

California State Auditor

B U R E A U O F S T A T E A U D I T S

The County Veterans Service Officer Program:

*The Program Benefits Veterans and Their
Dependents, but Measurements of
Effectiveness As Well As Administrative
Oversight Need Improvement*



April 2000
99133

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99133

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the County Veterans Service Officer program (CVSO program). This report concludes that although the CVSO program benefits veterans, methods for measuring its effectiveness need improvement, and the California Department of Veterans Affairs (department) should improve its administrative oversight of the program. Specifically, counties that participate in the CVSO program (CVSOs) and the department should improve the reporting of benefits and savings associated with the CVSO program, and the department's report to the Legislature and letters to counties citing such accomplishments should be viewed with caution. Even if the department reported accurate figures, such benefits and savings should not serve as the only measure of the success of the CVSO program. Instead, CVSOs should do more to analyze and improve their own operations, and the department should do more to improve the program statewide. In addition, the department does not ensure that its allocations of funds to the counties are based on accurate data, and it has not maximized its federal reimbursement of the CVSOs' cost-saving activities. Finally, the department should improve its oversight of the training and accreditation process for CVSO personnel.

Respectfully submitted,

MARY P. NOBLE
Acting State Auditor

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SUMMARY

Audit Highlights . . .

Our audit of California's County Veterans Service Officer program (CVSO program) revealed the following:

- ☑ *The CVSO program has played a key role in helping veterans, but reports of significant benefits and savings cited as program accomplishments should be viewed with caution.*
- ☑ *Even if reports of benefits and savings were accurate, other indicators should also be used by county CVSO programs (CVSOs) and the California Department of Veterans Affairs (department) to gauge the effectiveness of the program.*
- ☑ *The department does not ensure that its allocations of state and federal funds to counties are based on accurate data.*
- ☑ *The department has not maximized its federal reimbursement of CVSOs' cost-saving activities.*

Furthermore, the department needs to improve its oversight of the training and accreditation process for CVSO personnel.

RESULTS IN BRIEF

California's County Veterans Service Officer program (CVSO program) plays a key role in helping military veterans, their dependents, and their survivors (veterans) receive the benefits and services for which these individuals qualify because of the veterans' service to their country. Working in partnership with state and federal departments of veterans affairs and with veterans organizations, counties we visited that have established their own CVSO programs (CVSOs) furnish vital assistance to veterans, and these local programs provide a wide range of services beyond initiating benefit claims. For fiscal year 1998-99, the California Department of Veterans Affairs (department) reported that the CVSO program assisted in obtaining for veterans more than \$160 million in new or increased benefits. The department also reported that the program achieved significant savings for public assistance programs as well as increases in tax revenues for counties.

Nevertheless, our review disclosed that those who make decisions about the CVSO program should view with caution these favorable reports of benefits and savings. Neither the CVSOs nor the department has established sufficient procedures to ensure the accuracy of the information reported. For example, although we could not calculate the magnitude of the error, we determined that the dollar amount of benefits reported by some CVSOs is inflated because the CVSOs did not report increases to existing benefits correctly. Additionally, the department has based on outdated and irrelevant data the significant local tax revenues it cites as a benefit of the program when the department prepares its annual letters to counties that participate in the CVSO program.

Even if the department reported these figures correctly, such benefits and savings should not serve as the only measure of whether the CVSOs are serving veterans successfully. Instead, the CVSOs should do more to analyze and improve their own operations, and the department should do more to improve the program by evaluating performance statewide. No law or regulation precludes the department from establishing statewide

goals, investigating why county performance data vary, and recommending practices for improvement; however, the department has not yet done so.

Additionally, although the department has established a generally reasonable process for allocating state and federal funds, the department does not ensure that allocations are based on accurate data. In fact, although state regulations require it to audit selected counties annually to validate information that serves as the basis for the allocations, the department has performed only one audit since 1996.

Our review also showed that the department does not maximize its federal reimbursement for cost-saving activities by CVSOs, which assist their counties in avoiding costs for the California Medical Assistance (Medi-Cal) program and public assistance programs by identifying veterans who are ineligible or only partially eligible for these programs because of the amount of veterans benefits they receive. However, CVSOs receive federal funding for their Medi-Cal cost-saving efforts only. The department should seek federal funds to reimburse CVSOs that help reduce costs for public assistance.

Further, CVSOs missed an opportunity to use an increase in state funding for fiscal year 1998-99 to expand or improve program services. The Legislature did not specify how counties were to spend the increase, and the counties we visited used the funds to reduce the amount of county funds spent on the program.

Finally, the department needs to improve its oversight of the training and certification process for CVSO personnel who assist veterans in the benefit claims process. The department has established a generally appropriate process for certifying that CVSO personnel meet federal Department of Veterans Affairs (VA) standards for accreditation. However, the department does not have a method for ensuring that all individuals who require accreditation earn that status, nor does it make certain that those individuals who are accredited receive ongoing training. Finally, the department needs to ensure that training manuals and certifying examinations are current and approved by the VA.

RECOMMENDATIONS

The Legislature should clarify whether it intends counties to use future budget increases in state funding to improve and expand CVSOS program services or to reduce the counties' share of program costs.

The department should improve the reporting of benefits and savings associated with the CVSOS program in several ways, such as ensuring that counties understand how to report benefit increases and developing appropriate estimates of local tax revenues.

Additionally, all CVSOSs should establish appropriate controls over their reporting of benefits and other information to the department.

To better measure and improve the effectiveness of the program, the CVSOSs and the department should work together to develop goals and productivity measures for CVSOSs to determine achievement toward the goals. Additionally, to identify program areas that need improvement, the department should analyze differences among CVSOSs using key information reported by CVSOSs.

Further, the department should improve its administration of funding in various ways. For example, it should audit selected CVSOSs annually, as required, to validate information it uses to allocate funds to each county, or the department should seek to change the requirement and establish an appropriate alternative process to ensure the accuracy of necessary information. Additionally, the department should seek federal reimbursement for CVSOSs' efforts in reducing public assistance costs.

To ensure that CVSOS personnel are qualified to provide assistance, the department should develop procedures to identify individuals who should be certified for accreditation and ensure they take action to become accredited. In addition, the department should establish procedures to make sure that accredited individuals receive ongoing training and implement additional procedures to ensure that training materials, including manuals and examinations, receive updates and appropriate approvals.

AGENCY COMMENTS

The department, Los Angeles County, San Diego County, and Yuba County agree with the recommendations directed to each of them. ■

INTRODUCTION

BACKGROUND

Established in 1946, the County Veterans Service Officer program (CVSO program) focuses on helping veterans and their families obtain benefits to which they are entitled as a result of military service. The 56 counties that participate in the program work in partnership with the California Department of Veterans Affairs (department), veterans organizations, and the federal Department of Veterans Affairs (VA) to obtain these benefits. Veterans benefits come in many forms, including disability compensation, health care, and vocational rehabilitation. According to the VA, about one-third of the nation may be eligible for VA benefits and services because veterans' dependents and survivors may also qualify for assistance. This report uses the term *veterans* to refer collectively to veterans, their dependents, and their survivors.

Individual programs, referred to as *CVSOs*, are located in participating counties. Many of the other organizations are represented at the VA's three regional locations in Oakland, Los Angeles, and San Diego. CVSOs play a role in the partnership of organizations by working with veterans to initiate and develop claims for benefits and to provide a local source of information for veterans. Additionally, CVSOs assist their counties by responding to requests for information on VA benefits provided to veterans who have applied for the California Medical Assistance (Medi-Cal) program or public assistance services. (In this report, *public assistance* refers to welfare benefits, such as cash payments for general assistance.) By aiding the counties in this manner, the CVSOs help identify veterans who are ineligible or only partially eligible for Medi-Cal or for public assistance payments because of the amount of veterans benefits they receive, thereby saving some costs.

When dealing with the VA, veterans typically make the department or another organization their *designated representative* by giving the organization power of attorney. The department maintains district offices to represent California veterans before the VA. Service organizations, such as the American Legion, the Disabled American Veterans, and the Veterans of Foreign Wars, among others, also serve as designated representatives to veterans

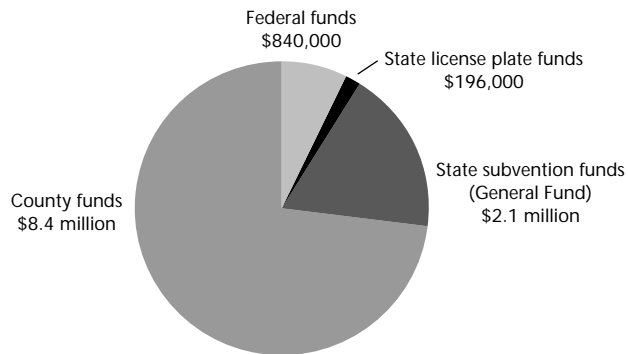
who appoint these organizations to act on the veterans' behalf. The VA denies or awards benefits based on its review of the veterans' claims.

The CVSO Program Receives Funding From Several Sources

In fiscal year 1998-99, the department received nearly \$3.5 million in state funds and almost \$1.0 million in federal funds for the CVSO program. The department allocated more than \$3.1 million of that total to the counties. During the same period, counties contributed approximately \$8.4 million to fund their CVSO operations. Figure 1 shows the composition of the more than \$11.5 million in funding that went to CVSOs during fiscal year 1998-99.

FIGURE 1

**Sources of Funding for CVSO Operations
Fiscal Year 1998-99**



As Figure 1 indicates, \$2.1 million, or the bulk of the State's contribution, came from the General Fund and is called *subvention funding*. The department also allocated \$840,000 in federal funds to counties to partially reimburse CVSOs for their efforts in reducing Medi-Cal costs. Finally, the department distributed to CVSOs \$196,000 derived from sales of the State's veterans license plates.

Federal Regulations Require CVSO Personnel to Meet VA Standards for Accreditation

All individuals, including CVSO personnel, who assist and represent veterans in preparing, presenting, and prosecuting claims for veterans benefits must, under federal regulations,

undergo a specific accreditation process. *Accreditation* refers to the recognition by the VA of individuals to represent veterans who submit benefits claims. Organizations that the VA has determined serve the needs of veterans—such as the department, the American Legion, and the Disabled American Veterans—may apply to the VA for each person it wants to have accredited as a representative of that organization. Federal regulations require that the organizations certify to the VA that individuals applying for accreditation meet training standards, pass an examination, and fulfill other criteria.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (committee) requested that the Bureau of State Audits determine if the CVSOS program provides cost-effective assistance to California veterans, assess whether the data submitted by CVSOSs and reported by the department are accurate, and evaluate whether increased state funding led to more extensive or improved program services. The committee also asked us to determine whether the department ensures that it distributes CVSOS funds appropriately and to assess the department's process for certifying that CVSOS personnel meet VA standards for accreditation.

To analyze whether the CVSOSs supply cost-effective assistance to veterans, we focused on the services the CVSOSs provide and the benefits and savings they help generate. Moreover, we considered other measures of the CVSOS program's effectiveness. To determine if the program furnishes necessary, valuable assistance to veterans, we interviewed staff and reviewed evidence of services offered at the CVSOSs in Los Angeles and San Diego, which are counties with large veterans populations, and also at the combined CVSOS for Yuba and Sutter counties, which together have a relatively small veterans population. Additionally, we interviewed managers and staff at the department's headquarters in Sacramento and at the district offices in Oakland and Los Angeles, and we spoke to representatives of the American Legion, the Disabled American Veterans, and the Veterans of Foreign Wars as well as to managers at the federal VA. We learned the role each organization plays in the claims process and assessed whether the process warrants more appropriate coordination or reorganization.

At the three CVSOSs in our review, we examined the accuracy of reported monetary benefits to veterans, ascertained how the CVSOSs record and report the benefits, and traced a sample of

30 benefits awarded in fiscal year 1998-99 to the VA award letters in claimants' files. (However, for one CVSO, we were unable to test 3 benefits in our original sample of 10 from that county because county staff had destroyed the files containing the source documents. In this instance, the CVSO thought it was following department guidelines. We brought this issue to the department's attention so it can clarify to the CVSOs its instructions on record retention.) Then, to confirm the accuracy of the department's reporting of benefits, we compared the total benefits recorded by the counties in our sample to amounts listed in the department's report to the Legislature and in its letters to counties. To determine the appropriateness of the department's technique for estimating local tax revenue accruing to the counties as a result of VA benefits, we asked Department of Finance staff for its evaluation. We also reviewed the process by which the department reports public assistance savings resulting from efforts of the CVSOs.

To evaluate the effectiveness of CVSO operations at the counties we visited, we interviewed CVSO personnel. We obtained their perspectives on whether the acquisition of benefits for veterans is a valid measure of the program's effectiveness and whether other measures of productivity could come into play. We also interviewed department managers to learn what measures they had employed to gauge program effectiveness throughout the State.

To assess whether CVSOs improved or expanded their services as a result of a fiscal year 1998-99 budget augmentation by the Legislature, we looked at how the CVSOs at the three counties we visited spent their shares of the increased funding.

When we examined how appropriately the department distributed state and federal funds to CVSOs, we reviewed the department's allocation process for these funds. We determined whether the CVSOs we visited reported to the department valid workload activities, such as the filing of claims, which are used as the basis for allocating funds. To do so, we compared a sample of 39 workload activities listed in the CVSO reports to the department with those appearing in records at the CVSOs. As in the case of our tests for awarded benefits, we were unable to test 2 of the workload activities in our original sample at one CVSO because the county had destroyed the files.

Further, we reviewed the Medi-Cal cost-saving agreement between the department and the Department of Health Services for fiscal year 1998-99 and evaluated the calculations on which these departments based the agreement. To determine why the department did not have a similar agreement with the Department of Social Services for federal funds to reimburse CVSOs for their efforts to reduce public assistance costs, we interviewed managers at the department and at the Department of Social Services. We also tested a sample of 30 expenditures by the CVSOs to assess whether they were allowable and reasonable.

To evaluate the department's training, certification, and accreditation process, we spoke to department managers and to CVSO personnel. In addition, we reviewed relevant documentation to understand the responsibilities and policies of the CVSOs and the department for ensuring that individuals who assist veterans in claims preparation meet VA standards. At the three CVSOs we visited, we determined whether CVSO personnel had earned accreditation. Moreover, we interviewed the VA regional counsel and reviewed documentation to find out whether the department had updated its training manuals and examinations recently and whether these documents had received VA approval. Finally, we reviewed the department's process for providing ongoing training to CVSO personnel. ■

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CHAPTER 1

Although the CVSO Program Benefits Veterans, Methods for Measuring Its Effectiveness Need Improvement

CHAPTER SUMMARY

The County Veterans Service Officer program (CVSO program) plays a key role in providing necessary services and benefits to California veterans, but reports by the California Department of Veterans Affairs (department) of benefits and savings attributable to the program contain inaccuracies. In the three counties we visited, the local CVSO programs (CVSOs) provide vital assistance to veterans in obtaining benefits from the federal Department of Veterans Affairs (VA) and furnish a wide range of services beyond the initiation of benefit claims. Moreover, reports prepared by the department indicate that CVSOs have helped to acquire significant amounts of benefits for veterans and also brought about noteworthy savings in public assistance programs. However, our review disclosed that certain reported benefits and savings are inaccurate and should be viewed with caution. Even if the department reported these figures correctly, such benefits and savings should not function as the only measures of whether the CVSOs are serving veterans successfully. Instead, the CVSOs should do more to analyze and improve their own operations.

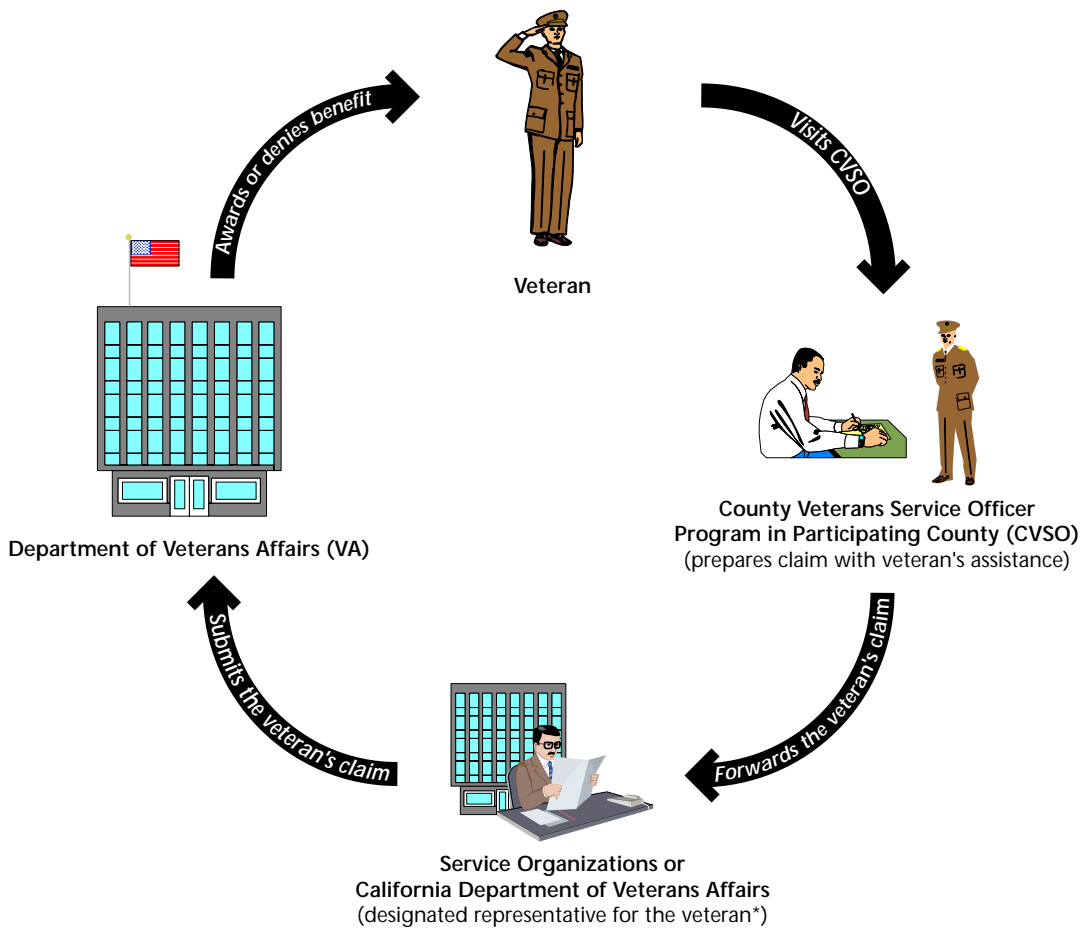
CVSOs PLAY A KEY ROLE IN OBTAINING BENEFITS FOR VETERANS

To obtain benefits for veterans, CVSOs work in partnership with the department, other veterans service organizations, and the VA. CVSOs are important members of this coordinated effort because they are located in the communities where veterans live and are able to offer one-on-one assistance to veterans who file claims for VA benefits. Because there appears to be appropriate coordination among the various entities, we do not believe the current process warrants reorganization.

As Figure 2 shows, the claims process typically begins when the veteran calls or visits the local CVSO to inquire about VA benefits. Based on its discussion with the veteran, the CVSO will initiate a claim for one or more specific entitlements. Generally, the CVSO forwards this claim to the entity designated to represent the claimant, through power of attorney, in all matters before the VA. The designated representative may be any one of a number of service organizations recognized by the VA, including the American Legion, the Disabled American Veterans, the Veterans of Foreign Wars, or the department. The designated representative reviews the claim and forwards it to the VA for consideration. Subsequently, the VA determines whether it will award or deny the benefit. The veteran may appeal a denied claim to the VA regional office that made the decision or appeal the case all the way to the U.S. Court of Veterans Appeals.

FIGURE 2

A Typical Benefit Claims Process for a California Veteran



* In the event the veteran disagrees with the VA's decision, the designated representative works with the veteran through the appeals process.

To help veterans in their communities obtain VA benefits, counties have established CVSOs programs. Counties do not have the resources to maintain staff at the VA regional offices to represent veterans at key points in the process or to interact with the VA. Consequently, CVSOs rely on the service organizations, which employ professionals to act on veterans' behalf at the regional offices. On the other hand, the service organizations and the department, like the VA, lack the resources to provide staff in the communities, and they rely on the CVSOs to work directly with veterans and to take the first steps in obtaining benefits.

To a greater extent than others, CVSOs work with veterans to initiate and develop claims.

CVSOs are not the only organizations or individuals to initiate claims. Veterans may prepare and submit claims themselves, or they may request the assistance of any service organization or the department, which has staff near the three VA regional offices. Nonetheless, to a greater extent than the department or any service organization to which we spoke, CVSOs provide ready assistance to veterans and work closely with individual veterans to initiate and develop claims.

We attempted to determine how much of the claims assistance to veterans the CVSOs carry out as compared to the amount of help supplied by service organizations, the department, and the VA regional offices in the same local jurisdiction. Neither the VA nor the department maintains the data to enable us to make such an assessment. However, we talked to three service organizations located near VA regional offices about their role in the claims process and the performance and value of the CVSO program. Because the department can also represent the veteran through a designated representative, we also spoke with the department's district manager for the Oakland region. According to the service organizations and the department, although they review claims to some degree before forwarding them to the VA, their primary role in the claims process is to help ensure the appropriateness of the VA's award decision, and, if necessary, represent the veteran during the appeal process if the veteran disagrees with the decision. At that point, the veteran's representative prepares the case. The three CVSOs we visited informed us that the representatives often ask the CVSOs for support during the appeals process because the CVSOs have access to and a relationship with the veteran.

According to most service organizations with which we spoke, CVSOs are valuable to the veterans community because they assist in preparing a large portion of benefits claims on behalf of veterans. When asked how many claims these organizations

One organization commented that if the CVSO program did not exist, 90 percent of veterans needing service would be “out in the cold.”

receive from CVSOs as a percentage of the total claims they forward to the VA from all sources, including their own membership, Veterans of Foreign War representatives estimated that claims from CVSOs compose from 60 percent to 95 percent of all their claims. Additionally, all the service organization and department representatives to whom we spoke provided positive comments about the importance of the CVSO program. For example, responses referred to CVSOs as being “on the front-line” and in the community. Other comments were that the program was very valuable and that if the CVSO program did not exist, 90 percent of veterans needing service would be “out in the cold.”

CVSOs Provide a Wide Range of Services Beyond Initiating Claims for Benefits

Claims work is only part of what a CVSO does. CVSOs assist veterans with any issue relevant to these individuals’ military service and with all veterans entitlements. CVSOs also advocate for the homeless and mentally-ill veteran. Beyond initiating claims for service-connected disabilities, each of the CVSOs we visited aid and counsel veterans on a wide range of VA benefits and services. For example, CVSOs help veterans gain access to VA medical facilities, provide assistance to homeless veterans, help survivors with funerals for veterans, and aid indigent veterans with legal problems. CVSOs also supply a local source of information for county officials that helps reduce county program costs. Specifically, CVSOs help lower the costs of the California Medical Assistance (Medi-Cal) program and public assistance programs by responding to county requests for information on VA benefits received by veterans applying for program services. By serving the counties in this manner, the CVSOs assist in identifying veterans who are ineligible or only partially eligible for Medi-Cal or public assistance payments.

CVSOs are active in their communities in other ways as well. One of the CVSOs we visited stated that the office routinely arranges transportation to a VA clinic for veterans’ appointments. Often, CVSO personnel pick up other veterans’ medical prescriptions at the clinic’s pharmacy at the same time. In addition, CVSOs assist homeless veterans to secure housing, and they participate on veterans’ councils and community advisory boards. For example, the Yuba-Sutter CVSO is on the board of directors of the Central Valley Homeless Veterans Program. This program seeks to reduce the incidence of homeless veterans in Yuba, Sutter, and Colusa counties by establishing and maintaining

such comprehensive homeless intervention services as counseling and referral services for those veterans desiring a change in lifestyle.

The Department Reported That the CVSO Program Helped Achieve Significant Benefits and Savings

For fiscal year 1998-99, the department reported that the CVSO program assisted in obtaining more than \$160 million in new and increased benefits for veterans. During this same period, state funds for the program were approximately \$3.5 million. The figures indicate a significant return on state costs. The federal government also contributed nearly \$1 million in reimbursements for certain activities. Further, although larger than state and federal funding for the program, county allocations provided a relatively small amount of resources—\$8.4 million for fiscal year 1998-99. Because CVSOs play a role in the partnership that is responsible for obtaining veterans benefits, a comparison of the significant benefits reported to the costs associated with the CVSO program suggest that, viewed from a statewide perspective, the program is cost-effective.

The department reported for fiscal year 1998-99 that CVSOs assisted in obtaining more than \$160 million in new and increased benefits for veterans.

Since 1998, state law has required the department to report annually to the Legislature the amount of new or increased monetary benefits paid to veterans attributable to the assistance of CVSOs. When it established this requirement, the Legislature expressed its intent that it would use the information to determine whether the monetary benefits justify potential annual increases in state funding for the program. A list of the benefits that the department reported for fiscal year 1998-99 appears in the Appendix.

The department also sends annual letters to the county boards of supervisors informing them of the achievements of their CVSOs. In addition to the new and increased benefits information that it reports to the Legislature, the department cites other advantages and savings arising from the CVSO program: the annual amount of cash benefits the VA provided for that county, local tax revenues associated with both the total cash benefits and the new benefits, and public assistance savings. The dollars cited can be significant. For example, in a July 1999 letter to the San Diego County Board of Supervisors, the department reported that during fiscal year 1997-98, the San Diego CVSO won for the county's veterans population more than \$15 million in new cash benefits. The department further reported that these awards led to more than \$2.4 million in new local tax revenue.

The letter reported total cash benefits that the VA provided as \$272 million, crediting much of this amount to the past efforts of San Diego’s CVSOS. The department also stated that these benefits resulted in more than \$43.5 million in local tax revenue. Further, the department’s letter stated that actions taken by the CVSOS to obtain and maintain monetary benefits brought about savings for the county’s social services department, as more than \$4.1 million in public assistance payments were avoided. The department reported that with a net cost to the county for its CVSOS program of just \$324,000, the CVSOS was one of the “few revenue-producing offices in the county.”

However, as we discuss in the following sections, we have concerns about the accuracy of reported benefits and savings by CVSOSs. Additionally, even if correctly reported, benefits and savings are not the only measures of whether CVSOSs are effective.

DECISION MAKERS SHOULD VIEW REPORTED BENEFITS AND SAVINGS WITH CAUTION

The benefits and savings reported by the department appear commendable, but our review revealed that certain benefits and savings were inaccurate. In some cases, the inaccurate reporting resulted from inappropriate methodologies. For example, in its annual letters to the counties citing the accomplishments of their CVSOSs, the department estimates significant local tax revenues resulting from the benefits awarded to veterans that the CVSOS played a part in obtaining. However, the department based these estimates on a report from nearly 25 years ago that is both outdated and irrelevant. Additionally, although the department relies on information reported by the counties for the benefits and savings that it points to as accomplishments of the program, neither the CVSOSs nor the department ensures the accuracy of the information reported. Thus, those using these reported benefits and savings to make decisions regarding the CVSOS program should view the figures with caution.

The Department’s Reporting of Certain Benefits and Savings Is Inaccurate

In examining the department’s annual report to the Legislature and its annual letters to counties, we noted problems with the way CVSOSs record increases in existing benefits, the method the department uses to estimate tax revenue arising from new or

Neither the CVSOSs nor the department ensures the accuracy of reported benefits and savings.

increased veterans benefits, and the procedures the department and CVSOs use to report public assistance savings. These flaws in reporting methods have created incorrect data.

Some CVSOs incorrectly reported increases in existing benefits and thus overstated the effectiveness of their operations.

In those instances in which veterans received increases in the monthly compensation they were awarded previously, some CVSOs recorded the full amount of the new compensation rather than the incremental increase. Thus, the CVSOs reported the monthly compensation that the veteran had already been receiving as a “new or increased” benefit even though the county had already reported the original amount when the VA made the previous award.

Reporting in this manner overstates a CVSO’s effectiveness in obtaining increased benefits. We spoke to department management about this matter, and it confirmed that the department intended for CVSOs to report incremental increases only. Apparently, however, the department’s instruction manual used by CVSOs has contributed to the problem. The manual instructed the county programs either to record the new claim in full or not to record the new claim at all, depending on whether the VA has made a previous award within the last 12 months. We were not able to determine the extent of the reporting error in the counties we visited, but our observations suggest that the amount of new and increased monthly benefits reported by the CVSOs and used by the department are inflated.

In addition, we have concerns over the department’s methodology for reporting other program accomplishments in its letters to counties. In these letters, the department lists estimates of significant local tax revenue. For example, as discussed previously, the department stated in its letter to San Diego County that new awards to veterans during fiscal year 1997-98 led to \$2.4 million in new local tax revenue and that annual cash benefits produced more than \$43.5 million in local tax revenue overall. The department further stated that it used Department of Finance estimating techniques to arrive at these amounts. Our audit showed that the department computed these estimates using a factor from a Department of Finance report issued in 1975. However, beyond the fact that the report was issued nearly 25 years ago, the factor in the report did not refer to tax revenues; instead, it referred to the county’s share of the funding for public assistance payments at that time. We do not see the correlation between the funding for public assistance payments and new taxes generated. Further, we spoke to Department of Finance representatives, who confirmed that it appears “highly

inappropriate” to use that factor. The Department of Finance indicated that it was unaware of an acceptable technique for estimating these local tax revenues without reviewing both the operations of the program and its clients. We believe that these estimates could be significantly in error. If the department chooses to continue reporting this kind of information, it needs to develop a new estimating methodology.

The public assistance savings the department reports as accomplishments of the CVSO program do not always reflect actual savings.

Moreover, the amounts that the department reports as public assistance savings in its letters to the counties are not always actual savings. When a veteran requests public assistance through the county social services department, the county eligibility staff, which determines the amount of public assistance the veteran may receive, asks the CVSO to verify any income the veteran may be receiving from the VA. In addition, the county eligibility staff will request that the CVSO apply for any veterans benefits to which the veteran may be entitled. The CVSO determines the amount of aid, if any, records the monthly amount on a referral form, and returns it to the county eligibility staff. The county eligibility staff may note that the CVSO verified the amount of income that the veteran receives from the VA and that the veteran failed to report. Using the income verification, the county eligibility staff will reduce accordingly the public assistance award for the veteran. The department reports the verified VA benefits as public assistance savings in its letters to the counties. The logic behind reporting in this manner is that for every additional dollar of reported income, including VA benefits, the county public assistance program saves a dollar it otherwise would have spent on the applicant.

Although the department reports these amounts as savings for the counties’ social services departments, the reductions in public assistance payments do not save county funds exclusively. Federal and state monies also fund certain public assistance payments. Further, although the CVSO’s reporting on a public assistance applicant’s income can potentially result in savings, it does not always do so. For example, sometimes the veteran has appropriately disclosed his veteran’s income on the application for public assistance funding. In that case, the CVSO is simply verifying income information that the county has already considered when it determined the amount of public assistance to which the applicant was entitled, and the CVSO’s efforts do not result in any additional savings. Nevertheless, the CVSOs report to the department the dollar amount of the benefits they verify, and the department subsequently reports these dollars as savings to the counties.

Actual savings to counties may be less than reported by the department for another reason. For each applicant, public assistance has a ceiling. If a county applicant has no income, the county will provide the maximum public assistance payment allowed. On the other hand, if an applicant's income equals or exceeds the maximum, or the ceiling, the county provides no public assistance payments. When this situation occurs, the county saves what it did not provide. The most a county can save is the maximum amount of public assistance payments allowed. However, rather than report the amount the county program actually saves, CVSOs report the entire VA benefit the veteran receives as income, even when this income exceeds the maximum public assistance allowed. This calculation is clearly incorrect.

Neither the CVSOs nor the department has calculated the amount of Medi-Cal savings resulting from the CVSO program.

Additionally, in its letters to the counties, the department does not list savings to the Medi-Cal program as accomplishments of the CVSO program even though efforts by the CVSOs to verify veterans' income for the Medi-Cal program are much the same as their efforts for the public assistance program. The department requires CVSOs to document the dollar amount of benefit awards by the VA that they have verified for veterans eligible for Medi-Cal. Nonetheless, according to the department, it only reports this information to the Department of Health Services as part of an agreement that provides federal funds to reimburse CVSOs for their Medi-Cal cost-saving activities. However, as is the case with public assistance, reported veterans benefits do not necessarily represent actual Medi-Cal savings. Neither the CVSOs nor the department has actually calculated savings to the Medi-Cal program. The department would need to develop a new reporting methodology if the department were to begin reporting Medi-Cal savings as an accomplishment of the CVSO program.

We were unable to determine the extent to which the department's reported benefits, local tax revenues, and savings are misstated because of the various conditions described above. However, we believe the reported information is inaccurate and warrants the department's attention.

Neither the CVSOs nor the Department Ensures the Accuracy of the Information Reported

Because the CVSOs we visited have not made certain that they are submitting to the department correct information about veterans benefits and savings, those who use this information should view it with caution. The CVSOs lack effective procedures

for ensuring the accuracy of the data they submit, but the department nonetheless relies on this data when it prepares its reports on veterans benefits and on savings to the State and the counties.

No one at the CVSOs we visited spot-checked the accuracy of data reported to the department.

None of the CVSOs we visited had a quality control process that involved a supervisor or other individual who spot-checks the accuracy of the data by tracing the recorded information back to the supporting documentation. In fact, the head of one CVSO we visited stated that although it was his responsibility to ensure the data he reports to the department is accurate, the department does not “provide, require, or recommend any procedure to ensure the accuracy” of the data. Two of the offices we visited use computer software to report benefits and other information. However, based on our discussions with county staff, we are concerned there may be an overreliance on the software to detect errors in reporting. For example, although we had been told that the computer software used by some CVSOs has a built-in edit to prevent duplication of entries, we found that information for one award was recorded twice. Additionally, the software is not designed to catch other kinds of errors, such as someone entering the incorrect award data or calculating an incorrect amount.

In fact, even the limited review of benefits we performed disclosed errors in reporting at one of the CVSOs. We tested the recording of 10 awards at the San Diego CVSO and found that 2 of the awards were calculated incorrectly, 1 was calculated correctly but recorded incorrectly, and 1 did not have any supporting documentation. We also noted that the CVSOs lacked sufficient procedures to ensure that staff appropriately summarized the detailed reporting of the awards for semiannual reporting to the department. The Yuba-Sutter CVSO prepares its reports manually. When we reviewed Yuba-Sutter’s semiannual report, we found that it did not include more than \$20,000 in awarded benefits included in the detailed reports. Although the amount was not significant to the total reported, the error indicates the absence of a review of the reporting process. Additionally, we found that the Los Angeles and San Diego CVSOs did not retain the computer-generated support for their semiannual reports, and this historical information cannot be recreated due to limitations of the computer system. Thus, we could not review whether these CVSOs appropriately summarized the information.

Further, although the department states that it is responsible to ensure that all CVSOs submit semiannual reports that are thorough, accurate, and complete, it does not have procedures to ensure that CVSOs do so. The department receives summary information only, and it appears as though the department's review procedures are, at best, limited to comparing the current report to previous reports. Thus, it is critical that CVSOs have effective procedures to ensure the accuracy of data and summary reports.

INCREASED BENEFITS AND SAVINGS ARE NOT THE ONLY MEASURES OF PROGRAM EFFECTIVENESS

Even if the department and CVSOs were to report veterans benefits and public assistance savings accurately, we question whether these reports should serve as the sole measures of the CVSO program's effectiveness. As the Appendix to this report indicates, certain CVSOs reported that they helped obtain significantly higher benefits than other CVSOs for the veterans in their respective counties. Similarly, public assistance savings that the department attributed to the program vary significantly among counties. However, the mere magnitude of a CVSO's benefits and savings does not indicate whether that CVSO is as effective as it could be. Other useful measures might be reductions in claims processing times, a decrease in office costs per staff assigned from one year to the next, or a percentage increase in benefits awarded over time.

The mere magnitude of benefits and savings alone does not indicate whether a CVSO is effective.

As just one part of a partnership that involves several other players, CVSOs are not exclusively responsible for veterans' success in receiving benefits or for savings. Because they result from combined efforts, these benefits and savings cannot measure directly how well CVSOs are carrying out their responsibilities. For example, certain CVSOs may prepare claims more completely and quickly than do other CVSOs, and this efficiency may result in veterans obtaining their awards earlier.

Additionally, assessing the CVSO program's effectiveness solely according to benefits and savings ignores significant assistance provided to veterans that is difficult to quantify but that merits recognition. The Los Angeles CVSO points out that CVSO personnel supply information, referrals, and assistance to veterans and their families to help them obtain other types of federal, state, or county benefits and services. For example, CVSOs help

Assessing the CVSO program's effectiveness solely according to benefits and savings ignores significant assistance that is difficult to quantify but that merits recognition.

veterans gain access to VA medical facilities, thus effectively helping individuals, especially those with low incomes, and saving the county the cost of that treatment. Assistance to homeless veterans, survivors with funerals, and indigent veterans with legal problems are other examples of CVSOs' necessary, responsive, and effective public service that improves the quality of life for veterans.

Clearly, those who evaluate CVSOs for their success in meeting veterans' needs must also take demographics into account. It seems reasonable that CVSOs in counties with large veterans populations, such as San Diego and Los Angeles, may file more claims and obtain more monetary benefits from the VA than do CVSOs in other counties. In addition, for fiscal year 1998-99, Solano and San Diego counties, which host large military installations, reported large awards of one-time benefits from the VA that amounted to more than 20 percent of all the one-time benefits for the entire State. According to the department, counties with large military installations typically have large numbers of claims for life insurance and other survivors' benefits that require little effort for CVSOs to initiate.

Although benefits and savings are important, they cannot be viewed in isolation as measures of success. CVSOs should do more to measure the effectiveness of their own operations.

CVSOs SHOULD DO MORE TO ANALYZE THEIR OWN OPERATIONS

When assessing whether its CVSO successfully assists veterans, each county should look to its own program for evidence that the staff is performing well, and the CVSO should develop specific methods for evaluating and reporting its productivity. Counties are not required to establish a CVSO program. As counties prepare their annual budgets, it is reasonable to expect them to question the effectiveness of each element of county government, including their CVSO programs. How can counties be assured that their CVSOs are worthwhile? The CVSOs we visited regard the department's annual letter reporting benefits and savings as valuable tools for assessing their counties' continued funding of their local CVSO programs. However, county boards of supervisors and administrators should be cautious when relying on such data provided by the department.

Counties should look directly to their CVSOs for evidence of their effectiveness, and CVSOs should supply their counties with key indicators of their performance. We found that each of the CVSOs we visited do, to varying degrees, furnish program performance data directly to their counties. For example, in fiscal year 1998-99, the San Diego CVSO reported to the county board of supervisors that data collection initiated in October 1998 and ending in June 1999 showed that a new database software package reduced by 14 percent to 18 percent the staff time involved with processing and preparation of veteran claims. This CVSO also reported that by June 1999, the number of veterans assisted increased by only 7 percent over the prior year, compared to the goal of 10 percent. The San Diego CVSO explained that the shortfall was due to a decline in veterans benefits verification and referral forms submitted by public assistance applicants as more veterans moved off the public assistance rolls.

Counties should look to their own CVSOs to determine effectiveness rather than rely solely on reports from the department.

The Los Angeles CVSO reported that its goals for fiscal year 1998-99 were, for example, to increase the number of claims it submitted by 3 percent and to increase the number of college fee waivers for disabled veterans' dependents by 14 percent. In an October 1999 letter to his county's chief administrative officer, the Los Angeles CVSO reported that the increase in claims submitted exceeded the 3 percent goal and actually gained 11 percent over fiscal year 1997-98 figures. Further, this CVSO reported that college-fee-waiver applications increased significantly over the previous year, but awards granted rose only 10 percent instead of the 14 percent projected. An example of a performance measure that the Yuba-Sutter CVSO reported was that the number of its interviews with veterans regarding entitlements increased from 1,725 in 1997 to 3,054 in 1998.

We believe that these types of performance measures have value, but more analyses should be done using other effectiveness measures that all CVSOs have readily available. CVSOs could more comprehensively view their productivity by looking at key indicators of benefits; workload activities, such as the number of claims filed and other similar efforts; number of staff; and their total operating budgets. CVSOs could then compare all these indicators from one year to the next. For example, according to data obtained from the Yuba-Sutter CVSO for fiscal year 1998-99, the dollar amount of benefits obtained per workload activity was \$2,712. Benefits obtained per staff member were more than \$3.2 million, operating budget per staff was more than \$59,000, total operating budget per workload activity was \$50, and workload activity per staff was almost 1,190. Although the figures

for one year may have limited value, they could take on significance when compared to past periods. CVSOs could also use these indicators to evaluate the productivity of individual staff members.

Once CVSOs analyze their programs, they should implement practices to improve their operations.

Further, CVSOs should analyze their operations and implement practices to improve their own operations. For example, by analyzing the benefit claims process from the time a claim is initiated to the date of its award, CVSOs could identify the events that delay processing of the claims, including those they can control and those they cannot. CVSOs should devise a means to “age” their claims, identifying claims that have not received decisions from the VA after a specified time period. Focusing on the areas they can control, CVSOs should attempt to reduce by a determined percentage over the previous year the time required for those areas. CVSOs should identify backlogs in the process and assist in attempting to reduce them. Our review revealed that certain claims take a long time to proceed through the system. The service center manager in the VA regional office in Oakland believes that a lack of well-grounded claims, as well as reductions in the number of VA staff, have contributed in part to a backlog that has grown more severe over recent years. The U.S. Court of Appeals for Veterans Claims defines a well-grounded claim as plausible, meritorious on its face, or capable of substantiation, so that it has a reasonable chance of being granted. Because CVSOs play a critical role in developing the claims, it is important for CVSOs to continue focusing their efforts on ensuring that claims are well grounded.

CVSOs should work with the department to develop goals and productivity measures that are meaningful, quantifiable, and reasonable. CVSOs should use these goals and measures to identify areas that need improvement and take appropriate actions.

RECOMMENDATIONS

To improve the reporting of benefits and savings associated with the CVSO program, the department should take the following actions:

- Clarify instructions so that CVSOs report only the increase in a benefit award when a prior benefit has been awarded.

- Develop an appropriate estimating technique for calculating local tax revenues resulting from veterans benefit awards if the department wishes to continue reporting local tax revenues.
- Consider whether it wants to continue reporting public assistance savings to counties and, if so, ensure it reports accurate savings. Also, the department needs to consider whether it should report savings for the Medi-Cal program. If identification of actual savings is not cost-effective, the department should determine whether it can provide counties with a reasonable estimate of the savings.

Additionally, to improve the accuracy with which they report program information to the department, all CVSOs should implement appropriate controls over their reporting of benefits and savings.

Finally, CVSOs should take the following actions to better measure and improve the effectiveness of their efforts on behalf of veterans:

- Work with the department to develop goals and productivity measures for CVSOs.
- Report to their respective counties and the department annually their progress in meeting the goals and productivity measures.
- Analyze their own operations and implement practices to improve their operations. ■

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CHAPTER 2

The California Department of Veterans Affairs Should Improve the Effectiveness and Administrative Oversight of the CVSO Program

CHAPTER SUMMARY

Although individual counties can improve their own County Veterans Service Officer programs (CVSOs), the California Department of Veterans Affairs (department) can do more to maximize the effectiveness of the CVSO program as a whole by evaluating the counties' performance and improving administrative oversight. Our review revealed that although no laws or regulations preclude the department from establishing statewide goals, investigating why performance data vary among CVSOs, and recommending practices for improvement, the department has not done so.

Additionally, the department has established a generally reasonable process for allocating state and federal funds; however, it does not ensure the accuracy of the data it uses to determine those allocations. The department may also be missing an opportunity to obtain more federal funds for CVSOs. Although CVSOs perform activities that result in cost savings for both the California Medical Assistance (Medi-Cal) program and public assistance programs, CVSOs receive federal reimbursements only for their efforts related to Medi-Cal savings. More than six years ago, the department attempted unsuccessfully to acquire federal funds for similar CVSΟ services that pertain to public assistance, but it has not pursued the matter since then.

The department also needs to improve its oversight of the training and certification process for CVSΟ personnel who assist veterans in the claims process. The department has developed a generally appropriate process for certifying CVSΟ personnel who seek accreditation. However, the department does not have procedures for identifying all individuals who require accreditation and for ensuring that accredited individuals receive required ongoing training. Further, it has not ensured that training manuals and certifying examinations are current and approved appropriately.

THE DEPARTMENT SHOULD ESTABLISH STATEWIDE GOALS AND INVESTIGATE WHY COUNTY DATA VARY

The department could do more to enhance the effectiveness of the CVSO program throughout the State.

One of the strengths of the CVSO program and its services is the program's accessibility to veterans within the counties where these individuals live, and the success of each CVSO depends largely upon its county's commitment to the overall program. Nevertheless, the department has a responsibility to the program as a whole and to each CVSO, which looks to the department for guidance as well as for funding. Indeed, the department could do more to enhance the program's effectiveness throughout the State and to work with CVSOs in developing the goals and productivity measures that we discuss in Chapter 1 of this report. Because it collects data from all CVSOs, the department is also in a unique position to evaluate the CVSO program's overall success in serving veterans and reducing county costs.

The department believes it has a reporting system for determining the productivity of each CVSO. However, the department does not analyze the data it receives from that reporting system, nor does the department give the Legislature any productivity or effectiveness measures beyond its figures for the amount of veterans benefits the CVSO program assisted in obtaining during the year. As we point out in Chapter 1, these figures contain inaccuracies.

The department should analyze the differences in data reported by CVSOs, perform comparative analyses, and attempt to determine reasons for these differences in key performance indicators so that it can identify areas in which the CVSOs and the entire program can improve. The department should also set statewide goals for improved service to veterans.

Specifically, the department could compare one CVSO to another using the same key indicators that Chapter 1 suggests counties use to determine why productivity varies so widely. For example, in fiscal year 1998-99, monetary benefits obtained per workload activity in the Yuba-Sutter and Los Angeles CVSOs were \$2,712 and \$525, respectively. As Chapter 1 explains, workload activities represent such tasks as the filing of claims. The figures indicate that Yuba-Sutter obtains more than five times the benefits for each workload activity than does Los Angeles even though Yuba-Sutter serves a much smaller veterans population.

However, during the same period, the workload activities at Yuba-Sutter totaled a little more than one-fourth the number of activities performed in Los Angeles. Why? Could it be that staff at Yuba-Sutter was more productive? Or that Yuba-Sutter filed more claims of the type that required little effort and resulted in larger benefit awards than did staff at the Los Angeles CVSOS? The department does not investigate and analyze significant differences that would enable it to know the extent to which the results reflect reasons outside the CVSOS's control or whether the discrepancies point to CVSOS operations that each county could improve. If the department examined such differences, it could also identify best practices and recommend that all counties implement such practices.

Moreover, the department is in a stronger position than any individual CVSOS to work with the federal Department of Veterans Affairs (VA) in resolving backlogs and recommending changes in the claims process. The department should complete its own statewide analysis of the claims process to determine where significant delays occur. If it notes excessive delays at a particular regional office for the department or at a regional VA office, the department should attempt to identify and resolve the problems.

The department is in a position to coordinate a statewide outreach program and should work with CVSOSs and others to establish statewide goals and a means to measure progress.

Finally, the department should work with CVSOSs to develop reasonable, effective statewide goals to improve the service all CVSOSs provide to California veterans. For example, according to the VA, nearly 2.7 million veterans were living in California as of July 1999. On the other hand, according to the CVSOSs we visited, many veterans who may be entitled to benefits are not aware of their eligibility. Although we observed outreach efforts at each CVSOS, none had established goals or a means to measure the effectiveness of that outreach. Because it is in a position to coordinate a statewide outreach program, the department could work with CVSOSs, service organizations, and the VA to establish statewide goals and a means to measure progress toward the goals. Specifically, the department could determine the number of veterans in each county who do not yet receive benefits and review potential approaches CVSOSs have already used and those not yet attempted in each county. Additionally, it could set appropriate and measurable outreach goals for each county for the next year and have CVSOSs report their progress in this area to the department and to their counties.

THE DEPARTMENT NEEDS TO IMPROVE HOW IT DISTRIBUTES STATE AND FEDERAL FUNDS TO COUNTIES WITH CVSOS

Although the department has established a generally reasonable process for distributing state and federal funds to counties with CVSOS, it needs to improve this process to ensure that counties receive appropriate amounts. Additionally, neither the department nor the CVSOS ensures the accuracy of the data on which the department bases the allocations. For example, although the department is required by state regulations to audit selected counties annually to validate each county's reported workload activities, the department has performed only one such audit since 1996. Further, the department may be missing an opportunity to allocate more funds for CVSOS. Currently, the CVSOS receive reimbursements for helping their counties reduce Medi-Cal program costs by identifying veterans who have applied for Medi-Cal benefits but who are ineligible or only partially eligible for Medi-Cal because of the amount of their VA benefits. The CVSOS perform a similar role when they help lower costs for the counties' public assistance programs, but the CVSOS do not receive reimbursements for these efforts, and the department has not pursued compensation for the CVSOS in more than six years. Finally, even though state funding for the CVSOS program rose during fiscal year 1998-99, the increase did not prompt an expansion of program services in the counties we visited.

Although the Department Has Established a Generally Reasonable Process for Allocating Funds to Counties, the Process Needs Some Revisions

For fiscal year 1998-99, the department allocated to CVSOS more than \$3.1 million in state and federal funds to cover part of the counties' costs to run the CVSOS program at the local level. The department administers the sources of funding—the subvention, Medi-Cal cost-saving, and license plate programs—for the CVSOS, and its procedures for distributing this money to counties generally appear reasonable. Nevertheless, some aspects of the department's process for allocating state and federal funds have flaws that could prevent counties from receiving their fair portions of funds earmarked for the CVSOS program.

The state and federal funds that the department allocates to CVSOS come from multiple sources. In fiscal year 1998-99, the Legislature provided to the department \$2.1 million in *subvention funding*, or money from the State's General Fund, to help pay for

CVSOS received more than \$3.1 million in state and federal funds through the department's allocation process for fiscal year 1998-99.

CVSO activities. The department also contracts annually with the State Department of Health Services (Health Services) to obtain federal funds to reimburse CVSOs for a portion of their costs for performing activities that result in savings to the Medi-Cal program. For fiscal year 1998-99, the department received more than \$960,000 in federal reimbursements for Medi-Cal. Of that amount, the department allocated \$840,000 to counties. The department used the balance to help cover its expenses for administering the Medi-Cal cost-saving program as well as for reimbursement of claims processing activities. Finally, for the same fiscal year, the Legislature appropriated \$196,000 to distribute to counties from money available through the Veterans Service Office Fund (license plate fund). Each year, a portion of each registration fee paid for a veterans license plate goes into the license plate fund. The department allocates to counties participating in the CVSO program money from this fund to cover partially any expenditures not reimbursed through subvention funds or Medi-Cal reimbursements.

The department allocates state subvention and Medi-Cal funds based on workload activities reported by the CVSOs.

Having established a process designed to ensure that each county receives its fair share of the funding, the department allocates to each county semiannually state subvention and federal Medi-Cal funds by prorating that county's number of workload activities against the workload activity total for all counties. The department also distributes twice yearly to counties their share of the license plate funds; however, it bases each allocation on a prorated share of each county's net program expenditures against the statewide total of county expenditures. A county's net program expenditures are the difference between the county's program costs for the fiscal year and its share of both subvention and Medi-Cal reimbursement funds. Based on our review, we believe that the department has established a generally reasonable process for allocating state and federal funds to the CVSOs.

However, we noted a few areas in which the department needs to make improvements. Specifically, the department does not use an appropriate basis for distributing a portion of its subvention funds to CVSOs. When the department allocates Medi-Cal funds, it uses figures for workload activities related to the cost-saving program for Medi-Cal. However, when the department allocates its subvention funds, it uses workload activities that correlate with subvention funds as well as some of the Medi-Cal workload activities reported by the CVSOs. For example, during fiscal year 1998-99, the department based its allocation of Los Angeles County's share of the \$2.1 million in state subvention funds on

The department can improve its current allocation process by ensuring that workload units are not double counted and by ensuring that it meets certain limitations set by state regulations.

the 7,930 workload activities reported by the Los Angeles CVSO in its semiannual workload activity report. However, 719 of the 7,930 workload activities (9 percent) relate specifically to the Medi-Cal cost-saving program. Thus, the department used the 719 workload activities twice—once to allocate the subvention funding and once to allocate the Medi-Cal funds. We were not able to document the effect this miscalculation had on the Los Angeles CVSO or on other CVSOs in the State. However, we question the double counting of workload activities and conclude that the current allocation process does not ensure that individual counties receive a fair share of the \$2.1 million in subvention funds. After we brought this allocation error to its attention, the department agreed with our analysis and plans to change its procedures for calculating distributions of subvention funds.

Additionally, we are concerned that the department is not taking steps to ensure that it meets the following limitations set by state regulations:

- Each payment made to CVSOs under the subvention program is not to exceed 50 percent of the county's expenditures for the program or 50 percent of the annual subvention allocation, whichever is less.
- Each CVSO's annual allocation from the Medi-Cal cost-saving program is not to exceed the difference between its CVSO program costs and the total subvention payments made to it.
- Finally, each CVSO's allocation of license plate funds is not to exceed 75 percent of its program costs, less its subvention and Medi-Cal fund allocations.

Because the department has not made certain that allocations fall within these limitations, errors may occur in its allocation of both state and federal funds, and counties may not secure their fair shares of available funds. For example, we found that for fiscal year 1998-99, four counties received overpayments totaling nearly \$5,900 because the department failed to consider the 50 percent limit on the subvention allocation. We also tested the limitation on allocations of Medi-Cal funding. Although our review of data for six counties did not show any overpayments in this area, a possibility exists that some counties will not get a fair share of state and federal funds if the department fails to comply with requirements related to allocations of Medi-Cal reimbursements.

The Department Does Not Verify the Accuracy of Data It Uses in Its Decisions for Allocating Funds

Although the department bases its allocations of state and federal funds for veterans services on workload data from CVSOs, the department has not instituted procedures to ensure that such data are correct. Consequently, counties may not be receiving equitable funding for veterans benefits and services.

State regulations require the department to perform annual audits of selected CVSOs to verify each CVSO's reported workload activities. To meet this requirement, the department established a policy for performing on-site audits. In an on-site audit, the department visits the CVSO and confirms the staff's workload activities by matching veterans' case files with the county's semiannual workload activity report. Our review disclosed that the department has performed only one such audit since 1996 because it believes that these audits are not a cost-effective use of its resources. However, the department has not sought to change the requirement.

Although audits of selected CVSOs are required annually, the department has performed only one such audit since 1996.

Additionally, CVSOs do not make certain that the workload data used in the department's allocations are correct. No CVSO we visited had adequate procedures for verifying the accuracy and completeness of the workload data it submitted to the department. All three CVSOs submitted workload activity reports that contained errors. Although the errors are not significant, each CVSO needs procedures to ensure that its workload activity reports are accurate. Data errors have the potential to prevent CVSOs from obtaining equitable funding for their operations.

The Department Needs to Ensure That CVSOs Receive Appropriate Reimbursements for Cost-Saving Activities

The department may be missing an opportunity to obtain additional federal funds for CVSOs. Although CVSOs perform similar activities that result in cost savings for both the Medi-Cal and public assistance programs, CVSOs receive federal reimbursements only for the savings CVSOs bring to the Medi-Cal program. Department staff attempted more than six years ago to negotiate an agreement to secure federal funding for CVSO cost-saving activities related to public assistance, but the department has not pursued the matter since then. Further, although CVSOs receive federal funds to recognize their efforts in reducing Medi-Cal costs, the funding is based on a methodology established in fiscal year 1993-94 that has not received a recent review to confirm that it is still appropriate.

CVSOs are reimbursed for their Medi-Cal cost-saving activities, but not for efforts that save public assistance funds.

We noted that CVSOs received reimbursement for their participation in the Medi-Cal cost-saving program but not for their efforts directed at cost savings to public assistance programs. Under an agreement the department has with Health Services, CVSOs focus their efforts on establishing veterans benefits for veterans in health facilities who are eligible for Medi-Cal benefits. In practice, staff at health facilities or the county health department asks CVSOs whether a veteran applying for or already receiving health care is receiving monthly benefits from the VA. A county uses this information to determine how much it will pay for the costs of a veteran's care under the Medi-Cal program. The CVSO determines the monthly amount, if any, that the veteran receives from the VA, and the CVSO enters the figure on a referral form and returns the form to the requester.

Similarly, county social services departments ask CVSOs for the same information so that the county departments can determine the veteran's eligibility for public assistance. In fact, the CVSO uses the same forms and performs the same activity for both the Medi-Cal and public assistance programs. However, because the department does not have an agreement with the State's Department of Social Services (Social Services), CVSOs receive no reimbursements for their efforts in the public assistance area.

In 1993, the department attempted to negotiate an agreement with Social Services for federal reimbursement of CVSO activities that save public assistance dollars. However, in a July 1993 letter to the department, Social Services said that "federal authorities have taken the position that the activities performed by the Veterans Service Officers in conjunction with public assistance clients are not allowable public assistance activities, and cannot be claimed for federal financial participation. Consequently, we cannot use our claim process for passthrough of funds for these activities." When we asked staff members at Social Services to explain why CVSO efforts are not allowable, they could offer no explanation. We question why the department has not pursued this matter further, especially because more than six years have passed since the department's inquiry.

Conversely, the department does have an agreement with Health Services to provide federal funding for CVSO activities that reduce Medi-Cal costs. However, the department cannot demonstrate that the methodology used to compute this funding—a methodology that includes workload estimates developed in fiscal year 1993-94—is still appropriate. As part of its fiscal year 1998-99 agreement with Health Services, the department

Because the department has not reviewed certain workload estimates developed in fiscal year 1993-94, it does not know if the CVSO program is receiving an appropriate level of federal funding for its cost-saving activities.

received more than \$960,000 in federal Medi-Cal funds. Of this amount, the department billed Health Services for more than \$120,000 in administrative costs and claims processing activities and allocated the balance to CVSOs. The current year's agreement with Health Services gives the department \$1.02 million, with the increase resulting from a cost-of-living adjustment. Because it has not performed a review of its own or the counties' workload activities and thus cannot demonstrate that the workload estimates are still appropriate for calculating Medi-Cal funding of CVSOs, the department cannot be sure it is receiving an appropriate level of reimbursement for the counties' cost-saving activities.

The CVSOs We Visited Did Not Use Their Increased State Funding to Expand or Improve Program Services

Although the CVSOs received extra state funds for veterans services during fiscal year 1998-99, the CVSOs missed an opportunity to use the increased funding to expand or improve program services. During that fiscal year, the Legislature increased its subvention funding for the CVSO program by more than 30 percent, adding a \$500,000 augmentation to its appropriation of \$1.6 million from the General Fund. The Legislature did not state how the CVSOs were to use the augmentation, nor did the department believe it should restrict the counties' use of the additional funds. Thus, the counties had the latitude to use the money as they wished. The counties we visited used the augmentation to partially offset the funds they provided for CVSO operations rather than to expand or improve the services offered to veterans by increasing the total funding spent on the program.

Although the department distributed the entire \$2.1 million in subvention funding to the CVSOs, it did not notify the counties about the additional funds, and it did not begin allocating the increased funding until March 1999, more than eight months after fiscal year 1998-99 began. Because the department did not separately identify to counties the amount resulting from the augmentation, it did not prompt CVSOs to consider asking their boards of supervisors or administrators for increased spending authority.

The three CVSOs we visited told us they were not aware of their shares of the augmentation. If they had known about this additional money, they would have had to request adjustments to their county budgets to permit the expenditure of the funds

The CVSOs we visited did not use their share of an increase in state funds to expand or improve their programs. Instead, they spent fewer county dollars on their CVSO programs.

on their CVSO programs. In fact, these CVSOs did not spend the extra funds on their programs. Yuba-Sutter, Los Angeles, and San Diego counties received approximately \$12,000, \$41,000 and \$56,000, respectively, as their share of the \$500,000 state budget augmentation. Because these counties did not use the augmentation to increase the total amounts they spent on their CVSO programs, it resulted in the counties spending fewer county dollars on their CVSO programs. In fact, although it received approximately \$56,000 in increased state funding, San Diego reduced its total CVSO program expenditures in fiscal year 1998-99 by almost \$24,000 from the previous year.

THE DEPARTMENT NEEDS TO IMPROVE ITS OVERSIGHT OF THE TRAINING AND CERTIFICATION PROCESS FOR CVSO PERSONNEL

The department, like the VA, recognizes that individuals who assist veterans in securing VA benefits must be knowledgeable in their field, and it has a generally suitable process for training and certifying for accreditation according to VA standards those who seek to represent veterans and their dependents. However, the department lacks procedures for identifying CVSO personnel who require such accreditation, and it does not verify that those who have been accredited take required ongoing training. Furthermore, the department has failed to demonstrate that it consistently updates or receives VA approval for its training manuals and examinations.

The Department Generally Follows an Appropriate Process for Certifying Individuals Who Seek Accreditation

To ensure that veterans receive “qualified representation,” the department participates in the VA’s accreditation process for individuals required to meet the VA’s standards for representing veterans. Such representation includes assisting veterans to prepare and submit benefit claims, and thus the VA requires that CVSO personnel who have these duties be accredited. The department’s role in the accreditation process is to certify that individuals meet criteria specified by the VA and to recommend those individuals for VA accreditation.

According to VA officials, veterans service organizations, and the department, VA accreditation is a valuable tool because it establishes a minimum level of competency for individuals who assist veterans. Without this standard, the VA could potentially deny

some veterans all or part of the benefits to which they are entitled because the veterans' representation is inadequate or uninformed. The VA's process requires the department to certify that individuals seeking accreditation have met requirements outlined in federal regulations.

According to these federal regulations, the department also has certain responsibilities for training of CVSO staff personnel. First, the department must certify that CVSO personnel applying for accreditation have successfully completed a course of training and an examination that a VA regional counsel within the State has approved. Second, the department must certify that the CVSO personnel will receive regular supervision and monitoring or annual training.

Accreditation is a valuable tool because it establishes a minimum level of competency for individuals who assist veterans.

The department certifies that CVSO personnel have completed a training course and an examination. The examination covers material presented in the department's training course as well as all applicable federal laws and regulations. Once individuals begin the training process, they receive a training manual developed by the department. The manual contains lessons on various topics relating to the claims process, such as the types of VA benefits that are available to veterans. Individuals who have completed the lessons in the training manual must inform the department that they are ready to take the examination.

The scope of the examination includes the VA's claim-and-appeal process, veterans' eligibility requirements, available benefits, and filing deadlines. Individuals who pass the examination are required to submit to the department a completed VA application for accreditation. Upon receiving the application, the department certifies that the individual has met the regulatory requirements and submits the application to the VA, which will then accredit the individual.

When the department submits to the VA an accreditation application from CVSO personnel, the department also certifies that the individual will receive regular supervision and monitoring or annual training. In addition to certifying that each accredited individual will receive proper oversight, the department requires that each county with a CVSO program send at least one representative to training sessions held three times each year. If a CVSO fails to send at least one person to a session, the department withholds a portion of that county's subvention funding designated for training and redistributes it to those CVSOs that attended the training. The California Association of CVSOs

develops the training agenda. The association is a nonprofit educational and professional organization through which CVSOs help each other advocate and file veterans benefit claims. According to the department, CVSO personnel may also receive training from other sources.

The Department Lacks a Process to Identify CVSO Personnel Who Require Accreditation

Even though the department's certification process appears relatively sound, we are concerned that the department's efforts focus on approving CVSO personnel who actively seek accreditation rather than on ensuring that all individuals who require VA accreditation receive that endorsement. The department has indicated its desire to have all CVSO personnel who assist with claims accredited, but it has not established a process to identify and encourage individuals lacking accreditation to become accredited. As a result, CVSO personnel are exposed to potentially valid criticism regarding their ability to represent veterans.

The department's efforts focus on approving CVSO personnel who actively seek accreditation rather than on ensuring that all individuals who require accreditation obtain it.

The department does not maintain a statewide list of CVSO personnel who are not accredited to ensure they are on track for training, testing, certifying, and accreditation. Without such a tool to manage the process, the department cannot ensure the accreditation of all CVSO personnel who require accreditation. The department believes its responsibility is limited to establishing a certification test for accreditation and to certifying all CVSO personnel when they pass the approved examination and submit applications for accreditation. However, we believe that the department can and should do more. It is critical that veterans receive services from qualified CVSO personnel, and accreditation is the process that ensures these individuals attain a minimum standard of expertise. Instead of focusing narrowly on CVSO personnel who seek accreditation, the department should concern itself with all individuals who assist veterans and have not yet received accreditation. At each of the three counties we visited, we encountered at least one individual assisting and counseling veterans who had not earned accreditation from the VA. Although these individuals may possess adequate knowledge to represent and assist veterans effectively, their lack of accreditation exposes them to the potential criticism that they are unqualified.

For example, during our review of the qualifications of Los Angeles CVSO personnel, we identified a staff member who assisted veterans despite the fact that he did not have VA accreditation.

A staff member at one CVSO we visited has assisted veterans for 10 years yet still lacks accreditation.

This individual worked in a separate office in the county, and he had no direct supervision. The county hired this individual as a veterans claims assistant in 1990. The county's minimum qualifications for this position required the applicant to assist veterans with their claims, but they did not require VA accreditation. In September 1993, the department informed the Los Angeles CVSO of this individual's need for accreditation. Later that same year, this individual failed the department's certification test. When we visited the Los Angeles CVSO in January 2000, this individual still lacked VA accreditation. Because he failed the department's certification test and neglected to obtain VA accreditation during his 10-year employment, this staff member's ability to assist veterans adequately is subject to question. According to the Los Angeles CVSO, as a result of our discussion, the representative has since been working under supervision and will be retested.

The Department Needs to Ensure That Its Training Manual and Examinations Are Current and Approved by the VA

During our review of its training manual and examinations for the accreditation process, the department could not show us that either the manual or the tests have received regular updates. Indeed, CVSOs have been using the department's 1992 training manual, and this potentially outdated material could be inaccurate. To serve as links between the VA and veterans, CVSOs and their staff members need up-to-date information on claim requirements.

The department stated that its practice is to identify changes in relevant laws and to modify the manual as needed. However, the department could not provide evidence of updates to the manual or an official policy on how the updates are to occur. Although the department maintains that it has issued training manual revisions via bulletins since 1992, it has not used the manual's format to prepare these revisions, so the bulletins do not integrate easily into the manual. As a result, we question whether these bulletins are actual training manual updates or general information notices. This approach to disseminating new material could generate staff confusion about what is accurate because the original training material may differ from information that the bulletins present. Additionally, although the department has revised its certification examination five times since it created the first test in 1991, we could not determine if the examinations received updates regularly to ensure that the questions addressed current, relevant information.

The training manual and examinations the department uses in its certification process lack required federal approval.

Moreover, the department could not provide any evidence that either its training manual or certification examinations, with one exception, had received the approval by the VA that federal regulations require. The VA has approved neither the training manual in use since 1992 nor the recently developed training manual, which became effective January 1, 2000. In addition, although the department has revised its examination five times, VA records show that the VA approved the first test only, and that authorization occurred in 1991. The department maintains that regulations do not require VA approval of its training manual and only require approval of the initial certification examination. However, the VA has a different interpretation of these regulations. According to our conversations with the current VA regional counsel's office, which has authority over the approval process, copies of the current examination and manual should be on file in that office, and the department should submit for approval subsequent updates of the examination.

The Department Does Not Make Certain That Accredited CVSO Personnel Receive Required Training

The VA requires that CVSO personnel who are accredited receive either regular supervision and monitoring or annual training to assure continued qualification. The department, focusing on the VA's training requirement, has directed that all accredited CVSO personnel take refresher training annually; however, the department does not ensure that accredited individuals receive the required training.

According to the department, individuals may obtain refresher training at statewide training sessions offered three times each year or from other sources. However, the department does not always know who attends the statewide training sessions. The California Association of CVSOs administers the training sessions and provides rosters to the department that list the counties represented. We found that only one of the three training session rosters for fiscal year 1998-99 identified attendees by name. Further, the department does not know the extent to which individuals receive training from other sources, nor does it know whether the training provided is adequate. Because the department does not monitor training in any manner, it does not know that counties are complying with its requirement for annual training. The department should review its training requirements and procedures to ensure that accredited CVSO personnel receive adequate ongoing training.

RECOMMENDATIONS

If the Legislature makes future budget augmentations, it should clarify whether it intends counties to use the money to decrease their funding of the CVSO program or to supply additional resources for CVSOs so they may expand or improve program services.

To better measure and improve the effectiveness of the CVSO program, the department should do the following:

- Work with CVSOs to develop program goals and productivity measures for CVSOs to report to their county governments.
- Require each CVSO to report to the department annually its progress in meeting goals and productivity measures.
- Set statewide goals for the CVSO program, such as goals for reaching out to veterans not yet served, and establish measures to determine their achievement. Additionally, to identify areas for improvement, the department should analyze differences among counties using key information reported by CVSOs.

To make sure it allocates state and federal funds properly, the department should take these actions:

- Modify its allocation procedures for subvention funds to ensure that it uses only appropriate workload activities as the bases for the allocations.
- Comply with all allocation limitations set by state regulations.
- Audit CVSOs, as required by state regulation, to validate the workload activities it relies upon in the allocation process, or seek to change the regulation. If it chooses to change the regulation, the department should either establish an alternative process to ensure data accuracy or justify why an alternative is unnecessary.

Additionally, to improve the accuracy with which they report program information to the department, all CVSOs should ensure they have established proper controls over their reporting of workload data.

To ensure that the department and CVSOs receive appropriate federal reimbursements for their efforts associated with cost-saving activities related to the Medi-Cal and public assistance programs, the department should take the following steps:

- Seek to negotiate an agreement with Social Services that would reimburse counties with federal funds for CVSOs' efforts in reducing public assistance costs.
- Review the workload estimates developed in fiscal year 1993-94 under the department's agreement with Health Services for claiming reimbursements for Medi-Cal cost-saving activities so that the department confirms that the estimates are still appropriate.

To make certain that CVSO personnel who assist and counsel veterans are qualified to provide such aid, CVSOs should ensure that those lacking VA accreditation seek it.

Similarly, to ensure that CVSO personnel have the proper qualifications to assist veterans, the department should implement the following safeguards:

- Develop procedures to identify CVSO personnel who require accreditation and make sure they take proper steps to become accredited.
- Create procedures to verify that training materials, including manuals and examinations, receive necessary, regular updates that include information from departmental bulletins and other sources. Also, the department should ensure that the VA approves all new instructional materials, including training manuals, updates to manuals, and each certifying examination.
- Review its training requirements and procedures to ensure that accredited CVSO personnel receive adequate ongoing training.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary P Noble". The signature is written in a cursive style with a large initial "M" and "N".

MARY P. NOBLE
Acting State Auditor

Date: April 13, 2000

Staff: Karen L. McKenna, CPA, Audit Principal
Arn Gittleman, CPA
Tony Nevarez
Grant Parks

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APPENDIX

The California Department of Veterans Affairs' Report of Benefits Resulting From the CVSO Program

State law requires the California Department of Veterans Affairs (department) to report annually the amount of new or increased monetary benefits that the federal government pays to veterans and is attributable to the assistance of the County Veterans Service Officer program (CVSO program) in participating counties (CVSOs). To meet this requirement, the department reports, by county, to the Legislature the annual value of benefits obtained and the value of one-time benefits with which CVSOs assisted. The reported benefits for fiscal year 1998-99 appear in the table on the next page. The annual value of benefits obtained represents each county's total of new monthly benefits or benefit increases awarded by the federal Department of Veterans Affairs (VA) multiplied by 12.

It is important to recognize that the VA does not pay to veterans all of the funds represented by these annualized figures in the year that the department reports the figures. For example, for a new benefit that began halfway through the year, the report would reflect 12 months of the monthly benefit rather than the 6 months that the veteran received benefit payments. However, this methodology accurately reflects the amount paid annually in subsequent years because of these new or increased benefits.

Each figure for the total value of one-time benefits represents the total of each county's benefits awarded by the VA in a single payment. Unlike monthly benefits that continue, one-time benefits do not. One-time benefits include, for example, life insurance settlements or a single payment of monthly benefits calculated retroactively to an earlier filing date.

The department then combines both the annual value of benefits obtained and the one-time benefits obtained to report, by county, a total amount of benefits obtained with the help of the CVSO program. According to the report, CVSOs assisted in obtaining more than \$160 million in new or increased benefits for veterans in fiscal year 1998-99. However, as we discuss in Chapter 1, certain reported benefits and savings are inaccurate. Therefore, this information should be viewed with caution.

TABLE

**Federal Benefit Payments That CVSOs Helped to Obtain for California Veterans
(Fiscal Year 1998-99)**

Participating Counties	Annual Value of Benefits Obtained	Total Value of One-Time Benefits Obtained	Total Value of Benefits Obtained
Alameda	\$ 392,868	\$ 882,593	\$ 1,275,461
Amador	237,000	187,750	424,750
Butte	613,356	1,598,500	2,211,856
Calaveras	121,776	143,189	264,965
Colusa	98,100	97,347	195,447
Contra Costa	1,785,324	2,520,581	4,305,905
Del Norte	695,556	391,100	1,086,656
El Dorado	1,211,220	1,585,639	2,796,859
Fresno	1,517,352	1,623,508	3,140,860
Glenn	54,732	46,243	100,975
Humboldt	1,294,608	1,766,738	3,061,346
Imperial	392,112	400,041	792,153
Inyo	50,448	181,537	231,985
Kern	3,141,372	3,333,854	6,475,226
Kings	1,148,148	1,055,362	2,203,510
Lake	599,940	746,432	1,346,372
Lassen	58,536	61,764	120,300
Los Angeles	1,600,452	3,229,651	4,830,103
Madera	179,952	236,121	416,073
Marin	686,808	785,092	1,471,900
Mariposa	62,736	84,568	147,304
Mendocino	1,092,312	1,680,550	2,772,862
Merced	941,544	1,032,909	1,974,453
Modoc	63,768	24,276	88,044
Mono	24,936	57,224	82,160
Monterey	2,897,928	3,162,734	6,060,662
Napa	471,300	423,756	895,056
Nevada	688,212	1,109,987	1,798,199
Orange	976,356	1,897,189	2,873,545
Placer	615,228	1,075,633	1,690,861
Plumas	102,780	383,062	485,842
Riverside	3,965,556	5,697,073	9,662,629
Sacramento	1,501,380	2,380,037	3,881,417
San Benito	27,156	31,308	58,464
San Bernardino	4,190,976	4,691,098	8,882,074
San Diego	2,585,976	13,472,547	16,058,523
San Francisco	1,607,124	1,709,549	3,316,673
San Joaquin	2,008,212	1,712,260	3,720,472
San Luis Obispo	959,544	2,032,803	2,992,347
San Mateo	364,980	491,871	856,851
Santa Barbara	1,052,316	1,790,727	2,843,043
Santa Clara	2,159,544	2,742,949	4,902,493
Santa Cruz	1,851,648	1,655,620	3,507,268
Shasta	2,564,448	2,939,823	5,504,271
Siskiyou	302,784	358,501	661,285
Solano	3,333,156	5,729,053	9,062,209
Sonoma	2,812,308	3,779,435	6,591,743
Stanislaus	2,500,752	2,716,916	5,217,668
Tehama	397,212	306,088	703,300
Trinity	48,300	19,246	67,546
Tulare	1,827,144	1,757,781	3,584,925
Tuolumne	359,220	372,967	732,187
Ventura	1,354,044	2,713,771	4,067,815
Yolo	476,892	1,074,590	1,551,482
Yuba-Sutter	3,014,328	3,431,611	6,445,939
Totals	\$65,081,760	\$95,412,554	\$160,494,314

Source: California Department of Veterans Affairs' report to the Legislature.

Agency's comments provided as text only.

Department of Veterans Affairs
Office of the Secretary
1227 'O' Street
Sacramento, California 95814

April 5, 2000

Ms. Mary P. Noble
Acting State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814

Dear Ms. Noble:

This letter is to transmit the California Department of Veterans Affairs response to your Bureau's audit findings and recommendations. They are attached both hard copy and on disc.

I would also like to take this opportunity to thank you and express my appreciation to your audit team of Mr. Arn Gittleman, Mr. Tony Nevarez and Mr. Grant Parks. Their consistent professionalism, attention to detail, concern for confidentiality, and dedicated approach enabled all concerned to experience a smooth audit process.

Sincerely,

(Signed by: Gerald Rucker)

GERALD RUCKER
Undersecretary

CHAPTER I

RECOMMENDATIONS

To improve the reporting of benefits and savings associated with the CVSO program, the department should take the following actions:

- Clarify instructions so that CVSOs report only the increase in a benefit award when a prior benefit has been awarded.

CDVA RESPONSE

The department is taking steps to clarify CVSOs reporting procedures for the posting of a subsequent reopened claim awards within 12 months of the original award letter date. This revision will clarify how the differential shall be posted between previous awards and new increased awards, and how to post the new monthly increase. This will be completed by July 2000.

- Develop an appropriate estimating technique for calculating local tax revenues resulting from veterans benefit awards if the department wishes to continue reporting local tax revenues.

CDVA RESPONSE

The department will immediately discontinue this estimating technique. By October 2000 a new methodology will be developed and tested.

- Consider whether it wants to continue reporting public assistance savings to counties and, if so, insure it reports accurate savings. Also, the department needs to consider whether it should report savings for the Medi-Cal program. If identification of actual savings is not cost-effective, the department should determine whether it could provide counties a reasonable estimate of the savings. Additionally, to improve the accuracy of reporting of program information to the department, all CVSOs should implement appropriate controls over their reporting of benefits and savings.

CDVA RESPONSE

The department will consider both of the above stated recommendations and work with the CACVSO to analyze options.

Finally, CVSOs should take the following actions to better measure and improve the effectiveness of their efforts on behalf of veterans:

- Work with the department to develop goals and productivity measures for CVSOs

CVSO ISSUE

- Report to their respective counties and the department annually their progress in meeting the goals and productivity measures.

CVSO ISSUE

- Analyze their own operations and implement practices to improve their operations.

CVSO ISSUE

CHAPTER II

RECOMMENDATIONS

If the Legislature makes future budget augmentations, it should clarify whether it intends counties use the money to decrease their funding of the CVSO program or to supply additional resources for CVSOs so they may expand or improve program services.

To better measure and improve the effectiveness of the CVSO program, the department should do the following:

- Work with CVSOs to develop program goals and productivity measures for CVSOs to report to their county governments.

CDVA RESPONSE

The department agrees to this recommendation and will work with CVSOs to develop program goals and activity measures with a target date of April 2001 for completion.

- Require each CVSO to report to the department annually its progress in meeting goals and productivity measures.

CDVA RESPONSE

The department agrees to this recommendation and will work with CVSOs to develop program goals and activity measure with a target date of April 2001 for completion.

- Set statewide goals for the CVSO program, such as goals for reaching out to veterans not yet served, and establish measures to determine their achievement. Additionally, to identify areas for improvement, the department should analyze differences among counties using key information reported by CVSOs. To make sure it allocates state and federal funds properly, the department should take these actions:

CDVA RESPONSE

The department agrees to this recommendation and will work with The California Association of County Veterans Service Officers (CACVSO) to develop program goals and activity measure with a target date of April 2001 for completion.

To make sure it allocates state and federal funds properly, the department should take these actions:

- Modify its allocation procedures for subvention funds to ensure that it uses only appropriate workload activities as the bases for the allocations.

CDVA RESPONSE

The department has changed its procedure for calculating the allocation for subvention funds.

- Comply with all allocation limitations set by state regulations.

CDVA RESPONSE

These changes are being developed with an implementation target date of July, 2000.

- Audit CVSOs, as required by state regulation, to validate the workload activities it relies upon in the allocation process, or seek to change the regulation. If it chooses to change the regulation, the department should establish an alternative process to ensure data accuracy or justify why an alternative is unneeded.

CDVA RESPONSE

This Department will seek to change the regulation and develop an alternate method to ensure data accuracy. This will be completed by April 2001.

Additionally, to improve the accuracy of reporting of program information to the department, all CVSOs should ensure that they have established proper controls over their reporting of workload data.

To ensure that the department and CVSOs receive appropriate federal reimbursement for efforts associated with cost-saving activities related to the Medi-Cal and public assistance programs, the department should take the following steps:

- Seek to negotiate an agreement with Social Services that would reimburse counties with federal funds for CVSOs' efforts in reducing public assistance costs.

CDVA RESPONSE

The department will meet with the Department of Social Services to explore an inter-agency agreement that would potentially reimburse counties with federal

funds based on public assistance cost reductions. The department will establish a CVSO work group to assist and advise in the project to reach a workable inter-agency agreement that reflects cost avoidance for the Department of Social Services based upon work produced by the CVSO's. This will be completed by April 2001.

- Review the workload estimates developed in fiscal year 1993-94 under its agreement with Health Services to claim reimbursements for Medi-Cal cost saving activities so that it ensures the estimates are still appropriate.

CDVA RESPONSE

The department will work with the CVSOs in reviewing workload estimates developed for fiscal year 1993-94 for Department of Health Services Claim Reimbursements Agreement for Medi-Cal cost savings activities, insuring that both state and county estimates are appropriate. This will be completed by April 2001.

To make certain that CVSO personnel who assist and counsel veterans are qualified to provide assistance, CVSOs should ensure that those lacking accreditation seek it.

To ensure that CVSO personnel are qualified to assist veterans, the department should implement the following safeguards:

- Develop procedures to identify CVSO personnel who require accreditation and ensure they take action to become accredited.

CDVA RESPONSE

The department is developing procedures to identify all CVSO personnel who require to be accredited under Federal Law. This will be completed by October 2000.

- Create procedures to verify that training materials, including manuals and examinations, receive necessary, regular updates that include information from departmental bulletins and other sources, also, ensure that the VA approves all new training materials, including training manuals or updates to manuals as well as each certifying examination.

CDVA RESPONSE

The department has updated the training manual and is currently working with the U.S. Department of Veterans Affairs Regional Counsel for approval of the training manual, and the associated examination for accreditation is being developed. Proposed target date for completion is October 2000.

- Review its training requirements and procedures to ensure that accredited CVSO personnel receive adequate ongoing training.

CDVA RESPONSE

The department has entered into discussions with the CVSOs to identify all Veteran Services Representatives (VSR) employed in counties who are not accredited, who require training and who require testing to ensure that the provisions of 38 CFR 14.629 are met. A tracking system will also be implemented. The Department will also develop procedures to ensure that all CVSO personnel will receive regular supervision and monitoring and annual training. The target date proposed for completion of this recommendation is October 2000.

Agency's comments provided as text only.

Board of Supervisors
County of Los Angeles
856 Kenneth Hahn Hall of Administration
Los Angeles, CA 90012

April 6, 2000

Ms. Mary P. Noble
Acting State Auditor
California State Auditor
555 Capitol Mall, Suite 300
Sacramento, California 95814

RE: Response to final draft, The County Veterans Service Officer Program

Dear Ms. Noble:

In receipt of the final draft audit report in titled The County Veterans Service Officer Program concurred with the proposed recommendations and is proceeding with their implementations.

If you have any questions in regards to this subject matter please contact me at (213) 974-4111 or Sandra Davis of the Chief Administrative Office at (213) 974-1104.

Sincerely,

(Signed by: Miguel Santana)

Miguel Santana
Assistant Chief Deputy
Supervisor, First District

MS/sf

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Agency's comments provided as text only.

Chief Administrative Office
County of San Diego
1600 Pacific Highway
San Diego, California 92101-2472

April 5, 2000

Mary P. Noble
Acting State Auditor
California State Auditor
Bureau of State Audits
555 Capital Mall, Suite 300
Sacramento, CA 95814

Attn: Karen McKenna
Audit Principal

Dear Ms. Noble:

Chairwoman Dianne Jacob referred your request of March 30, 2000 to my office for review and comment. The responses to the draft recommendations with comments are included in the enclosures. We have also provided a copy of our response on a diskette as you had requested.

If you have any questions, please contact W. Harold Tuck, Jr. at (619) 338-2888.

Sincerely,

(Signed by: Walter F. Ekard)
Chief Administrative Officer

WALTER F. EKARD

WFE/dq

Enclosures

COUNTY OF SAN DIEGO
RESPONSE TO THE STATE AUDITORS DRAFT REPORT 99133 TITLED,
THE COUNTY VETERAN SERVICE OFFICER PROGRAM (CVSO)

On March 29, 2000 the State Auditor's Office informed the County to comment only on the recommendations beginning on page 23 of the report.

RECOMMENDATION (Page 23)

- To improve the accuracy of reporting of program information to the Department, all CVSOs should implement appropriate controls over their reporting of benefits and savings.

RESPONSE: Agree

- CVSOs should take the following action to better measure and improve the effectiveness of their efforts on behalf of veterans:

- Work with the department to develop goals and productivity measures for CVSOs.

RESPONSE: Agree

COMMENT: This office will meet and work with the department to develop statewide goals and productivity measures.

- Report to their respective counties and the department annually their progress in meeting the goals and productivity measures.

RESPONSE: Agree

COMMENT: San Diego CVSO currently reports on all performance goals and productivity measures.

- Analyze their own operation and implement practices to improve their operations.

RESPONSE: Agree

COMMENT: This office and the Health and Human Services Agency recently conducted a thorough review of the current performance measures with the assistance of a consulting firm to refine and add to the current performance measures and goals. All performance measures and goals have been and will continue to be refined to ensure they are providing the information necessary to produce improvements in the efficiency and effectiveness of this office. Other indicators resulting from this audit are being reviewed and incorporated into the current practices.

RECOMMENDATION: (Page 29)

- If the Legislature makes future budget augmentations, it should clarify whether it intends counties use of the money to decrease their funding of the CVSO program or to supply additional resources for CVSOs so they may expand or improve program services.

RESPONSE: Disagree

COMMENT: San Diego County Board of Supervisor's position is local control on revenue for this program.

①*

- Additionally, to improve the accuracy of program information reporting to the department all CVSOs should ensure that they have established proper controls over their reporting of workload data.

RESPONSE: Agree

COMMENT: Based on state instruction received February 16, 1993 and February 26, 1993 San Diego CVSO retained files (other than Medi-Cal claims) one year.

②

In response to the recent audit the retention of files will be ongoing. The auditor clarified verbally that Medi-Cal files are the only files that may be purged after 3 years.

- To make certain that CVSO personnel who assist and counsel veterans are qualified to provide assistance, CVSOs should ensure that those lacking accreditation seek it.

RESPONSE: Agree

COMMENT: All employees in San Diego CVSO are accredited pending one person who will finish the process in June 2000.

*California State Auditor's comments appear on page 59.

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COMMENTS

California State Auditor's Comments on the Response From San Diego County

To provide clarity and perspective, we are commenting on San Diego County's (county) response to our audit report. The numbers correspond to the numbers we have placed in the county's response.

- ① The county responded to a recommendation directed to the Legislature. Although the county's position is that there should be local control of revenue for its County Veterans Service Officer program (CVSO), it is the Legislature's prerogative to stipulate how state funds should be used if it chooses to do so.
- ② The county refers to a concern over file retention we discuss in the Scope and Methodology section of the report's Introduction. It is important to recognize that it was not the apparent misunderstanding regarding file retention requirements that prompted our recommendation that CVSOs ensure that they have established proper controls over reporting. Instead, as we discuss in the report, it was our concern that the CVSOs we visited, including the San Diego CVSO, lack a sufficient quality control process to ensure the accuracy of the information reported.

Additionally, we agree that the county thought it was following California Department of Veterans Affairs' (department) guidance when it retained certain files only one year. However, the county is not correct when it states that one of the auditors verbally clarified that files for the California Medical Assistance (Medi-Cal) program are "the only files that may be purged after three years." Rather, the auditor commented that the terms of the agreement the department has with the Department of Health Services include a three-year retention period for Medi-Cal records. Further, the agreement's provisions do not pertain to records that the CVSO maintains for individuals who are not in the Medi-Cal program. As we reported, we have asked the department to clarify to the CVSOs its instructions on record retention.

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Agency's comments provided as text only.

The County of Yuba
Office of the Board of Supervisors
215 Fifth Street
Marysville, CA 95901

April 5, 2000

Ms. Mary P. Noble
California State Auditor
Bureau of State Audits
555 Capital Mall, Suite 300
Sacramento California 95814

Dear Ms. Noble:

My comments to the recommendations put forth by your auditors are enclosed. I wish to thank all of those staff members involved with the audit of the Yuba-Sutter Veterans Service Office. It is my understanding the auditors were professional and courteous.

Should you have any further questions please don't hesitate to contact me or the Yuba-Sutter County Veterans Service Officer personally.

Very truly yours,

(Signed by: Brent Hastey)

Brent Hastey
Chairman of the Board of Supervisors

BH:wrc

Enclosures (3)

**Comments to California State Auditor
Dated March 30, 2000**

Recommendation: To improve the accuracy of reporting of program information to the California Department of Veterans Affairs (CDVA), all CVSO's should implement appropriate controls over their reporting of benefits and savings.

①* **Response:** The Yuba-Sutter CVSO will, with the assistance of the Yuba County Human Services Agency and the Sutter County Social Services Department, report the actual cost savings based on eligibility to the Board of Supervisors of Yuba and Sutter county on an annual basis. (i.e., if a veteran receives 400.00 a month in disability compensation and the maximum benefit is 300.00 through Social Services the cost savings is 300.00 to the county and not 400.00, which is currently being reported.) **Please note that the current procedures set forth by CDVA are being followed.**

Recommendation: CVSO's should take the following actions to better measure and improve the effectiveness of their efforts on behalf of the veterans:

- Work with the CDVA to develop goals and productivity measures for CVSO's
- Report to their respective counties and CDVA annually their progress in meeting the goals and productivity measures.
- Analyze their own operations and implement practices to improve their operations.

Response:

- The Yuba-Sutter CVSO will, in connection with the California Association of County Veterans Service Officers (CACVSO) and CDVA, discuss and develop goals and productivity measures for CVSO's.
- The Yuba-Sutter CVSO will report annually to the Human Services Agency Director the progress in meeting goals and productivity measures.
- The Yuba-Sutter CVSO will analyze its own operation, forward its findings to the Human Services Agency Director and implement practices to improve operations.

Recommendation: To improve the accuracy of reporting of program information to the department, all CVSO's should ensure that they have established proper controls over their reporting of workload data.

② **Response:** Although your report discusses the over reliance on a software program to track reporting of data, the Yuba-Sutter CVSO is confident in the new software program we now have in place can and will alleviate tracking problems we have encountered in the past.

Recommendation: To make certain that CVSO personnel who assist and counsel veterans are qualified to provide assistance, CVSO's should ensure that those lacking accreditation seek it.

Response: The Yuba-Sutter CVSO has a policy in place to have all veterans' service representatives and County Veterans Service Officers accredited by the department within one year of employment.

*California State Auditor's comments appear on page 63.

COMMENTS

California State Auditor's Comments on the Response From Yuba County

To provide clarity and perspective, we are commenting on Yuba County's (county) response to our audit report. The numbers correspond to the numbers we have placed in the county's response.

- ① The county has focused narrowly on the recommendation by citing only one type of data. As discussed in our report, the Yuba-Sutter County Veterans Service Officer program (CVSO), among others, did not have controls in place to ensure benefits and savings are accurate before they are reported to the California Department of Veterans Affairs (department). Our concern is that without a sufficient quality control process in place all data the CVSO reports to the department may be unreliable. Therefore, county supervisors and state legislators who receive this information from the department may make inappropriate decisions regarding the CVSO program.
- ② At the time we visited the Yuba-Sutter CVSO, it prepared all its calculations and reports manually. Since our visit, the CVSO has installed the same computer software program we observed in place at two other CVSOs. Furthermore, the county responded that its CVSO is confident that the new software program it has in place will alleviate workload data reporting problems it has encountered in the past. However, the Yuba-Sutter CVSO should not place too much reliance on the software program to detect errors in reporting. As discussed in our report, although we had been told that the software has an edit to prevent duplicate entries, we found that information for one award was recorded twice. Additionally, the software is not designed to catch other kinds of errors.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press