



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued September 20, 2017

Department of Veterans' Services

For the period July 1, 2014 through June 30, 2016





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Making government work better

September 20, 2017

Mr. Francisco Ureña, Secretary
Department of Veterans' Services
600 Washington Street, Seventh Floor
Boston, MA 02111

Dear Secretary Ureña:

I am pleased to provide this performance audit of the Department of Veterans' Services. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through June 30, 2016. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Department of Veterans' Services for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular stamp.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Marylou Sudders, Secretary, Executive Office of Health and Human Services

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LIST OF ABBREVIATIONS

CMR	Code of Massachusetts Regulations
DMF	Death Master File
DVS	Department of Veterans' Services
NOD	Notice of Determination
OSA	Office of the State Auditor
PACE	Performance and Career Enhancement
VA	Veterans Administration
VSO	veterans' services officer

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Department of Veterans' Services (DVS) for the period July 1, 2014 through June 30, 2016. In this performance audit, we examined DVS activities related to the administration of veteran benefits, veteran community outreach, and compliance with certification and education requirements for veterans' services officers (VSOs).

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 8	DVS provided \$26,909 in reimbursements to cities and towns for benefits to veterans and/or their dependents after their deaths.
Recommendations Page 9	<ol style="list-style-type: none">1. DVS should collaborate with cities and towns to have them repay the \$26,909 of improper reimbursements they received.2. DVS should develop a procedure to compare databases containing lists of benefit recipients with the Social Security Administration's Death Master File to identify recipients who have died and ensure that benefits are not paid after death.
Finding 2 Page 9	DVS does not ensure that veterans receive an explanation of their benefits.
Recommendation Page 10	DVS should develop monitoring controls to ensure that veterans receive Notices of Determination so they have an opportunity to review their benefit eligibility decisions.
Finding 3 Page 10	Some VSOs have not completed the required training and/or certification exam.
Recommendations Page 11	<ol style="list-style-type: none">1. DVS should explore the possibility of developing alternative training opportunities for VSOs who find it difficult to participate in the annual onsite or online training.2. DVS should continue to notify the communities whose VSOs have not met the training and certification requirements and ask them to work with the VSOs on addressing this issue as soon as possible.

OVERVIEW OF AUDITED ENTITY

The Department of Veterans' Services (DVS) is an agency within the state's Executive Office of Health and Human Services that is authorized under Section 2 of Chapter 115 of the Massachusetts General Laws to assist and advise veterans' services officers (VSOs) regarding benefits and services for which veterans may be eligible. According to its website, DVS's mission is "to be the chief advocate for the nearly half-million veterans of the Commonwealth and their families." DVS establishes policy, proposes legislation, works to include adequate funding for veterans' programs in the state budget, and represents the interests of veterans before the Legislature. Further, DVS represents state agencies and individual veterans before the federal Department of Veterans Affairs in securing compensation and available benefits.

DVS also administers a needs-based benefit program pursuant to Chapter 115 of the General Laws through VSOs assigned to each municipality in the Commonwealth. Each city or town pays eligible veterans their monthly benefits¹ directly, by check, at the beginning of each month and then requests reimbursement from the Commonwealth for 75% of the benefit amount paid. DVS pays the municipalities quarterly for eligible benefits, a year in arrears. DVS reimbursed local municipalities for Chapter 115 benefits of \$50,170,811 in fiscal year 2015 and \$51,199,276 in fiscal year 2016.

VSOs are appointed by the mayors or boards of selectmen in cities and towns to accept applications from veterans or their dependents, determine their eligibility for benefits, and file requests for federal benefits. In partnership with VSOs, DVS helps veterans and their families navigate available federal, state, and local programs, benefits, and other resources.

DVS also provides state funding to organizations that provide homeless shelters, transitional housing, and outreach services to veterans. Additionally, DVS administers an annuity program for veterans who have a service-connected-disability rating of 100%,² through which qualifying veterans or their dependents receive \$2,000 annually.

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1. These needs-based benefits, paid monthly to the veteran or eligible dependents, assist qualifying recipients with their monthly living expenses for food, shelter, fuel, and medical assistance.
 2. Veterans, their parents, and surviving spouses of deceased veterans are entitled to this annuity for service-related injuries to veterans. Eligible disabilities include blindness, permanent paralysis of both legs, and other injuries that a veteran sustained in combat or by accident while in service and that the federal Veterans Administration has determined qualify someone as 100% disabled.

During our audit period, DVS had approximately 65 employees, including managers and support personnel. Its headquarters are at 600 Washington Street in Boston.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Department of Veterans' Services (DVS) for the period July 1, 2014 through June 30, 2016.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer, the conclusion we reached regarding each objective, and where each objective is discussed in the audit findings.

Objective	Conclusion
1. Is the DVS eligibility determination process effective in its administration of benefits and the issuance of Notices of Determination (NODs) to veterans?	No; see Findings <u>1</u> and <u>2</u>
2. Have all veterans' services officers (VSOs) completed the mandatory annual training provided by DVS, and are they currently certified to assist veterans in accessing benefits and services, as required by Chapter 115 of the General Laws?	No; see Finding <u>3</u>

To achieve our audit objectives, we gained an understanding of DVS's internal control environment related to the administration of veterans' benefits and compliance with certification and education requirements for VSOs. We also reviewed applicable laws, regulations, and agency policies and procedures and DVS's 2014 internal control plan, the most recent one available.

We requested from DVS information that was necessary to achieve our audit objectives, including its policies and procedures that specifically addressed the areas of audit: benefit eligibility and determination, veteran-outreach efforts, and the training and certification of VSOs. Although DVS has not developed written policies and procedures for its employees, it has issued a training manual to VSOs that was used during our audit period to train VSOs in the administration of the Chapter 115 program. We conducted further audit testing as described below.

Benefit Eligibility and Determination

Under Chapter 115 of the General Laws, the Commonwealth provides financial assistance for qualifying veterans for food, shelter, clothing, housing supplies, and medical care. These benefits also apply to eligible dependents of veterans after the veterans have died.

To gain an understanding of how DVS authorized payments of benefits to eligible veterans and their dependents, we interviewed DVS management and 16 of 199 VSOs who were responsible for approving the amounts and start dates of benefits and providing applicants with NODs indicating their benefit eligibility. We also gained an understanding of the steps taken after initial eligibility determinations to ensure that veterans and their dependents remained eligible to receive the benefit. We reviewed Chapter 115 to determine what documentation was needed for recipients to qualify for and maintain eligibility in the program, how benefit amounts were determined, and how applicants were notified of benefit determinations.

To test compliance for this process, we performed a comparison of all 14,390 veterans and their dependents who received Chapter 115 benefits during the period July 1, 2014 through June 30, 2016 with the federal Social Security Administration's database of Social Security numbers of deceased individuals, known as the Death Master File, to determine whether benefits had been paid for expenses incurred after a date of death.

We randomly selected a nonstatistical sample of 100 veterans who were receiving benefits under Chapter 115 from the population of 14,390 active recipients during our audit period to determine whether the recipient case folders contained the proper documentation to verify veteran status, income, and housing costs, and to determine whether veterans received NODs on the status of their benefit eligibility. We also recalculated benefit amounts paid to veterans and/or their dependent(s) to ensure their accuracy.

Veteran Community Outreach

As previously mentioned, DVS is the key promoter of Massachusetts veteran causes in the state Legislature and federal government to ensure adequate funding for veteran programs. In its advocacy for all Commonwealth veterans, DVS oversees financial-assistance programs, provides homeless-shelter funding to independent agencies, and operates outreach programs for veterans in need of services.

We reviewed Section 4 of Chapter 51 of the General Laws to identify mechanisms for self-reporting veteran status on the annual census maintained by the Elections Division of the Office of the Secretary of the Commonwealth. We also reviewed independent government websites, such as those of the federal Veterans Administration (VA) and US Census Bureau, to identify veteran counts by municipality. We reviewed reports issued by the VA to gain an understanding of the number of veterans in the country and how many of them use at least one program offered by the VA. Our intent was to compare the other state and federal veteran programs against the functions performed by DVS to evaluate the effectiveness of DVS veteran counts and community outreach.

To gain an understanding of the process of veteran outreach, we interviewed DVS management to determine the agency's method for capturing statistical information on the number of veterans it helps and data regarding the programs for which veterans are eligible. We also met with VSO officials to gain an understanding of how the agency tracks the number of veterans in VSOs' communities, the number of veterans VSOs have helped, and how VSOs ensure that eligible veterans are aware of available programs. DVS management informed OSA that measurement and statistical analysis of the effectiveness of the veteran benefit programs have not been performed.

VSO Training and Certification

Section 3B(a) of Chapter 115 of the General Laws requires DVS to establish criteria for the training and certification of VSOs to ensure that VSOs possess the core knowledge needed to serve veterans effectively. This law also requires VSOs to complete training every year and pass a certification exam every three years. The regulations promulgated by DVS for the training and certification of VSOs became effective during fiscal year 2016.

To gain an understanding of the process DVS used to ensure that all VSOs received their annual training and passed the certification exam, we discussed this matter with DVS management. We found that DVS developed, and distributed to all VSOs, a training manual for use during a four-day annual training session; the information in the manual is also the basis for the certification exam. DVS also developed a training and exam website, using the Commonwealth's Performance and Career Enhancement (PACE) learning management system, for VSOs who could not attend the onsite training and testing.

To determine whether DVS had developed a training manual and a certification exam that covered the areas of knowledge required by its regulations, we reviewed the training manual and exam for content

and also reviewed approvals of the content by DVS management, the Massachusetts Veterans' Services Officers Association, and the Massachusetts Municipal Association.

We examined source documents, including graded exams for all VSOs who took the annual training and the exam. We also inspected reports generated from PACE to identify VSOs who successfully completed the training and passed the certification exam online. We compared the list of all VSOs in the Commonwealth against a list of those who either attended the onsite annual training and passed the certification exam or used PACE online to complete the training and passed the exam, and we identified the VSOs who still have not attended the annual training and those who have not passed the exam.

Data Reliability

We obtained data from DVS's case-management system, the Veterans Services Management Information System, which is used to record and monitor Chapter 115 financial- and medical-assistance benefits provided to eligible veterans and their dependents. Accordingly, we reviewed controls for access to programs and data, program changes, and computer operations. We also performed a data reliability assessment by performing additional validity and integrity testing, including (1) testing for missing data, (2) scanning for duplicate records, and (3) tracing a sample of cases queried to source documents. We also obtained data from PACE, which DVS used to provide training and testing to VSOs. Our data reliability assessment of PACE consisted of completeness and accuracy testing. We determined that the data were sufficiently reliable for the purposes of audit testing.

Whenever sampling was used, we applied a nonstatistical approach, and as a result, we were not able to project our results to the entire populations.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Department of Veterans' Services provided \$26,909 in reimbursements to cities and towns for benefits to veterans and/or their dependents after their deaths.

The Department of Veterans' Services (DVS) improperly reimbursed cities and towns nearly \$27,000 for veteran benefits. We compared a list of all 14,390 veterans and their dependents who received Chapter 115 benefits between July 1, 2014 and June 30, 2016 with the federal Social Security Administration's Death Master File (DMF).³ Our testing showed that DVS reimbursed municipalities \$26,909 for living expenses for 50 veterans or their dependents after their deaths, including allowances for rent, heating fuel, and medical-insurance premiums. When a benefit recipient dies, s/he is still entitled to receive the full benefit amount for the month in which s/he died, as well as reimbursement for any medical expenses incurred before death. However, by reimbursing cities and towns for expenses incurred after the date of death, DVS is repaying money to which the municipalities are not entitled.

Authoritative Guidance

Section 13.02(1) of Title 108 of the Code of Massachusetts Regulations (CMR) states,

*DVS . . . shall allow and endorse the amounts that have been **properly paid** by a municipality, authorized for reimbursement, and reported.* (Emphasis added.)

"Properly paid" means paid as reimbursement of expenses incurred by living veterans and/or their dependents.

Reason for Issue

DVS does not have an automated procedure to verify that beneficiaries are living before it reimburses municipalities; it relies on veterans' services officers (VSOs) to perform manual obituary searches to identify benefit recipients who have died and update payment files. Management could not explain why the manual searches had not identified all benefit recipients who had died.

3. The DMF is a database generated by the Social Security Administration (created from the administration's payment records) that contains information about people who have Social Security numbers and whose deaths have been reported to the Social Security Administration. This file is updated weekly.

Recommendations

1. DVS should collaborate with cities and towns to have them repay the \$26,909 of improper reimbursements they received.
2. DVS should develop a procedure to compare databases containing lists of benefit recipients with the DMF to identify recipients who have died and ensure that benefits are not paid after death.

Auditee's Response

1. *DVS identified the cities and towns that received the improper reimbursements. DVS is notifying them that the overpayments will be deducted from their next reimbursement scheduled for September 30, 2017. This will make the Commonwealth whole.*
2. *DVS created the position of Director of Program Integrity and Data Analysis. A portion of the Director's duties include database matching. The Director created a process to compare DVS' recipient database against the Massachusetts Department of Public Health ("DPH") database of recently deceased persons. This will identify DVS customers who recently died. This system will operate in addition to the current responsibility of the Veterans Service Officers to discover and report the deaths of Chapter 115 recipients. This check will occur monthly thus ensuring veterans' benefits are not paid after a recipient's death.*

2. DVS does not ensure that veterans receive an explanation of their benefits.

DVS does not ensure that all veterans receive Notices of Determination (NODs) regarding their benefits. Veterans are required to receive NODs from their VSOs that explain whether they are eligible for Chapter 115 benefits, as well as the amount and start date of benefits. During our audit period, 89 of 100 veterans sampled did not receive NODs from their VSOs. Although we did not identify any instances where veterans who were deemed eligible did not receive benefits, those who do not receive NODs may not know whether they are receiving the correct level of benefits or whether they began receiving their benefits on the appropriate start date and therefore would not know that this information should be corrected.

Authoritative Guidance

According to 108 CMR 5.01(3), VSOs must provide written notification to veterans on initial application and upon each recertification,⁴ explaining the determination of their applications for benefits. Additionally, to assist and advise VSOs properly to align with its enabling legislation, DVS should ensure

4. Once a year, recipients of Chapter 115 benefits must resubmit to their VSOs proof of income and rental expenses to verify continued benefit eligibility and determine any change in benefit amount.

that all VSOs have evidence that each veteran has received an NOD that explains the benefits they are to receive and when the benefits will start.

Reason for Issue

DVS lacks monitoring controls to ensure that veterans are sent NODs by their VSOs.

Recommendation

DVS should develop monitoring controls to ensure that veterans receive NODs so they have an opportunity to review their benefit eligibility decisions.

Auditee's Response

DVS is in the process of notifying all Veteran Service Officers ("VSO"), in writing, that effective August 1, 2017, new applicants must sign and be provided with a copy of the NOD. NOD's will be provided to all current Chapter 115 beneficiaries (and signed by them) as part of their annual recertification cycle, but no later than January 31, 2018. The Director of Program Integrity and Data Analysis is also creating a "drop box" on the computer program used to record activity in an applicant's account called the Veteran Services Information Management System ("VSMIS") affirming that the VSO gave a copy of the NOD to the applicant and the latter signed it. A copy of the signed NOD must also be scanned into VSMIS for retention. These requirements must be met as a condition precedent before the reimbursement will be approved by DVS Authorizers. The DVS Authorizers will ensure the VSO's compliance with this new procedure prior to approving reimbursements. Finally, DVS conducts annual training for all VSO's during the month of October. DVS will highlight these new requirements during this annual training.

3. Some VSOs have not completed the required training and/or certification exam.

As of the end of our audit period, of the 199 VSOs in the Commonwealth,⁵ 17 had not completed the mandatory annual training and triennial certification exam, and 4 others had completed the training but not the exam. As a result, these 21 VSOs may not be providing the intended level of services to veterans in their communities to help them learn about, apply for, and receive veteran benefits and services for which they may be eligible.

5. There are 351 cities and towns in the Commonwealth, and each municipality, other than those that elect to become part of a district, is required to establish a department of veterans' services and appoint a VSO to advise and assist veterans and their families about veteran benefits and services available to them. Currently there are 199 VSOs who either represent a single municipality or represent multiple municipalities as part of a district.

Authoritative Guidance

Section 3B(b) of Chapter 115 of the Massachusetts General Laws requires each VSO to do the following:

(iii) attend a mandatory training once every calendar year; and (iv) take and pass the test offered at each administered training once every 3 years. The secretary of veterans' services shall consider candidates who complete the requirements of this section a certified veterans' benefits and services officer.

Reason for Issue

DVS stated that some of the VSOs work or live in remote areas with limited Internet access, so it is a hardship for them to fulfill the training and certification requirements. DVS officials told us that attending the annual training was optional before October 2015 and that the agency was still looking for ways to get all VSOs to take the mandatory training and the exam. They added that they had notified town officials that VSOs need to comply with the training and certification requirements.

Recommendations

1. DVS should explore the possibility of developing alternative training opportunities for VSOs who find it difficult to participate in the annual onsite or online training.
2. DVS should continue to notify the communities whose VSOs have not met the training and certification requirements and ask them to work with the VSOs on addressing this issue as soon as possible.

Auditee's Response

1. *DVS recognizes that some geographic locations within Massachusetts are unable to participate in online training offered by DVS due to lack of internet bandwidth. Therefore, DVS will schedule regional training in both Worcester and Western Massachusetts this January for those communities that find it difficult to participate in online training or the annual onsite training each October.*
2. *DVS will continue to work with communities where the VSO's have not met the training and certification requirements by notifying the VSO's and the local community officials. DVS will also collaboratively develop strategies to ensure that individual VSO's meet the training and certification requirements.*

OTHER MATTERS

The Department of Veterans' Services could use available data to improve its program administration, including its outreach.

We found areas where we believe the Department of Veterans' Services (DVS) could do a better job of administering its programs, including its outreach activities. For example, DVS uses US Census Bureau data to estimate the overall number of veterans living in Massachusetts, but it does not obtain information on the number of veterans living in each of the individual communities within the Commonwealth, even though this information is readily available from the Elections Division of the Office of the Secretary of the Commonwealth. In fact, DVS officials told us that they were not aware that this veteran information was available. Obtaining a list of the veteran population in each community and providing this information to veterans' services officers (VSOs) so they are more aware of their target population could facilitate more effective and efficient service delivery to veterans.

Also, DVS does not require its staff or VSOs to compile statistical information on veterans served and not served by communities and does not collect and analyze other information that it and VSOs could use to assess the effectiveness of its programs and outreach strategies. For example, one program operated by DVS is the Homeless Veterans' Reintegration Program, which provides homeless veterans with professional training, job assistance, and housing services. In another outreach effort, VSOs visit housing complexes for elderly residents to inform them of the work VSOs do and how they could help veterans and their families who may be eligible for veteran programs, benefits, and services. VSOs do not collect program performance data on either of these programs, but the collection and evaluation of such information could enable DVS and VSOs to develop performance metrics that would allow them to evaluate program effectiveness, determine to what extent a program is achieving desired results, or identify what needs to be done to improve program performance.

Finally, DVS could collaborate with other state agencies from which veterans could receive benefits to enhance the effectiveness of its outreach activities. For example, the eligibility requirements for receiving health insurance under the state's Medicaid program, MassHealth, are very similar to those for a veteran to receive benefits under Chapter 115 of the Massachusetts General Laws. Part of the information MassHealth collects from recipients is whether they self-identify as veterans. During our audit, we gave DVS the list of all MassHealth recipients who identified themselves as veterans and asked DVS to tell us which ones were receiving benefits from DVS. As of June 30, 2016, there were 13,679

MassHealth recipients who identified themselves as veterans on their MassHealth applications. However, of these 13,679 veterans, DVS reported that only 1,460 were receiving Chapter 115 veteran benefits. Our analysis of this information found, of the remaining 12,219 veterans, an additional 7,938 who might qualify for Chapter 115 veteran benefits based on their income levels and are not currently served by DVS.