

Veterans Benefits Administration Quality Assurance Program (Millennium Act)

VBA maintains a quality assurance program independent of the field stations responsible for processing claims and delivering benefits. The following information about our programs including compensation and pension, education, vocational rehabilitation and employment, housing, and insurance is provided in accordance with title 38, section 7734.

Cases Reviewed and Employees Assigned by Program		
	Cases Reviewed	Employees Assigned
Compensation and Pension	17,110	18.0
Education	1,578	4.0
Vocational Rehabilitation and Employment	3,972	7.0
Housing	7,760	3.0
Insurance	11,640	4.0

Summary of Findings and Trends – Compensation and Pension

Accuracy reviews are accomplished through an outcome-based system, Statistical Technical Accuracy Review (STAR). STAR reports are based on the month that a case was completed, not when it was reviewed. Cases are requested to be submitted for review no later than the end of the following month.

Reviews of rating-related work and authorization-related products have a specific focus:

- **The benefit entitlement review** ensures all issues were addressed, Veterans Claims Assistance Act-compliant claim assistance was provided, and the resulting decision was correct, including effective dates.

- **The decision documentation/notification review** ensures adequate and correct decision documentation and proper decision notification.

The following are results for rating and authorization reviews for the 12-month period ending July 31, 2004:

	Rating		Authorization	
	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	6,797	87%	6,200	91%
Decision Documentation & Notification	6,797	90%	6,200	88%

The third type of review pertains to fiduciary work. The fiduciary review in FY 2004 was based on 4,113 cases through July 2004, with an accuracy rate of 81 percent. Most of the errors were found in the area of protection. "Protection" includes oversight of the fiduciary/beneficiary arrangement, analysis of accounting, adequacy of protective measures for the residual estate, and any measures taken to ensure that VA funds are used for the welfare and needs of the beneficiary and recognized dependents. If any of the individual components are in error, the entire case is in error.

Actions Taken to Improve Quality – Compensation and Pension

Regional offices are required to certify, on a quarterly basis, the corrective actions taken for errors documented by STAR. Reports on the corrective actions are submitted to VBA Headquarters, where they are reviewed to determine the adequacy of the corrective actions. Reliability of the reports is monitored during cyclical management site visits. Beginning in FY 2004, formal quality improvement plans were required from all regional offices with rating benefit entitlement accuracy below 80 percent.

Feedback on quality is provided to the field offices for training purposes. The STAR team uses a philosophy of consistency in review and a policy of assigning a dedicated STAR reviewer to specific field stations. Common STAR error findings are used for discussions and training during scheduled site visits and as agenda items for quarterly fiduciary program teleconference calls.

Training remains a priority and is conducted using a variety of mediums including satellite broadcasts, training letters, and computer-assisted training. Particular effort is made to ensure high-quality centralized training for new Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs).

VBA implemented a national individual performance review plan with standardized review categories, sample size, and performance standards for all VSRs and RVSRs.

VBA is continuing to work closely with VHA to improve the quality of examination requests and reports. Efforts include measuring request and report accuracy, developing training materials such as videotapes and satellite broadcasts, and sponsoring quality improvement training sessions for key medical center and regional office staff.

VBA has also initiated a program for out-basing RVSRs to selected VA medical centers to facilitate the examination process. Currently, there are 20

participating locations. These RVSRs are spending a part of their workday reviewing the examinations for quality as a part of a national review, which is the official performance measure for quality in this area. The STAR staff continues to conduct the majority of examination report quality reviews, but the out-based RVSRs' participation has significantly expanded review capacity.

Summary of Findings and Trends – Education

Education Service reviewed 1,578 cases this year. Of these cases, there were 66 decisions with payment errors and 256 with service errors (note: some cases had more than 1 service error). Eligibility and entitlement determinations constituted approximately 0.9 percent of the service errors, while development and due process notification errors were 2.3 and 4.6 percent, respectively. From 2003 to 2004, payment accuracy improved slightly from 93.5 percent to 93.6 percent.

Actions Taken to Improve Quality – Education

As in previous years, the FY 2004 quarterly quality results identified error trends and causes which became topics for refresher training in regional processing offices. In addition, annual appraisal and assistance visits provide recommendations for improving specific quality areas.

Education Service is continuing its project to develop standardized training and certification for employees. The project is expected to have a significant impact in raising quality scores and maintaining them at high levels as the project is fully implemented over the next few years.

Summary of Findings and Trends – Vocational Rehabilitation and Employment (VR&E)

In FY 2004, VR&E conducted quality reviews on 3,972 cases. The reviews were conducted over a 12-month period, with each station reviewed twice during the fiscal year. The goal was to review at least 64 cases from each station.

Accuracy Elements	September 2004
Accuracy of Entitlement Determinations	96%
Accuracy of Evaluation, Planning, and Service Delivery	86%
Accuracy of Fiscal Decisions	89%
Accuracy of Outcome Decisions	95%

Actions Taken to Improve Quality – Vocational Rehabilitation and Employment

There was significant improvement from FY 2003 in the VR&E accuracy scores. These changes are attributed to the following initiatives implemented over the last 2 years:

- The Quality Assurance (QA) Reconsideration Review Board continued to provide resolutions on stations' requests for reconsideration of decisions made during the QA reviews, and provided clarification on VR&E policies and guidelines on cases.
- Local QA reviews were implemented in all regional offices. Each regional office conducts a review of 10 percent of their caseload each year. QA reports for the national and local reviews were made available through an Intranet Web site that provided each regional office an account for their individual quality assessment and training needs.
- QA bulletins were published containing guidelines and clarifications on existing policies.

Summary of Findings and Trends – Housing

The housing program reviewed 7,760 cases under its statistical quality control program in FY 2004. The defect rate equaled 1.89 percent, with the current national accuracy index being 98.11 percent. This is an improvement of a .49 percentage point above 2003.

The housing quality assurance program includes elements beyond the review of cases. The Lender Monitoring Unit

performed 39 on-site audits and 34 in-house audits of lenders participating in VA's home loan program.

The Portfolio Loan Oversight Unit (PLOU) conducts two types of reviews: in-house and on-site. In-house reviews are conducted on a continuous basis; approximately 55,000 reviews were completed in FY 2004. PLOU reviewed billing invoices and completed performance reviews from the portfolio services contractor, Countrywide Home Loans (CHL), in addition to solving problems associated with portfolio loans and properties. Detailed analyses on over 5,700 portfolio loans (regarding loan amortization) were conducted during FY 2004.

Loan Guaranty staff conducted 9 on-site reviews of regional loan centers and eligibility centers identifying 129 strengths, 137 weaknesses, and 35 best practices, and mandating 35 corrective actions. On-site reviews were conducted in January 2004 at the CHL offices in Plano, Texas, covering foreclosure, bankruptcy, and loss mitigation issues. Off-site reviews of other CHL facilities were conducted in August and September 2004, covering customer service, delinquent loan servicing, taxes, insurance, etc., as well as updated reviews of some foreclosure elements.

On-site performance reviews are generally conducted in cooperation with VA's oversight review team, whose members include: Loan Guaranty Service (Loan Management); the Indianapolis RO-based branch of Loan Management (PLOU); the Office of Inspector General (Financial Audit Division); the Office of Financial Policy (Financial & Systems Quality Assurance Service); and the Office of Resource Management (Finance and Administrative Services).

In FY 2004, the reviews by Loan Management/PLOU recovered excessive contractor charges by an estimated \$58,500. Additional amounts identified by PLOU relating to real estate tax penalties on GI loan property conveyances exceeded \$224,000 as of the end of FY 2004. PLOU also discovered 356 real estate owned

(REO) records in CHL's system for properties VA had previously sold or returned to the custody of the loan-servicing provider. This will avoid future annual tax payments of approximately \$178,000. PLOU has identified over \$2.5 million in unwarranted costs resulting from delays or errors by the prior servicing contractor. Actions will be initiated to recover these monies.

VA audits of lenders during FY 2004 amounted to approximately \$1,310,927 in liability avoidance. The Lender Monitoring Unit also recovered approximately \$71,000 in overcharges. These overcharges were refunded directly to veterans.

Actions Taken to Improve Quality – Housing

The Loan Guaranty Service disseminates the results of statistical quality control (SQC) reviews to field loan guaranty divisions on a monthly basis. Loan Guaranty prepares and releases a trend report to field personnel that identifies negative trends and action items found during FY 2004 surveys. The report is published to assist field personnel in identifying frequent problems facing loan guaranty management. Additionally, summaries of best practices employed by individual field stations are distributed quarterly to all field stations with loan guaranty activity.

National training is provided to enhance the quality of service provided to veterans and to increase lender compliance with VA policies. Lenders who significantly failed to comply with policies were either required to enter into indemnification agreements with VA or immediately repay the agency for its losses.

VA awarded the Property Management Service Contract to Ocwen Federal Bank FSB (Ocwen) of West Palm Beach, Florida, on August 27, 2003. Under this contract, Ocwen manages and sells all VA-acquired properties as a result of foreclosure or termination of GI and portfolio loans. These assets are currently worth over a billion dollars. VA began transitioning properties

to Ocwen in early December 2003. Loan Guaranty established the Property Management Oversight Unit (PMOU) in 2004 to monitor the management and marketing of the properties by Ocwen. The PMOU monitors Ocwen's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at Ocwen's Orlando, Florida, operations center on a quarterly basis. The PMOU is also responsible for reviewing and certifying all payments made to Ocwen including reimbursement of out-of-pocket expenses on VA properties as well as the service provider fee due when the property is sold. This requires quality assurance checks to ensure that Ocwen is entitled to the reimbursement being claimed.

Summary of Findings and Trends – Insurance

The insurance program's principal quality assurance tool is the statistical quality control (SQC) review. It assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed or pending work products. These work products are generally grouped into two broad categories based on the operating divisions in which they are performed – Policyholders Services or Insurance Claims Divisions.

Policyholders Services, whose work products deal with the maintenance of active insurance policies, had an overall accuracy rate of 97 percent for FY 2004. Work products included correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries. Insurance Claims is responsible for the payment of death and disability awards, the issuance of new coverage, and the processing of beneficiary designations. The accuracy rate for insurance claims work products was 98.5 percent. Work products included death claims, awards maintenance, beneficiary and option changes, disability claims, and medical applications. In total, 97.6 percent of all FY 2004 insurance work products were accurate.

Regarding timeliness, 97 percent of the work measured in Policyholders Services and 95 percent of the work measured in Insurance Claims were within accepted timeliness standards. In all, 96 percent of FY 2004 insurance work products were timely.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews 100 percent of all employee-prepared disbursements and also reviews insurance operations for fraud through a variety of reports. Reports are generated daily and identify death claims based on specific criteria that indicate possible fraud. Primary end products processed by employees in the operating divisions are evaluated based on the elements identified in the Individual Employee Performance Requirements. As a result of these controls, insurance disbursements have been 99.8 percent accurate.

Actions Taken to Improve Quality – Insurance

The Insurance Service uses SQC and employee performance review programs to measure quality and timeliness on an overall and individual basis. Both programs are valuable as training tools because they identify trends and problem areas. When a reviewer finds an error or discrepancy during a review, he or she prepares an exception sheet that clearly describes how the item was processed incorrectly. The noted item is then reviewed with the person who incorrectly processed the form.

SQC reviews are based on random samples of key work products and evaluate how well these work products are processed in terms of both quality and timeliness.

Exceptions are brought to the attention of the insurance operations division chiefs, unit supervisors, and employees who worked the case.

VBA's Insurance Service evaluates the SQC programs periodically to determine if they are functioning as intended. Currently the Insurance Service is examining error and discrepancy classifications and sample sizes.

Individual performance reviews are conducted monthly. The performance levels – critical and non-critical elements – are identified in the Individual Employee Performance Requirements. These reviews are based on a random sampling of the primary end products turned out by employees in the operating divisions. Those items found to have errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards.

The insurance program implemented a dozen job aids under the initiative called Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems (SKIPPES). This program captures “best practices” for processing various work items and makes them available on each employee’s desktop. It is expected that the SKIPPES job aids will further reduce error rates and improve timeliness.

In addition to the above, the Internal Control Staff records and returns work with any errors they detect while conducting reviews. The records are continuously analyzed, and corrective training and other steps are taken to reduce/eliminate such errors.