processing concepts and principles, such as how to use VBA information systems, read claim folders, and understand medical terminology.

Centralized Challenge Training. Phase two of training is a 3-week course that is typically held at the Veterans Benefits Academy in Baltimore, MD for employees on Pre-Determination and Rating Teams and at selected VAROs for employees on Post-Determination Teams. The curriculum for the training varies based on the specialized C&P team. When the volume of newly hired claims processors exceeds the capacity of the Academy, VBA conducts Centralized Challenge Training at selected VAROs. To accommodate the large number of new employees it must train, VBA substantially increased the number of training classes from 27 classes in FY 2006 to 67 in FY 2007 and 44 in FY 2008 through April. Exhibit 8 shows the number of new employees who completed centralized training in FY 2007 and FY 2008 through April.

Exhibit 8. VBA Centralized Challenge Training – Number of Graduates

Course	FY 2007	FY 2008 (through April 2008)
Pre-Determination	823	565
Post-Determination	354	302
Rating	270	400
TOTAL	**1,447**	**1,267**

Follow-On Training. The last phase of new employee training is completed at the employees' local VAROs and takes a minimum of 14–20 weeks to complete. Follow-on training consists of both classroom instruction and on-the-job training. VAROs adapt this phase of training to address identified processing issues, such as changes in laws and court cases that affect rating claims. Also, they have the flexibility to adjust the training schedule to ensure claims processing work continues.

Reviews of New Employees' Work. VBA officials indicated that reviewing new employees' work while also trying to maintain claims processing productivity is expected to be a temporary challenge. The senior claims processors at the VAROs we visited told us that with the rapid influx of new employees, they now review the work of up to eight new claim processors. Prior to the hiring initiative, senior claim processors typically oversaw the work of less than three new claim processors.

Several factors contribute to the current work review challenge. First, a large number of employees were hired in a relatively short period, and senior claims processors must review 100 percent of new employees' work until the employees develop the skills and knowledge to work independently. Also, VBA needed to promote experienced claims processors into higher-level positions to oversee more or larger claims processing teams and to make rating claims decisions. When these experienced employees move into higher-level positions, they also must undergo training to learn their new roles and

responsibilities. As a result, the influx of new employees combined with the promotion of experienced claims processors means VBA now has fewer people to review the work of new employees. VARO supervisors also reported delays in processing claims due to these factors.

Although these factors may have reduced claims processing production in the short term, they should enable VBA to increase production by enhancing the proficiency of new staff in the long term. Additionally, VARO staff reported that VBA was providing training to assist those seeking promotions to senior claims examiners so that they could prepare for the VSR Skills Certification exam. Since VBA expects all new employees to be fully trained within 2 years, this review challenge should be temporary as new employees continue to gain experience and work more independently.

Conclusion

VBA has implemented effective processes to ensure that new employees receive timely training including prerequisite training, centralized training, and ongoing follow-on training. However, reviewing new employees' work is a temporary challenge for VBA. As new employees increase their proficiency and recently promoted employees learn their new roles and responsibilities, the work review challenge is expected to subside.

Issue 3: Integrating New Employees into VBA's Workforce Can Help To Reduce the Claims Inventory

Results

VBA has made good progress at integrating new employees into the claims processing workforce, but the new FTE are not expected to have a positive impact on decreasing the claims inventory until at least the end of FY 2009, after they have completed 1–2 years of formal and on-the-job training. In the short term, VBA's productivity has decreased as a result of the large number of new employees, but our analysis shows that by the end of FY 2009 VBA will increase its productivity and begin to reduce the claims inventory. Furthermore, our analyses show that by the end of FY 2011, VBA could complete about 27 percent more claims than in FY 2007 and theoretically eliminate the inventory, including its backlog of older claims. However, we expect that VBA will always have an inventory because it cannot control the number of claims it receives or when they are received, and other factors can delay claims processing, such as delays in obtaining evidence from third parties.

Claims Processing Productivity. VBA officials consider new employees to be fully productive when they can independently complete the range of duties they are assigned. For example, employees on the Pre-Determination Team are fully productive when they can independently determine what evidence is needed to support a claim and can obtain the evidence. Most officials and staff we interviewed agreed that, due to the complexity of the work, it takes 1–2 years for a claims processor to become fully productive.

To estimate the productivity of new employees, VBA officials told us they use a "25 percent" rule. For every 6 months that new employees are on the job and learning, they become 25 percent more productive. Therefore, at the end of their first year, new employees are considered 50 percent productive. After 1-1/2 years on the job, new employees would be considered 75 percent productive, and after 2 years on the job, 100 percent productive.

<u>Temporary Decrease in Productivity</u>. As Exhibit 9 illustrates, we expect claims processing productivity—the number of claims processed per FTE—to decrease in FY 2008 from FY 2006.[4] VBA officials also expected this decrease in production because new employees are still being trained and senior claims processors are using a portion of their time to train and review the work of new employees hired in FY 2007 and early FY 2008. Despite the lower productivity, the total number of claims processed increased because of the larger number of FTE involved in claims processing.

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[4]The number of rating claims completed as of April 30, 2008, was 502,994 (71,856 claims per month) and non-rating claims was 428,463 (61,209 per month). To arrive at the number of rating and non-rating claims completed through FY 2008, we multiplied the number of claims per month by 12 months.

Exhibit 9. Productivity of C&P FTE in FYs 2006–2008

FY	Rating Claims Completed	Non-Rating Claims Completed	Total Claims Completed	Average Number of C&P FTE	Claims Completed per Average FTE
2006	774,378	649,523	1,423,901	8,056	176.8
2007	824,844	708,115	1,532,959	8,875	172.7
2008	862,275	734,508	1,596,783	10,248	155.8

According to VBA officials, this decrease in productivity is short-term while they work to integrate new employees into the claims processing workforce. Based on our analyses, we agree that the decrease in productivity should be short-term.

Increase in Productivity by FY 2009. We estimate that VBA should receive a total of 1,602,370 claims (858,408 rating and 743,962 non-rating) in FY 2008 and 1,634,417 claims (875,576 rating and 758,841 non-rating) in FY 2009. To estimate the impact the new employees would have on the claims inventory in FYs 2008 and 2009, we developed three scenarios. We based the first two scenarios on VBA's "25 percent" rule for measuring productivity; whereas, we based the third scenario on the assumption that productivity would remain somewhat constant after the first 2 quarters of FY 2008. (For more details on our estimates and calculations, see Appendix B.)

- The first scenario assumes that new employees are only 50 percent productive in the year that they are hired. We determined the production rate in 2007 to estimate the total claims the average number of FTE employed during each period would complete in FYs 2008 and 2009.

- The second scenario assumes that new employees are 75 percent productive in the year that they are hired. We determined the production rate in 2007 to estimate the total claims the average number of FTE employed during each period would complete in FYs 2008 and 2009.

- The third scenario assumes that FTE will be as productive in quarters 3 and 4 of FY 2008 as they were in the first 2 quarters. We calculated the production rate and applied it to FY 2009 to estimate the total claims the average number of FTE employed during the period will complete in FY 2009.

As Exhibit 10 shows, we estimate that VBA will complete between 1,438,796 and 1,596,783 claims in FY 2008. For scenario 1, this means fewer claims completed than in FY 2007, and for scenarios 2 and 3, it means an increase over FY 2007. However, for all three scenarios, the claims inventory will actually increase from the starting inventory of 564,145.

Exhibit 10. Impact of the New Employees on Claims Inventory in FY 2008

	Claims Completed FY 2007	Estimated FY 2008 Claims Completed	Percent Change from 2007	Percent Change in Inventory from 2007
Scenario 1: **50% Productive**	1,532,959	1,438,796	↓ 6.1 %	↑ 29.0 %
Scenario 2: **75% Productive**	1,532,959	1,593,341	↑ 3.9 %	↑ 1.6 %
Scenario 3: **Maintain 2008** **Productivity**	1,532,959	1,596,783	↑ 4.2 %	↑ 1.0 %

As Exhibit 11 shows, by the end of FY 2009, the claims inventory could begin to decrease. We estimate that VBA will complete between 1,666,197 and 1,775,077 claims in FY 2009. By the end of FY 2009, VBA employees should complete about 9–16 percent more claims than in FY 2007. For scenarios 2 and 3 this means as much as a 23.3 percent decrease in the claims inventory from the starting inventory of 564,145.

Exhibit 11. Impact of the New Employees on Claims Inventory in FY 2009

	Claims Completed FY 2007	Estimated FY 2009 Claims Completed	Percent Change from 2007	Percent Change in Inventory from 2007
Scenario 1: **50% Productive**	1,532,959	1,666,197	↑ 8.7 %	↑ 23.4 %
Scenario 2: **75% Productive**	1,532,959	1,775,077	↑ 15.8 %	↓ 23.3 %
Scenario 3: **Maintain 2008** **Productivity**	1,532,959	1,713,488	↑ 11.8 %	↓ 13.0 %

For FY 2010, assuming all of the employees hired in FYs 2007 and 2008 are fully productive, VBA could complete as many as 1,944,446 claims. As a result, by the end of FY 2010, the claims inventory could be as low as 155,174 (a 72.5 percent reduction from FY 2007). As part of this decrease, we would also expect to see a decrease in the claims backlog; however, because other factors may result in claims processing delays, we could not determine the actual reduction in the claims backlog, nor can we conclude that the claims backlog would be reduced at the same rate as the claims inventory.

For FY 2011, using the same assumptions and calculations as we used for FY 2010, we concluded that the claims inventory—including the claims backlog—could theoretically be eliminated by the end of the fiscal year. However, VBA cannot control the number of claims it receives or when they are received. Also, as we explain in more detail on pages

17–18, other factors may delay the completion of claims, which contribute to the claims backlog.

Critical Assumptions. We recommend caution when relying on these estimates because they are based on historical workload data and are intended to only provide an approximate range of the work VBA could accomplish with its new FTE. Also, our estimates are based on five critical assumptions:

- The number of FTE will remain steady without significant additions or losses of FTE.

- Employees will generally work the same number of hours each year. For example, if employees worked overtime in FY 2007, they will work a similar amount of overtime in future years.

- All employees hired in FYs 2007 and 2008 will be fully productive by FY 2010.

- The number of claims received will grow at an annual rate of 2 percent, which is the growth rate estimated by VBA in its FY 2009 budget submission.

- No significant events will result in increasing the number of claims received. Examples of significant events include increased military engagement and court cases or legislative changes that affect eligibility and rating decisions.

Factors Contributing to Claims Processing Delays. As we discussed previously, although our calculations show that VBA could theoretically eliminate the claims inventory, including the backlog, by the end of FY 2011, other factors may contribute to claims processing delays, which result in claims backlog. According to VBA officials, the primary factor for delays in processing rating claims is the time it takes to gather evidence in support of a claim, including medical records, military records, and other supporting evidence. For instance, when VBA requests information from a claimant or from a third party, respondents are given 60 days to respond to the initial request and 30 days to respond to the follow-up request.[5] VBA officials stated that obtaining certain types of evidence, such as medical records from private physicians and records from other Federal agencies, also adds to claims processing time.

In our interviews with VBA officials, they recognized that the hiring initiative alone will not eliminate the claims backlog, and they cited several initiatives that are underway to reduce the claims backlog. For example, VBA officials reported that VARO directors work with VA medical center directors and contracted vendors to ensure C&P examination results are received more timely to meet VBA's standard of 35 days. VBA officials are also working with the Department of Defense to improve the timeliness of

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[5]VBA Fast Letter 08-18, dated June 12, 2008, revised the response time to respond to an initial request from 60 days to 30 days. The time allowed for responding to follow-up requests remains at 30 days.

obtaining military personnel and medical records and with the Joint Services Records Research Center to improve the timeliness of requests for post-traumatic stress disorder stressor verification information.

Furthermore, VBA officials reported that the centralization of specialized functions at PMCs and NCCs allows VAROs to focus their efforts on working rating claims and reducing inventory and backlog. Also as new employees return to their local VAROs after completion of Centralized Challenge Training, they are expected to be immediately productive by processing non-rating burial and dependency claims. These types of claims do not require complex development or substantial rating experience, thus allowing more experienced staff to process rating claims. Additionally, VBA has a Tiger Team that works certain types of cases, such as claims over a certain age.

VBA Needs to Redefine its Rating Claims Backlog. We disagree with how VBA currently defines backlog of rating claims. (We did not assess the non-rating claims backlog because this was addressed in a previous OIG audit.[6]) VBA defines the rating claims backlog as "actual inventory" minus "normal running inventory." VBA defines "actual inventory" as the number of claims awaiting decisions at any point in time and "normal running inventory" as the number of claims VBA expects to have if it is meeting its processing performance target. For FY 2008, VBA's performance target was 169 days as the average number of days to complete a rating claim. If VBA is meeting this performance target, it expects to have a normal running inventory of about 395,832 rating claims. Therefore, using VBA's definition of backlog, its backlog as of May 3, 2008, would be 1,065 claims (actual inventory of 396,897 claims - normal running inventory of 395,832 claims).

VBA's definition of backlog is difficult to understand, is not consistent with how other Federal agencies define backlog, and relies heavily on average days instead of actual days. In our opinion, backlog should be defined as claims that exceed a target time period. For example, the Bureau of United States Citizenship and Immigration Services, defines backlog of immigration benefits applications as the number of applications that exceed 180 days.

To illustrate our point, we also used VBA's claims processing performance target of 169 days to measure backlog and found that as of May 3, 2008, VBA had 110,922 rating claims older than 169 days. This is 109,857 more claims than VBA would report using its definition (110,922-1,065). By adopting this method to define backlog, VBA would be providing a more meaningful and understandable measure of its workload because this definition accounts for the age of the entire inventory and measures against an established performance standard. However, we do not recommend using VBA's 169-day performance target. Because it is based on the average number of days it actually takes

VBA to complete a claim, we could not conclude that the target was an appropriate performance measure for backlog. Therefore, any performance standard that VBA uses to measure backlog should be derived from an analytical assessment of the number of days it *should* take to process rating claims as opposed to the average number of days it *actually* takes.

Conclusion

VBA has effectively managed its hiring initiative by implementing processes to ensure the timely hiring and training of new employees. VBA is also progressing at integrating new employees into the claims processing workforce, but the new FTE are not expected to have a positive impact on decreasing the claims inventory until at least the end of FY 2009, when they have completed 1–2 years of formal and on-the-job training. For FY 2010, VBA should see a significant decrease in the claims inventory, but it may not see the same rate of decrease in the backlog. In theory, VBA could eliminate the backlog by the end of FY 2011, but VBA will always have an inventory because it cannot control the number of clams it receives or when they are received, and there are other factors that can delay claims processing. Additionally, VBA needs to redefine backlog to provide a more meaningful and understandable measure of its workload.

Recommendations

1. We recommend that the Acting Under Secretary for Benefits adopt a new definition for measuring rating claims backlog as the number of claims that are older than a realistic target time period.

2. We recommend that the Acting Under Secretary for Benefits implement a plan to monitor and report backlog based on a new definition as described in Recommendation 1.

Acting Under Secretary for Benefits Comments

The Acting Under Secretary for Benefits concurred "in part" with the two audit recommendations. The Acting Under Secretary reported that VBA has never formally defined or measured its claims backlog, citing that stakeholders often refer to VBA's entire inventory as a backlog. In response to this misconception, VBA has attempted to explain the difference between its expected normal inventory if claims are being processed within established timeliness targets and what portion of its inventory might represent backlogged claims. The Acting Under Secretary stated that VBA would continue to collect and study data to determine if a backlog performance measure could be developed and used as an effective management tool to improve claims processing. In addition, the Acting Under Secretary provided technical comments, which we have incorporated into the body of the report. (See Appendix C for the full text of the Acting Under Secretary's comments.)

OIG Response

We find VBA's implementation plans to be generally acceptable. We strongly recommend, however, that VBA move forward to develop a sound methodology for measuring backlog to provide its stakeholders with meaningful, accurate information about claims processing delays and better monitor how effectively and timely it is serving veterans and their families.

All VAROs Receiving C&P FTE as of May 2, 2008

Exhibit 12. C&P FTE by VARO[7]

Station	C&P Assigned New Employees		Station	C&P Assigned New Employees
Albuquerque	11		Muskogee	106
Anchorage	0		Nashville	123
Atlanta	46		New Orleans	12
Baltimore	54		New York	21
Boise	7		Newark	5
Boston	19		Oakland	16
Buffalo	11		Philadelphia	315
Chicago	19		Phoenix	128
Cleveland	94		Pittsburgh	17
Columbia	60		Portland	31
Denver	44		Providence	16
Des Moines	15		Reno	5
Detroit	20		Roanoke	59
Fargo	0		Salt Lake City	133
Ft. Harrison	4		San Diego	99
Hartford	19		San Juan	19
Honolulu	10		Seattle	140
Houston	38		Sioux Falls	0
Huntington	60		St. Louis	137
Indianapolis	37		St. Paul	107
Jackson	44		St. Petersburg	62
Lincoln	36		Togus	46
Little Rock	40		Waco	133
Los Angeles	13		Washington	0
Louisville	41		White River Junction	3
Manchester	5		Wichita	9
Manila	0		Wilmington	4
Milwaukee	105		Winston-Salem	82
Montgomery	23			
			Total	**2,703**

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[7]The 2,703 is the FTE assigned to the VAROs out of the 2,834 VBA allocated to C&P Services. As of May 2, 2008, VBA had not assigned the remaining 131 FTE to any VARO.

VA Office of Inspector General

Claims Inventory Estimates Methodology

To estimate the number of claims VBA could complete in FYs 2008 and 2009, we developed three production scenarios using inventory data obtained from VBA and FTE data extracted from PAID. Using the FTE report, we calculated the average number of employees during each fiscal year. To estimate the productivity of new employees, VBA uses a "25 percent" rule. For every 6 months that new employees are on the job and learning, they become 25 percent more productive. Therefore, at the end of their first year, new employees are considered 50 percent productive. After 1-1/2 years on the job, new employees would be considered 75 percent productive, and after 2 years on the job, 100 percent productive. We based the first two scenarios on VBA's "25 percent" rule for measuring productivity; whereas, we based the third scenario on the assumption that productivity would remain somewhat constant after the first 2 quarters of FY 2008.

In scenario 1, which assumes new employees are 50 percent productive in their first year, we adjusted the average FTE by subtracting the number of new FTE and then multiplying the new FTE by two. Multiplying by two accounts for the new employees being 50 percent productive, as it would take two employees to perform the work of one experienced employee. We then divided the claims completed in FY 2007 by the adjusted FTE to determine a production rate. We multiplied the calculated production rate by the adjusted FTE for FYs 2008 and 2009 to estimate the number of claims that VBA would complete.

In scenario 2, which assumes new employees are 75 percent productive in their first year, we adjusted the average FTE by subtracting the number of new FTE and then multiplying the new FTE by 1.5. Multiplying by 1.5 accounts for the new employees being 75 percent productive, as it would take 1.5 employees to perform the work of 1 experienced employee. We then divided the claims completed in FY 2007 by the adjusted FTE to determine a production rate. We multiplied the calculated production rate by the adjusted FTE for FYs 2008 and 2009 to estimate the number of claims that VBA would complete.

In scenario 3, which assumes employees will maintain the productivity level achieved in the first half of FY 2008, we estimated the claims completed for the entire FY rate by doubling the number of claims completed in the first 6 months of FY 2008. We then divided the estimated claims completed by the average number of FTE in FY 2008 to calculate a production rate. We multiplied the production rate by the average number of FTE in FY 2009 to estimate the number of claims VBA would complete in FY 2009.

To calculate the estimated number of claims VBA could complete in FYs 2010 and 2011, we calculated the production rate for FY 2006, the last complete year before the hiring initiative began, by dividing the number of claims completed that year by the number of

C&P FTE. We then multiplied the result by the projected number of FTE in FYs 2010 and 2011.

To estimate the end-of-fiscal-year inventory, we estimated the number of claims received each fiscal year and added that number to the previous end-of-fiscal-year inventory for each scenario. We then subtracted the estimated number of claims completed in each scenario.

Exhibits 13–16 on the following pages show our calculations for each scenario and fiscal year.

Exhibit 13. Impact of the New Employees on Claims Inventory in FY 2008

	A	B	C		D	E	F		G	H	I	J
	Claims Completed 2007	Average FTE FY 2007	Production Rate (A ÷ B)		Adjusted Average FTE FY 2008	Estimated FY 2008 Claims Completed (C × D)	Percent Change from 2007		Inventory End FY 2007	Estimated FY 2008 Claims Received	Estimated Inventory End FY 2008 (G + H - E)	Percent Change from 2007
Scenario 1: 50% Productive	1,532,959	10,120	151.5		9,497	1,438,796	↓ 6.1 %		564,145	1,602,370	727,719	↑ 29.0 %
Scenario 2: 75% Productive	1,532,959	9,497	161.4		9,872	1,593,341	↑ 3.9 %		564,145	1,602,370	573,174	↑ 1.6 %
Scenario 3: Maintain 2008 Productivity	1,532,959	n/a	155.8		10,248	1,596,783	↑ 4.2 %		564,145	1,602,370	569,732	↑ 1.0 %

Exhibit 14. Impact of the New Employees on Claims Inventory in FY 2009

	A	B	C		D	E	F		G	H	I	J
	Claims Completed 2007	Average FTE FY 2007	Production Rate (A ÷ B)		Adjusted Average FTE FY 2009	Estimated FY 2009 Claims Completed (C × D)	Percent Change from 2007		Estimated Inventory End FY 2008	Estimated FY 2009 Claims Received	Estimated Inventory End FY 2009 (G + H - E)	Percent Change from 2007
Scenario 1: 50% Productive	1,532,959	10,120	151.5		10,998	1,666,197	↑ 8.7 %		727,719	1,634,417	695,939	↑ 23.4 %
Scenario 2: 75% Productive	1,532,959	9,497	161.4		10,998	1,775,077	↑ 15.8 %		573,174	1,634,417	432,514	↓ 23.3 %
Scenario 3: Maintain 2008 Productivity	1,532,959	n/a	155.8		10,998	1,713,488	↑ 11.8 %		569,732	1,634,417	490,661	↓ 13.0 %

Exhibit 15. Impact of the New Employees on Claims Inventory in FY 2010

	A	B	C	D	E	F	G	H	I	J
	Claims Completed 2006	Average FTE FY 2006	Production Rate (A ÷ B)	Adjusted Average FTE FY 2010	Estimated FY 2010 Claims Completed (C × D)	Percent Change from 2007	Inventory End FY 2009	Estimated FY 2010 Claims Received	Estimated Inventory End FY 2010 (G + H - E)	Percent Change from 2007
Scenario 1: 50% Productive	1,423,901	8,056	176.8	10,998	1,944,446	↑ 26.8 %	695,939	1,667,106	418,599	↓ 25.8 %
Scenario 2: 75% Productive	1,423,901	8,056	176.8	10,998	1,944,446	↑ 26.8 %	432,514	1,667,106	155,174	↓ 72.5 %
Scenario 3: Maintain 2008 Productivity	1,423,901	8,056	176.8	10,998	1,944,446	↑ 26.8 %	490,661	1,667,106	213,321	↓ 62.2 %

Exhibit 16. Impact of the New Employees on Claims Inventory in FY 2011

	A	B	C	D	E	F	G	H	I	J
	Claims Completed 2006	Average FTE FY 2006	Production Rate (A ÷ B)	Adjusted Average FTE FY 2011	Estimated FY 2011 Claims Completed (C × D)	Percent Change from 2007	Estimated Inventory End FY 2010	Estimated FY 2011 Claims Received	Estimated Inventory End FY 2011 (G + H - E)	Percent Change from 2007
Scenario 1: 50% Productive	1,423,901	8,056	176.8	10,998	1,944,446	↑ 26.8 %	418,599	1,700,448	174,601	↓ 69.1 %
Scenario 2: 75% Productive	1,423,901	8,056	176.8	10,998	1,944,446	↑ 26.8 %	155,174	1,700,448	-88,824	↓ 115.7 %
Scenario 3: Maintain 2008 Productivity	1,423,901	8,056	176.8	10,998	1,944,446	↑ 26.8 %	213,321	1,700,448	-30,677	↓ 105.4 %

Acting Under Secretary for Benefits Comments

**Department of
Veterans Affairs**   **Memorandum**

Date: August 8, 2008

From: Acting Under Secretary for Benefits (20)

Subj: OIG Draft Report—Audit of the Impact of the Veterans Benefits
Administration's (VBA) Special Hiring Initiative (Project No.
2008-01559-R8-0115)—WebCIMS 409483

To: Assistant Inspector General for Auditing (52)

1. This is in response to your request for VBA's review of OIG
    Draft Report: Audit of the Impact of the Veterans Benefits
    Administration's Special Hiring Initiative.   Attached are
    VBA's comments.

2. Questions may be referred to Alyce Williams, Program
    Analyst, at 461-9364.

(original signed by:)

Attachment   P. W. Dunne

Acting Under Secretary for Benefits Comments to Office of Inspector General's Report

The following Acting Under Secretary for Benefits comments are submitted in response to the recommendations in the Office of Inspector General's Report:

<u>Pg 17 – Factors Contributing to Claims Processing Days</u>:   OIG's report acknowledges that, "when VBA requests information from a claimant or from a third party, respondents are given 60 days to respond to the initial request and 30 days to respond to the follow-up request." VBA Fast Letter 08-18, dated June 12, 2008, revises this response time. Effective May 30, 2008, VBA will apply a 30-day response time when developing for evidence, such as private treatment records, from claimants or third-party providers. The time allowed for follow-up requests to third parties will remain 30 days.

<u>Pg 1, 4th paragraph</u>: The report cites VBA received an additional $124.2 million for GOE through PL 110-28. The correct amount is $128.7 million.

<u>Pg iii, 2nd paragraph and Pg 7, 2nd paragraph</u>: These sentences refer to claims processed per FTE during FY 2008. Since the audit concluded in May 2008, the report should clearly state whether this is fiscal year to date productivity or a projection of productivity through the remainder of the year. If this is a projection, it should be noted along with the assumptions used, especially since the fourth quarter is historically VBA's most productive period of the year.

<u>Pg 18, 5th paragraph</u>: This paragraph outlines VBA's methodology for calculating "backlog" using the FY 2008 budget target of 169 average days to process. However, VBA has never testified to or defined "normal running inventory" with the 169 day target. Prior written and verbal testimony has used this methodology at the 145 day target, as well as the strategic target of 125 days.

Recommendation 1:   We recommend that the Acting Under Secretary for Benefits adopt a new definition for measuring rating claims backlog as the number of claims that are older than a realistic target time period.

Response: Concur in part. The Veterans Benefits Administration (VBA) has never formally defined or measured its claims backlog. Stakeholders often refer to VBA's entire pending claims inventory as a backlog. In response to this misconception, VBA officials have attempted to explain the difference between an expected normal inventory if claims were being processed within our established timeliness goals and what portion of our inventory might represent backlogged claims.

Acting Under Secretary for Benefits Comments, continued

The various types of benefits claims and the complexity of the claims process, coupled with VBA's duty to notify and assist throughout the evidence gathering process, make it difficult to accurately define and measure "backlogged" claims. We will continue to collect and study data to determine if we can develop a backlog measure that can be used as an effective management tool to improve claims processing.

Target Completion Date: February 28, 2009

Recommendation 2: We recommend that the Acting Under Secretary for Benefits implement a plan to monitor and report backlog based on a new definition as described in Recommendation 1.

Response: Concur in part. VBA already has performance measures in place to assess both the timeliness and quality of service delivery and the volume and age of claims in our pending inventory. However, as stated in response to Recommendation 1, we will continue to collect and study data to determine if we can develop a backlog measure that can be used as an effective management tool to improve claims processing.

Target Completion Date: February 28, 2009

OIG Contact and Staff Acknowledgments

OIG Contact	Claire McDonald (206) 220-6651
Acknowledgments	Gary Abe Amy Mosman Todd Groothuis Tom Phillips Melinda Toom Theresa Zoun

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