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HUMAN RESOURCES  
DIVISION

March 15, 1982

B-206580

The Honorable Gary Hart  
United States Senate

The Honorable Patricia Schroeder  
House of Representatives

Subject: The Veterans Administration's Denver Regional  
Office Needs an Improved Claims Processing  
Monitoring System to Speed Up Service to Veterans  
(HRD-82-45)

In response to your September 9, 1980, request, we reviewed the operations of the Veterans Administration's (VA's) Denver Regional Office. As discussed with your offices, we reviewed (1) case files randomly selected from the VA Denver Regional Office's (VADRO's) current veterans' benefits claims to determine where delays were occurring and what improvements, if any, could be made and (2) the extent of VADRO's labor-management problems.

VA's Department of Veterans Benefits administers the compensation, pension, and education benefits programs--which comprised \$14.9 billion of VA's \$22.5 billion appropriation for fiscal year 1981--through 58 regional offices, including VADRO.

Compensation benefits are available to disabled veterans whose earning capacity has been impaired due to military service and to surviving spouses, children, or dependent parents of veterans who died from service-connected causes. Pension benefits are available to needy veterans who are permanently and totally disabled from non-service-connected causes, or who are age 65 or older, and to needy surviving spouses and children of veterans who died of non-service-related causes. Education benefits are available to eligible veterans and to the dependents of veterans who are totally disabled as a result of a service-connected cause or whose death was service connected.

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On June 30, 1981, VADRO employed 306 full- and part-time people to administer benefits programs in Colorado. As of March 31, 1981, Colorado had an estimated veteran population of 381,000. During fiscal year 1980, VADRO processed about 121,000 claims, of which 62 percent were for education benefits and the remainder for compensation and pension benefits.

VA'S CLAIMS PROCESS, TIMELINESS  
MEASUREMENTS, AND VADRO'S  
PROCESSING STANDARDS

Claims for compensation, pension, or education benefits pass through a series of processing steps. In general, these steps are:

1. Application preparation. The veteran, his dependent, or his survivor completes a claim application and submits it to the regional office.
2. Application receipt. The application is received by the regional office.
3. Claim development. Generally, the claimant's file is obtained, or if there is no file at the regional office of claim receipt, one is either prepared or obtained from another regional office. Evidence needed to support the claim, such as service and medical records, is requested from the claimant or service branch and, when received, associated with the claim.
4. Rating decision. The evidence is reviewed to determine the extent of disability (this step applies only to compensation claims and pension claims by veterans less than 65 years old).
5. Claim award or denial. The disability rating decision and/or other evidence are reviewed, the claim is awarded or denied, and the results are transmitted to a VA computer facility for further processing.
6. Payment processing. The computer facility processes the claim information and, for claim awards, produces payment tapes which are forwarded to the Treasury Department.
7. Check preparation and delivery. The Treasury Department processes the payment tapes to produce the checks and forwards them for delivery to the claimants.

While most of the general claims process described above is under the control of VA, regional offices do not have control over the time frames involved in:

- Steps 1 to 2, the time frame from application preparation to application receipt.
- Step 3 for the time from request to receipt of such additional evidence as service and medical records needed to continue the process.
- Step 6 for VA data processing operations.
- Step 7 for Treasury Department check preparation and mail delivery.

VA maintains nationwide statistics on the award processing timeliness of claims and assesses performance based on the variation between each regional office's average claims processing time and the VA national average.

For the year ended June 30, 1981, VADRO's average processing time frame was longer than the national average for compensation and pension claims and the same as the national average for education claims.

<u>Type of claim</u>	<u>Average days</u>		
	<u>National</u>	<u>VADRO</u>	<u>Variance</u>
Compensation and pension (note a)	136	182	46
Education (note b)	57	57	0

a/This is measured from application receipt (step 2) to within payment processing (step 6).

b/This is measured from date of school enrollment as shown on the application under step 1 to within payment processing, except that there is no rating decision (step 4).

VADRO has established (1) an internal processing standard of 21 days from education application receipt (step 2) to claim award or denial (step 5) and (2) a 7-day goal for receipt of education applications from schools after the enrollment date. VADRO's 21-day standard is broken down into two standards for segments within the process (see p. 7). VADRO has not established internal

processing standards for compensation and pension claims. VADRO officials indicated that such claims vary widely in complexity and the number of processing actions required, and setting realistic goals would be impractical.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our review were to (1) identify where delays were occurring and what improvements, if any, were needed to speed up the processing of current VADRO compensation, pension, and education claims and (2) disclose the extent of labor-management problems experienced in VADRO.

To identify claims processing delays, we took a random sample of (1) 100 compensation and pension claims received in March and April 1981 by the rating boards--these were primarily compensation claims because many pension claims do not require rating decisions--and (2) 132 education claims awarded during the 9-month period ended in June 1981. (VADRO officials stated that our samples could be expected to represent the typical claims process at any time during the year.) In both samples, we used information from claim files to compute the time frames that were generally under VADRO's control--in general, the time frames from application receipt (step 2) through award or denial (step 5).

Additionally, we measured the time frames for school enrollment certifications from application preparation (step 1) to claim receipt--this is not under VADRO's control. The time awaiting claimant or service branch response to a request for additional information (step 3) is included, when it occurred, in our time frames for processing compensation and pension claims. We did not attempt to identify the causes for delays in receiving information because VADRO has no control over the time.

We selected all cases exceeding the sample average time frame for compensation and pension claims and the VADRO internal processing standard of 21 days for education claims for a detailed file review to identify where improvements might be made.

We did not review the accuracy and reliability of VA and Denver region statistics on the timeliness of claims processing because such a review would have required an indepth assessment of (1) the reliability of VA's nationwide automated system that maintains the data used to compute these statistics and (2) the accuracy of the data that are provided to this system by VA's regional offices.

At the VA central office and at VADRO, we reviewed records concerning Unfair Labor Practice (ULP) complaints filed with the Federal Labor Relations Authority (FLRA) to disclose the extent of problems between labor and management in VADRO.

We examined VA claims processing and labor-management policies, procedures, and related correspondence, and interviewed VA central office and VADRO officials. In addition, we examined VADRO's union contract and discussed labor-management issues with labor union officials at VADRO and officials at FLRA and the Federal Mediation and Conciliation Service (FMCS).

We performed our review in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

IMPROVED MONITORING NEEDED  
TO IDENTIFY AND REDUCE  
CLAIMS PROCESSING DELAYS

Many of the compensation, pension, and education benefits claims included in our samples were not processed in a timely manner by VADRO. Because VADRO's workload measurement systems do not provide all of the detailed information needed to identify the specific points where problems occur, its management is frequently unable to determine the reasons for the delays and initiate appropriate corrective actions. In addition, schools were frequently late in submitting enrollment certifications needed to process education claims.

VADRO needs to (1) develop and implement an improved claims processing monitoring system to identify where and why delays occur so that appropriate corrective action can be taken and (2) advise schools of the required time frame for submitting enrollment certifications to avoid delays in benefit payments to veterans.

Compensation and pension  
claims processing delays

VADRO officials recognize that delays are occurring in the processing of compensation and pension claims. As previously mentioned, VA statistics show that the average time required for processing such claims in VADRO from claim receipt to payment processing is longer than the VA national average.

For 87 of the 100 claims in our sample, it took an average of 115 days to process from receipt to submittal for rating decisions. We could not compute the processing time for 13 cases because VADRO had not recorded the dates these claims were received. Of the 87 claims, 37 exceeded the 115-day average and also exceeded the national average of 136 days from application receipt to payment processing (see p. 3). Accordingly, we first reviewed the case files of these 37 claims to determine where and why delays occurred.

Because information was not available in all case files reviewed--a result of procedural errors discussed on page 8--only 19 of the 37 delayed cases were sufficiently documented to identify where timeliness problems occurred. In discussing these timeliness problems with VADRO officials, they were usually unable to explain the reasons for the delays. Most of the problems involved a failure to initiate the following actions in the processing cycle promptly (some claims encountered delays at more than one point):

- Requesting veterans' service medical records needed to establish eligibility (nine claims took from 19 to 86 days).
- Associating incoming claims and other evidence with the appropriate case files in order to continue processing (eight claims took from 10 to 59 days).
- Requesting additional evidence from veterans required to support their claims (five claims took from 8 to 101 days).
- Forwarding claims for rating decisions (three claims took from 17 to 19 days).

Fifty-four of the 87 claims in our sample for which we could compute processing times were processed to claim award or denial at the time we made our review. These 54 claims averaged about 38 days from submittal for a rating decision to award or denial, of which 21 exceeded the average. Twelve of the 21 claims exceeded the average time during rating decision, and 9 exceeded the average time for claim award or denial.

Of the claims not processed to award or denial at the time of our review, most of the delays did not appear to be under the control of VADRO because (1) additional evidence requested from claimants and service branches had not yet been received; (2) the claims were in the process of being appealed and were under the jurisdiction of VA's Board of Veterans Appeals in Washington, D.C.; or (3) the claims in fact did not require a monetary award or denial, but rather certain evidence and status updates.

While VADRO officials could not explain the reasons for the delays, a recent internal recommendation for closer supervisory scrutiny could--if effectively implemented--minimize delays in filing claims in case files.

VADRO has taken, or plans to take, some actions to reduce processing delays. However, because the officials could not explain the reasons for most delays, VADRO needs a means of providing the information to identify where and why problems occur.

Education claims  
processing delays

The average time to process VADRO education claims from school enrollment date to payment processing meets VA's national average. Based on our sample, the average processing time for such claims in VADRO, from claim receipt to award, is 18 days--within VADRO's internal 21-day standard. To determine whether timeliness improvements could be made, we reviewed the case files of the 37 claims that required more than 21 days to process.

Because VADRO maintains arrival and departure dates on education claims in process, we were able to identify, for all 37 claims, a failure to initiate timely action as follows (some claims encountered delays at more than one point):

- File storage unit (24 claims exceeded the 5-day standard).
- Education unit (22 claims exceeded the 16-day standard).
- Enrollment confirmation (5 claims exceeded an internal 1-day goal--this goal is included in the 21-day standard).

While VADRO officials were not able to explain the causes of many of these delays, VADRO monitors the education claims process and, as a result, frequently takes corrective action. For example, each week the education claims workload is reviewed to identify and give priority to those cases about to exceed the 21-day standard. By identifying such claims, VADRO was frequently able to expedite processing to meet the standard. Of 45 claims in our sample which were in the file storage unit more than 5 days, 21 claims were processed within 21 days by speeding up the processing in the education unit.

However, because some claims still encountered delays which could not be explained, we believe VADRO needs to strengthen its monitoring of education claims to better identify why problems occur and take corrective action.

School enrollment  
certification delays

Education claims in our sample were also delayed because schools did not submit certifications attesting to veterans' enrollments to VADRO in a timely manner. While these delays are not under VADRO's control, it can do a better job of (1) informing the schools of expected time frames for submission of enrollment certifications and (2) giving them feedback on actual performance.

According to VADRO, certifications should be received within 7 days of the beginning of the school term. However, certifications for 55 (42 percent) of the 132 claims in our sample were received later than 7 days after the term began, and the delays ranged up to 74 days.

While VA procedures specify the particular time frame requirements for schools to meet when submitting enrollment changes, such as school or training time changes, they do not deal with submission of enrollment certifications. Rather, VA regulations state that schools are to submit the certifications "promptly." Because VADRO has not advised schools of its 7-day goal for receipt of certifications after school begins, the requirement for prompt submission is subject to the schools' interpretation.

To avoid delays in paying education benefits to veterans, VADRO needs to inform schools of its specific time frame requirement, monitor their adherence, and inform them of excessive or persistent delays.

Compensation, pension, and  
education procedural errors

About 44 percent of the compensation, pension, and education claims we reviewed encountered procedural errors which occurred at various points during processing. The more frequent types of errors included failure to

- record when and by whom specific processing actions were taken,
- accurately identify the current location of the claim in the processing cycle, and
- forward the claim to the proper point for further processing.

Procedural errors, such as forwarding claims to the wrong points for further processing, cause delays. Other errors, such as failing to record action dates and where the actions occurred--especially in processing compensation and pension claims--can, if delays occur, prevent management from identifying the points at which the delays take place and thus inhibit corrective action.

VADRO should (1) emphasize to processing personnel the importance of recording accurate and complete information pertaining to the claims as they progress through processing and (2) monitor performance to determine whether additional training is needed.

#### Views of VADRO officials

VADRO officials stated that they could not identify many of the causes of claims processing delays and procedural errors. The officials agreed that an improved claims processing monitoring system could provide the information needed to identify the reasons for delays and errors, and thereby provide the basis for corrective actions to reduce processing time frames.

#### Recommendations

To improve service to Colorado veterans and their dependents or survivors, we recommend that the Administrator of Veterans Affairs instruct VADRO to

- develop and implement an improved claims processing monitoring system which will provide the information needed to determine where and why claims are delayed,
- take corrective actions to reduce claims processing time frames based on the information provided by the improved system, and
- inform schools of the specific time frame within which enrollment certifications should be submitted and of excessive or persistent delays.

#### DISCLOSURE OF VADRO LABOR-MANAGEMENT PROBLEMS

Poor relations between labor and management officials in VADRO have resulted in a disproportionate volume of charges of Unfair Labor Practices. During the year ended April 1981, 95 ULPs were filed by the local union in VADRO--the largest number filed in any of VA's stations and 16 percent of all those filed VA-wide during the period.

Annual costs of about \$400,000 were associated with personnel time for handling VADRO ULP charges. FLRA's estimated costs were about \$100,000 for fiscal year 1980, while VADRO's and the local union's estimated costs were about \$282,000 and \$18,000, respectively, for calendar year 1980.

Process for dealing with  
labor-management affairs

VA station management has complete responsibility for relations with local labor unions, including negotiation of contracts with the union regarding working conditions and handling of ULPs and other grievance charges. The contracts are signed by station management and local union officials, who are responsible for implementing contract provisions. The two processes used in VADRO for dealing with labor-management disputes--grievances and ULPs--and the procedures for elevating and resolving the disputes are specified in the contract.

A grievance is any complaint, concern, or feeling of dissatisfaction regarding working conditions, including work hours and physical work location. Grievances can be resolved through

--agreement by labor and management on a settlement or

--arbitration, whereby an arbitrator hears and decides the case (the arbitrator is either appointed by FMCS or chosen jointly by the parties from a list provided by FMCS).

Either party can file an exception to the arbitrator's decision with FLRA, which will make the final decision.

While management and unions share FMCS grievance arbitration costs, FLRA does not charge fees for its investigations and hearings concerning ULPs. Consequently, according to VADRO management and local union officials, the union generally uses the ULP process when labor and management do not directly resolve the issue.

Labor or management can file ULP charges whenever either perceives that the other has violated provisions of the union contract. The charging party submits a written statement to FLRA, which assigns an agent to investigate the charges. On the basis of the investigation, the FLRA Regional Director decides either to dismiss the charge or issue a complaint.

The charging party can appeal dismissals to FLRA's General Counsel. The dismissal can be sustained or reversed. If reversed, it may be remanded back to the Regional Director for further investigation, or the General Counsel can order that a complaint be issued.

When a complaint is issued, unless the parties are able to reach settlement before the hearing, the General Counsel prosecutes the case before an administrative law judge. The judge's decision becomes the final decision when it is accepted by FLRA. In addition, either party can request judicial review of certain FLRA decisions in the appropriate U.S. Court of Appeals.

ULP charges in VADRO exceed the  
number in any other station

The volume of ULPs filed by union locals during the year ended April 30, 1981, was disproportionately higher in VADRO than in any other VA station--this includes both regional offices and VA medical facilities. Of 579 ULPs filed by unions during this period in 106 VA stations, 95 or 16 percent were filed by the VADRO union. Of the 95 ULPs, 53 had been resolved at the time of our review--49 or 92 percent had been either withdrawn by the union or dismissed by FLRA, and the remainder settled through agreement between VADRO management and the union. The withdrawal or dismissal rate for VA-wide ULPs was 85 percent which, in our opinion, is not significantly different from VADRO's rate.

The principal issues involved in the 95 ULPs filed by the union in VADRO were denial of official time for union business (42 complaints) and failure to bargain (30 complaints). Denial of official time for union business typically involved the union president's request for release time to conduct official union business during work hours. Complaints of failure to bargain involved changes in past labor practices or working conditions, such as a decision by management to change employee work hours without first consulting the union.

The union contract provides that

- union representatives will be granted reasonable and necessary time during work hours to pursue union business and will be released immediately or--if working conditions prevent it--at the earliest mutually agreeable time and
- the union is the exclusive representative of all VADRO employees and, as such, is entitled to act for and negotiate agreements covering them to protect their interests.

Union contract can provide  
basis for reducing future  
labor-management problems

As discussed above, the ULP charges often resulted from disagreements between union and management officials as to what constitutes reasonable release time and changes in labor practices and working conditions. According to VADRO management, union officials request excessive time for union business and file many ULPs which are frivolous and a form of harassment. The local union president said that management does not give adequate recognition to the union as a bargaining agent for the employees, and that increased involvement of union officials in decisions affecting working conditions and changes in labor practices would reduce union activity.

In our view, these disagreements between union and management officials could be reduced if contract provisions are made more specific. The current VADRO union contract ends February 1983.

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As requested, we did not obtain written agency comments on this report. However, we did discuss the report's contents with VA central office and VADRO management and union officials, and their comments have been considered in preparing this report.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of the report. At that time we will send copies to the Chairmen of the House and Senate Committees on Veterans' Affairs; the Director, Office of Management and Budget; the Administrator of Veterans Affairs; and other interested parties and make copies available to others upon request.

*Edward A. Hensmore*

for Gregory J. Ahart  
Director