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VETERANS' DISABILITY BENEFITS

Improved Transparency Needed to Facilitate Oversight of VBA's Compensation and Pension Staffing Levels

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Highlights of GAO-06-225T, a statement for the record to Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans' Affairs, House of Representatives

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Why GAO Did This Study

The Chairman, Subcommittee on Disability Assistance and Memorial Affairs, House Committee on Veterans' Affairs, asked GAO to submit a statement for the record highlighting findings from an examination of the Veterans Benefit Administration's (VBA) fiscal year 2005 budget justification. In that review, we assessed (1) VBA's determination and justification of claims processing staffing levels, and the role of productivity in such determinations, and (2) VBA's projections of future claims workload and complexity.

What GAO Recommends

In our November 2004 report, GAO recommended that VBA take steps to ensure the Congress has a realistic and transparent foundation on which to base funding decisions for disability compensation and pension programs. Specifically, GAO recommended that VBA provide additional information on (1) the impact of claims processing improvement initiatives; (2) claims processing productivity, and plans to improve productivity; and (3) the impact of changes in claims complexity. VA concurred with this recommendation.

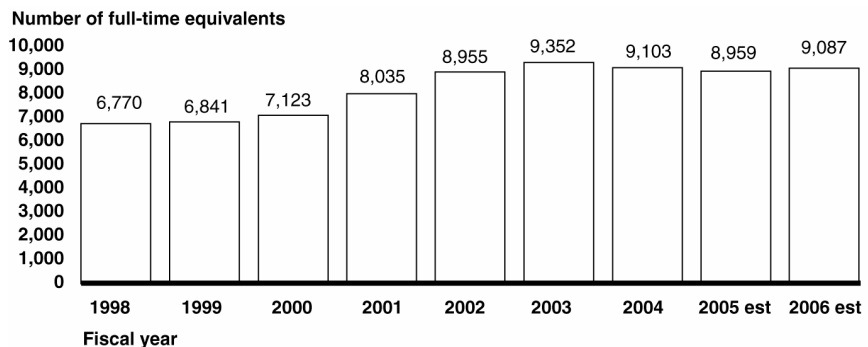
What GAO Found

We reported in November 2004 that VBA's fiscal year 2005 budget justification for disability compensation and pension staffing could have been more transparent. VBA inadequately explained how it planned to deal with a growing workload and meet its performance goals despite a lower staffing level. We recommended that to make its budget justification more transparent and useful for congressional oversight, VBA provide the Congress with the following types of information:

- Explanation of the expected impact of specific initiatives and changes in incoming claims and workload. While the fiscal year 2005 justification identified a number of factors that could affect VBA's staffing requirements, VBA did not clearly explain how each of these initiatives and projections affected its funding request for fewer employees.
- Claims processing productivity, including VBA plans to improve productivity. The fiscal year 2005 budget justification inadequately explained how VBA would achieve productivity improvements needed to improve claims processing performance with larger workloads and fewer staff.
- Explanation of how claims complexity is expected to change and the impact of these changes on productivity and requested staffing levels. VBA stated that claims complexity is increasing, but did not project increases in disabilities per claim or explain how complexity changes would affect productivity.

In responding to our report, VBA agreed to work to include this information in its future budget justifications for compensation and pension staffing and identified more specific steps that it plans to take in its fiscal year 2007 and 2008 budget cycles. We have observed that, in contrast to last year, the fiscal year 2006 justification contains performance goals that VBA believes are more achievable and it addresses how it will achieve these goals within higher resource levels, due to additional funding from the Congress.

VBA Compensation and Pension FTEs, Fiscal Years 1998-2006



Source: Department of Veterans Affairs Budget Submissions for fiscal years 2000-06.

www.gao.gov/cgi-bin/getrpt?GAO-06-225T.

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

Dear Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to comment on Veterans Benefits Administration (VBA) requests for funding to administer its disability compensation and pension programs, in particular funding for claims processing staffing levels. The Congress relies on VBA's annual budget justification as the agency's statement of how it plans to spend the funds it requested and for conducting its oversight of VBA. Therefore, it is important that VBA provide the Congress with a reliable and transparent analysis to support its funding requests.

As the Chairman requested, my statement is based on our November 2004 report on VBA's fiscal year 2005 staffing request and presents key findings and recommendations from that report.¹ To update information in the report, we reviewed VBA's fiscal year 2006 budget submission and obtained final fiscal year 2005 data on VBA's compensation and pension claims workload. We did not perform independent verification of VA's data for this statement, but are currently assessing the reliability of VBA's workload data. We conducted our review in October 2005, in accordance with generally accepted government auditing standards.

In summary, we reported in November 2004 that VBA's fiscal year 2005 budget justification for disability compensation and pension staffing could have been more transparent. VBA inadequately explained how it planned to deal with a growing workload and meet its performance goals despite a lower full-time equivalent (FTE) staff level. We recommended that to make its budget justification more transparent and useful for congressional oversight, VBA provide the Congress with the following types of information:

- Explanation of the expected impact of specific initiatives and changes in incoming claims workload. While the fiscal year 2005 justification identified a number of factors that could affect VBA's staffing requirements, VBA did not clearly explain how each of these initiatives and projections affected its funding request for fewer employees.
- Claims processing productivity, including VBA plans to improve productivity. The fiscal year 2005 budget justification inadequately

¹GAO, *Veterans' Benefits: More Transparency Needed to Improve Oversight of VBA's Compensation and Pension Staffing Levels*, [GAO-05-47](#) (Washington, D.C.: Nov. 15, 2004).

explained how VBA would achieve productivity improvements needed to improve claims processing performance with larger workloads and fewer staff.

- Explanation of how claims complexity is expected to change and the impact of these changes on productivity and requested staffing levels. VBA stated that claims complexity is increasing, but did not project increases in disabilities per claim or explain how complexity changes would affect productivity.

In responding to our report, the Department of Veterans Affairs (VA) agreed to work with the Office of Management and Budget and congressional appropriating and authorizing committees to ensure that appropriate supporting information is included in its future budget justifications for compensation and pension staffing. VBA also identified more specific steps that it plans to take in response to our recommendation, in the fiscal year 2007 and 2008 budget cycles. Meanwhile, we have observed that VBA's fiscal year 2006 budget justification addressed how VBA would use higher resource levels, due to additional funding from the Congress, to meet what it believes are more achievable performance goals. For example, VBA eased its fiscal year 2005 goal for average days to complete rating-related claims from 100 to 145 days.²

Background

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

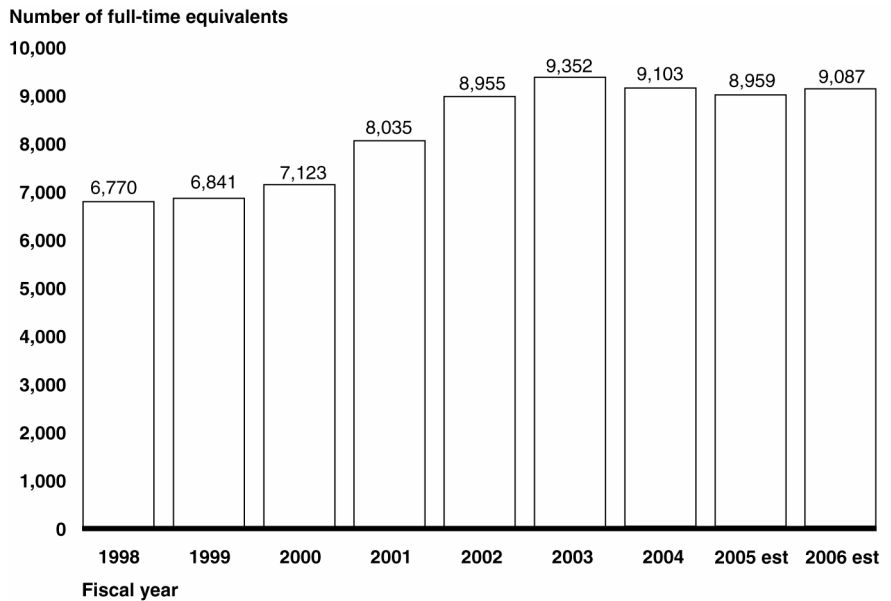
²Rating-related decisions are primarily decisions on original claims for compensation and pension benefits and reopened claims. For example, veterans may file reopened claims if they believe their service-connected conditions have worsened.

VBA's administrative costs, including personnel costs, are funded through VA's General Operating Expenses account. VBA, as part of VA's annual budget justification, asks for specific amounts for each of its programs, including compensation and pension programs. Funding is requested to support an estimated FTE employment level.³ In fiscal year 2004, VBA spent about \$926 million to administer its compensation and pension programs, including support for about 9,100 FTEs.

From fiscal year 1998 through 2003, VBA's compensation and pension staffing levels increased by about 38 percent, from 6,770 to 9,352 FTEs, as shown in figure 1. Staffing levels increased because VBA hired hundreds of new Rating Specialists and VSRs in anticipation of a large number of future retirements. Also, these additional staff helped VBA respond to a sharp drop in the production of rating-related claims decisions in fiscal year 2001, with these decisions increasing from 481,000 to 827,000 in fiscal year 2003. After relatively small declines in the FTE level in fiscal years 2004 and 2005, VBA estimated that its fiscal year 2006 budget request would support 9,087 FTEs.

³Full-time equivalent employment is the basic measure of levels of employment used in the budget. It is the total number of hours worked divided by the total number of compensable hours in a fiscal year. For example, in fiscal year 2003 an FTE represented 2,088 hours (8 hours per day for 261 days).

Figure 1: VBA Compensation and Pension FTEs, Fiscal Years 1998-2006



Source: Department of Veterans Affairs Budget Submissions for fiscal years 2000-06.

In fiscal year 2005, VBA's 57 regional offices received about 788,000 rating-related claims from veterans and their families for disability benefits. This included about 211,000 original claims for compensation of service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty) and about 439,000 reopened compensation claims.⁴ In addition, about 85,000 original and reopened claims were filed for pensions for wartime veterans who have low incomes and are permanently and totally disabled for reasons not service-connected and for their survivors.⁵ In addition, VBA received about 28,000 original claims for dependency and indemnity compensation by deceased veterans' spouses, children, and parents and to survivors of service members who died on active duty. VBA's rating-related claims received increased by about 17,000 from fiscal year 2004 to fiscal year 2005, continuing a trend

⁴For example, a reopened compensation claim could be filed by a veteran seeking an increase in disability rating based on the worsening of a service-connected disability or by a veteran seeking compensation for a previously unclaimed disability.

⁵Veterans aged 65 or older do not have to be permanently and totally disabled to become eligible for pension benefits, as long as they meet the other requirements for income and military service. VBA also pays pensions to surviving spouses and unmarried children of deceased wartime veterans.

that has seen an increase of more than 200,000 claims (about one-third) since fiscal year 2000.

VBA's Budget Justifications Could More Clearly Explain the Basis for Its Compensation and Pension Staffing Estimates

VBA officials stated that productivity improvements, workload changes, and attrition of experienced claims processing staff are considered throughout the annual budget process. However, VBA's fiscal year 2005 budget justification did not clearly explain how these factors affected its request. Early in this process, the Compensation and Pension Service makes a budget request that is reviewed by VBA's Office of Resource Management, under the direction of VBA's Chief Financial Officer, and becomes part of VBA's total request. VBA's request eventually becomes part of VA's overall budget request, which is submitted to the Office of Management and Budget (OMB) for review.⁶

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

Despite identifying these factors in its 2005 budget justification, VBA did not specify how such initiatives and projections would affect the number of employees it needed to meet its claims processing performance goals. For example, VBA projected that in fiscal year 2005, the number of original and reopened compensation claims receipts would increase by about 15 and 10 percent, respectively, from its fiscal year 2004 estimates, and that original and reopened pension receipts would decrease by about 2 percent. However, VBA did not specifically identify how these anticipated workload trends had affected its requested staffing levels or its expected

⁶Under OMB guidance (Circular A-11), agency FTE employment estimates should consider productivity improvements and workload assumptions.

improvements in productivity. VBA's reduced staffing request was consistent with OMB guidance to agencies to assume increased productivity in their budget requests—for example, to do the same amount of work with fewer employees. However, the budget justification does not describe how its FTE staffing requirements are linked to the specific initiatives and projections that could affect these needs. We recommended that VBA provide the Congress with an explanation of the expected impact of specific initiatives and changes in incoming claims workload on requested staffing levels. VBA concurred, stating that, beginning with the fiscal year 2007 budget cycle, VBA will provide detailed analyses of instituted or planned initiatives and process changes, and their anticipated impact on productivity.

Also, VBA's fiscal year 2005 budget justification provided no specific information on its compensation and pension claims processing productivity or on its planned improvements in productivity. VBA expressed confidence that it could improve productivity enough to meet its claims processing goals for fiscal year 2005 with fewer employees, despite a projected increase in the workload of compensation claims. However, the budget justification included no measurement of productivity nor did it identify how it planned to achieve the needed productivity improvements. We recommended that VBA provide the Congress with additional information on claims processing productivity, including how it plans to improve productivity. VBA concurred, stating that it would investigate ways to incorporate more information on productivity in the formulation of its fiscal year 2007 budget justification.

Further, VBA did not project the complexity of its rating-related claims in its fiscal year 2005 budget submission and did not explain the impact of complexity on productivity and requested staffing levels. VBA has noted that disability compensation claims have become more complex because veterans are claiming more service-connected disabilities per claim, and VBA must make a decision whether each disability is service-connected. Meanwhile, the Congress and VA have established presumptions of compensation and pension eligibility that can make some claims less complex. For example, the Congress and VA have identified several types of disabilities (such as type II diabetes) as service-connected based on the presumption that veterans who served in Vietnam were exposed to Agent Orange. Claims based on these disabilities can be simpler to decide because less evidence is needed to prove service connection. VBA did not specifically explain the impact of claims complexity on productivity and staff requirements. Further, VBA's discussion of complexity in its fiscal year 2006 budget justification was limited to a statement that complexity is

increasing. We recommended that VBA prepare an explanation of how claims complexity is expected to change and the impact of these changes on productivity and requested staffing levels. VBA concurred, stating that modifications were being made to its information systems that would enable VBA to use data from its Rating Board Automation 2000 system to measure complexity in terms of numbers of issues adjudicated. VBA anticipates having sufficient baseline data by the end of calendar 2005 to support its fiscal year 2008 budget projections.

VBA's fiscal year 2006 budget justification proposed to fund more FTEs than it originally proposed for fiscal year 2005 and set more achievable performance goals. Specifically, VBA estimated that it would have 7,703 direct compensation and pension FTEs in fiscal year 2005, primarily for the processing of compensation and pension claims.⁷ This was 290 FTEs more than VBA originally requested. VBA requested the same direct FTE level for fiscal year 2006. This increased staffing level was funded through a transfer of \$119 million from VA's Medical Services account, as authorized by the Congress. At the same time, VBA adjusted key fiscal year 2005 performance goals to make them less ambitious. For example, the new goal for average days to complete a rating-related decision was 145 days, up from 100 days. Also, VBA's new timeliness goal for pending rating-related compensation claims was an average of 119 days, up from 96 days. While VBA met neither goal, it came closer to the revised goals.⁸ Also, VBA provided information on claims decision productivity, in terms of rating-related claims decided per direct FTE.

Concluding Observations

We concluded in our November 2004 report that it was difficult to determine whether VBA's confidence that it could meet its key fiscal year 2005 claims processing goals was well-founded because its budget justification lacked sufficient information to make such an assessment. VBA agreed, recognizing that it had not provided the Congress with the information needed to determine whether it could meet its compensation and pension claims processing performance goals despite increasing workload and a lower staffing level. VBA has adjusted its performance goals to make them more achievable, in particular its goals to provide

⁷VBA's budget justification also included requests for funding of management direction and support and information technology FTEs.

⁸VBA completed rating-related decisions in an average of 167 days in fiscal year 2005, and its end of fiscal year rating-related compensation inventory's average age was 122 days.

more timely claims decisions to veterans and their families. Meanwhile, the Congress provided additional funding to support a higher staffing level. VBA has identified steps it plans to take to provide additional information in support of its annual budget requests. It is important to do so to make its budget requests more transparent and more useful for congressional budgetary decisionmaking and oversight.

GAO Contact and Acknowledgments

For further information, please contact Cynthia A. Bascetta at (202) 512-7215. Also contributing to this statement were Cristina Chaplain, Irene Chu, Martin Scire, and Greg Whitney.

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