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An Audit Report on

Performance Measures at the Veterans Commission

April 2009

Report No. 09-032



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***Performance Measures at the Veterans
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Overall Conclusion

The Veterans Commission (Commission) reported reliable results for four (67 percent) of six key performance measures tested for fiscal year 2008. A performance measure result is considered reliable if it is certified or certified with qualification. Factors prevented the certification of the remaining two performance measures that the auditors tested.

The following three key performance measures were certified with qualification primarily because the U.S. Department of Veterans Affairs (VA) did not permit auditors to access detailed monthly reports of actual monetary awards and active cases and information related to input, processing, and output controls:

- Amount of VA Monetary Awards (in Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation of Veterans with Service-connected Disabilities.
- Amount of VA Monetary Awards (in Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation for Widows or Orphans of Veterans.
- Number of Active Veterans Benefits Cases for Veterans, Their Widows, or Their Orphans Represented by the Texas Veterans Commission.

One key performance measure—Veterans Employment Services Customers Served—was certified with qualification because the Commission did not have adequate controls to ensure the accuracy of performance measure information entered into the Automated Budget and Evaluation System of Texas (ABEST).

Factors prevented the certification of the following two key performance measures because the VA did not permit auditors to access veterans' files:

- Number of Claims for Veterans Benefits Filed and Developed on Behalf of Veterans with Service-connected Disabilities.
- Number of Appeals of Unfavorable Veterans Affairs Decisions Filed on Behalf of Veterans, Their Widows, or Their Orphans.

Background Information

Agencies report results for their key measures to the Legislative Budget Board's budget and evaluation system, which is called the Automated Budget and Evaluation System of Texas, or ABEST.

The Veterans Commission's mission is to provide services such as claims assistance, employment services, and education to improve the quality of life for Texas veterans and their families.

Key Measures

Key performance measures are:

- Budget drivers that are generally externally focused.
- Closely related to the goals identified in the statewide strategic plan.
- Reflective of the criteria of good performance measures.

Source: *Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006).

Table 1 summarizes the certification results for the six key performance measures tested.

Table 1

Veterans Commission (Agency No. 403)				
Related Objective or Strategy, Classification	Description of Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a
A., Outcome	Amount of VA Monetary Awards (in Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation of Veterans with Service-connected Disabilities	2008	Annual Total: \$1,264.12	Certified With Qualification
A., Outcome	Amount of VA Monetary Awards (in Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation for Widows or Orphans of Veterans	2008	Annual Total: \$213.02	Certified With Qualification
A.1.1., Output	Number of Active Veterans Benefits Cases for Veterans, Their Widows, or Their Orphans Represented by the Texas Veterans Commission	2008	Fourth Quarter: 156,882	Certified With Qualification
A.1.2., Output	Veterans Employment Services Customers Served	2008	Annual Total: 103,652	Certified With Qualification
A.1.1., Output	Number of Claims for Veterans Benefits Filed and Developed on Behalf of Veterans with Service-connected Disabilities	2008	Annual Total: 73,134	Factors Prevented Certification
A.1.1., Output	Number of Appeals of Unfavorable Veterans Affairs Decisions Filed on Behalf of Veterans, Their Widows, or Their Orphans	2008	Annual Total: 15,711	Factors Prevented Certification

^a A measure is **Certified** if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

A measure is **Certified With Qualification** when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

A measure is **Inaccurate** when the actual performance is not within 5 percent of reported performance, or when there is more than a 5 percent error in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused more than a 5 percent difference between the number reported in ABEST and the correct performance measure result.

A **Factors Prevented Certification** designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Summary of Management's Response

The Commission agreed with the recommendations in this report.

Summary of Information Technology Review

Auditors were unable to review information technology controls over the Commission's automated system because the detailed data that is entered into that system is uploaded to the automated system of the VA. The VA did not permit auditors to access detailed data that supported the key performance measures tested (see Appendix 2 for additional details).

Summary of Objectives, Scope, and Methodology

The audit objectives were to determine whether the Commission (1) is accurately reporting selected key performance measures to ABEST and (2) has adequate control systems over the collection, calculation, and reporting of selected key performance measures.

The audit scope included six key performance measure results the Commission reported for fiscal year 2008.

The audit methodology consisted of selecting six key performance measures to audit, auditing reported results for accuracy and adherence to measure definitions, evaluating controls over the performance measures certification process, and testing of original source documentation when possible.

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Detailed Results

Chapter 1

The Commission Reported Reliable Results for Four of Six Key Performance Measures

The Veterans Commission (Commission) reported reliable results for four (67 percent) of six key performance measures tested for fiscal year 2008. A performance measure result is considered reliable if it is certified or certified with qualification. Factors prevented the certification of two key performance measures because the U.S. Department of Veterans Affairs (VA) did not permit auditors to access veterans' files.

Detailed Audit Results

For all key performance measures tested, the Commission did not have sufficient controls to ensure that information it enters into the Automated Budget and Evaluation System of Texas (ABEST) is accurate. Specifically, the Commission did not have a review process to verify the accuracy of ABEST calculations, nor did it document or retain reviews of ABEST data entry and ABEST variance explanations. The Commission also lacked documented policies and procedures for ABEST user access, data entry, review controls, and records management.

Conducting adequate reviews is an important step in ensuring that reported results are consistent with a measure's definition and methodology in ABEST. In addition, by not retaining documentation, the Commission could impair the integrity of reported performance measures. Having written policies and procedures could help the Commission ensure that all employees who are responsible for compiling, calculating, reviewing, and reporting performance measure results perform those duties in a consistent manner.

Recommendations

The Commission should:

- Develop and implement a documented supervisory review process for the preparation and submission of performance measures information into ABEST and retain all relevant supporting documentation.
- Develop and implement policies and procedures for all steps involved in the preparation and submission of performance measures information into ABEST.

Management's Response

Recommendation: Develop and implement supervisory review process for the preparation and submission of performance measures information into ABEST and retain all relevant supporting documentation.

Concur; the Commission has implemented a documented supervisory review process for preparation, processes and review of data entered into ABEST. The Commission will retain relevant supporting documentation to verify the continued accuracy of the amounts entered.

Recommendation: Develop and implement policies and procedures for all steps involved in the preparation and submission of performance measures information into ABEST.

Concur; the Commission is in the process of developing policies and procedures for submission of performance measure information into ABEST. The procedures will be implemented in the next submission into ABEST.

Amount of VA Monetary Awards (in Million of Dollars) Paid Because of Commission Advocacy in Claims Representation of Veterans with Service-connected Disabilities

Amount of VA Monetary Awards (in Millions of Dollars) Paid Because of Commission Advocacy in Claims Representation for Widows or Orphans of Veterans

Performance Measures Certified With Qualification

A measure is certified with qualification when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if the agency's calculation of performance deviated from the measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

Number of Active Veterans Benefits Cases for Veterans, Their Widows, or Their Orphans Represented by the Texas Veterans Commission

All three of these key performance measures were certified with qualification.

Auditors recalculated the first two performance measures listed above within the 5 percent allowable variance¹; therefore, the data the Commission reported for these two performance measures was initially determined to be accurate. The Commission also calculated both of these performance measures using methods described in the measure definitions. However, because of the lack of a review process discussed previously in this chapter, these two performance measures were certified with qualification.

Auditors recalculated the third performance measure listed above for

¹ ABEST numbers could be re-created using only summary documentation the Commission provided.

all four quarters in fiscal year 2008. Because data for all four quarters and the total for the fiscal year were within the 5 percent allowable variance², the data the Commission reported for this performance measure was initially determined to be accurate. The Commission also calculated this performance measure using methods described in the measure definition. However, while the Commission performs a cursory review of the numbers reported in ABEST for this performance measure, its review does not cover the mathematical accuracy of the performance measure calculation. Therefore this performance measure was certified with qualification. The Commission also discards applicable review documentation.

These three performance measures also were certified with qualification because the VA did not permit auditors to access monthly reports of actual monetary awards and active cases and information related to input, processing, and output controls.

All of the issues noted above could lead to the miscalculation of performance measures and impair the overall accuracy of performance measures information entered into ABEST.

Recommendations

The Commission should:

- Develop and implement a written supervisory review process for the calculation of the Number of Active Veterans Benefits Cases for Veterans, Their Widows, or Their Orphans Represented by the Texas Veterans Commission and maintain supporting documentation of that review.
- Obtain written documentation and conduct inquiries regarding the VA's control structure for all three performance measures to ensure that the Commission receives accurate performance measures information from the VA.

Management's Response

Recommendation: Develop and implement written supervisory review process for the calculation of the "Number of Active Veterans Benefits Cases for Veterans, Their Widows or Their Orphans Represented by the Texas Veterans Commission" and maintain documentation of that review.

Concur; a process for documented supervisory review has been added to the procedure for the calculation of the "Number of Active Veterans Benefits

² ABEST numbers could be re-created using only summary documentation the Commission provided.

Cases for Veterans, Their Widows or Their Orphans Represented by the Texas Veterans Commission.”

Recommendation: Obtain written documentation and conduct inquiries regarding VA’s control structure for all three performance measures to ensure that the Commission receives accurate performance measures information from VA.

The Commission has presented this issue to VA and has asked their assistance in complying with the recommendation.

Veterans Employment Services Customers Served

The Commission’s reported results for this key performance measure were certified with qualification. Auditors identified variances that exceeded the 5 percent allowable variance for all four quarters, but the total net number the Commission reported in ABEST for fiscal year 2008 was within the 5 percent allowable variance. Auditors also determined that the Commission did not conduct a supervisory review of this performance measure prior to entry into ABEST. Because of this, the performance measure was certified with qualification.

Performance Measures Certified With Qualification

A measure is certified with qualification when reported performance appears accurate, but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if the agency’s calculation of performance deviated from the measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

In addition, the Commission did not calculate this performance measure using the methods described in the measure definition. The Commission uses information presented on the *Veteran Performance Report* it receives each quarter from the Texas Workforce Commission. That report specifies a year-to-date number of Disabled Veteran Outreach Program/Local Veteran Employment Representative (DVOP/LVER) veterans served, and the Commission divides that number by four. However, the Commission should instead count the number of DVOP/LVER veterans served in each specific quarter.

Additionally, the Commission does not:

- Have documented policies and procedures for the collection and calculation of this performance measure.
- Maintain supporting documentation of this performance measure’s supervisory review process.
- Have policies and procedures for the manual override of a veteran or non-veteran status in the Texas Workforce Commission’s Work in Texas database.
- Have a documented review process for manually overriding a veteran or non-veteran status in the Work in Texas database.

- Retain supporting documentation for inquiries concerning the Texas Workforce Commission's operations to ensure that performance measure information that the Commission receives is accurate.

Recommendations

The Commission should:

- Implement a documented supervisory review process for the calculation of this performance measure and maintain supporting documentation of the review.
- Report actual performance data for each quarter or discuss modifying the ABEST definition and methodology to an outcome (yearly) measure with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy.
- Develop and implement policies and procedures for the collection of data and calculation of this performance measure.
- Develop and implement policies and procedures for the manual override of a veteran or non-veteran status in the Texas Workforce Commission's Work in Texas database.
- Implement a documented supervisory review process for manually overriding a veteran or non-veteran status in the Texas Workforce Commission's Work in Texas database.
- Maintain supporting documentation for inquiries concerning the Texas Workforce Commission's operations to ensure that performance measure information received is accurate.

Management's Response

Recommendation: Implement a documented supervisory review process for the calculation of this performance measure and maintain supporting documentation of the review.

Concur; the Commission has implemented a documented supervisory review process for the calculation of "Veterans Employment Services Customers Served" and will retain relevant supporting documentation to verify the continued accuracy of the amounts entered.

Recommendation: Report actual performance data for each quarter or discuss modifying the ABEST definition and methodology to an outcome (yearly) measure with the Legislative Budget Board and the Governor's Office of Budget Planning and Policy.

Concur; the Commission has discussed this issue with both offices and will seek to modify the measure definition in the upcoming interim.

Recommendation: Develop and implement policies and procedures for the collection of data for and calculation of this performance measure.

Concur; the Commission is in the process of developing policies and procedures for calculation of this performance measure. The Commission will coordinate data collection for this measure with the Texas Workforce Commission (TWC).

Recommendation: Develop and implement policies and procedures for the manual override of veteran or non-veteran status in the Texas Workforce Commission's Work in Texas Database.

Concur; the Commission will establish policies and procedures for the manual override of veteran status and coordinate these policies and procedures with the TWC.

Recommendation: Implement a documented supervisory review process for manually overriding a veteran or non-veteran status in the Texas Workforce Commission's Work in Texas Database.

Concur; the Commission will document supervisory review for policies and procedures related to the manual override of veteran status.

Recommendation: Maintain supporting documentation for inquires concerning Texas Workforce Commission operations to ensure that performance measures information received is accurate.

Concur; the Commission will coordinate with the TWC to ensure they maintain accurate supporting documentation of performance measure information.

Number of Claims for Veteran Benefits Filed and Developed on Behalf of Veterans with Service-connected Disabilities

Number of Appeals of Unfavorable Veterans Affairs Decisions Filed on Behalf of Veterans, Their Widows, or Their Orphans

Performance Measures for which Factors Prevented Certification

A factors prevented certification designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Factors prevented the certification of both of these key performance measures. Auditors' recalculation of annual results for the first performance measure listed above varied from what the Commission reported by less than 1 percent, which was within the 5 percent allowable variance. Therefore, the data the Commission reported for this performance measure was initially determined to be accurate.

Auditors recalculated the second performance measure listed above for all four quarters. Because data for all four quarters was within the 5 percent allowable variance, the data the Commission reported for this performance measure was initially determined to be accurate.

However, factors prevented the certification of these two key performance measures because the VA did not permit auditors to access veterans' files. The methodology for calculating the first performance measure listed above states that "Claim numbers, office source and type of claim are recorded in an agency database. A separate claim is recorded for each issue claimed." The methodology for calculating the second performance measure listed above states that "Claim numbers, office source and type of appeal are recorded in an agency database. A separate appeal is recorded for each issue appealed." Without reviewing veterans' files, auditors were unable to validate the integrity, completeness, and accuracy of information the Commission reported in ABEST for these two key performance measures.

Recommendation

The Commission should coordinate with the Legislative Budget Board and the Governor's Office of Budget, Planning, and Policy regarding the possible modification of language in the methodology for these performance measures to be able to support the numbers reported in ABEST and accommodate restrictions on VA information.

Management's Response

Concur; the Commission has discussed this issue with both offices and will seek to modify the measure definition in the upcoming interim. The Commission would like to emphasize that the internal review of these measure is very thorough (as supported by the initial determination by the SAO). From that internal review, the Commission can assure all interested parties that the

measures are reported accurately. The reason that these measures could not be fully reviewed is restrictions that are imposed by VA in compliance with the Federal Privacy Acts.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Veterans Commission (Commission) is accurately reporting selected key performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Determine whether the Commission has adequate control systems over the collection, calculation, and reporting of selected key performance measures.

Scope

The audit scope included six key performance measure results that the Commission reported for fiscal year 2008.

Methodology

The audit methodology consisted of selecting six key performance measures to audit, auditing reported results for accuracy and adherence to measure definitions, evaluating controls over the performance measures certification process, and testing of original source documentation when possible. The Commission completed questionnaires related to its performance measurement processes to help identify preliminary control information.

Specific tests and procedures included:

- Auditing calculations for accuracy and to ensure that they were consistent with the methodology agreed upon by the Commission and the Legislative Budget Board.
- Analyzing the flow of data to evaluate the existence of proper controls.
- Testing a sample of source documents to verify the accuracy of reported performance when possible.
- Reporting performance measures results in one of four categories: (1) certified, (2) certified with qualification, (3) inaccurate, or (4) factors prevented certification.

Criteria used included:

- *Guide to Performance Measure Management* (State Auditor's Office Report No. 06-329, August 2006)
- ABEST performance measure definitions

Project Information

Audit fieldwork was conducted from February 2009 through March 2009. This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's Office staff performed the audit:

- Cesar Saldivar, CGAP, CICA (Project Manager)
- Joe K. Fralin, MBA (Team Leader)
- Michael A. Gieringer, CFE
- Brian Jones, CGAP
- Parsons Townsend
- Rachelle Wood, MBA, CISA (Information Systems Audit Team)
- Leslie P. Ashton, CPA (Quality Control Reviewer)
- Nicole M. Guerrero, MBA, CIA, CGAP, CICA (Audit Manager)

Letter from the U.S. Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
Regional Office
One Veterans Plaza
701 Clay Avenue
Waco, Texas 76799

March 5, 2009

In Reply Refer To: 349/01B

Mr. Cesar Saldivar, CGAP
Managing Senior Auditor
State Auditor's Office
Robert E. Johnson Building
1501 N. Congress Avenue
Austin, Texas 78701

Dear Mr. Saldivar:

This is in response to the request for information that you made through Jim Richman, Director of Claims Representation and Counseling for the Texas Veterans Commission (TVC). Your request includes access to the U.S. Department of Veterans Affairs (VA) claims folders for the following categories of veterans:

- All active veterans benefits cases represented by TVC.
- All claims filed and developed in Fiscal Year 2008 on behalf of disabled veterans.
- All appeals filed and developed in Fiscal Year 2008 on behalf of veterans.

In addition, you have requested access to diaries maintained for each claim, and supporting documentation maintained for each specific appeal.

Access to VA claims folders and related records concerning individual veterans and their dependents is governed by the following laws:

- The Privacy Act of 1974 (Title 5, U.S. Code, Section 552a).
- The Health Insurance Portability and Accountability Act (HIPAA) (Title 45, Code of Federal Regulations, Parts 160 and 164).
- Title 38, U.S. Code, Sections 5701, 5902, and 7332.

Under the Privacy Act of 1974, "No agency shall disclose any record which is contained in a system of records by any means of communication to any person, or to another agency, except pursuant to a written request by, or with the prior written consent of, the individual to whom the record pertains . . ." (Title 5, U.S. Code, Section 552a, (b))

Certain exceptions to the above provision are defined in the Privacy Act, or in related legal and regulatory provisions. For example, TVC's access to the records of veterans and dependents is

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Mr. Cesar Saldivar, CGAP, Managing Senior Auditor

made available through Title 38, U.S. Code, Section 5701. Section 5701 is titled **“Confidential nature of claims”** and includes the following:

“(a) All files, records, reports, and other papers and documents pertaining to any claim under any of the laws administered by the Secretary, and the names and addresses of present or former members of the Armed Forces, and their dependents, in the possession of the Department shall be confidential and privileged, and no disclosure thereof shall be made except as provided in this section.

“(b) The Secretary shall make disclosure of such files, records, reports, and other papers and documents as are described in subsection (a) of this section as follows:

“(1) **To a claimant or duly authorized agent or representative of a claimant** as to matters concerning the claimant alone . . .”

Further, TVC’s access to the records of veterans and dependents is made available through Title 38, U.S. Code, Section 5902. Section 5902 is titled **“Recognition of representatives of organizations”** and includes the following:

“(a) (1) The Secretary may recognize representatives of the American National Red Cross, the American Legion, the Disabled American Veterans, the United Spanish War Veterans, the Veterans of Foreign Wars, **and such other organizations as the Secretary may approve, in the preparation, presentation, and prosecution of claims under laws administered by the Secretary.**”

In addition, the Health Insurance Portability and Accountability Act (HIPAA) contains a Privacy Rule, which protects certain medical information from disclosure. VA claims folders that involve claims for disability or death benefits usually contain medical information.

Under HIPAA, protected health information (PHI) is defined as individually identifiable health information that is transmitted by, or maintained in, electronic media or any other form or medium. This information may relate to the past, present, or future physical or mental health, or condition of an individual; or the provision of health care to an individual; or to the payment for the provision of health care to an individual. If the information identifies or provides a reasonable basis to believe it can be used to identify an individual, it is considered individually identifiable health information.

When a veteran or dependent executes a VA Form 21-22, “Appointment of Veterans Service Organization as Claimant’s Representative,” the claimant certifies to the following:

“I, the claimant named in Items 1 or 7, hereby appoint the service organization named in Item 3A as my representative to prepare, present, and prosecute my claim for any and all benefits from the Department of Veterans Affairs based on the service of the veteran named in Item 1. I authorize the Department of Veterans Affairs to release any and all records (other than as provided in Items 13 and 14) to

3.

Mr. Cesar Saldivar, CGAP, Managing Senior Auditor

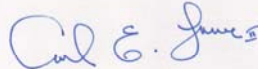
that service organization appointed as my representative. . . . Signed and accepted, subject to the foregoing conditions.

TVC is entitled to have access to the information contained in VA claims folders for the veterans and dependents whom they have been appointed to represent, under the legal and regulatory provisions cited above. TVC serves as the Power of Attorney (POA) to prepare, present, and prosecute claims for those individuals.

However, the access provided to TVC as the POA does not extend to other organizations, such as the Texas State Auditor's Office. As a result, we are unable to approve your request for access by the Texas State Auditor's Office to U.S. Department of Veterans Affairs (VA) claims folders.

If you have any questions or would like to have additional information, please let us know.

Sincerely yours,

A handwritten signature in blue ink that reads "Carl E. Lowe II". The signature is written in a cursive style with a small flourish at the end.

CARL E. LOWE II
Director

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Rene Oliveira, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Veterans Commission

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Brigadier General Karen S. Rankin (United States Air Force Retired), Chair

Mr. T.P. O’Mahoney, Vice Chair

Brigadier General Ezell Ware, Jr. (United States Army Retired), Secretary

Mr. Eliseo “Al” Cantu

Mr. John B. McKinney

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