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United States General Accounting Office  
Washington DC 20548

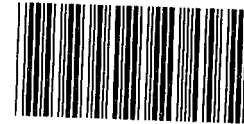
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B-201351

DECEMBER 29, 1980

RELEASED

The Honorable Alan Cranston  
Chairman, Committee on Veterans' Affairs  
United States Senate



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Dear Mr. Chairman:

Subject: Veterans Administration Life Insurance  
Claims Processing (HRD-81-30)

You requested that we review life insurance claims processing by the Veterans Administration (VA) to determine claims processing time frames and to make further inquiries of claims processing if warranted.

(VA has performed well against most of the timeliness standards it established for both the internal processing steps and for the entire claims process. Although avoidable delays occurred in the initial stages of claims processing, VA is taking steps to speed up the process at the:

- (Regional office level), where the impact of (a new VA automatic data processing system is changing work-flow to improve the timeliness of claims processing.)
- (Philadelphia insurance center), where steps have been taken to reduce delays based on our suggestions.

Some problems existed in the center's application of VA's quality control procedures, which may have resulted in inaccurate management reports on the center's performance in meeting its overall timeliness standard. Since we brought this matter to their attention, center officials have taken corrective actions which should improve the accuracy of these reports. The results of our review are detailed in the enclosure.

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As arranged with your office, we did not obtain written comments from VA on the matters discussed in this report. However, we did discuss the report's contents with officials in VA's Department of Veterans' Benefits, the Philadelphia insurance center, and the Washington regional office, and we have considered their comments in preparing this report.

As also arranged with your office, we have limited distribution of the report to VA. Further, as arranged, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

*Edward A. Hensmore*

*for* Gregory J. Ahart  
Director

Enclosure

VETERANS ADMINISTRATIONLIFE INSURANCE CLAIMS PROCESSING

The Chairman, Senate Committee on Veterans' Affairs, requested that we review life insurance claims processing by the Veterans Administration (VA) to (1) determine claims processing time frames and (2) make further inquiries of claims processing if warranted.

Although VA processed over 90 percent of the claims we reviewed within the expected 10 workdays of receipt of all the appropriate documents, our measurements of VA's performance showed that it probably fell short of meeting the overall standard of processing 90 percent within 60 calendar days from the first notice of death. This shortfall prompted us to make a further analysis of claims processing, which showed that delays could be avoided in the initial stages of processing and that such delays probably contributed to VA's not meeting its overall standard. VA has taken steps that should reduce these delays in the future. Also, while problems existed in the way VA measures its performance against the overall claims processing standard, VA has acted to resolve these problems.

VA INSURANCE PROGRAMS

Title 38 of the United States Code provides for life insurance benefits for veterans and members of the armed services. At present there are eight life insurance programs-- five operated by VA and three operated by commercial insurance companies under VA oversight.

VA-operated programs

The five VA-operated life insurance programs are administered by the VA insurance center in Philadelphia, Pennsylvania, along with a field operating office in St. Paul, Minnesota. In general, the Philadelphia center establishes overall VA insurance procedures and services the Eastern States, and the St. Paul office services the Western States.

As of June 30, 1979, these programs covered about 4.3 million individuals, who held over 4.7 million policies in the amount of \$33.3 billion. The five programs are:

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- U.S. Government Life Insurance (USGLI), established in 1919 to handle insurance converted from the War Risk Term Insurance of World War I.
- National Service Life Insurance, established in 1940 to handle the insurance needs of World War II veterans.
- Veterans Special Life Insurance, instituted in 1951 and generally available to Korean veterans separated from service without a service-connected disability.
- Service-Disabled Veterans Insurance, generally available to World War II, Korean, and Vietnam veterans separated on or after April 25, 1951, with a service-connected disability who are otherwise insurable.
- Veterans Reopened Insurance, established in 1964 for a limited reopening of National Service Life Insurance for a 1-year period beginning May 1, 1965.

#### Commercially operated programs

VA also has oversight responsibility for three additional programs for veterans and members of the armed services, which are operated by commercial insurance companies. As of June 30, 1979, over 3.6 million persons were covered under these programs and insured for \$71.7 million. The three programs are:

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- Servicemens Group Life Insurance, established in September 1965 generally to provide coverage of \$20,000 to active-duty personnel, ready reservists, and retired reservists.
- Veterans Group Life Insurance, established in August 1974 to provide coverage to veterans for a nonrenewable 5-year term to an insurance maximum of \$20,000.
- Veterans Mortgage Life Insurance, established in August 1971 to provide mortgage life insurance up to \$40,000 to veterans disabled in service who have received VA grants for specially adapted housing.

Our report deals only with the VA-operated programs.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was made at VA's Philadelphia insurance center; its central office in Washington, D.C.; and its Washington, D.C., regional office.

In the first phase of our review, we selected USGLI claims for our initial analysis of processing time frames. (Of the 1,150,000 policies issued between 1919 and 1951, the period over which the USGLI program was available, about 110,000 remained in force as of June 30, 1979.) We chose USGLI claims because:

- USGLI cases were the oldest--thereby increasing, for example, the difficulty of locating beneficiaries, because they either were no longer living or had moved from their address of record--and, therefore, would be the most difficult to process. This factor could be expected to produce the maximum claims processing time frames or worst case. If our work showed that VA was able to process these claims timely, we assumed that other less difficult claims would also be timely processed.
- The Philadelphia center has total responsibility for all USGLI policies, which meant that all claims folders were readily available for any followup examinations.

Accordingly, we randomly selected, from a universe of about 5,600 USGLI death claims, 331 claims processed at the Philadelphia center during the 6-month period ended July 23, 1979. Our sample gave us the capability to estimate processing timeliness for the entire universe with a maximum sampling error of + 5.2 percent at the 95-percent confidence level.

Because of variances between the results of our first sample and VA measurements of processing time frames for the same 6-month period, we selected, during the second phase of our review, another sample of 110 cases. This sample, taken from a universe of about 3,300 claims completed at the Philadelphia center during June 1979, was not limited to USGLI cases. This sample gave us the capability to estimate processing timeliness for the entire universe with a maximum sampling error of + 6.4 percent at the 95-percent confidence level.

During this second phase, we reconstructed VA's sampling procedures, and the results of our sample enabled us to explain the variance between our first sample and VA measurements. It also indicated the need for additional review of VA's statistical quality control procedures and their implementation at the Philadelphia center.

To complete our coverage of the entire claims process, we reviewed 90 case files at VA's Washington regional office to determine timeliness in processing correspondence indicating the death of a veteran at the regional office level before Philadelphia center processing.

We examined insurance claims processing procedures, pertinent records, and reports at both the Philadelphia center and the Washington regional office, and we discussed procedures and management control matters with officials at both locations and at VA's central office.

#### THE INSURANCE CLAIMS PROCESS AND OVERALL PROCESSING TIME FRAMES

The claims process is made up of six separate events following the death of an insured: (1) first notice of death, (2) claims examiner review, (3) invitation of a claim, (4) complete claim documentation received by VA, (5) approval of claim for payment, and (6) check preparation by the Department of the Treasury.

For eligible beneficiaries of a deceased veteran to receive payments, they must submit a certified copy of the veteran's death certificate, stating date and cause of death, and sign a completed VA claim form. In about 20 percent of the cases we reviewed, the first notice of death (event (1), above) reached VA in the form of a completed claim form and death certificate. In these cases, no invitation is issued (event (3)), and the claim is further processed. When a completed claim form and death certificate are not initially received, all of the foregoing six events must occur, including a waiting period for claimant provided documentation (events (3) to (4)).

#### First notice of death

The first notice of death is the date any VA facility is notified of a veteran's death. Notices can reach VA in a letter noting the death of the insured, by a telephone call, by personal contact with a veterans benefit counselor at any VA regional office, through a veterans service organization, etc. While most notices of death come to the Philadelphia center or the St. Paul field office--because these locations are usually identified by the veteran's survivors in the deceased veteran's records as the contact point where he made insurance premium payments or conducted other administrative policy matters, such as designating beneficiaries--some also come from

VA's regional offices. Accordingly, we surveyed VA regional office processing procedures relating to the first notice of death. This processing, when it occurs, usually precedes the Philadelphia or St. Paul processing of death claims.

#### Regional office activities

After notice of the death of a veteran, the following activities generally occur (these steps may vary depending on the information contained in the incoming correspondence, availability of a claim folder, etc ):

- The correspondence or record of contact is sent to the files section, and the appropriate claim folder is retrieved.
- The claim folder is sent to the adjudication division, where the file is reviewed and a notice of death worksheet prepared.
- A copy of the worksheet is sent to the data terminal unit in the administrative division.
- The data terminal unit notifies the Beneficiary Information and Records Locator Subsystem (BIRLS)--an automatic data processing file located in Austin, Texas--of the veteran's death.

After BIRLS is notified, appropriate automated notifications are made to two other ADP files: (1) the overall payment system file (called Compensation, Pension, and Education) in Hines, Illinois, and (2) the Insurance System file in Philadelphia. Notification of the Insurance System triggers a VA form 368-D, discussed below.

#### Insurance center activities

When a first notice of death is received at the Philadelphia insurance center:

- The correspondence or record of contact is sent to the files section, and the veteran's insurance folder is retrieved.
- The insurance folder and contact information are sent to the insurance analyzer unit, where BIRLS is notified, by telecommunications, of the veteran's death.

--BIRLS, in turn, notifies both the Compensation, Pension, and Education file to stop any benefit payments and the Insurance System file.

--The Insurance System prints a Report of Status for Settlement of Death Claims for Government Life Insurance (VA form 368-D), which is a financial accounting of the net proceeds of each insurance policy, and a record printout showing additional information about each policy, including the method of payment (either lump sum or over a period of from 36 to 240 months).

When the VA form 368-D and the record printout are received in the analyzer unit, they are associated with the proper file and sent to the death claims unit for review by a claims examiner.

The above procedure will vary if the first notice of death originates from a regional office. When this occurs, the Insurance System at Philadelphia will generate, from regional office input to BIRLS, the form 368-D and record printout. From this point all that is necessary is that the analyzer unit associate the form 368-D and record printout with the proper insurance file and send the material to the death claims unit for review by a claims examiner.

#### Claims examiner review

The insurance file and all associated documentation are generally forwarded to the death claims unit for review by a claims examiner. During this review, the examiner determines beneficiaries of record, the amount of the proceeds due each beneficiary (either the entire amount or a portion), and the method of payment. The examiner also determines whether all the necessary documentation has been received to award a claim. This usually requires a claim form signed by each beneficiary and a certified copy of the death certificate showing the date, place, and cause of death. If all the necessary documents have been received, the death claims unit authorizes payment. If additional data are needed, each beneficiary will be contacted and invited to submit a claim.

#### Invitation of a claim

When the claims examiner determines that a beneficiary or a group of beneficiaries has not submitted documentation sufficient to award a claim, a letter is sent to each beneficiary inviting that person to file a claim for the insurance



proceeds. Copies of the necessary forms are included with this letter.

VA officials said that, once the letter is mailed, a 30-day waiting period begins. If no response is received within 30 days, the Insurance System automatically generates a record printout which shows that the insurance claim is still pending; i.e., that followup is needed. In some cases followup might be made by telephone contact directly to the beneficiary, through an attorney who may be handling the veteran's estate, or to a veterans' service organization that may be acting in the beneficiary's behalf. Continued followup is made until all the beneficiaries submit the appropriate documents. When VA receives all the necessary documentation, the claim is processed further.

#### Complete claim documentation received

Once all the necessary documentation is received by VA, an authorization for payment is prepared by the death claims unit. An authorization form is prepared for each beneficiary on each policy held by the deceased veteran. After the form is prepared, it is reviewed by a supervisory claims examiner and forwarded to the finance division for final approval.

#### Approval of claim for payment

The finance division approves for payment all death claims unit award authorizations and forwards the necessary data to the Department of the Treasury so that a check or checks can be prepared. Each day, computer tapes are prepared and sent to VA's data processing center, which is in the same building as the Philadelphia insurance center. These tapes are used to update VA records and are then sent to Treasury so that final payment can be made.

One variation in the finance division's procedures occurs when the payee's address consists of more than four lines and optical character equipment must be used to prepare insurance payments. Since the nearest location with optical character reading equipment is the Treasury disbursing center in Washington, D.C., payment vouchers are prepared by VA in optical character type and sent to the Washington center, which issues and mails the checks.

The finance division's activities are VA's last involvement in the claims process.

Department of the Treasury  
check preparation

According to VA and Treasury officials, once tapes are received by Treasury, it generally takes 2 days for the checks to be printed, put into envelopes, and mailed to beneficiaries. Checks are dated for the day of expected delivery by the U.S. Postal Service. In addition to the check being mailed, VA generally sends a letter to each beneficiary informing him or her that payment on the death claim has been authorized.

We took a limited sample from the cases we reviewed to determine if Treasury processing time was, in fact, 2 days from the date the tapes were delivered by the data processing center to the date of check mailing. In every case but one, the 2-day time frame was met. The other case took 3 days. Based on that sample, we were satisfied with Treasury's performance and did no further work on this segment of the claims process.

Overall claims processing time frames

For the cases in our sample, it took an average of about 80 calendar days from the death of the insured until a check was mailed by Treasury. This included 56 days used by the claimant, 22 days for VA internal processing, and 2 days for Treasury activities.

The following shows on a step-by-step basis the average time taken to process the USGLI cases in our sample. (Because of the difficulty in processing USGLI cases, these time frames may approach the maximum time needed to process any insurance claim.)

Average Calendar Days for Processing Death Claims

	<u>Steps</u>		<u>VA</u>	<u>Treasury</u>	<u>Claim- ant</u>	<u>Rounded total</u>
	<u>From</u>	<u>To</u>				
1	Death	First notice	-	-	23 8	24
2	First notice	Claims examiner	a/9 6	-	4	10
3	Claims examiner	Invitation	3 9	-	-	4
4	Invitation	All documen- tation re- ceived	-	-	31 7	32
5	All documen- tation received	Approval for payment	6 0	-	-	6
6	Approval for payment	Treasury	2 2	-	-	2
7	Treasury	Check date	-	2 0	-	2
	Rounded total		<u>22</u>	<u>2</u>	<u>56</u>	<u>80</u>

a/This includes an unidentified amount of claimant time incurred as a result of VA requests for claimant information (e g , date of death, policy number, etc ) after receiving the first notice of death but before transmitting the file and correspondence to the claims examiner

The above table shows that the average time from the death of the insured to the first notice of death was about 24 calendar days--30 percent of the total processing time. First notices of death, as we discussed earlier, may reach VA through contact at a regional office. Since information was not usually available in the Philadelphia center files regarding regional office processing, we reviewed procedures and time frames for processing first notices of death at the VA Washington, D.C., regional office to determine the impact regional office processing might have on the length of time between the veteran's death and notification of the insurance system at the Philadelphia center. The results of this review are discussed in detail beginning on page 10.

VA TIMELINESS STANDARDS AND PERFORMANCE

In addition to the overall standard, VA has set timeliness standards for the final steps within the insurance claims process at the Philadelphia center.

In an April 2, 1979, letter to the Senate Committee on Veterans' Affairs, the Administrator of Veterans Affairs stated that claims are normally processed within 10 workdays from the time VA receives all the necessary documentation. In addition, VA has set an overall timeliness standard of processing 90 percent of all death claims within 60 calendar days of the first notice of death.

Our review showed that, for the 331 claims in our sample, VA processed

--92.5 percent within 10 workdays of receipt of all necessary documentation and

--73.4 percent within its overall timeliness standard.

While this indicates that VA's performance against its timeliness standards was good, data we collected indicated that delays occurred in the initial stages of the process. The cause of these delays and the actions to improve processing timeliness are discussed below. In addition, VA statistical quality control reports showed a level of performance that differed from our findings concerning the Philadelphia center's performance in meeting the overall claims processing timeliness standard. A review of these data disclosed deficiencies in the implementation of VA's quality control procedures. These deficiencies and VA corrective actions are also discussed below.

VA IS TAKING STEPS TO SPEED UP  
THE INITIAL STAGES OF DEATH  
CLAIMS PROCESSING AND TO IMPROVE  
QUALITY CONTROL PROCEDURES

Delays in processing death claims, especially in the initial stages of the process, at both Philadelphia and in the regional offices can be reduced. Officials at the Philadelphia insurance center have made some changes in first notice of death processing pursuant to our suggestions for improvement, and regional office processing of the first notice of death should be improved through the full implementation of VA's Target System. <sup>1/</sup> Also, insurance center officials have taken action to avoid inaccuracies in claims

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<sup>1/</sup>A new computer system intended to modernize VA's benefit claims processing system and improve services to veterans.

processing reports on performance through proper implementation and improvement of VA's quality control procedures.

#### Processing first notices of death

We previously described the events that generally occur at a regional office and the Philadelphia insurance center upon receipt of a first notice of death. (See p. 4.) However, in instances where additional information (such as the veteran's claims number, insurance file number, or date of death) was required to further process the first notices, delays occurred that we believe could, at least in part, be avoided. In the case of regional office processing, it appears that current VA procedures lead to avoidable delays in processing first notices. In both cases VA has implemented or is implementing improvements.

#### Regional office processing of first notices of death

As discussed previously current procedures state that all correspondence indicating the death of a veteran, which contains the veteran's claim folder number, will be sent through the files section to the adjudication division for further processing. The adjudication division prepares input documentation for BIRLS and sends one copy to the data terminal unit in the administrative division for input.

When correspondence is received without a claim folder number, the procedures are different. The chief of the administrative division, Washington regional office, told us that in these cases correspondence is sent to the data terminal unit for identification. BIRLS is queried in an attempt to correctly match the veteran identified in the correspondence with the veteran's file number. When identification is made, the correspondence is sent through the files section to the adjudication division. First notice of death action is not taken until the input documentation is received from the adjudication division. In addition, VA procedures have set a 3-day standard for processing first notices of death when the veteran's file is located at the regional office receiving the notice of death correspondence.

We reviewed and discussed with VA officials the time frames associated with current regional office first notice of death processing procedures. These procedures require, when incoming correspondence contains a veteran's file or

claim folder number, that the correspondence move through the files section and adjudication division before BIRLS can be notified of the veteran's death. This will take at least 3 to 4 days. When incoming correspondence does not contain the veteran's file number, the procedures require an additional step--a search by the data terminal unit of BIRLS to identify the veteran's file or claim folder number and then the movement of the correspondence through the above steps and back again to the data terminal unit for input to BIRLS of the first notice of death.

To test the impact of these procedures on first notice of death processing at the Washington regional office, we selected 90 case files which, according to VA records, had notice of death activity during November 1979. Of the 90 files, 34 were processed exclusively by the Washington regional office. In most of the remaining cases, the notice of death was received by another regional office, which processed the first notice of death and forwarded the correspondence to the Washington regional office for further processing.

Our review showed that, for the 34 cases, it took an average of 18 calendar days from the time the Washington regional office received the notice of death until BIRLS was notified. This is far in excess of VA's 3-day standard for processing first notices of death. In fact, only 2 of the 34 cases were processed within VA's standard, and only 19 were processed within the 18-day average. This was largely a result of the time-consuming movement of correspondence, required by VA's processing procedures, between regional office groups--files section, adjudication division, and administrative division.

In addition, delays in notifying BIRLS, and in turn the Compensation, Pension, and Education file, of a veteran's death increases the possibility of making benefit payments to deceased veterans, thus increasing the likelihood of overpayments and the additional workload of processing returned benefit checks.

After our review, VA began implementing the full Target System at the Washington regional office. Target is a computerized network for processing compensation, pension, and education claims and for making benefit payments. In general, Target provides VA regional offices with an immediate telecommunications inquiry and update capability to the BIRLS file and the Compensation, Pension, and Education file. Washington

regional officials told us that under Target both the adjudication and administrative divisions will have immediate access to BIRLS, thereby giving both the capability to make first notice of death actions.

The impact of the Target System on the current regional office procedures should improve first notice of death processing. Based upon the Washington regional office implementation of Target, first notice of death correspondence is, upon receipt, initially routed to the

--adjudication division, when correspondence contains the veteran's file number, where BIRLS is notified immediately through Target, or

--administrative division, when correspondence does not contain the veteran's file number, where Target is used to (1) search BIRLS for the proper file number and (2) immediately thereafter notify BIRLS of the veteran's death.

While this capability of Target will not be fully implemented in all of the regional offices until the end of 1980, and although VA's written processing procedures will not be changed until sometime after full implementation, we concur with Washington regional officials that the change in workflow caused by the use of Target should improve processing time of death claims in the initial stages.

Philadelphia insurance center  
processing of first notices of death

At the Philadelphia center, the analyzer unit is responsible for notifying BIRLS of the veteran's death. (See p. 5.) VA officials stated that in some cases the analyzer unit must obtain additional information to allow further insurance claims processing. For example:

--Incoming correspondence often does not contain the veteran's date of death, in which case

1. the analyzer unit will send a two-part mail-back post card to the veteran's next-of-kin requesting the veteran's name and the place and date of death;
2. the insurance file is then returned to the files section; and

3. when the mail-back card is received, the file is retrieved, and claims processing continues.

--In some cases the analyzer unit cannot identify, either through its own files or BIRLS, the veteran's file, in which case

1. a letter is sent to the next-of-kin asking for as much identifying information as possible, including dates of birth and death, insurance file number, service number, and service dates;
2. the insurance file is then returned to the files section; and
3. when the information is returned, the insurance file is retrieved and claims processing continues.

In our initial sample of 331 USGLI claims, we found 24 cases in which total time associated with VA processing steps (see steps 2,3,5, and 6 in table on p. 9), was 51 calendar days or more--the average processing time of these 24 cases was 82 days. An analysis of these cases shows that the analyzer unit took an average of 41 days to complete the first notice of death action. (As previously noted, the analyzer unit does not have complete control over the time frames for all first notice of death actions since some time is used by the claimant in responding to VA requests for information.)

In this regard, a potential cause of these delays in the analyzer unit was the lack of followup on correspondence sent out soliciting additional information. In both the case of the mail-back card and the letter seeking additional identifying information, VA officials informed us that, once the correspondence was mailed, no followup was made.

In discussing ways to reduce these delays with insurance center officials, we suggested that, rather than sending out mail-back cards to obtain the veteran's date of death, the next-of-kin be contacted by telephone when possible. In addition, we suggested that some system of followup be established in cases where a mail-back card or letter was required.

Based on these suggestions, insurance center officials began studying the possibilities of (1) calling beneficiaries instead of sending mail-back cards or letters and (2) establishing a control diary to follow up on correspondence mailed to beneficiaries seeking additional information.



In December 1979, VA informed us that, for the period from November 15 to December 12, 1979, the analyzer unit received 48 notices of death that did not contain a date of death. Of these, 41 dates of death were obtained by calling the correspondents. The other seven cases required followup by mail. As a result, the insurance analyzer unit has been instructed to continue to place telephone calls whenever possible to obtain the date of death.

In addition, the analyzer unit experimented with a diary control for cases in which additional information was requested by mail. VA reported in December that, based on information collected since the keeping of the diaries began, about 85 percent of the responses were received within 21 days of the request. As a result, the insurance analyzer unit has been instructed to send a followup request if no answer is received in 21 calendar days.

We concur with insurance center officials that these two new procedures should improve processing time of death claims in the initial stages.

Quality control procedures  
and performance reports

As mentioned on page 3, we found a variance between the results of our first sample of processing time at the Philadelphia center and the center's measurement of time frames based on VA quality control procedures. Because of the variance we took another sample, based on the same criteria in the VA quality control procedures, and reviewed the quality control procedures and associated reports. Our work in this regard disclosed (1) procedures needing improvement and (2) problems in the Philadelphia center's application of existing procedures. This has resulted in inaccurate reports which probably overstated the center's performance in meeting VA's overall timeliness standard for processing death claims.

To monitor insurance operations on a continuing basis, VA makes monthly reviews of claims authorized for payment by the death claims unit. This review, designed to determine both the accuracy and timeliness in processing claims, is the basis for performance reports to management. The monthly reviews depend on a statistical sample taken daily of claims authorized for payment. We found that the insurance center had not properly applied the prescribed procedures for taking

the statistical sample, which caused inaccuracies in its performance reports.

In addition, the quality control procedures require an independent validity check of at least two of the original reviews conducted on a continuing basis throughout a year. If a marked disparity is disclosed between the results of the validity check and the original review, a reliability check of the original review is performed. The stated purposes of this reliability check are to test the accuracy of the original review and disclose "any sampling technique deviations or distortions." The two validity checks made in fiscal year 1979 confirmed the results of the associated original reviews. Therefore, reliability checks were not made to test the accuracy of the original review or to disclose any sampling technique deviation or distortion. However, our analysis of the two original reviews disclosed the same failure, as noted above, to properly apply prescribed sampling procedures--a clear sampling deviation or distortion. Those disclosures were not found because VA's quality control procedures do not provide for a routine reliability check.

Based on discussions with VA officials and an independent analysis of sampling procedures by the insurance center, made after our review, VA identified these discrepancies in its sampling procedures and has taken actions to conform its quality control reviews with its procedures. In addition, the chief of insurance operations assured us that the procedures for the independent validity check would be changed to include a routine reliability check. These actions should improve the accuracy of the center's performance reports.