

December 2005

# VETERANS' BENEFITS

## Further Changes in VBA's Field Office Structure Could Help Improve Disability Claims Processing



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# Highlights

Highlights of [GAO-06-149](#), a report to congressional requesters

## Why GAO Did This Study

The Chairman, former Chairman, and Ranking Minority Member, Senate Committee on Veterans' Affairs asked GAO to review the Veterans Benefits Administration's (VBA) efforts to realign its compensation and pension claims processing field structure to improve performance. This report (1) identifies the actions VBA has taken to realign its compensation and pension claims processing field structure to improve performance, and (2) examines whether further changes to its field structure could improve performance.

## What GAO Recommends

To help ensure more timely, accurate, and consistent decisions in a cost-effective manner, we recommend that the Secretary of Veterans Affairs (VA) direct the Under Secretary for Benefits to undertake a comprehensive review of VBA's field structure for processing disability compensation and pension claims. This review would address staff deployment, opportunities for consolidating disability compensation and pension claims processing, and human capital and real property issues.

VA concurred fundamentally with GAO's recommendation and noted that field restructuring is a complex process. It stated it will establish a task force to thoroughly explore potential areas for consolidation.

[www.gao.gov/cgi-bin/getrpt?GAO-06-149](http://www.gao.gov/cgi-bin/getrpt?GAO-06-149).

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](mailto:bascettac@gao.gov).

## VETERANS' BENEFITS

# Further Changes in VBA's Field Office Structure Could Help Improve Disability Claims Processing

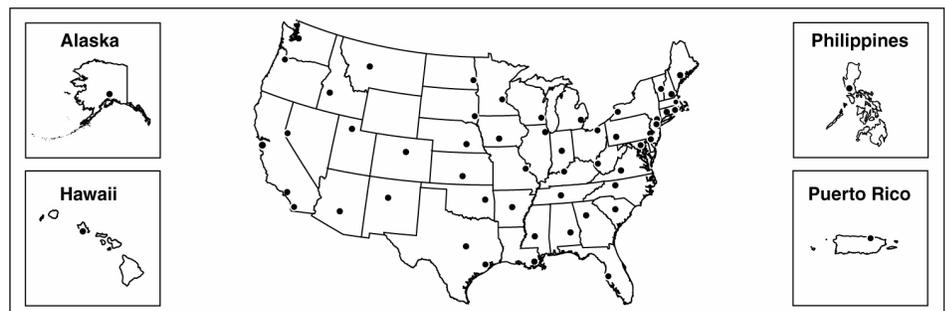
## What GAO Found

Since 2001, VBA has made a number of changes to its field structure and staff deployment in an effort to improve compensation and pension claims processing performance, in particular, to improve the timeliness of claims decisions and reduce inventories. VBA

- created a Tiger Team to complete very old claims, and claims from elderly veterans,
- created nine resource centers to decide claims developed at the regional offices of jurisdiction,
- consolidated pension maintenance work at three regional offices to free up staff at other offices to concentrate on other work,
- consolidated in-service dependency and indemnity compensation claims at one office,
- consolidated processing of appeals remanded from VA's Board of Veterans Appeals at one office, and
- is consolidating decision making on Benefits Delivery at Discharge (BDD) claims at two regional offices.

While VBA has taken these steps to improve its claims processing performance through targeted realignments of its field structure and workload, VBA has not changed the basic field structure for processing claims for disability compensation and pension benefits, and it still faces performance challenges. VBA continues to process these claims at 57 regional offices, where large performance variations and questions about decision consistency persist. For example, in fiscal year 2004 the average time to decide a rating-related claim ranged from 99 days at one office to 237 days at another, and accuracy varied across regional offices. Furthermore, productivity improvements are necessary to maintain performance in the face of greater workloads and relatively constant staffing resources. VBA and others who have studied claims processing have suggested that consolidating claims processing into fewer regional offices could help improve claims processing efficiency, save overhead costs, and improve decision accuracy and consistency.

### VBA's 57 Regional Offices Process Disability Claims



Source: VBA.

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# Contents

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<b>Letter</b>		<b>1</b>
	Results in Brief	2
	Background	3
	VBA Has Used Limited Field Restructuring and Staff Redeployment to Improve Compensation and Pension Performance	5
	VBA Continues to Face Challenges as It Realigns Its Compensation and Pension Field Structure	8
	Conclusions	12
	Recommendation for Executive Action	12
	Agency Comments and Our Response	12
<b>Appendix I</b>	<b>Scope and Methodology</b>	<b>14</b>
<b>Appendix II</b>	<b>Comments from the Department of Veterans Affairs</b>	<b>17</b>

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## Abbreviations

BDD	Benefits Delivery at Discharge
DOOR	Distribution of Operational Resources
FTE	full-time equivalent
NPRC	National Personnel Records Center
PA&I	Office of Performance Analysis and Integrity
STAR	Systematic Technical Accuracy Review
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VSR	veterans service representative

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United States Government Accountability Office  
Washington, DC 20548

December 9, 2005

The Honorable Larry E. Craig  
Chairman  
The Honorable Daniel K. Akaka  
Ranking Minority Member  
Committee on Veterans' Affairs  
U.S. Senate

The Honorable Arlen Specter  
United States Senate

Providing veterans and their survivors with timely, accurate, and consistent decisions on their claims for disability compensation and pension benefits has been a long-standing challenge for the Department of Veterans Affairs (VA). Veterans continue to experience lengthy waits for decisions, and VA's Veterans Benefits Administration (VBA) continues to experience excessive claims inventories and problems with decision accuracy. These performance problems are one reason why we designated VA and other federal disability programs as a High-Risk area in January 2003.<sup>1</sup> We have noted that to enable it to handle an increasing claims workload without significant increases in staffing resources, VBA needs to improve claims processing productivity.<sup>2</sup> Also, we have reported that VBA needs to improve its ability to provide veterans with consistent decisions—that is, comparable decisions on benefit entitlement and rating percentage for comparable disabilities regardless of the regional offices making the decisions.<sup>3</sup> Improving VBA claims processing performance, and positioning the agency to deal with future workload changes, depends in part on VBA's ability to maintain a highly qualified and productive claims processing workforce deployed where it can be utilized most effectively.

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<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003).

<sup>2</sup>For example, see GAO, *Veterans' Disability Benefits: Claims Processing Problems Persist and Major Performance Improvements May Be Difficult*, [GAO-05-749T](#) (Washington, D.C.: May 26, 2005).

<sup>3</sup>For example, see GAO, *VA Disability Benefits: Board of Veterans' Appeals Has Made Improvements in Quality Assurance, but Challenges Remain for VA in Assuring Consistency*, [GAO-05-655T](#) (Washington, D.C.: May 5, 2005).

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At your request, we reviewed VBA's efforts to realign its compensation and pension claims processing field structure to improve productivity, timeliness, accuracy, and consistency, and to allow VBA to deal with significant workload changes. Specifically, we (1) identified the actions VBA has taken to realign its compensation and pension claims processing field structure to improve performance and (2) examined whether further changes to its field structure could improve performance.

To develop the information for this report, we reviewed VBA's model for allocating staff to its regional offices and discussed the allocation model with VBA officials. We also analyzed VBA staffing data from fiscal years 2001 through 2004 for VBA's regional offices. To determine the range in workload and performance of VBA's regional offices, we reviewed VBA workload, timeliness, and accuracy data. We assessed the reliability of VBA's timeliness and workload data and found the data sufficiently reliable for the purposes of this report. We also assessed the reliability of VBA's fiscal year 2004 accuracy data and found that the accuracy data were sufficiently reliable to show the differences between VBA's most and least accurate offices (see app. I). To discuss VBA initiatives and the impacts of changes in staffing levels, we visited the VBA regional offices in Washington, D.C.; Boston, Massachusetts; Newark, New Jersey; Philadelphia, Pennsylvania; and Salt Lake City, Utah. Also, while visiting the Salt Lake City regional office, we interviewed by videoconference officials of the Anchorage, Alaska, and Fort Harrison, Montana, regional offices, which are operated by the Salt Lake City regional office. We conducted our review from November 2004 through October 2005 in accordance with generally accepted government auditing standards.

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## Results in Brief

Since 2001, VBA has made several targeted changes to its field structure and staff deployment in an effort to improve compensation and pension claims processing performance, in particular to improve claims processing timeliness and reduce rating-related claims inventories. VBA established a Tiger Team in October 2001, including experienced rating specialists, to complete very old claims and claims from elderly veterans. At the same time, VBA established nine resource centers, where teams of rating specialists decided claims developed at the regional offices of jurisdiction. Further, VBA consolidated specific types of work, including pension maintenance work (such as annual means testing for VA pension beneficiaries) at three regional offices in January 2002 in an effort to free up staff at other offices to concentrate on rating-related claims. VBA also consolidated in-service dependency and indemnity compensation claims at one office in August 2002, and appeals remanded from VA's Board of

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Veterans Appeals at one office in July 2003. Finally, VBA is in the process of consolidating decision-making on Benefits Delivery at Discharge (BDD) claims at two regional offices.

While VBA has taken these steps to improve its claims processing performance through limited realignments of its field structure and workload, VBA has not changed the basic field structure for processing its key workload—claims for disability compensation and pension benefits—and it still faces performance challenges such as improving disability compensation and pension claims processing timeliness, decision-making accuracy and consistency, and productivity. VBA continues to process these claims at 57 regional offices, where large performance variations and questions about decision consistency persist. For example, in fiscal year 2004, the average time to decide a rating-related claim ranged from 99 days at one office to 237 days at another, while the accuracy of rating-related decisions ranged from 76 to 96 percent. In addition, we have noted that VBA faces continuing questions about its ability to ensure that veterans receive consistent decisions, regardless of which regional offices decide their claims. Furthermore, our prior work found that productivity improvements are necessary to maintain performance in the face of greater workloads and relatively constant staffing resources. VBA and others who have studied claims processing have identified various options for changing the basic field structure in order to improve claims processing efficiency, reduce overhead costs, and improve decision accuracy and consistency, including consolidating claims processing into fewer than 57 regional offices. No matter which alternative VBA chooses to pursue, a broad array of human capital and real property issues would need to be addressed.

This report contains a recommendation to the Secretary of Veterans Affairs to have VBA extend its improvement efforts by undertaking a comprehensive reexamination of its compensation and pension claims processing field structure, including staff deployment, opportunities to consolidate claims processing operations, and related human capital and real property management issues. VA concurred fundamentally with our recommendation and noted that field restructuring is a complex process. It stated it will establish a task force to thoroughly explore potential areas for consolidation.

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## Background

VBA's disability compensation and pension claims processing is done in its 57 regional offices. Each state, except Wyoming, has at least 1 regional office; California has 3, and New York, Pennsylvania, and Texas have 2

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each. VBA also has regional offices in Washington, D.C.; San Juan, Puerto Rico; and Manila, the Philippines. Also, VBA has 142 Benefits Delivery at Discharge sites, where VBA staff process claims from newly separated service members. In fiscal year 2004, VBA spent about \$926 million to administer its disability compensation and pension programs. This included support for about 9,100 full-time equivalent (FTE) employees.

In fiscal year 2004, VBA received about 771,000 rating-related claims from veterans and their families for disability benefits. This included about 195,000 original claims for compensation of service-connected disabilities (injuries or diseases incurred or aggravated while on active military duty), and about 438,000 reopened compensation claims.<sup>4</sup> In addition, about 87,000 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 their survivors.<sup>5</sup> In addition, VBA received about 29,000 original claims for dependency and indemnity compensation from deceased veterans' spouses, children, and parents and to survivors of service members who died on active duty.

When a veteran or other claimant submits a claim for disability compensation, pension, or dependency and indemnity compensation 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 predetermination team develops the claim, that is, assists the claimant in obtaining sufficient evidence to decide the claim. For rating-related claims, a decision is made in a rating team by rating veterans service representatives (also known as rating specialists). 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.

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<sup>4</sup>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.

<sup>5</sup>Veterans age 65 and 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.

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For a number of years, VBA's regional offices have experienced problems processing veterans' disability compensation and pension claims. As we reported in May 2000, VBA's regional offices still experience problems such as large backlogs of pending claims, lengthy processing times, and questions about the consistency of its regional office decisions.<sup>6</sup> VBA has acknowledged the need to improve the timeliness and accuracy of claims processing.

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## VBA Has Used Limited Field Restructuring and Staff Redeployment to Improve Compensation and Pension Performance

Since 2001, VBA has made a number of changes to its field structure and staff deployment in an effort to provide veterans with faster decisions and reduce its rating-related claims inventory. In October 2001, VBA established a Tiger Team, including experienced rating specialists, to complete very old claims and claims from elderly veterans. Also, to supplement regional offices' claims processing capacity, VBA established nine resource centers, where teams of rating specialists decided claims developed at the regional offices of jurisdiction. Further, VBA has consolidated specific types of work, including pension maintenance work (such as annual means testing for VA pension beneficiaries) at three regional offices, in an effort to free up staff at other offices to concentrate on rating-related claims. VBA also consolidated in-service dependency and indemnity compensation claims at its Philadelphia regional office; created an Appeals Management Center in Washington, D.C., to process appeals remanded from VA's Board of Veterans Appeals; and is consolidating the rating of Benefits Delivery at Discharge claims at the Salt Lake City and Winston-Salem, North Carolina, regional offices. Further, VBA reduced the jurisdictions of two regional offices with inadequate performance—Washington, D.C., and Newark—to reduce their claims workloads.

In fiscal year 2002, VBA established special units to supplement regional offices' claims processing capacity, as part of its effort to achieve rating-related decision timeliness improvement and reduce its pending claims inventory. The Tiger Team at the Cleveland, Ohio, regional office was tasked to process very old claims (pending 1 year or more), and claims by elderly veterans (aged 70 and older). The Tiger Team was staffed with experienced rating specialists and with veterans service representatives, primarily from the Cleveland office's staff, to perform whatever additional development work was needed on the claims they receive and to make

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<sup>6</sup>GAO, *Veterans Benefits Administration: Problems and Challenges Facing Disability Claims Processing*, GAO/T-HEHS/AIMD-00-146 (Washington, D.C.: May 18, 2000).

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rating decisions on these claims. To help expedite development work, VBA obtained priority access for the Tiger Team to obtain evidence from VA and other federal agencies. For example, VA and the National Archives and Records Administration completed a memorandum of understanding in October 2001 to expedite Tiger Team requests for service records at the National Personnel Records Center (NPRC) in St. Louis, Missouri. Also, VBA established procedures and time frames for expediting Tiger Team requests for medical evidence and examinations from the Veterans Health Administration. In fiscal year 2004, the Tiger Team completed over 14,000 decisions. Since its creation in fiscal year 2002, the average age of VBA's inventory of rating-related claims has declined from 182 days at the end of September 2001 to about 118 days at the end of September 2004.

In addition, VBA supplemented regional offices' capacity to make claims decisions by establishing resource centers at nine regional offices.<sup>7</sup> The resource centers, staffed with rating specialists who were less experienced than the Tiger Team's, were to decide "ready to rate" claims. These are claims where veterans service representatives at the regional offices of jurisdiction had developed the evidence needed to support decisions on the claims. In fiscal year 2004, the nine resource centers completed about 69,000 decisions. Since their creation, the inventory of rating-related claims has declined from about 421,000 to about 321,000 claims at the end of fiscal year 2004.

VBA has also consolidated some specific types of compensation and pension work into specialized units. In January 2002, VBA consolidated pension maintenance work at three regional offices—St. Paul, Minnesota; Philadelphia; and Milwaukee, Wisconsin. This work involves, for VBA's means-tested pension programs, conducting periodic income and eligibility verifications for beneficiaries. In fiscal year 2004, the Pension Maintenance Centers completed over 200,000 pension maintenance actions. In addition to consolidating pension maintenance, VBA plans to consolidate all pension claims processing at the three Pension Maintenance Centers.

VBA also consolidated in-service dependency and indemnity compensation claims at the Philadelphia regional office. These claims are

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<sup>7</sup>The resource centers are located at the regional offices in San Diego, California; St. Petersburg, Florida; Togus, Maine; St. Louis, Missouri; Muskogee, Oklahoma; Philadelphia, Pennsylvania; Columbia, South Carolina; Seattle, Washington; and Huntington, West Virginia.

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filed by survivors of service members who die while in military service.<sup>8</sup> VBA consolidated these claims as part of its efforts to provide expedited service to these survivors, including service members who died in Operations Enduring Freedom and Iraqi Freedom.

VBA has also consolidated the processing of decisions remanded on appeal by VA's Board of Veterans Appeals. Effective February 2002, VA issued a new regulation to streamline and expedite the appeals process. The new regulation allowed the board to process remanded decisions without having to send them back to VBA regional offices. To implement this regulation, the board established a unit to process remanded appeals. However, in May 2003, the U.S. Court of Appeals for the Federal Circuit held that the board could not, except in certain statutorily authorized exceptions, decide appeals in cases in which the board had developed evidence. As a result, VBA regained responsibility for evidence development and adjudication work on remands, and chose to establish a centralized Appeals Management Center at its Washington regional office. According to VBA officials, remand processing was consolidated because a consolidated unit, focusing only on remands, could process them faster and more consistently, and with better accountability, than the individual regional offices. VBA's Washington regional office was chosen because of its proximity to the board's headquarters. The Appeals Management Center was established in July 2003, and was, according to VBA officials, fully operational by February 2004. According to a VBA official, it was staffed largely through transfers from regional offices and with staff from the board's former remand processing unit.

VBA continues to consolidate specific types of claims processing work. VBA is in the process of consolidating decision making on Benefits Delivery at Discharge claims, which are generally original claims for disability compensation, at the Salt Lake City and Winston-Salem regional offices. VBA established this program to expedite decisions on disability compensation claims from newly separated service members. A service member can file a BDD claim up to 180 days before separation; VBA staff performs some development work on the claim before separation. VBA actually decides the claim after the service member is separated, and the official discharge form (DD Form 214) is received. Under the consolidation, regional offices and BDD sites will accept and develop

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<sup>8</sup>VBA also provides dependency and indemnity compensation to survivors of certain deceased disability compensation beneficiaries.

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claims, but will send the developed claims to Salt Lake City or Winston-Salem for decision. VBA expects this consolidation to help improve decision efficiency and consistency. Consolidation began in December 2004 and is expected to be completed by March 2006. According to VBA officials, claims processing performance was one reason for selecting these two regional offices. In the case of Salt Lake City, the availability of space and the ability to recruit new claims processing staff were also factors. The Salt Lake City office is in a relatively new building on the campus of the Salt Lake City VA Medical Center.

VBA has also made changes in the jurisdictions of some regional offices. The Washington regional office has lost most of its jurisdiction. Claims from veterans residing in Washington's Maryland and Virginia suburbs were transferred to the Baltimore, Maryland, and Roanoke, Virginia, regional offices, respectively. The Washington regional office's staff declined by about 37 percent between fiscal year 2001 and 2004. Also, jurisdiction over claims from veterans residing outside the United States was transferred from Washington to the Pittsburgh, Pennsylvania, regional office.<sup>9</sup> Meanwhile, the Newark regional office lost jurisdiction over claims from veterans in seven southern New Jersey counties to the Philadelphia regional office. The Newark regional office lost about 16 percent of its staff between fiscal year 2001 and 2004. These shifts in jurisdiction were, according to VBA officials, in response to poor performance by the Washington and Newark regional offices, such as inadequate timeliness and accuracy.

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## VBA Continues to Face Challenges as It Realigns Its Compensation and Pension Field Structure

While VBA has done limited field restructuring and claims processing staff reallocation, it has not changed the basic field structure for processing claims for disability compensation and pension benefits and still faces challenges in improving performance. VBA continues to process claims at 57 regional offices, which experience large performance variations and questions about the consistency of their decisions. In addition, we have reported that in order to improve long-term performance in the face of increased workloads and without significant staffing increases, VBA needs to improve its productivity. Several studies by VA and outside groups have suggested that VBA could improve claims processing efficiency and

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<sup>9</sup>Other regional offices have jurisdiction for claims from veterans residing outside the United States. Veterans residing in Canada can file claims with VBA's White River Junction, Vermont, regional office; veterans residing in Mexico, Central and South America, and the Caribbean can file claims at the Houston, Texas, regional office.

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consistency by consolidating claims processing into fewer offices as well as other strategic changes. In taking on these broader changes, however, VBA would need to consider an array of human capital and real property challenges, such as optimizing its ability to recruit and retain staff and minimizing the cost of office space.

VBA continues to struggle to improve nationwide performance, and significant performance differences exist among its regional offices. For example, in fiscal year 2004 the average time to complete rating-related claims VBA-wide was 166 days, far from VBA's strategic goal of 125 days. Average completion times ranged from 99 days at the Salt Lake City regional office to 237 days at the Honolulu, Hawaii, regional office. To help struggling offices reduce their inventories of pending claims, VBA has been brokering (that is, having a regional office send a claim to another office to be decided) tens of thousands of rating-related claims. In fiscal year 2004, regional offices brokered out about 92,000 claims—about 90 percent to the Tiger Team and resource centers. This action enabled some individual offices reduce the size and age of their pending inventories. For example, the Providence, Rhode Island regional office brokered out about two-thirds of its rating-related decisions in fiscal year 2004. This helped Providence to reduce its rating-related inventory by almost 30 percent, while the nationwide inventory of pending claims grew by more than 25 percent. Also, Providence was able to reduce its inventory's average age by about 7 weeks, while the nationwide inventory's average age increased by about 1 week.

VBA also experiences problems ensuring the accuracy and consistency of its rating decisions. As measured by VBA's Systematic Technical Accuracy Review (STAR) data for fiscal year 2004, the accuracy of regional office decisions varied from a low of 76 percent at its Boston regional office to 96 percent at its Fort Harrison regional office. Moreover, as we recently testified and reported, VA still needs to develop a plan for assessing variations in disability claims decisions and whether they are within the bounds of reasonableness.<sup>10</sup> While some variation is inherent in the claims decision-making process, we have reported in the past on wide variations in the state-to-state average compensation payments per disabled veteran, and more recently, VA's inspector general has found that inconsistency remains a problem.

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<sup>10</sup>GAO-05-655T and GAO, *Veterans Benefits: VA Needs Plan for Assessing Consistency of Decisions*, GAO-05-99 (Washington, D.C.: Nov. 19, 2004).

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In addition to the challenges VBA faces in improving claims processing timeliness and consistency, VBA also faces productivity challenges. In November 2004, we reported that to achieve its claims processing performance goals in the face of increasing workloads and decreased staffing levels, VBA would have to rely on productivity improvements. VBA's fiscal year 2006 budget justification provided information on actual and planned productivity, in terms of rating-related claims decided per direct full-time equivalent employee, and identified a number of initiatives that could improve claims processing performance. These initiatives included technology initiatives such as Virtual VA, involving the creation of electronic claims folders; consolidation of the processing of Benefits Delivery at Discharge claims at 2 regional offices; and collaboration with the Department of Defense to improve VBA's ability to obtain evidence, such as evidence of in-service stressors for veterans claiming service-connected post-traumatic stress disorder. VBA's fiscal year 2006 budget justification assumed that it would increase the number of rating-related claims completed per FTE from 94 in fiscal year 2004 to 109 in fiscal year 2005 and 2006, a 16 percent increase. For fiscal year 2005, this level of productivity translates into VBA completing almost 826,000 rating-related decisions. VBA completed about 763,000 decisions in fiscal year 2005. It is not clear whether these measures will enable VBA to achieve its planned improvements in productivity.

Organizations studying these challenges have suggested that they could be addressed by more strategic, comprehensive restructuring than has been done to date. For example, in a 1997 report, the National Academy of Public Administration found that VA could achieve significant savings in administrative overhead costs by closing a large number of regional offices.<sup>11</sup> Similarly, in its January 1999 report, the Congressional Commission on Servicemembers and Veterans Transition Assistance found that some regional offices are so small that their disproportionately large supervisory overhead may unnecessarily consume personnel resources.<sup>12</sup> The commission highlighted a need to consolidate disability claims processing into fewer locations. VBA has consolidated its education assistance and housing loan guaranty programs into fewer than

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<sup>11</sup>National Academy of Public Administration, *Management of Compensation and Pension Benefits Claims Processes for Veterans* (Washington, D.C.: August 1997).

<sup>12</sup>*Report of the Congressional Commission on Servicemembers and Veterans Transition Assistance* (Washington, D.C.: Jan. 14, 1999).

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10 locations, and the commission encouraged VBA to take similar action in the disability programs.

In its own 1995 study of field restructuring, VBA enumerated several potential benefits of consolidating processing into fewer than 57 regional offices.<sup>13</sup> These included allowing VBA to assign the most experienced and productive adjudication officers and directors to the consolidated offices; facilitating increased specialization and as-needed expert consultation in deciding complex cases; improving the completeness of claims development, the accuracy and consistency of rating decisions, and the clarity of decision explanations; improving overall adjudicative quality by increasing the pool of experience and expertise in critical technical areas; and facilitating consistency in decision making through fewer consolidated claims processing centers.

Consolidating compensation and pension claims processing into fewer offices would not necessarily mean that regional offices would be closed. As the VA Claims Processing Task Force suggested, regional offices that lose claims processing functions could still provide public contact and outreach services. Also, VBA officials suggested that these offices could continue to provide vocational rehabilitation and employment services.

No matter which alternative VBA chooses to pursue in making further changes to its field office structure, it will need to address an array of human capital and real property issues. These include, for example, (1) assessing what mix of incentives—such as buyouts, early retirements, or retention bonuses—would be needed to accommodate downsizing at some offices and workload increases at others, (2) what additional training would be needed to ensure staff could take on new responsibilities, and (3) how office space could be disposed of or acquired as needed to accommodate workload shifts. At the same time, given potential resistance to changes in field structure, VA would need to find effective ways of communicating its plans while enhancing staff morale and productivity.

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<sup>13</sup>Veterans Benefits Administration, *Field Restructuring: Progress Report and Transition Year Recommendations* (Washington, D.C.: December 1995).

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## Conclusions

VBA has taken limited actions to realign its field structure and redeploy staff resources as part of its effort to improve overall claims processing performance. While targeted at specific types of work and specific regional offices, these actions have not been in the context of a comprehensive restructuring strategy. Rather, VBA has made piecemeal changes, many in the context of short-term performance improvements, particularly in claims processing efficiency. Unless more comprehensive and strategic changes are made to its field structure, VBA is likely to continue to miss opportunities to substantially improve productivity, accuracy, and consistency in its disability claims processing, especially in the face of future workload increases.

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## Recommendation for Executive Action

To help ensure more timely, accurate, and consistent decisions in a cost-effective manner, we recommend that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to undertake a comprehensive review of VBA's field structure for processing disability compensation and pension claims. This review would address staff deployment, opportunities for consolidating disability compensation and pension claims processing, and human capital and real property issues.

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## Agency Comments and Our Response

In its written comments on a draft of this report (see app. II), VA agreed with our conclusions and concurred fundamentally with our recommendation that it undertake a comprehensive review of VBA's field structure for processing disability compensation and pension claims. VA stated that it will establish a task force to thoroughly explore potential areas for further consolidation. VA also noted that field restructuring is a complex process that involves, among other things, obtaining input and support from service organizations, members of Congress, and labor partners. We agree that field restructuring is a complex process but urge VA to establish its task force expeditiously to ensure that VA can achieve the potential benefits of field restructuring as soon as possible. As VA noted in its comments, these could include improved proficiency, greater accuracy, and consistency in operations.

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

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If you or your staff have any questions regarding this report, please call me at (202) 512-7215. Carl Barden, Irene Chu, Martin Scire, Greg Whitney, Vanessa Taylor, and Walter Vance also made key contributions to this report.

A handwritten signature in black ink that reads "Cynthia A Bascetta". The signature is written in a cursive style with a large initial 'C' and a long, sweeping tail on the 't'.

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

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# Appendix I: Scope and Methodology

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To develop the information for this report, we reviewed prior studies on Veterans Benefits Administration (VBA) claims processing, including the 1995 report of VBA's Field Restructuring Task Force, the National Academy of Public Administration's 1997 report on management of compensation and pension benefits claim processes for veterans, the 1999 report of the Congressional Commission on Servicemembers and Veterans Transition Assistance, and the 2001 Department of Veterans Affairs (VA) Claims Processing Task Force report. We reviewed VBA's model for allocating staff to its regional offices and discussed the allocation model with VBA officials. We also analyzed VBA staffing data from fiscal years 2001 through 2004 for VBA's regional offices. To determine the range in workload and performance of VBA's regional offices, we reviewed VBA workload, timeliness, and accuracy data.

To discuss VBA initiatives and the impacts of changes in staffing levels, we visited the VBA regional offices in Washington, D.C.; Boston, Massachusetts; Newark, New Jersey; Philadelphia, Pennsylvania; and Salt Lake City, Utah. Also, while visiting the Salt Lake City regional office, we interviewed by videoconference officials of the Anchorage, Alaska, and Fort Harrison, Montana, regional offices—which are operated by the Salt Lake City regional office. We selected the Philadelphia and Salt Lake City offices because they have added, or are in the process of adding, workload through consolidations. The Philadelphia regional office hosts one of the three Pension Maintenance Centers; processes in-service dependency and indemnity claims; and has taken jurisdiction for southern New Jersey from the Newark regional office. The Salt Lake City regional office was in the process of expanding its staffing as part of VBA's plan to consolidate Benefits Delivery at Discharge (BDD) claims decision making, and in fiscal year 2004, it made almost 90 percent of the Anchorage regional office's rating-related decisions. The Boston, Newark, and Washington regional offices were chosen because they had lost a large percentage of their staff since fiscal year 2001. Also, the Newark and Washington offices had lost jurisdiction to other regional offices in recent years. Finally, we visited the Washington office because it is the site of VBA's Appeals Management Center.

We assessed the reliability of VBA's timeliness and workload data and found that the data were sufficiently reliable for the purposes of this report. For data at the VBA-wide level we relied on the assessment we performed for our November 2004 report on VBA's fiscal year 2005 budget

request.<sup>1</sup> For data on workload and timeliness at the regional office level, we used data from VBA's Distribution of Operational Resources (DOOR) reports. We were unable to directly assess the reliability of the data contained in these reports because VBA officials responsible for putting together the DOOR reports do not receive claims-level data. For this reason, to corroborate the data in the DOOR reports, we obtained claims-level data that had been archived by VBA's Office of Performance Analysis and Integrity (PA&I). We utilized PA&I's methodology and calculated workload and timeliness numbers for September 2004 with minimal differences from those contained in the DOOR reports. This gave us reasonable assurance that the DOOR numbers accurately reflect VBA's workload and timeliness.

We assessed the reliability of VBA's claims brokering data and found the data sufficiently reliable for the purposes of this report. We discussed VBA's brokering data with VBA officials and reviewed guidance on reporting brokering data. According to VBA, regional offices work with VBA's area offices to ensure that brokered cases are properly counted. The area offices, in turn, provide the data to VBA headquarters. These data are updated monthly. According to VBA, the Office of Performance Analysis and Integrity reviews and validates brokering data.

We also assessed the reliability of VBA's fiscal year 2004 benefit entitlement accuracy data and found that the data were sufficiently reliable to show the range in accuracy between VBA's most and least accurate offices, but not to make further distinctions in accuracy among regional offices. We interviewed officials responsible for VBA's Systematic Technical Accuracy Review (STAR) program and discussed their procedures for requesting cases for review. We obtained data by regional office on the number of cases requested and reviewed. We found that VBA's STAR unit had requested, but never received or reviewed, hundreds of sampled cases from its regional offices. This could have affected regional office accuracy scores for fiscal year 2004. For example, the Washington regional office's score was reported as 77 percent.<sup>2</sup> However,

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<sup>1</sup>GAO, *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).

<sup>2</sup>Since the STAR rating accuracy scores are estimates for each office based on a sample of cases, these scores have margins of error associated with them. The Washington regional office's accuracy figure of 77 percent has a margin of error of no more than 7.6 percent at the 95 percent level of confidence.

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because a large number of cases were never received by the STAR unit, Washington's accuracy score could have been as high as 87 percent or as low as 42 percent. According to VBA officials, VBA is now tracking cases that it requests as part of its STAR accuracy review sample and charges offices with errors if cases are not sent in for review.

# Appendix II: Comments from the Department of Veterans Affairs



THE DEPUTY SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

November 21, 2005

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

Dear Ms. Bascetta:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, **VETERANS' BENEFITS: Further Changes in VBA's Field Office Structure Could Help Improve Disability Claims Processing**, (GAO 06-149). The Department agrees with GAO's conclusions and concurs fundamentally with its recommendations. The enclosure provides additional discussion on the recommendation.

VA appreciates the opportunity to comment on your draft report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield".

Gordon H. Mansfield

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report,  
***VETERANS' BENEFITS: Future changes in VBA's Field Office Structure  
Could Help Improve Disability Claims Processing***  
(GAO-06-149)

**To help ensure more timely, accurate, and consistent decisions in a cost-effective manner, we recommend that the Secretary of Veterans Affairs direct the Under Secretary for Benefits to undertake a comprehensive review of VBA's field structure for processing disability compensation and pension claims. This review would address staff deployment, opportunities for consolidating disability compensation and pension claims processing, and human capital and real property issues.**

Concur - As the report indicates, VBA has successfully consolidated various portions of our Compensation and Pension (C&P) workload over the last several years. This restructuring has resulted in several positive outcomes including improved proficiency, greater accuracy, and consistency in operations. This report recommends VBA study further consolidation of claims processing within the C&P business line. VBA agrees with the need to continually examine areas which can be potentially consolidated; however, additional factors beyond human capital and real estate must be considered when exploring field restructuring. As past experience has proven, consolidation is not simply a shift in human resources and real estate, but rather a complex process which often involves changes in procedures and policies, as well as input and support from service organizations, Members of Congress, and our labor partners. External stakeholders have historically exhibited a parochial interest in VBA processing activities remaining in their jurisdiction. Additionally, maintaining a presence in each geographical region allows VBA to meet the unique needs of veterans in a particular area. It is also imperative when considering consolidation that appropriate studies take place to ensure that a positive impact on performance occurs. Field restructuring oftentimes results in a short-term negative impact before performance improvements are realized.

VBA fundamentally agrees with the findings in this report and the recommendation to reexamine our C&P processing structure. We will establish a task force to thoroughly explore potential areas for further consolidation.

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